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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)

CONTINUING CONNECTED TRANSACTION

Manufacture and Supply of Optical Products by a Connected Person

The Company announces that on 19 June 2008, IOM as manufacturing supplier, and the Group, through its two wholly-owned subsidiaries, as purchaser, entered into the Manufacturing and Supply Agreement to record the principal terms and conditions under which IOM is engaged as one of the manufacturing suppliers of the Group for the manufacture and supply of the Group's house-brand Optical Products from time to time during the period from 20 June 2008 to 31 March 2011. Yee Hing, the controlling shareholder of the Company, has an effective controlling interest of approximately 87% in IOM. IOM, being an associate of Yee Hing, is thus a connected person of the Company. The entering into of the Manufacturing and Supply Agreement (the "**Transaction**") therefore constitutes a continuing connected transaction for the Company under the Listing Rules.

Reference is made to the announcement of the Company dated 26 March 2007 that on the same date, the Group, through certain of its wholly-owned subsidiaries, as purchaser, had renewed the continuing connected transactions relating to its continuing purchases of Optical Products from the Vision Pro Group by entering into certain purchase agreements (the "**Vision Pro Agreements**") for the period from 1 April 2007 to 31 March 2010. The Vision Pro Agreements were entered into by and between the Group and the Vision Pro Group to record the principal terms of its continuing purchases of Optical Products from the Vision Pro Group, which is effectively owned as to approximately 87% by Yee Hing. The transactions (the "**Vision Pro CCTs**") contemplated under the Vision Pro Agreements were 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

Given the results of the consultation with the Stock Exchange by the Company, the Transaction and the Vision Pro CCTs should be aggregated for the purpose of classification in accordance with the Listing Rule 14A.25.

Each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules, calculated with reference to the aggregation of the Annual Cap Amounts and the relevant annual cap amounts for the Vision Pro CCTs for the financial years ending 31 March 2009, 2010 and 2011, exceeds 0.1% but is less than 2.5%. As such, the Transaction, on an aggregated basis, 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 thereunder.

BACKGROUND

The Group is principally engaged in the business of retailing and wholesaling of watches and optical products. IOM, in which Yee Hing has an effective controlling interest of approximately 87%, is a well-known and leading manufacturer of quality Optical Products in the industry and its customers include various internationally renowned brands of Optical Products. Since Yee Hing is the controlling shareholder of the Company with an approximate shareholding of 32% in the Company, IOM is a connected person of the Company by virtue of the fact that it is an associate of a substantial shareholder of the Company. Over a period of time, the Group has been engaging IOM as one of its manufacturing suppliers to manufacture and supply a small quantity of house-brand Optical Products in the usual and ordinary course of business of the Group over the past three financial years. Amounting to an annual value of less than HK\$1.0 million for each of the past three financial years of the Company, the purchases of house-brand Optical Products from IOM by the Group therefore constituted continuing connected transactions for the Company that are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Building upon previous years of mutually satisfactory purchaser/manufacturer relationship, the Group and IOM now intend to expand the volume of business between them with respect to the Group's house-brand Optical Products by entering into the Manufacturing and Supply Agreement (the "**Transaction**") for the period from 20 June 2008 up to and including 31 March 2011.

THE MANUFACTURING AND SUPPLY AGREEMENT

The Company announces that on 19 June 2008, IOM as manufacturing supplier, and the Group, through its two wholly-owned subsidiaries, as purchaser, entered into the Manufacturing and Supply Agreement in relation to the engagement of IOM as one of the manufacturing suppliers of the Group for the manufacture and supply of the Group's house-brand Optical Products. The principal terms of the Manufacturing and Supply Agreement are as follows:

- Subject Matter:** The Manufacturing and Supply Agreement sets out the principal terms and conditions under which the Group may place specific purchase orders with IOM for purchases of Optical Products from time to time.
- Date:** 19 June 2008
- Parties:**
- Manufacturer:** IOM, which is principally engaged in the manufacture of Optical Products
- Purchaser:** two wholly-owned subsidiaries of the Company, which collectively are principally engaged in the trading of Optical Products
- Term and Commencement Date:** A term of 33 months and 11 days covering the period from 20 June 2008 up to and including 31 March 2011.
- Scope:** IOM agrees to manufacture for and supply to the Group, and the Group agrees to purchase from IOM, house-brand Optical Products subject to the terms and conditions contained in the Manufacturing and Supply Agreement.
- Terms of Purchases:** The Group shall engage IOM to supply and manufacture Optical Products typically for cash with payment terms of 60 days upon receipt of invoice. The terms of purchase will be determined on an individual purchase order basis based on the prevailing industry conditions and the purchases will be on normal commercial terms.
- Annual Cap Amounts:** For each of the periods from 20 June 2008 to 31 March 2009, from 1 April 2009 to 31 March 2010 and from 1 April 2010 to 31 March 2011, the annual maximum amount of purchases for house-brand Optical Products to be made by the Group from IOM shall not exceed HK\$3.50 million, HK\$4.20 million and HK\$5.04 million respectively.

BASIS FOR DETERMINING THE ANNUAL CAP AMOUNTS

Based on the historical amount of purchases of approximately HK\$3.5 million from manufacturing suppliers of certain higher-end house-brand Optical Products of the Group in 2007, the Group proposes to set the Annual Cap Amount at HK\$3.5 million for the period from 20 June 2008 to 31 March 2009. In line with the general annual growth rates of approximately 23% to 30% of the turnover of the Group's retail operations for optical products from FY2004 to 2007, the Group proposes to apply a relatively conservative annual general growth rate of 20% on the annual cap amounts for the Transaction thereafter FY2009 and set the Annual Cap Amounts at HK\$4.20 million and HK\$5.04 million for each of FY2010 and FY2011 respectively. According to the management accounts of the Group, the annual total amount of purchases of Optical Products by the Group from IOM for the three financial years ended 31 March 2006, 31 March 2007 and 31 March 2008 amounted to HK\$51,000, HK\$459,000 and HK\$550,000 respectively, and there were no purchases made by the Group from IOM during the period from 1 April 2008 to the date of this announcement.

REASONS FOR AND BENEFITS OF THE MANUFACTURING AND SUPPLY AGREEMENT

Through a business relationship built up over the previous years, the Group is satisfied with IOM's competence as manufacturer for Optical Products. In addition, the Group is pleased with IOM's market knowledge and trend perception in the European and the United States markets as evidenced by its success in being a supplier to various internationally renowned brands of Optical Products. The Directors believe that the Transaction will help achieve the Group's objectives of developing more higher-end house-brand Optical Products.

The Board (including all independent non-executive directors) is of the view that the Transaction is entered into under normal commercial terms agreed after arm's length negotiations between the parties, and are fair and reasonable. Furthermore, the Directors consider that the Manufacturing and Supply Agreement is entered into in the usual and ordinary course of business of the Company and is in the interests of the Group and the Shareholders as a whole as the Transaction will enhance brand image and quality of the Group's house-brands of Optical Products.

AGGREGATION OF THE TRANSACTION AND THE VISION PRO CCTS

As mentioned above, IOM is a connected person of the Company. Thus, the Transaction constitutes a continuing connected transaction for the Company under the Listing Rules.

Reference is made to the announcement of the Company dated 26 March 2007 that on the same date, the Group, through certain of its wholly-owned subsidiaries, as purchaser, had renewed the continuing connected transactions relating to its continuing purchases of optical products from the Vision Pro Group by entering into certain purchase agreements (the "**Vision Pro Agreements**") for the period from 1 April 2007 to 31 March 2010. The Vision Pro Agreements were entered into by and between the Group and the Vision Pro Group to record the principal terms of its continuing purchases of Optical Products from the Vision Pro Group, which is effectively owned as to approximately 87% by Yee Hing. The transactions (the "**Vision Pro CCTs**") contemplated under the Vision Pro Agreements were 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.

Given the results of the consultation with the Stock Exchange by the Company, the Transaction and the Vision Pro CCTs should be aggregated for the purpose of classification in accordance with the Listing Rule 14A.25.

LISTING RULES IMPLICATIONS

Each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules, calculated with reference to the aggregation of the Annual Cap Amounts and the relevant annual cap amounts for the Vision Pro CCTs for the financial years ending 31 March 2009, 2010 and 2011, exceeds 0.1% but is less than 2.5%. As such, the Transaction, on an aggregated basis, 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 thereunder.

DEFINITIONS

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| “Annual Cap Amount(s)” | the maximum total amount of purchase of Optical Products by the Group from IOM under the Manufacturing and Supply Agreement for each of the periods from 20 June 2008 to 31 March 2009, from 1 April 2009 to 31 March 2010 and from 1 April 2010 to 31 March 2011 |
| “associate” | has the same meaning as ascribed to it under the Listing Rules |
| “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 |
| “IOM” | International Optical Manufacturing Company Limited, a company incorporated in Hong Kong and owned as to 60% by Yee Hing and 40% by Thong Sia Company Limited which in turn is owned as to approximately 68% by Yee Hing |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “Manufacturing and Supply Agreement” | the agreement entered into amongst IOM and two wholly-owned subsidiaries of the Company on 19 June 2008 setting out the principal terms and conditions under which the Group may place specific purchase orders with IOM for purchases of Optical Products for a term of 33 months and 11 days from 20 June 2008 up to and including 31 March 2011 |
| “Optical Products” | optical frames and sunglasses |
| “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 |
| “Vision Pro Group” | Vision Pro Trading Company Limited, a company incorporated in Hong Kong, and its subsidiaries |
| “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 |

By order of the Board
Caroline Chong
Company Secretary

Hong Kong, 19 June 2008

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*)