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STELUX Holdings International Limited

寶光實業(國際)有限公司 *

*<http://www.irasia.com/listco/hk/stelux>
(Incorporated in Bermuda with limited liability)*

Stock Code: 84

REVISED ANNUAL CAPS IN RELATION TO CONTINUING CONNECTED TRANSACTIONS FOR PURCHASES OF OPTICAL PRODUCTS

SUMMARY

The Group has in the past purchased several brands of optical products on a continuing basis from Vision Pro Group and Thong Sia Companies, and will continue to make purchases of optical products from Vision Pro Group and Thong Sia Companies in the ordinary course of its business, Vision Pro Group and Thong Sia Companies being connected persons of the Company (referred to below as the “**Continuing Connected Transactions**”).

Sales of optical products in the past few months have exceeded the Company’s original expectation since the Continuing Connected Transactions were announced on 12 June 2004 and the value of the Continuing Connected Transactions for the Group for the period from 1 April 2004 up to and including 31 December 2004 was approximately HK\$2,848,000.

Accordingly, the Company expects that the Caps for each of the three financial years ended 31 March 2007 will likely be exceeded.

As such, the Company proposes to revise the Caps as set out below.

It is expected that each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules calculated with reference to the annual consideration to be payable by the Group for the Continuing Connected Transactions for each of the three financial years ended 31 March 2007, will exceed 0.1% but be less than 2.5%. As such, the Continuing Connected Transactions will remain to be classified as continuing connected transactions exempt from the independent shareholders’ approval requirements under Rule 14A.34 of the Listing Rules but will be subject to the annual review and reporting requirement under Chapter 14A of the Listing Rules.

* For identification purpose only

BACKGROUND

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

The Group has in the past purchased several brands of optical products on a continuing basis from Vision Pro Group and Thong Sia Companies and will continue to make purchases of optical products from Vision Pro Group and Thong Sia Companies in the ordinary course of its business, Vision Pro Group and Thong Sia Companies being connected persons of the Company.

The Group entered into written agreements on 1 April 2004 with Vision Pro Group and Thong Sia Companies respectively to record the terms of purchases of optical products from Vision Pro, Thong Sia (Singapore), Thong Sia (Malaysia) and other members of Vision Pro Group. The agreements were effective from 1 April 2004 to 31 March 2007. Under the agreements, the Group agreed to purchase optical products from Vision Pro Group and Thong Sia Companies respectively on terms no less favourable than those offered by the Vision Pro Group and Thong Sia Companies to other third parties. Payment terms vary according to product type and country where supplied, from cash upon delivery to 90 days upon receipt of invoice.

On 12 June 2004, the Company issued an announcement with respect to the purchase of optical products from Vision Pro Group and Thong Sia Companies, stating in such announcement that the Company proposed to set the maximum aggregate annual consideration for the Continuing Connected Transactions at HK\$3.0 million, HK\$3.7 million and HK\$4.5 million for each of the three financial years ended 31 March 2007 (the "Caps") and that if such Caps were exceeded during the term of the Continuing Connected Transactions for the relevant financial year, the Company would re-comply with the announcement requirement under Rule 14A.35 of the Listing Rules.

Sales of optical products in the past few months have exceeded the Company's original expectation since the Continuing Connected Transactions were announced on 12 June 2004 and the unaudited value of the Continuing Connected Transactions for the Group for the period from 1 April 2004 up to and including 31 December 2004 was approximately HK\$2,848,000.

Accordingly, the Company expects that the Caps for each of the three financial years ended 31 March 2007 will likely be exceeded. As such, the Company considers it necessary to revise the Caps as set out in the paragraph headed "Information about the Continuing Connected Transactions" below.

The estate of Mr. Wong Chue Meng is interested in approximately 70% of the issued capital of the Company (through various holding companies including Yee Hing Company Limited) and holds more than 30% of the equity in each of the Thong Sia Companies. Mr. Wong Chue Meng was the former chairman of the Company and passed away in June 2003. Vision Pro is a 60% indirectly owned subsidiary of Yee Hing Company Limited, through a holding subsidiary called International Optical Manufacturing Company Limited and 40% owned subsidiary of Thong Sia Company Limited, which holds approximately 10% of the issued

share capital of the Company. Yee Hing Company Limited is a substantial shareholder of the Company holding approximately 44% of its issued share capital.

Mr. Chumphol Kanjanapas (alias Joseph C.C. Wong), the vice chairman and chief executive officer of the Company, is a director of Vision Pro. Mr. Wong Chong Po, the present chairman of the Company, is a director of International Optical Manufacturing Company Limited. Therefore, Vision Pro and Thong Sia Companies are associates of connected persons of the Company and the Continuing Connected Transactions constitute connected transactions under the Listing Rules.

INFORMATION ABOUT THE CONTINUING CONNECTED TRANSACTIONS

Vision Pro Group and Thong Sia Companies are the exclusive wholesale distributors for several brands of optical products in Hong Kong, PRC, Singapore and Malaysia respectively. These brands of optical products are well known and suitable for the Group's optical wear retailing operations.

The optical products distributed by Vision Pro Group and Thong Sia Companies are well received or expected to be well received by the Group's customers, and the Board considers it to be in the interest of the Group to engage in the Continuing Connected Transactions.

The transaction amount of optical products purchased from Vision Pro Group and Thong Sia Companies for each of the two years ended 31 March 2004, and for the period from 1 April 2004 up to and including 31 December 2004 were approximately HK\$1,917,000 (audited), HK\$2,180,000 (audited) and HK\$2,848,000 (unaudited) respectively.

Due to strong growth and better than expected sales in those countries where the Group's optical businesses operate, the Company proposes to revise the maximum aggregate annual consideration for the Continuing Connected Transactions to HK\$4 million, HK\$4.8 million and HK\$5.8 million for each of the three financial years ended 31 March 2007 (the "**Revised Caps**"). If the Revised Caps are exceeded during the term of the Continuing Connected Transaction for the relevant financial year, the Company will re-comply with the announcement requirement under Rule 14A.35 of the Listing Rules. The Revised Caps were determined on the following basis:

- (a) historical transaction amounts for the period from 1 April 2004 up to and including 31 December 2004;
- (b) the Group's expansion of its optical wear retailing operations in terms of establishment of new stores, inclusion of a wider range of products and growth in economies generally in the next three financial years;
- (c) improved sales owing to improved economies generally; and
- (d) the Company's internal projection that the expected growth in purchase of optical products by the Group shall be around 20% per annum in view of the pace and size of the Group's expansion in terms of establishment of new stores, inclusion of a wider range of products and growth in economies generally in the next three financial years.

It is expected that each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules calculated with reference to the annual consideration to be payable by the Group for, or the total revenue to be generated from, the Continuing Connected Transactions for each of the three financial years ended 31 March 2007, will exceed 0.1% but be less than 2.5%. As such, the Continuing Connected Transactions will remain to be classified as continuing connected transactions exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

The Continuing Connected Transactions are entered into in the ordinary course of business of the Company based on normal commercial terms agreed after arms' length negotiations between the parties. The Board (including the independent non-executive directors of the Company) considers that the terms of the Continuing Connected Transactions (including the Revised Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Continuing Connected Transactions will be subject to the annual review requirement and the reporting requirement in the Company's next and successive annual reports respectively under Rules 14A.37 to 14A.41, and Rules 14A.45 to 14A.46 of the Listing Rules.

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
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Revised Caps"	the maximum aggregate annual value for the Continuing Connected Transactions as proposed by the Company, being HK\$4 million, HK\$4.8 million and HK\$5.8 million for each of the three financial years ended 31 March 2007
"Shareholders"	holders of the shares in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Thong Sia (Malaysia)"	Thong Sia Sdn Bhd (a company incorporated in Malaysia), whose connection with the Company is set out above

“Thong Sia (Singapore)”	Thong Sia Company (Singapore) Private Limited (a company incorporated in Singapore), whose connection with the Company is set out above
“Thong Sia Companies”	Thong Sia (Singapore) and Thong Sia (Malaysia)
“Vision Pro”	Vision Pro Trading Company Limited, a company incorporated in Hong Kong and whose connection with the Company is set out above
“Vision Pro Group”	Vision Pro and its wholly owned subsidiaries
“%”	percentage

By order of the Board
CAROLINE CHONG
Company Secretary

Date: 15 February 2005

Directors of the Company as at the date hereof:

Executive Directors:

Wong Chong Po (*Chairman*), Chumphol Kanjanapas (alias Joseph C. C. Wong) (*Vice Chairman and Chief Executive Officer*), Anthony Chu Kai Wah, Stan Lee Shu Chung and Wong Yuk Woon

Non- Executive Directors:

Sakorn Kanjanapas, Kwong Yiu Chung (*independent*), Sydney Chu Chun Keung (*independent*) and Wu Chun Sang (*independent*)

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