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# **STELUX Holdings International Limited**

**寶光實業(國際)有限公司\***

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 84)

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

**Leasing of premises at Stelux House from connected person**

**and**

**provision of management and property agency liaison services to connected person**

## **CONTINUING CONNECTED TRANSACTION**

**Leasing of additional premises at Stelux House from connected person**

### **1. Continuing connected transactions relating to the existing leases and the new lease of premises at Stelux House**

The Company announces that on 19 December 2007 a wholly-owned subsidiary of the Company, as tenant, entered into the Tenancy Agreements with Mengiwa, as landlord, to record the terms of the renewal lease of Premises A and Premises B for the period from 1 April 2008 to 31 March 2010 and the new lease of Premises C for the period from 19 December 2007 to 31 March 2010.

Yee Hing is the controlling shareholder of the Company holding approximately 31.54% of the issued share capital of the Company as of the date of this announcement. Mengiwa is a wholly-owned indirect subsidiary of Yee Hing and is hence a connected person of the Company. In this connection, the Tenancy Agreements constitute continuing connected transactions for the Company under the Listing Rules. Each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules, calculated with reference to the maximum aggregate annual cap amount for the Continuing Connected Transactions A and aggregated with the annual cap amount for the financial year ending 31 March 2009 for the continuing connected transaction under the Thong Sia Watch Lease, exceeds 0.1% but is less than 2.5%. As such, the Continuing Connected Transactions A are classified as continuing connected transactions for the Company 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.

\* For identification purpose only

## **2. Continuing connected transaction relating to the provision of management and property agency services by the Company to Mengiwa**

The Company announces that on 19 December 2007 the Renewal Services Agreement was entered into between a wholly-owned subsidiary of the Company (as agent) and Mengiwa (as principal) for the provision of the Services for the period from 1 April 2008 to 31 March 2010.

The Renewal Services Agreement constitutes a continuing connected transaction for the Company under the Listing Rules. Each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules, calculated with reference to the maximum aggregate annual cap amounts for the Continuing Connected Transaction B for the two financial years ending 31 March 2009 and 31 March 2010, exceeds 0.1% but is less than 2.5%. 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.34 of the Listing Rules but will be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

## **1. CONTINUING CONNECTED TRANSACTIONS RELATING TO THE EXISTING LEASES AND THE NEW LEASE OF PREMISES AT STELUX HOUSE**

### **1.1 Information about the existing continuing connected transactions relating to the lease of premises at Stelux House from Mengiwa**

The Group has been using certain premises at Stelux House as its headquarters since 1998. Immediately following the completion of the disposal of Stelux House by the Company to Yee Hing in March 2006 as detailed in the announcement of the Company dated 20 December 2005 and the relevant circular to Shareholders dated 24 February 2006 (collectively, the “**Announcement and the Circular**”), the Company has leased (the “**First Lease**”) certain office premises and car parking spaces at Stelux House from Mengiwa primarily for office and administrative purposes. As stated in the announcement of the Company dated 19 July 2006, Thong Sia Watch (a wholly-owned subsidiary of the Company) has leased certain office premises and car parking spaces at Stelux House from Mengiwa mainly for office and service centre uses (the “**Thong Sia Watch Lease**”). The Company has stated in its announcement dated 25 April 2007 that due to overall expansion it has entered into a tenancy agreement (the “**Second Lease**”) for the lease of additional office premises and storeroom at Stelux House from Mengiwa. Each of the First Lease, the Thong Sia Watch Lease and the Second Lease constitutes an on-going continuing connected transaction for the Company.

The summary below sets out the terms of all existing leases in relation to premises at Stelux House entered into by the Company as tenant and Mengiwa as landlord:

	Premises at Stelux House	Gross floor area (square feet)	Number of car parking spaces	Monthly rent (exclusive of rates, government rent and management charges for office premises) (HK\$)	Expiry date of the relevant leasing agreement
<b>First Lease</b>	27th floor, portion of 28th floor, office units numbers 502, 503, 505 and 506 on 5th floor and 12 car parking spaces (collectively, the “ <b>Premises A</b> ”)	30,704	12	373,000	31 March 2008
<b>Thong Sia Watch Lease</b>	21st floor and car parking spaces numbers 314, 315 and 317 at basement 3	13,300	3	139,790	31 March 2009
<b>Second Lease</b>	Office unit 1501 with storeroom 1A on the 15th floor (the “ <b>Premises B</b> ”)	3,800	not applicable	36,500	31 March 2008

The Group currently occupies office premises with an aggregate gross floor area of approximately 47,804 square feet at Stelux House. The Company, including its major subsidiaries, has used Stelux House as its headquarters to centralise the operations amongst members of the Group for office, administrative and service center purposes. In order to avoid possible disruption to business due to relocation, the Company intends to continue to lease the Premises A and Premises B from Mengiwa following the expiration of the First Lease and the Second Lease on 31 March 2008. The Directors consider it to be in the interests of the Company and the Shareholders as a whole for the Company to continue to use the Premises A and Premises B as long as the relevant rental rates and other rental terms are in line with the market rates and relocation costs could be avoided.

## **1.2 Information about the lease of additional premises at Stelux House from Mengiwa**

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

As a result of business expansion, the Company, including its subsidiaries, requires additional office space. Since the head office of the Company and its major subsidiaries is located at Stelux House, it is logical and more efficient from an operational point of view for the additional office space to be at the same office building.

### 1.3 Tenancy agreements dated 19 December 2007

The Company announces that on 19 December 2007 a wholly-owned subsidiary of the Company, as Tenant, entered into tenancy agreements (the “**Tenancy Agreements**”) with Mengiwa, as Landlord, to record the terms of the renewal lease of Premises A and Premises B for the period from 1 April 2008 to 31 March 2010 and the new lease of certain additional office and storeroom spaces at Stelux House (please refer to Premises C defined below) for the period from 19 December 2007 to 31 March 2010.

#### *Date*

19 December 2007

#### *Parties*

Landlord : Mengiwa

Tenant : a wholly-owned subsidiary of the Company

#### *Premises*

(i) Premises A,

(ii) Premises B, and

(iii) Office unit 1503 on the 15th floor and storeroom 1206A on the 12th floor at Stelux House (collectively, the “**Premises C**”) with a total gross floor area of approximately 2,210 square feet. The Premises C will be for use as a staff training room and storeroom.

#### *Term and commencement date*

A term of 24 months commencing from 1 April 2008 up to and including 31 March 2010 for the lease of Premises A and Premises B.

A term of 27 months and 13 days commencing from 19 December 2007 up to and including 31 March 2010 for the lease of Premises C.

#### *Rent for Premises A and Premises B*

A total of HK\$453,107.86 per calendar month (exclusive of rates, government rent and management charges except for the car parking spaces) payable monthly in advance in cash from internal funds by the tenant on the first day of each and every calendar month, there will be a rent-free period of one month commencing from 1 April 2008 up to and including 30 April 2008.

### ***Rent for Premises C***

HK\$18,255.80 per calendar month (exclusive of rates, government rent and management charges) for office unit 1503 and HK\$4,300.00 per calendar month (inclusive of rates, government rent and management charges) for storeroom 1206A payable monthly in advance in cash from internal funds by the tenant on the first day of each and every calendar month, there will be a rent-free period of one month commencing from 19 December 2007 up to and including 18 January 2008 (except for the storeroom).

### ***Basis for determining rental***

The monthly rent (exclusive of rates, government rent and management charges) for each of the Premises A, Premises B and Premises C was determined by reference to comparable rental transactions as available in the market. The rent payable by the Company is in line with the prevailing market rent based on valuation reports of independent property valuers in respect of the subject premises as at 10 December 2007.

## **1.4 Listing Rules implications**

Yee Hing, which is principally engaged in investment holding, is the controlling shareholder of the Company holding approximately 31.54% of the issued share capital of the Company as of the date of this announcement. Mengiwa, whose principal business is the ownership of Stelux House, is a wholly-owned indirect subsidiary of Yee Hing and is hence a connected person of the Company. In this connection, the Tenancy Agreements constitute continuing connected transactions (the “**Continuing Connected Transactions A**”) for the Company under the Listing Rules.

Based on the monthly rent payable by the Company during the term of the Tenancy Agreements, the Company proposes to set the maximum aggregate annual consideration for the lease of Premises C for the financial year ending 31 March 2008 at HK\$62,000 (being approximately the two-and-half month rent of approximately HK\$46,000 for office unit 1503 at Stelux House and the three-and-half month rent of approximately HK\$15,000 for storeroom 1206A at Stelux House payable by the Company for the period from 19 December 2007 to 31 March 2008) and for the Continuing Connected Transactions A for the two financial years ending 31 March 2009 and 31 March 2010 at HK\$5,260,000 and HK\$5,750,000 respectively. The historical cap amount for Premises A for each of the financial year ended 31 March 2007 and the financial year ending 31 March 2008 was set at HK\$4,500,000. The lease of Premises B by the Company only commenced from 1 May 2007, the historical cap amount for Premises B therefore covers a period of 11 months in the financial year ending 31 March 2008 and was set at HK\$405,000. The increases in the proposed cap amounts for the Continuing Connected Transactions A as compared to the relevant aggregate cap amount for Premises A and Premises B for the financial year ending 31 March 2008 are attributable to (i) the increase in the monthly rent for Premises A and Premises B, (ii) a less than 12-month term of rent for Premises B in the financial year ending 31 March 2008, and (iii) the additional rent for Premises C.

Each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules, calculated with reference to the above-mentioned maximum aggregate annual cap amount for the Continuing Connected Transactions A and aggregated with the annual cap amount for the financial year ending 31 March 2009 for the continuing connected transaction contemplated under the Thong Sia Watch Lease, exceeds 0.1% but is less than 2.5%. As such, the Continuing Connected Transactions A are classified as continuing connected transactions for the Company 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 Continuing Connected Transactions A are based on normal commercial terms agreed after arms' length negotiations between the parties and are in the ordinary and usual course of business of the Company. The Board (including the independent non-executive Directors) considers that the terms of the Continuing Connected Transactions A are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

### **2.1 Background**

Reference is made to the Announcement and the Circular with respect to, amongst other matters, the on-going continuing connected transaction for the provision of overall administration and management services comprising contract administration, property agency liaison and tenancy management, financial management and other administrative services (the "Services") with respect to Stelux House by the Company. The relevant services agreement (the "Services Agreement") 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 will expire on 31 March 2008.

The Company has been providing the Services with respect to Stelux House since 1998 and has accumulated the relevant knowledge and experience. During the term of the Service Agreement, the Company has been receiving a monthly remuneration of HK\$170,000. Mengiwa is satisfied so far with the services provided by the Company under the Services Agreement, whilst the remuneration received by the Company under the Services Agreement is more than enough to cover the relevant costs incurred by the Company 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 Services Agreement on 31 March 2008.

## **2.2 Renewal of the Services Agreement**

The Company announces that on 19 December 2007 a wholly-owned subsidiary of the Company entered into a services agreement (the “**Renewal Services Agreement**”) for the provision of the Services for the period from 1 April 2008 to 31 March 2010.

### ***Date***

19 December 2007

### ***Parties***

Principal : Mengiwa

Agent : a wholly-owned subsidiary of the Company

### ***Term and commencement date***

A term of 24 months commencing from 1 April 2008 up to and including 31 March 2010.

### ***Remuneration***

HK\$178,500 per calendar month (in the first year ending 31 March 2009) payable in advance in cash on the first day of each and every calendar month. Parties to the Renewal Services Agreement shall negotiate and agree in good faith to increase the remuneration for the second year ending 31 March 2010 by not more than 10% with reference to the actual increase in costs (including but not limited to related staff salaries) incurred by the Company with respect to the provision of the Services. In event that no agreement is reached between the parties to the Renewal Services Agreement, the service fee payable by Mengiwa under the Renewal Services Agreement for the second year of the term shall remain as HK\$178,500 per month.

### ***Basis for determining remuneration***

The remuneration represents a 5% increase from the existing amount of remuneration under the Services Agreement. The increase was determined by reference to the consumer price inflation of 1.6% on a year-on-year basis in Hong Kong for the third quarter of 2007 as released by the Hong Kong Government and the estimate in the increase in costs to be incurred by the Company with respect to the provision of the Services in the financial year ending 31 March 2009.

## 2.4 Listing Rules implications

As mentioned above, Mengiwa is a connected person of the Company. Thus, the Renewal Services Agreement constitutes a continuing connected transaction (the “**Continuing Connected Transaction B**”) for the Company under the Listing Rules.

With reference to the monthly remuneration to be received by the Company under the Renewal Services Agreement during its tenure, the Company proposes to set the maximum aggregate annual remuneration for the Continuing Connected Transaction B at HK\$2,200,000 and HK\$2,400,000 for the two financial years ending 31 March 2009 and 31 March 2010 respectively.

Each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules, calculated with reference to the above-mentioned maximum aggregate annual cap amounts for the Continuing Connected Transaction B for the two financial years ending 31 March 2009 and 31 March 2010, exceeds 0.1% but is less than 2.5%. 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.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 Continuing Connected Transaction B is based on normal commercial terms agreed after arms’ length negotiations between the parties. The Board (including the independent non-executive Directors) considers that the terms of the Continuing Connected Transaction B are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## DEFINITIONS

“Board”	the board of Directors
“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
“controlling shareholder”	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
“Thong Sia Watch”	Thong Sia Watch Company Limited, a company incorporated in Hong Kong with limited liabilities



“Mengiwa”	Mengiwa Property Investment Limited, a company incorporated in Hong Kong, which changed name from Stelux Holdings Limited
“Shareholders”	holders of the shares in the issued share capital 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yee Hing”	Yee Hing Company Limited, a company incorporated under the laws of Hong Kong, and a controlling shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	Percentage

On behalf of the Board  
**Vincent Lau Tak Bui**  
*Director*

Hong Kong, 19 December 2007

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

*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*)