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# **STELUX Holdings International Limited**

**寶光實業(國際)有限公司\***

*Incorporated in Bermuda with limited liability*

*website: <http://www.stelux.com>*

**Stock Code: 84**

## **RENEWAL OF AND NEW CONTINUING CONNECTED TRANSACTIONS**

**Leasing and licensing of premises from connected persons**

**and**

**Provision of management and property agency liaison services to a connected person**

### **1. CONTINUING CONNECTED TRANSACTIONS RELATING TO THE RENEWAL OF LEASING OF SUBSISTING PREMISES AND LICENSING OF NEW PREMISES FROM CONNECTED PERSON**

The Company announces that on 5 April 2016, certain of its wholly-owned subsidiaries, each individually as tenant/licensee, entered into the Stelux House Renewal Tenancy Agreements 2016, Carparking Space Licenses and the Warehouse Leasing and Licence Agreements 2016 with Mengiwa, Thong Sia Co and Active Lights, each individually as landlord/licensor, for the leasing/licensing of the subject office premises, carparking spaces and warehouse spaces for terms not exceeding three years commencing on 1 April 2016 and expiring on 31 March 2019 or earlier.

The Stelux House Renewal Tenancy Agreements 2016, Carparking Space Licenses and, the Warehouse Leasing and Licence Agreements 2016 are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules.

The maximum aggregate annual rentals/licence fees under the Stelux House Renewal Tenancy Agreements 2016, Carparking Space Licenses and the Warehouse Leasing and Licence Agreements 2016 payable by the Group to the Yee Hing Group for the financial year ending 31 March 2017 amounts to approximately HK\$10,057,000 and for each of the two financial years ending 31 March 2019 amount to approximately HK\$20,927,000.

Each of Mengiwa, Thong Sia Co and Active Lights is a subsidiary of Yee Hing. The Trust, of which Mr. Chumphol Kanjanapas and Mr. Sakorn Kanjanapas, being directors of the Company, are beneficiaries, holds 55% of the total issued shares of Yee Hing. Therefore, each of Mengiwa,

\* For identification purpose only

Thong Sia Co and Active Lights are associates of the aforesaid directors and hence are connected persons of the Company. The entering into of the Stelux House Renewal Tenancy Agreements 2016, Carparking Space Licenses and the Warehouse Leasing and Licence Agreements 2016 therefore constitute continuing connected transactions (the “Continuing Connected Transactions A”) for the Company.

Each of the applicable percentage ratios as defined in Rule 14A.78 of the Listing Rules, calculated with reference to the aggregate Annual Cap is less than 5%. The Continuing Connected Transactions A therefore constitute continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules.

**2. CONTINUING CONNECTED TRANSACTION RELATING TO THE RENEWAL OF SUBSISTING SERVICE AGREEMENT IN RESPECT OF THE PROVISION OF MANAGEMENT AND PROPERTY AGENCY SERVICES BY THE GROUP TO CONNECTED PERSON**

The Company announces that on 5 April 2016, the Service Agreement 2016 was entered into between a wholly-owned subsidiary of the Company, as agent, and Mengiwa, as principal, to renew the term of the subsisting service agreement with respect to the provision of the Services by the Group.

Since Mengiwa is an associate of the aforesaid directors and hence a connected person of the Company, the entering into of the Service Agreement 2016 therefore constitutes a continuing connected transaction (the “Continuing Connected Transaction B”) for the Company.

Each of the applicable percentage ratios as defined in Rule 14A.78 of the Listing Rules, calculated with reference to the Annual Cap is less than 5%. The Continuing Connected Transaction B therefore constitutes a continuing connected transaction subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules.

**1. CONTINUING CONNECTED TRANSACTIONS RELATING TO THE RENEWAL OF LEASES OF SUBSISTING OFFICE PREMISES AND LICENSING OF NEW AND RENEWED CARPARKING SPACES AND WAREHOUSE SPACES**

Reference is made to the announcements of the Company dated 29 May 2015, 9 October 2014, 9 April 2014, 28 November 2013, 22 May 2013, 22 March 2013 and 10 December 2012 in relation to the continuing connected transactions under then subsisting agreements relating to the leasing or licensing of office premises, carparking spaces and warehouse spaces by the Group from the Yee Hing Group which expired on 31 March 2016.

The Company announces that on 5 April 2016, certain of its wholly owned subsidiaries, each individually as tenant/licensee, entered into the Stelux House Renewal Tenancy Agreements 2016, Carparking Space Licences and the Warehouse Leasing and Licence Agreements 2016 with Mengiwa, Thong Sia Co and Active Lights, each individually as landlord/licensor, to renew the term of the leases/licences of the subject office premises, carparking spaces and warehouse spaces for terms not exceeding three years commencing on 1 April 2016 and expiring on 31 March 2019 or earlier.

#### Stelux House Renewal Tenancy Agreements 2016

Date:	5 April 2016
Parties:	Mengiwa, as landlord, which is engaged in investment holding, and Stelux Holdings Limited and Thong Sia Watch each individually as tenant
Premises A:	whole of 27th floor and portion of 28th floor (including 12 carparking spaces) at Stelux House
Premises B:	whole of 26th floor with four storerooms number 1A, 1B, 6A and 6B on 26th floor at Stelux House
Premises C:	whole of 21st floor at Stelux House
Premises D:	office unit numbers 1901, 1902 and 1903 with two storerooms numbers 1A and 1B on the 19th floor at Stelux House
Premises E:	office unit numbers 1905 and 1906 with two storerooms numbers 6A and 6B on the 19th floor at Stelux House
Premises F:	office unit numbers 2201, 2202, 2203 and 2205 with two storeroom numbers 1A and 1B on the 22nd Floor of Stelux House
Premises G:	office unit number 2206 with two storeroom numbers 6A and 6B on the 22nd Floor of Stelux House
Term and rental period:	For Premises A, B, C, D, E and G: a term of three years from 1 April 2016 up to and including 31 March 2019  For Premises F: a term of two months from 1 April 2016 up to and including 31 May 2016
Rent-free period:	For Premises A, B, C, D, E and G: Seven (7) Months and Twenty (20) days commencing from 1 April 2016 to 20 November 2016 (both days inclusive)  For Premises F: Nil

Monthly rental for Premises A,B,C,D,E and G: Total HK\$1,497,133 per calendar month (exclusive of rates,government rent and management charges), payable monthly in advance in cash by the tenant on the first day of each and every calendar month.

Monthly rental for Premises F: Total HK\$163,555 per calendar month (exclusive of rates,government rent and management charges), payable monthly in advance in cash by the tenant on the first day of each and every calendar month.

Other terms: Stelux Holdings, as tenant of Premises A, is granted the naming right of Stelux House and each of Stelux Holdings and Thong Sia Watch is granted an option for the Premises A, B, C, D, E and G, but not an obligation, to renew the relevant tenancy agreement with the landlord every three years for three more years for a maximum of 12 years commencing from 1 April 2019 at the then prevailing open market rent. The Company will comply with all applicable requirements under the Listing Rules in the event of renewal of the subject tenancy agreements.

The monthly rental was determined on an arm's length basis taking into account two rental valuations on the office premises conducted by two independent property valuers dated 14 March 2016 and 17 March 2016 respectively; (the valuation report of 14 March 2016 representing the tenant and the valuation report of 17 March 2016 representing the landlord) and as such reflect the prevailing market rental values of the subject premises. Accordingly, the Directors consider the Stelux House Renewal Tenancy Agreements 2016 to be on normal commercial terms and to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### Carparking Space Licenses

Date: 5 April 2016

Parties: Active Lights and Mengiwa, each which is engaged in investment holding, each individually as licensor; and certain wholly-owned subsidiaries of the Company, each individually as licensee

Premises: Carparking spaces at Stelux House; and vehicle parking spaces at Kowloon Bay

License period: A term of three years from 1 April 2016 up to and including 31 March 2019

Monthly licence fee: HK\$13,400 per calendar month in total for four (4) carparking spaces at Stelux House (inclusive of rates, government rent and management fee) payable monthly in advance in cash by the licensee on the first day of each and every calendar month.

HK\$8,600 per calendar month in total for two (2) vehicle parking spaces at Kowloon Bay (inclusive of management charges but exclusive of rates and government rent) payable in advance in cash by the licensees on the first day of each and every calendar month.

The monthly license fee was determined on an arm's length basis taking into account prevailing market rates for parking spaces in the vicinity. Accordingly, the Directors consider that the terms of the Carparking Space Licenses reflect normal commercial terms and to be fair and reasonable, and the entering into of the Carparking Space Licenses are in the interests of the Company and the Shareholders as a whole.

#### The Warehouse Leasing and Licence Agreements 2016

Date: 5 April 2016

Parties: Thong Sia Co, and Active Lights, as landlord/licensor, each of which is engaged in investment holding; and certain wholly-owned subsidiaries of the Company, each individually as tenant/licensee

Premises: Warehouse space A at an industrial building ("**Yau Tong Building**") in Yau Tong, Kowloon, Hong Kong;

Warehouse space B at Yau Tong Building;

Warehouse space C at Yau Tong Building;

Warehouse space D at an industrial building ("**Kowloon Bay Building**") in Kowloon Bay, Kowloon, Hong Kong;

Warehouse space E at Kowloon Bay Building; and

Warehouse space F at Kowloon Bay Building.

Term and rental period: A term of three years from 1 April 2016 up to and including 31 March 2019

Rent-free period: Nil

Monthly rental/licence fee: HK\$48,920 per calendar month (exclusive of rates, government rent and management charges) for Warehouse Space A;

HK\$9,500 per calendar month (inclusive of rates, government rent and management charges) for Warehouse Space B;

HK\$58,420 per calendar month (exclusive of rates, government rent and management charges) for Warehouse Space C; and

HK\$87,100 per calendar month (exclusive of rates, government rent and management charges) for Warehouse Space D,

HK\$10,400 per calendar month (exclusive of rates, government rent and management charges) for Warehouse Space E,

HK\$10,401 per calendar month (exclusive of rates, government rent and management charges) for Warehouse Space F,

payable monthly in advance in cash by the tenant/licensee on the first day of each and every calendar month.

The monthly rentals/licence fees were determined on an arm's length basis after having taken into account the prevailing market rental rates in the vicinity, which indicate that the renewal rentals/licence fees under the Warehouse Leasing and Licence Renewal Agreements 2016 are favourable to the Group as compared with the prevailing market rental/licence fee values of the subject warehouses. Accordingly, the Directors consider the Warehouse Leasing and Licence Agreements 2016 to be on normal commercial terms and to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

***REASONS AND BENEFITS OF THE STELUX HOUSE RENEWAL TENANCY AGREEMENTS 2016, CARPARKING SPACE LICENSES AND THE WAREHOUSE LEASING AND LICENCE AGREEMENTS 2016***

The Group is principally engaged in the businesses of retailing and wholesaling of watches and optical products. The Group has been using the subject warehouses and office premises primarily for office, administrative and storage purposes over a long period of time. In order to avoid possible disruption to its business due to relocation, the Group intends to continue to lease/licence the subject office premises, carparking spaces and warehouses following the expiration of the relevant leases/licences. The Directors consider it to be in the interests of the Company and the Shareholders as a whole for the Group to continue to use the subject premises as long as the relevant rental/licence fee and other terms are favourable to the Group so as to avoid relocation and refurbishment costs which otherwise the Group will have to incur.

The Stelux House Renewal Tenancy Agreements 2016, Carparking Space Licenses and, the Warehouse Leasing and Licence Agreements 2016 are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules.

The maximum aggregate annual rentals/licence fees under the Stelux House Renewal Tenancy Agreements 2016, Carparking Space Licenses and the Warehouse Leasing and Licence Agreements 2016 payable by the Group to the Yee Hing Group for the financial year ending 31 March 2017 amounts to approximately HK\$10,057,000 and for each of the two financial years ending 31 March 2019 amount to approximately HK\$20,927,000.

***LISTING RULES IMPLICATIONS AND AGGREGATION OF ANNUAL CAP IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS A***

Each of Mengiwa, Thong Sia Co and Active Lights is a subsidiary of Yee Hing. The Trust, of which Mr. Chumphol Kanjanapas and Mr. Sakorn Kanjanapas, being directors of the Company, are beneficiaries, holds 55% of the total issued shares of Yee Hing. Therefore, each of Mengiwa, Thong Sia Co and Active Lights is an associate of the aforesaid directors and hence is a connected person of the Company. The entering into of the Stelux House Renewal Tenancy Agreements 2016, Carparking Space Licenses and the Warehouse Leasing and Licence Agreements 2016 therefore constitute continuing connected transactions (the "Continuing Connected Transactions A") for the Company. The Continuing Connected Transactions A shall be considered on an aggregate basis for

the purpose of classification in accordance with Rule 14A.81 of the Listing Rules.

The Company proposes to set the aggregate Annual Cap for the rental/licence fee under the Stelux House Renewal Tenancy Agreements 2016, Carparking Space Licences and the Warehouse Leasing and Licence Agreements 2016 for each of the three financial years ending 31 March 2019 as follows:

	<b>For the year ending 31 March</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Stelux House Renewal Tenancy Agreement 2016	7,096	17,966	17,966
Carpark Space Licences	264	264	264
Warehouse Leasing and Licence Agreements 2016	2,697	2,697	2,697
Aggregate Annual Cap	10,057	20,927	20,927

### ***LISTING RULES IMPLICATIONS***

Each of the applicable percentage ratios as defined in Rule 14A.78 of the Listing Rules, calculated with reference to the Annual Cap in respect of the Continuing Connected Transactions A for the three financial years ending 31 March 2019, is less than 5%. As such, the Continuing Connected Transactions A are classified, on an aggregate basis, as continuing connected transactions for the Company exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules but will be subject to the annual review, reporting and announcement requirements thereunder.

Mr. Chumphol Kanjanapas and Mr. Sakorn Kanjanapas are respectively directors of the Company and Mengiwa and each has an indirect interest in the shares of Mengiwa. As such, Mr. Chumphol Kanjanapas and Mr. Sakorn Kanjanapas have a material interest in the subject transactions. Mr. Chumphol Kanjanapas abstained from voting on the subject transactions at the board meeting of the Company held on 5 April 2016. Mr. Sakorn did not attend the board meeting, and therefore, did not vote on the subject transactions at the meeting.

## **2. CONTINUING CONNECTED TRANSACTION RELATING TO THE PROVISION OF MANAGEMENT AND PROPERTY AGENCY SERVICES BY GROUP TO MENGIWA**

Reference is made to the announcement of the Company dated 10 December 2012 in relation to the ongoing continuing connected transaction of the Company for the Services with respect to Stelux House by the Group. The relevant services agreement for the provision of Services that was entered into between the Company (through its wholly-owned subsidiary) and a wholly-owned subsidiary of Yee Hing constitutes an on-going continuing connected transaction for the Company and expired on 31 March 2016.

The Company has been providing the Services with respect to Stelux House since 1998 and has

accumulated relevant knowledge and experience. During the term of the relevant service agreement, the Company has been receiving a monthly remuneration of HK\$195,000 and Mengiwa is satisfied so far with the Services provided by the Group, whilst the remuneration received by the Group is enough to cover the relevant costs incurred by the Group in providing the Services. As such, the Company intends to continue to provide the Services with respect to Stelux House following the expiration of the relevant service agreement on 31 March 2016. On 5 April 2016, a wholly-owned subsidiary of the Company entered into the Service Agreement 2016 for a period of three years (the “**Continuing Connected Transaction B**”).

### **Service Agreement 2016**

Date:	5 April 2016
Parties:	Mengiwa, as principal; and  Stelux Properties Agency, a wholly-owned subsidiary of the Company, as agent
Term and commencement date:	A term of three years from 1 April 2016 up to and including 31 March 2019
Monthly remuneration:	HK\$195,000 per calendar month (in the first year ending 31 March 2017) payable in advance in cash on the first day of each and every calendar month. Parties to the Service Agreement 2016 shall negotiate and agree in good faith to increase the remuneration on an annual basis for the second year and the third year by not more than 10% over that in the preceding year with reference to the actual increase in costs (including but not limited to the related staff salaries) incurred by the Group with respect to the provision of the Services. In the event that no agreement is reached between the parties in negotiating the remuneration for the next year, the remuneration shall remain unchanged.

### ***BASIS FOR DETERMINING THE REMUNERATION AND ANNUAL CAP***

The monthly remuneration to be received by the Group for the year ending 31 March 2017 is the same as that under the service agreement for the three years ended 31 March 2016. The remuneration was arrived at after arm’s length negotiations between the parties and with reference to the estimate of the costs to be incurred by the Company with respect to the provision of the Services in the financial year ended 31 March 2016.

Accordingly, the Directors consider the Continuing Connected Transaction B and the terms of the Service Agreement 2016 to be on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

With reference to the monthly remuneration to be received by the Company under the Service Agreement 2016, the Company proposes to set the Annual Cap for the Continuing Connected Transaction B at HK\$2,340,000, HK\$2,574,000 and HK\$2,831,400 for each of the three financial years ending 31



March 2019 respectively.

## ***LISTING RULES IMPLICATIONS***

As disclosed in this announcement, Mengiwa is a connected person of the Company and each of the applicable percentage ratios as defined in Rule 14A.78 of the Listing Rules, calculated with reference to the above mentioned Annual Cap for the three financial years ending 31 March 2019, is less than 5%. As such, the Continuing Connected Transaction B is classified as a continuing connected transaction for the Company exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules but will be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

“Active Lights”	Active Lights Company Limited, a company incorporated in Hong Kong, and controlled by Yee Hing
“associate”	has the same meaning as ascribed to it under the Listing Rules
“Annual Cap”	the maximum annual rental/license fee to be paid by the Group to connected person in relation to the Continuing Connected Transactions A, or the maximum annual fee to be received by the Group from connected person in relation to Continuing Connected Transaction B
“Board”	the board of Directors
“Carparking Space Licenses”	the licence agreements entered into on 5 April 2016 between Active Lights and Thong Sia Co, each individually as licensor and certain wholly-owned subsidiaries of the Company, each individually as licensee, respectively, in relation to the licenses of four carparking spaces at Stelux House and two vehicle parking spaces at Kowloon Bay
“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(s)”	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
“Mengiwa”	Mengiwa Property Investment Limited, a company incorporated in Hong Kong engaging in investment holding and a wholly-owned subsidiary of Yee Hing
“Premises A”	whole of 27th floor and portion of 28th floor (including 12

	carparking spaces) at Stelux House
“Premises B”	whole of 26th floor with four storeroom numbers 1A, 1B, 6A and 6B on 26th floor at Stelux House
“Premises C”	whole of 21st floor at Stelux House
“Premises D”	office unit numbers 1901, 1902 and 1903 with two storerooms numbers 1A and 1B on the 19th floor at Stelux House
“Premises E”	office unit numbers 1905 and 1906 with two storerooms numbers 6A and 6B on the 19th floor at Stelux House
“Premises F”	office unit numbers 2201, 2202, 2203 and 2205 with two storeroom numbers 1A and 1B on the 22nd Floor of Stelux House
“Premises G”	office unit number 2206 with two storeroom numbers 6A and 6B on the 22nd Floor of Stelux House
“Services”	provision of overall administration and management services comprising contract administration, property agency liaison and tenancy management, financial management and other administrative services
“Service Agreement 2016”	the agreement entered into on 5 April 2016 between Stelux Properties Agency and Mengiwa for the renewal of the subsisting service agreement with respect to the Services
“Shareholders”	holders of the shares in the issued share capital of the Company
“Stelux Holdings”	Stelux Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Stelux House”	the building known as “Stelux House” situated at 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong, erected on New Kowloon Inland Lot No. 4790
“Stelux House Renewal Tenancy Agreements 2016”	the tenancy agreements entered into on 5 April 2016 between Mengiwa, as landlord, and Stelux Holdings and Thong Sia Watch, respectively as tenant for the leases of Premises A, Premises B, Premises C, Premises D, Premises E, Premises F and Premises G
“Stelux Properties Agency”	Stelux Properties Agency Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Thong Sia Co”	Thong Sia Company Limited, a company incorporated in Hong Kong and a subsidiary of Yee Hing
“Thong Sia Watch”	Thong Sia Watch Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

“Trust”	the Klayze Trust, of which Mr. Chumphol Kanjanapas, Mr. Sakorn Kanjanapas and their certain brothers and sisters are beneficiaries
“Warehouse Leasing and Licence Agreements 2016”	the warehouse rental and warehouse licence agreements entered into on 5 April 2016 between Active Lights and Thong Sia Co, each individually as landlord/licensor and certain wholly-owned subsidiaries of the Company, each individually as tenant/licensee, respectively, in relation to the lease/licence of Warehouse Space A, Warehouse Space B, Warehouse Space C, Warehouse Space D, Warehouse Space E and Warehouse Space F.
“Warehouse Space A”	Warehouse space A at an industrial building (“ <b>Yau Tong Building</b> ”) in Yau Tong, Kowloon, Hong Kong
“Warehouse Space B”	Warehouse space B at Yau Tong Building
“Warehouse Space C”	Warehouse space C at Yau Tong Building
“Warehouse Space D”	Warehouse space D at an industrial building (“ <b>Kowloon Bay Building</b> ”) in Kowloon Bay, Kowloon, Hong Kong
“Warehouse Space E”	Warehouse space E at Kowloon Bay Building
“Warehouse Space F”	Warehouse space F at Kowloon Bay Building
“Yee Hing”	Yee Hing Company Limited, a company incorporated in Hong Kong
“Yee Hing Group”	Yee Hing and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	Percentage

By order of the Board  
**Caroline Chong**  
*Company Secretary*

Hong Kong, 6 April 2016

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

*Executive Directors:*

Chumphol Kanjanapas (alias Joseph C.C. Wong) (*Chairman and Chief Executive Officer*) and Wallace Kwan Chi Kin (*Chief Financial Officer*)

*Non-executive Directors:*

Sakorn Kanjanapas, Ma Xuezheng (also known as Mary Ma), Wong Yu Tsang Alex (also known as Alex Wong), Wu Chun Sang (*independent*), Lawrence Wu Chi Man (*independent*) and Agnes Kwong Yi Hang (*independent*)