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STELUX Holdings International Limited

寶光實業(國際)有限公司*

website: <http://www.irasia.com/listcolhk/stelux>
Incorporated in Bermuda with limited liability

Stock Code: 84

CONTINUING CONNECTED TRANSACTION

Leasing of office premises and carpark from connected person

SUMMARY

The Directors of the Company announce that on 19th July 2006, Thong Sia Watch, a 96% majority owned subsidiary of the Company and a sole distributor for Seiko timepieces in Hong Kong, entered into a tenancy agreement for the lease of office premises and carpark spaces at Stelux House from Mengiwa, the owner of Stelux House and a wholly owned indirect subsidiary of Yee Hing. The principal activity of Yee Hing is investment holding.

The tenancy agreement (“Tenancy Agreement”) dated 19th July 2006 for office premises and 3 carpark spaces is for a term of two (2) years eight (8) months and thirteen (13) days at a monthly rental of HK\$139,790.00 (Hong Kong Dollars One Hundred and Thirty Nine Thousand Seven Hundred and Ninety Only).

Yee Hing ultimately holds approximately 60% of the issued share capital of the Company. Mengiwa is a wholly owned indirect subsidiary of Yee Hing. Therefore, the Tenancy Agreement constitutes a continuing connected transaction of the Company under the Listing Rules (the “Continuing Connected Transaction”).

The principal activity of the Company is investment holding.

Each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules calculated with reference to the maximum annual consideration to be paid by Thong Sia Watch for the Continuing Connected Transaction each year hereafter and aggregated with the annual caps for the continuing connected transactions relating to renting of office premises and some carpark spaces at Stelux House as disclosed in the Company’s announcement dated 20th December 2005, will exceed 0.1% but will be less than 2.5%. As such, the Continuing Connected Transaction is classified as a continuing connected transaction exempt from the independent shareholders’ approval requirements under Rule 14A.34 of the Listing Rules but will be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Directors of the Company, including the independent non-executive directors consider the Tenancy Agreement to be on normal commercial terms and to be fair and reasonable.

INFORMATION ABOUT THE CONTINUING CONNECTED TRANSACTION

The Directors of the Company announce that on 19th July 2006, Thong Sia Watch, a 96% majority owned subsidiary of the Company and principally engaged as a sole distributor for Seiko timepieces in Hong Kong, entered into a tenancy agreement for the lease of office premises and carpark spaces at Stelux House from Mengiwa, whose principal business is the ownership of Stelux House and a wholly owned indirect subsidiary of Yee Hing. The principal activity of Yee Hing is investment holding.

* For identification purpose only

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The Directors of the Company, including the independent non-executive directors consider the Tenancy Agreement to be on normal commercial terms and to be fair and reasonable.

Tenancy Agreement Dated 19th July 2006

Parties

Landlord : Mengiwa
Tenant : Thong Sia Watch

Premises Leased:

Whole of the 21st Floor, with a gross floor area of approximately 13,300 square feet and 3 carpark spaces nos. 314, 315 and 317 at basement 3 of Stelux House, No. 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong.

Term and Commencement Date:

A term of two (2) years eight (8) months and thirteen (13) days commencing from 19th July 2006 to 31st March 2009 (both days inclusive) with a rent free period of two (2) months and twenty three (23) days (19th July 2006 to 18th August 2006, 19th July 2007 to 18th August 2007 and 19th July 2008 to 10th August 2008). The Company will comply with the continuing connected transactions requirements of the Listing Rules upon a further renewal of the Tenancy Agreement.

Rent for office premises:

HK\$130,340.00 (Hong Kong Dollars One Hundred and Thirty Thousand Three Hundred and Forty Only) per month exclusive of rates, government rent and management charges payable monthly in advance on the first day of each and every calendar month.

Rent for carpark spaces:

HK\$3,150.00 (Hong Kong Dollars Three Thousand One Hundred and Fifty Only) per carpark space – HK\$9,450.00 (Hong Kong Dollars Nine Thousand Four Hundred and Fifty Only) per month inclusive of rates, government rent and management charges payable monthly in advance on the first day of each and every calendar month.

BASIS FOR DETERMINING RENTAL

An independent written valuation conducted on 30th June 2006 of the office premises leased show the current open market rental value on a monthly basis of the office premises leased under the Tenancy Agreement to be HK\$130,340.00 (Hong Kong Dollars One Hundred and Thirty Thousand Three Hundred and Forty Only) exclusive of rates, government rent, management fees and other outgoings.

The rental for the office premises under the Tenancy Agreement was determined by reference to the current open market rental values and the rental of HK\$3,150.00 (Hong Kong Dollars Three Thousand One Hundred and Fifty Only) per carpark space per month inclusive of rates, government rent and management charges is the normal rate Mengiwa charges other carpark users at Stelux House. The independent written valuation above also confirms that the market rent for 3 carpark spaces is HK\$9,450.00 per month.

The office premises leased under the Tenancy Agreement is for use as an office and service centre.

THE ANNUAL CAPS

The Company proposes to set the maximum aggregate annual consideration for the Continuing Connected Transaction for each of the periods, from 19th July 2006 up to and including 31st March 2007; from 1st April 2007 up to and including 31st March 2008; and from 1st April 2008 up to and including 31st March 2009 at the approximate rental payable by the Tenant, Thong Sia Watch to the Landlord, Mengiwa, under the terms of the Tenancy Agreement. Therefore, the maximum aggregate annual consideration for the Continuing Connected Transaction for the period from 19th July 2006 up to and including 31st March 2007 is HK\$1,100,000.00 (Hong Kong Dollars One Million and One Hundred Thousand Only); the maximum aggregate annual consideration for the Continuing Connected Transaction for the period from 1st April 2007 up to and including 31st March 2008 is HK\$1,600,000.00 (Hong Kong Dollars One Million and Six Hundred Thousand Only); and the maximum aggregate annual consideration for the Continuing Connected Transaction for the period from 1st April 2008 up to and including 31st March 2009 is HK\$1,600,000.00 (Hong Kong Dollars One Million and Six Hundred Thousand Only).

REASON FOR THE TRANSACTION

The Company, including its major subsidiaries, has its headquarters located at Stelux House. Thong Sia Watch was acquired by the Company at the end of September 2005. Relocating the operations of Thong Sia Watch to Stelux House will improve operational efficiency and help to reduce rental costs. Therefore, the Continuing Connected Transaction will benefit the Company.

INFORMATION FOR SHAREHOLDERS

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

The Continuing Connected Transaction will be subject to the annual review requirement and the reporting and announcement requirement respectively under Rules 14A.37 to 14A.41, and Rules 14A.45 to 14A.47 of the Listing Rules and exempt from independent shareholders' approval.

DEFINITIONS

“Board”	board of Directors of the Company
“Caps”	the maximum aggregate annual value for the Continuing Connected Transaction as proposed by the Company for the period from 19th July 2006 up to and including 31st March 2007 is HK\$1,100,000.00 (Hong Kong Dollars One Million and One Hundred Thousand Only); for the period from 1st April 2007 up to and including 31st March 2008 is HK\$1,600,000.00 (Hong Kong Dollars One Million and Six Hundred Thousand Only); and for the period from 1st April 2008 up to and including 31st March 2009 is HK\$1,600,000.00 (Hong Kong Dollars One Million and Six Hundred Thousand Only)
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“Mengiwa”	Mengiwa Property Investment Limited (a company incorporated in Hong Kong), whose connection with the Company is set out above
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Shareholders”	holders of the shares in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Thong Sia Watch”	Thong Sia Watch Company Limited (a company incorporated in Hong Kong)
“Yee Hing”	Yee Hing Company Limited (a company incorporated in Hong Kong), whose connection with the Company is set out above

By order of the Board
Caroline Chong
Company Secretary

Hong Kong, 19th July 2006

As at the date of this announcement, the Directors of the Company are:

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 Vincent Lau Tak Bui

Non-Executive Directors:

Sakorn Kanjanapas, Kwong Yiu Chung (independent), Wu Chun Sang (independent) and Lawrence Wu Chi Man (independent)

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