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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN CONNECTION WITH PURCHASES OF OPTICAL PRODUCTS

On 1 April 2004, the Group, through certain subsidiaries, entered into the Retail Purchase Agreements with Vision Pro Group to record the terms of continuing purchases of optical products by the Group for its retail operations for the period from 1 April 2004 to 31 March 2007.

On 1 April 2005, the Thong Sia Companies entered into the Wholesale Purchase Agreements with Vision Pro Group to record the terms of their respective continuing purchases of optical products from Vision Pro Group for the period from 1 April 2005 to 31 March 2008 for their wholesale distribution business. Upon completion of the Acquisition on 30 September 2005, the Thong Sia Companies became subsidiaries of the Group and the transactions contemplated under the Wholesale Purchase Agreements became continuing connected transactions for the Company.

The Group intends to continue to make purchases of suitable optical products on a continuing basis from Vision Pro Group for its retail and wholesale operations and with the expiration of the Retail Purchase Agreements on 31 March 2007 has decided to streamline its relationship with Vision Pro Group – it is the intention of the Group to continue respectively with purchasing optical products under the Retail Purchase Agreements from Vision Pro Group after 31 March, 2007, and continue with the ongoing purchases of optical products under the Wholesale Purchase Agreements, also from the Vision Pro Group. As a result, on 26 March 2007, the Group, through certain subsidiaries, (i) entered into the Renewal Retail Purchase Agreements for the period from 1 April 2007 to 31 March 2010, (ii) terminated the Wholesale Purchase Agreements with effect from 1 April 2007, earlier than the contractual expiration date of 31 March 2008, and (iii) entered into the Renewal Wholesale Purchase Agreements with expiry dates to coincide with that of the Renewal Retail Purchase Agreements. The two renewal agreements were entered into with Vision Pro Group to record the terms of continuing purchases of optical products by the Group.

Since the applicable percentage ratios defined in Rule 14A.10 of the Listing Rules with respect to the transactions contemplated under the two renewal agreements are less than 2.5% for each of the three financial years ending 31 March 2010, such transactions shall be classified as continuing connected transactions for the Company (according to Rule 14A.34 of the Listing Rules) only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47, and the annual review requirements under Rules 14A.37 to 14A.40, of the Listing Rules. The transactions contemplated under the two renewal agreements are accordingly exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

On-going continuing connected transactions pursuant to agreements which will expire on 31 March 2007

Reference is made to the announcements of the Company dated 12 June 2004 and 15 February 2005 with respect to, amongst other matters, the continuing connected transactions for the Company relating to purchases of optical products by the Group from Vision Pro Group.

In connection with the above-mentioned continuing connected transactions, on 1 April 2004, the Group, through certain subsidiaries, entered into the Retail Purchase Agreements with Vision Pro Group to record the terms of continuing purchases of optical products by the Group for its retail operations for the period from 1 April 2004 to 31 March 2007.

On-going continuing connected transactions pursuant to agreements which will expire on 31 March 2008

On 1 April 2005, the Thong Sia Companies entered into the Wholesale Purchase Agreements with Vision Pro Group to record the terms of their respective continuing purchases of optical products from Vision Pro Group for the period from 1 April 2005 to 31 March 2008 for their wholesale distribution business.

Reference is made to the announcement of the Company dated 10 August 2005 and the shareholders' circular of the Company dated 31 August 2005 with respect to the Acquisition and the transactions pursuant to the Wholesale Purchase Agreements mentioned in the preceding paragraph.

Upon completion of the Acquisition on 30 September 2005, the Thong Sia Companies became subsidiaries of the Group and the transactions arising under the Wholesale Purchase Agreements became continuing connected transactions for the Company.

2. CONNECTED PERSON

Vision Pro Group is a 87% indirectly owned subsidiary of Yee Hing, which is a substantial shareholder of the Company holding approximately 36% of its issued share capital. Therefore, Vision Pro Group is a connected person of the Company by virtue of the fact that it is an associate of a connected person of the Company.

* For identification purpose only

Vision Pro Group is the exclusive wholesale distributor for, and licensee of, several brands of optical products in Hong Kong, the PRC, Singapore and Malaysia respectively.

3. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE GROUP'S OPTICAL WEAR BUSINESS

Reasons for and benefits of the continuing connected transactions

The Group is principally engaged in the business of retailing and wholesaling of watches and optical products.

The Group has been purchasing optical products from Vision Pro Group on a continuing basis for its optical wear retail operations in certain countries in the Asian region. The Thong Sia Companies, on the other hand, have been purchasing optical products from Vision Pro Group on a continuing basis for their wholesale distribution of such optical products to retailers, including the Group and other third parties, in Singapore and Malaysia.

So far, optical products purchased by the Group from Vision Pro Group have been well received in the retail market and have made a positive contribution to the Group's principal business of optical wear retailing and wholesale distribution. As such, the continuing connected transactions are commercially beneficial to the Group. The Directors therefore consider it to be in the interests of the Group to continue to purchase optical products from Vision Pro Group on a continuing basis.

Renewal of the Retail Purchase Agreements and aggregation of transactions under the Renewal Purchase Agreements and the Renewal Wholesale Purchase Agreements

The Group intends to continue to make purchases of suitable optical products on a continuing basis from Vision Pro Group for its retail and wholesale operations and with the expiration of the Retail Purchase Agreements on 31 March 2007 has decided to streamline its relationship with Vision Pro Group – it is the intention of the Group to continue respectively with purchasing optical products under the Retail Purchase Agreements from Vision Pro Group after 31 March, 2007, and continue with the ongoing purchases of optical products under the Wholesale Purchase Agreements, also from the Vision Pro Group. As a result, on 26 March 2007, the Group, through certain subsidiaries, (i) entered into the Renewal Retail Purchase Agreements for the period from 1 April 2007 to 31 March 2010, (ii) terminated the Wholesale Purchase Agreements with effect from 1 April 2007, earlier than the contractual expiration date of 31 March 2008, and (iii) entered into the Renewal Wholesale Purchase Agreements with expiry dates to coincide with that of the Renewal Retail Purchase Agreements. The two renewal agreements were entered into with Vision Pro Group to record the terms of continuing purchases of optical products by the Group.

The estimated annual amount of purchases to be made by the Group from Vision Pro Group under the two renewal agreements will be aggregated in accordance with the aggregation of transactions provisions under Rule 14A.25 of the Listing Rules.

4. INFORMATION CONCERNING THE RENEWAL RETAIL PURCHASE AGREEMENTS AND THE RENEWAL WHOLESALE PURCHASE AGREEMENTS

The Renewal Retail Purchase Agreements

Date: 26 March 2007

Parties: Certain subsidiaries of the Group (each as purchaser); and Vision Pro Group (as vendor)

Products: Vision Pro Group, as wholesale distributor, will supply optical products to the Group for its retail operations

Major terms: The Group will purchase optical products from Vision Pro Group typically for cash with payment terms of 30 to 60 days upon receipt of invoice. The terms of purchase will be determined on an individual order basis based on the prevailing industry conditions and the purchases will be on terms no less favourable than those offered by Vision Pro Group to other third parties. Currently, the optical products to be purchased by the Group from Vision Pro Group are not available from other suppliers. In future, if the Group purchases optical products that are also available from suppliers other than Vision Pro Group, the terms of purchase under these agreements will be on terms no less favourable to the Group than those offered by independent third party suppliers to the Group.

The Renewal Wholesale Purchase Agreements

Date: 26 March 2007

Parties: Thong Sia Companies (each as purchaser); and Vision Pro Group (as vendor)

Products: Vision Pro Group, as regional wholesale distributor and licensee, will supply optical products to Thong Sia Companies for wholesale distribution.

Major terms: Thong Sia Companies will purchase optical products from Vision Pro Group typically for cash with payment terms of 90 days upon receipt of invoice. The terms of purchase will be determined on an individual order basis based on the prevailing industry conditions and the purchases will be on terms no less favourable than those offered by Vision Pro Group to other third parties. Currently, the optical products to be purchased by the Thong Sia Companies from Vision Pro Group are not available from other suppliers. In future, if the Group purchases optical products that are also available from suppliers other than Vision Pro Group, the terms of purchase under these agreements will be on terms no less favourable to the Thong Sia Companies than those offered by independent third party suppliers to the Thong Sia Companies.

Historical figures

Based on the audited consolidated accounts of the Group for the three years ended 31 March 2006, the unaudited consolidated accounts of the Group for the six months ended 30 September 2006, and the information derived from the audited accounts of the Thong Sia Companies for the two years ended 31 December 2004 and the 15 months ended 31 March 2006, the purchases of optical products from Vision Pro Group by the Group (or by the Group and the Thong Sia Companies before completion of the Acquisition on 30 September 2005) were HK\$3.4 million, HK\$4.4 million, and HK\$5.9 million for the three years ended 31 March 2006, and HK\$4.5 million for the six months ended 30 September 2006 respectively.

Proposed Caps

The Group proposes to set the Caps for the continuing purchases of optical products from Vision Pro Group under the two renewal agreements at HK\$11.8 million, HK\$12.4 million and HK\$13.0 million for each of the financial years ending 31 March 2008, 2009 and 2010 respectively. The Caps were determined on the following basis:

- (i) historical transaction amounts for the period from 1 April 2003 up to and including 30 September 2006;
- (ii) additional brands of optical products expected to be purchased by the Group from Vision Pro Group in the financial year ending 31 March 2008; and
- (iii) the estimates by the Group of the pace of growth of its optical wear business with respect to the existing brands of optical products purchased from Vision Pro Group and the establishment of new retail stores.

Based upon information currently available to the Directors, the Directors consider that the Caps are fair and reasonable. Nevertheless, if during any financial year from 1 April 2007 to 31 March 2010, the aggregate annual consideration for such transactions exceeds the Cap for the relevant financial year, the Company will take steps as required to ensure compliance with the Listing Rules.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the two renewal agreements are based on normal commercial terms agreed after arms' length negotiations between the parties, and are fair and reasonable. Furthermore, the Directors consider that the transactions contemplated under the two renewal agreements are in the ordinary and usual course of business of the Group and are in the interests of the Company and Shareholders as a whole.

5. LISTING RULES IMPLICATIONS

Since the applicable percentage ratios defined in Rule 14A.10 of the Listing Rules with respect to the transactions contemplated under the two renewal agreements are less than 2.5% for each of the three financial years ending 31 March 2008, 2009 and 2010, such transactions shall be classified as continuing connected transactions for the Company (according to Rule 14A.34 of the Listing Rules) only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47, and the annual review requirements under Rules 14A.37 to 14A.40, of the Listing Rules. The transactions contemplated under the two renewal agreements are accordingly exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

"Acquisition"	the acquisition of 100%, 96.0% and 94.4% equity interests respectively in Thong Sia Company (Singapore) PTE Limited, Thong Sia Watch Company Limited and Thong Sia Sdn Bhd by the Group from certain connected persons of the Company, the details of which are set out in the announcement of the Company dated 10 August 2005 and the shareholders' circular of the Company dated 31 August 2005
"associate"	has the same meaning as ascribed to it under the Listing Rules
"Caps"	the maximum aggregate annual amount of purchases to be made by the Group from Vision Pro Group under the Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements for each of the financial years ending 31 March 2008, 2009 and 2010 as proposed by the Group
"Company"	STELUX Holdings International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"connected person"	has the same meaning as ascribed to it under the Listing Rules
"Directors"	directors (including the independent non-executive Directors) of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange
"PRC"	the People's Republic of China, for this purpose excluding the Hong Kong and the Macau Special Administrative Regions of the People's Republic of China
"Renewal Retail Purchase Agreements"	the written agreements entered into on 26 March 2007 between certain subsidiaries of the Group and Vision Pro Group to record the terms of continuing purchases of optical products from Vision Pro Group by the Group for its retail operations for the period from 1 April 2007 to 31 March 2010
"Renewal Wholesale Purchase Agreements"	the written agreements entered into on 26 March 2007 between each of Thong Sia Companies and Vision Pro Group to record the terms of their respective continuing purchases of optical products from Vision Pro Group for the period from 1 April 2007 to 31 March 2010 for their wholesale distribution business
"Retail Purchase Agreements"	the written agreements entered into on 1 April 2004 between certain subsidiaries of the Group and Vision Pro Group to record the terms of continuing purchases of optical products from Vision Pro Group by the Group for its retail operations for the period from 1 April 2004 to 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
“substantial shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Thong Sia Companies”	Thong Sia Company (Singapore) PTE Limited (a company incorporated in Singapore) and Thong Sia Sdn Bhd (a company incorporated in Malaysia), both of which became subsidiaries of the Company on 30 September 2005 as a result of the Acquisition
“Vision Pro Group”	Vision Pro Trading Company Limited, a company incorporated in Hong Kong, and its subsidiaries
“Wholesale Purchase Agreements”	the written agreements entered into on 1 April 2005 between each of Thong Sia Companies and Vision Pro Group to record the terms of their respective continuing purchases of optical products from Vision Pro Group for the period from 1 April 2005 to 31 March 2008 for their wholesale distribution business
“Yee Hing”	Yee Hing Company Limited, a company incorporated under the laws of Hong Kong, and a substantial shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	Percentage

By order of the Board
Caroline Chong
Company Secretary

Hong Kong, 26 March 2007

The directors of the Company as at the date of this announcement are as follows:

Executive Directors:

Wong Chong Po (*Chairman*), Chumphol Kanjanapas (alias Joseph C.C. Wong) (*Vice Chairman and Chief Executive Officer*), Anthony Chu Kai Wah and Vincent Lau Tak Bui

Non-executive Directors:

Sakorn Kanjanapas, Wu Chun Sang (*independent*), Lawrence Wu Chi Man (*independent*) and Agnes Kwong Yi Hang (*independent*)

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