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STELUX Holdings International Limited

(Incorporated in Bermuda with limited liability)

<http://www.irasia.com/listco/hk/stelux>

CONTINUING CONNECTED TRANSACTIONS WAIVER IN RELATION TO PURCHASES OF TIMEPIECES

SUMMARY

The Group has in the past purchased timepieces on a continuing basis through the Thong Sia Companies, an exclusive wholesale agent for several major Japanese brands in Hong Kong, Singapore and Malaysia.

In October 2001, the Stock Exchange granted a waiver to the Company from strict compliance with the announcement/shareholders' approval requirement in connection with certain continuing connected transactions in relation to purchases of timepieces from Thong Sia Companies, connected persons of the Company for the three years ended 31 March 2004.

The waiver will expire on 31 March 2004. The Group will continue to make purchases of timepieces through Thong Sia Companies in its ordinary course of business, and in view of the continuous nature of such business activity the Company has applied to the Stock Exchange for a new waiver in connection with the purchases of timepieces from Thong Sia Companies (referred to below as the "**Continuing Connected Transactions**").

A circular containing the particulars of the Continuing Connected Transactions, a letter from the independent board committee, a letter from the independent financial adviser and a notice convening the SGM, will be despatched to Shareholders as soon as practicable.

BACKGROUND

The Group is principally engaged in the business of watch retailing, optical wear retailing, and children's wear retailing and property investment.

The Group has in the past purchased timepieces for trading purpose on a continuing basis through the Thong Sia Companies, an exclusive wholesale agent for several major Japanese brands in Hong Kong, Singapore and Malaysia. In October 2001, the Stock Exchange granted a waiver to the Company from strict compliance with the announcement/shareholders' approval requirement in connection with the Continuing Connected Transactions for the three years ended 31 March 2004.

The waiver will expire on 31 March 2004. The Group will continue to make purchases of timepieces through Thong Sia Companies in its ordinary course of business, and in view of the continuous nature of such business activity the Company has applied to the Stock Exchange for a new waiver in connection with the Continuing Connected Transactions.

The estate of Mr. Wong Chue Meng is interested in approximately 70% of the issued capital of the Company (through various holding companies) and holds more than 30% of the equity in each of the Thong Sia Companies. Mr. Wong Chue Meng was the chairman of the Company and passed away last year. Mr. Chumphol Kanjanapas (alias Joseph C.C. Wong), the vice chairman and chief executive officer of the Company, is a director of Thong Sia Company (Singapore) Private Limited and Thong Sia Sdn Bhd, and is in de facto control of the management of Thong Sia Watch Company Limited. Therefore, the Thong Sia Companies are associates of connected persons of the Company. Accordingly, the Continuing Connected Transactions constitute connected transactions under the Listing Rules.

INFORMATION ABOUT THE CONTINUING CONNECTED TRANSACTIONS

The Thong Sia Companies are the exclusive wholesale agents for several major Japanese brands of timepieces in Hong Kong, Singapore and Malaysia.

Apart from distribution of these brands of timepieces to the Group, the Thong Sia Companies also distribute these brands of watch products to other watch retailers (independent of the Directors, the chief executive and the substantial shareholders and/or their respective associates) in Hong Kong, Singapore and Malaysia.

The timepieces are well received by the Group's customers, and the Board considers it to be in the interest of the Group to continue to engage in the Continuing Connected Transactions. The Continuing Connected Transactions are based on normal commercial terms agreed after arms' length negotiations between the parties at prices and terms no more than those charged by other third party suppliers of the Group. The Board (other than the independent non-executive directors of the Company whose opinions will be given in the circular to be despatched to Shareholders) consider that the terms of the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The transaction amount of timepieces purchased through the Thong Sia Companies for each of the two years ended 31 March 2003, and the six months ended 30 September 2003 were approximately HK\$27,582,000, HK\$29,552,000 and HK\$10,099,000 respectively (representing approximately 6.38%, 6.98% and 5.20% of the Group's total purchase for each of the financial period as mentioned above respectively).

THE WAIVER

The Thong Sia Companies are the exclusive wholesale agents for several major Japanese brands of timepieces in Hong Kong, Singapore and Malaysia which are well received by the Group's customers. Given the popularity of those timepieces, it is anticipated that there will be growth in the purchases from the Thong Sia Companies in the forthcoming years. It is currently anticipated by the Board that the aggregate annual transaction value for the Continuing Connected Transactions will exceed the 3% threshold for each of the three financial years ending 31 March 2007. The Continuing Connected Transactions will normally be subject to the Independent Shareholders' approval and disclosure requirements applicable to connected transactions under Chapter 14 of the Listing Rules.

The Board considers that the disclosure and Independent Shareholders' approval of the Continuing Connected Transactions each time they arise in full compliance with the Listing Rules will be unduly burdensome. The Company has applied to the Stock Exchange for a waiver from strict compliance with the disclosure and Independent Shareholders' approval requirements in respect of the Continuing Connected

Transactions for the three financial years ending 31 March 2007 (“**Waiver**”), subject to the following conditions:

- A. the Continuing Connected Transactions are:
- (a) entered into by the Group in the ordinary and usual course of business of the Group;
 - (b) conducted either (i) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (ii) (where there is no available comparison) on terms that are fair and reasonable so far as the Independent Shareholders are concerned; and
 - (c) entered into either (i) in accordance with the terms of the agreements governing such Continuing Connected Transactions or (ii) (where there are no such agreements) on terms no less favourable than terms available to or from independent third parties;
- B. the annual aggregate value of purchases of timepieces from the Thong Sia Companies shall not exceed 11% of the total purchase of the Group in that financial year (the “**Waiver Limit**”);
- C. the independent non-executive Directors shall review the Continuing Connected Transactions annually and confirm in the Company’s next annual report that these transactions were conducted in the manner as stated in paragraphs A and B above;
- D. the auditors of the Company shall review the Continuing Connected Transactions annually and confirm by way of a letter addressed to the Board (contents of which will be stated in the annual report for that financial year) and a copy to the Stock Exchange stating whether:
- (a) the Continuing Connected Transactions have received the approval of the Board of the Company;
 - (b) the Continuing Connected Transactions have been entered into in accordance with the terms of the agreements governing the Continuing Connected Transactions or (where there are no such agreements) on terms no less favourable than terms available to or from independent third parties; and
 - (c) the total aggregate value of purchases of the Group for the relevant financial year under the Continuing Connected Transactions have exceeded the Waiver Limit.
- In the event that, for whatever reason, the auditors of the Company decline to accept the engagement or are unable to provide the letter as stated above, the Directors shall contact the Listing Division of the Stock Exchange immediately; and
- E. details of the Continuing Connected Transactions in each financial year shall be disclosed in the annual report of the Company for that financial year in accordance with the requirements under Rule 14.25(1)(A) to (D) of the Listing Rules together with a statement of the opinion of the independent non-executive Directors of the Company as referred to in paragraph C above.

If any terms of the Continuing Connected Transactions as mentioned above are altered or if the Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in

the future, the Company must comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions unless it applies for and obtains a separate waiver from the Stock Exchange.

The Waiver, if granted by the Stock Exchange, will be for a period from 1 April 2004 to 31 March 2007.

The Company will convene the SGM to seek approval by the Independent Shareholders in respect of the Continuing Connected Transactions and the Waiver Limit. An independent board committee has been appointed to advise the Independent Shareholders on whether or not the Continuing Connected Transactions and the Waiver Limit are in the interests of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser has been appointed to advise the said independent board committee in respect of the terms of the Continuing Connected Transactions and the Waiver Limit.

A circular containing the particulars of the Continuing Connected Transactions, a letter from the independent board committee, a letter from the independent financial adviser and a notice convening the SGM, will be despatched to Shareholders as soon as practicable.

DEFINITIONS

“associate”	has the meaning as given to it in the Listing Rules
“Board”	board of Directors
“Company”	Stelux Holdings International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders who are not interested in the Continuing Connected Transactions
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“SGM”	a special general meeting of the Shareholders to be convened to consider and, if thought fit, approve the Continuing Connected Transactions and the Waiver Limit
“Shareholders”	holders of the shares in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Thong Sia Companies”

include Thong Sia Watch Company Limited (a company incorporated in Hong Kong), Thong Sia Company (Singapore) Private Limited (a company incorporated in Singapore) and Thong Sia Sdn Bhd (a company incorporated in Malaysia), whose connections with the Company are set out above

On behalf of the Board

CAROLINE CHONG

Company Secretary

Date: 12th February 2004

*Please also refer to the published version of this announcement in
The Standard and Hong Kong Economic Times.*