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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 the Premises in Singapore and Warehouse Spaces in Hong Kong from Connected Person**

#### **TENANCY AGREEMENT**

The Company announces that on 22 July 2008 Mengiwa SIN as landlord, and the Group, through its wholly-owned subsidiary, as tenant, entered into the Tenancy Agreement for the renewal lease of the Premises in Singapore for the period from 1 July 2008 to 30 June 2010.

#### **OTHER SUBSISTING PROPERTY LEASE TRANSACTIONS WITH SAME CONNECTED PERSONS**

Reference is made to the announcements of the Company dated 19 July 2006 and 19 December 2007 in relation to the continuing connected transactions (the “**Stelux House Leases**”) for the Company in respect of the lease of certain office premises, storerooms and car parking spaces at Stelux House from Mengiwa Property Investment by the Group. In addition, over a period of time, the Group has been licensing and renting certain warehouse spaces in Hong Kong from Active Lights and Thong Sia Co in the ordinary course of business of the Group over the past three financial years. Amounting to an aggregate rental payment of less than HK\$1.0 million for each of the past three financial years of the Company, the transactions contemplated under the said licensing and renting of warehouse spaces constituted continuing connected transactions for the Company that are exempt from the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. As regards the said licensing and renting of warehouse spaces, while there are two tenancy agreements with respect to certain warehouse spaces leased from Thong Sia Co (the “**Warehouse Rentals A**”) with the contractual expiration dates of 16 April 2009 and 30 November 2009 and one licence agreement with respect to certain warehouse space licensed from Active Lights (the “**Warehouse Rentals B**”) with the contractual expiration date of 31 March 2010, the renting of the remaining warehouse spaces (the “**Warehouse Rentals C**”) were based on verbal agreements between the Group and the landlords following the expiration of the relevant written agreements on 15 September 2004 and 30 September 1994 respectively. The Group intends to put the said verbal agreements with respect to Warehouse Rentals C in writing and to streamline the administration of its property lease arrangements with different expiry dates.

## **WAREHOUSE AGREEMENTS**

As a result, on 22 July 2008, the Group (i) terminated, with effect from 1 July 2008, the two tenancy agreements with respect to the Warehouse Rentals A earlier than their contractual expiration dates, and (ii) through certain of its subsidiaries, as tenant, and Active Lights and Thong Sia Co, each of them as landlord, entered into the Warehouse Agreements with expiry dates to coincide with most of the expiry dates of the Stelux House Leases, for the renewal lease of Warehouse Rentals A and Warehouse Rentals C for the period from 1 July 2008 to 31 March 2010 at the same rent as before expiry of the respective relevant written agreements.

## **THE TRANSACTIONS**

The Estate holds a controlling interest in Mengiwa SIN and is deemed to be interested in a controlling interest in the Company through the Estate's indirect controlling interest in Yee Hing. Furthermore, both Active Lights and Thong Sia Co are subsidiaries of Yee Hing. In this connection, each of Mengiwa SIN, Active Lights and Thong Sia Co is an associate of the Estate and thus is a connected person of the Company. The entering into of the Tenancy Agreement and the Warehouse Agreements (the "**Transactions**") therefore constituted continuing connected transactions for the Company under the Listing Rules.

Since the Group has entered into property lease arrangements under the Transactions, the Stelux House Leases and the Warehouse Rentals B with landlords (namely: Mengiwa SIN, Mengiwa Property Investment, Active Lights and Thong Sia Co), each of which is directly or indirectly controlled by the Estate, the Transactions, the Stelux House Leases and the Warehouse Rentals B should be aggregated for the purpose of classification in accordance with Rule 14A.25 of the Listing Rules.

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 for the Tenancy Agreement and the Warehouse Agreements, and the relevant annual cap amounts for the Stelux House Leases and the relevant annual rent for Warehouse Rentals B for the financial years ending 31 March 2009, 2010 and 2011, exceeds 0.1% but is less than 2.5%. As such, the Transactions are classified, on an aggregated basis, as continuing connected transactions for the Company exempt from 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.

## RENEWAL LEASE OF THE PREMISES

### 1.1 Background

As stated in the announcement of the Company dated 10 August 2005 and the circular to Shareholders dated 31 August 2005 in relation to, inter alia, the acquisition of Thong Sia Singapore by the Group, Thong Sia Singapore entered into a tenancy agreement (the “**2005 Singapore TA**”) on 3 August 2005 in respect of the lease of the Premises from Mengiwa SIN for a monthly rent of S\$35,000 (equivalent to approximately HK\$166,600 at the exchange rate of approximately HK\$4.76 to S\$1 as at the date of the 2005 Singapore TA) (inclusive of management fee and air-conditioning charge) for the period from 1 July 2005 up to and including 30 June 2008. Following the completion of the above mentioned acquisition on 30 September 2005, Thong Sia Singapore became a wholly-owned subsidiary of the Company and the lease of the Premises constituted a continuing connected transaction for the Company exempt from independent shareholders’ approval requirements under Rule 14A.34 of the Listing Rules but was subject to the annual review, reporting and announcement requirements thereunder.

The Group is principally engaged in the business of retailing and wholesaling of watches and optical products. Thong Sia Singapore is the sole operating subsidiary of the Company engaged in the distribution of branded watches, clocks, timepieces and optical products in Singapore and has been using the Premises in Singapore as an office, showroom, warehouse and service centre for about 18 years. In order to avoid possible disruption to its business due to relocation, Thong Sia Singapore intends to continue to lease the Premises from Mengiwa SIN following the expiration of the 2005 Singapore TA on 30 June 2008. The Directors consider it to be in the interest of the Company and the Shareholders as a whole for the Group to continue to use the Premises as long as the relevant rental rates and other rental terms are in line with the market rates so as to avoid relocation and refurbishment costs which otherwise the Group will have to incur.

### 1.2 Tenancy Agreement dated 22 July 2008

The Company announces that on 22 July 2008 Mengiwa SIN as landlord, and the Group, through its wholly-owned subsidiary, as tenant, entered into the Tenancy Agreement for the renewal lease of the Premises in Singapore for the period from 1 July 2008 to 30 June 2010, to record the terms of the renewal lease of the Premises.

Parties:	Landlord: Mengiwa SIN, which is engaged in investment holding
	Tenant: Thong Sia Singapore
Premises:	Units #B2-00, #01-01 and #04-00 of Thongsia Building, No. 30 Bideford Road, Singapore, comprising a total floor area of approximately 10,289 square feet.

Term and rental period: A term of two years commencing from 1 July 2008 up to and including 30 June 2010 for the lease of the Premises.

Rent: S\$82,650.00 (equivalent to approximately HK\$471,105) per calendar month (exclusive of management fee and air-conditioning charge) 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 rent-free periods of two months in total commencing respectively from 1 June 2009 up to and including 30 June 2009, and from 1 June 2010 up to and including 30 June 2010.

### **1.3 Basis for determining the rent and the annual cap amounts**

The monthly rent was determined with reference to rental values of properties within proximity of Thongsia Building and the floor size of the Premises. Appropriate adjustments have been made between the rental comparables and the Premises to reflect the differences in size, location, condition, prevailing market conditions and all other relevant factors. The rent payable by Thong Sia Singapore in respect of the Tenancy Agreement is in line with the prevailing market rent based on an independent valuation dated 4 June 2008. Accordingly, the Directors consider that the terms of the Tenancy Agreement are fair and reasonable and the entering into of the Tenancy Agreement is in the interest of the Company and the Shareholders as a whole.

Based on the terms of the Tenancy Agreement, the Group proposes to set the Annual Cap Amount for the Tenancy Agreement at S\$743,850 (equivalent to approximately HK\$4,239,945), S\$909,150 (equivalent to approximately HK\$5,182,155) and S\$165,300 (equivalent to approximately HK\$942,210) for each of the periods from 1 July 2008 to 31 March 2009, from 1 April 2009 to 31 March 2010 and from 1 April 2010 to 30 June 2010 respectively.

## **RENEWAL LEASE OF WAREHOUSE SPACES**

### **2.1 Background**

Over a period of time, the Group has been licensing and renting certain warehouse spaces in Hong Kong from Active Lights and Thong Sia Co for storing the Group's items such as Group files and documents over the past three financial years in the ordinary course of business of the Group. Both Active Lights and Thong Sia Co are subsidiaries of Yee Hing, in which the Estate has a controlling interest. Amounting to an aggregate rental payment of less than HK\$1.0 million for each of the past three financial years of the Company, the said licensing and renting of warehouse spaces constituted continuing connected transactions for the Company that are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As regards the above mentioned licensing and renting of warehouse spaces, while there are two tenancy agreements with respect to certain warehouse spaces leased from Thong Sia Co (the “**Warehouse Rentals A**”) with the contractual expiration dates of 16 April 2009 and 30 November 2009 and one licence agreement with respect to certain warehouse space licensed from Active Lights (the “**Warehouse Rentals B**”) for a current monthly rent of HK\$6,500 with the contractual expiration date of 31 March 2010, the leasing agreements in respect of the remaining warehouse spaces (the “**Warehouse Rentals C**”) expired on 15 September 2004 and 30 September 1994. The Group, as tenant, had reached verbal agreements with Active Lights and Thong Sia Co, each of them as landlord, to continue to lease the warehouse spaces under Warehouse Rentals C after the expiration of the relevant agreements for the same respective consideration.

According to information of the Group, the annual total amount of rental payment with respect to Warehouse Rentals A for each of the three financial years ended 31 March 2006, 31 March 2007 and 31 March 2008 amounted to HK\$298,080, that with respect to Warehouse Rentals B for each of the said periods amounted to HK\$66,000, HK\$72,600 and HK\$72,600 respectively, and that with respect to Warehouse Rentals C for each of the said periods amounted to HK\$559,200. Set out below are the monthly rents for Warehouse Rentals A, Warehouse Rentals B and Warehouse Rentals C for the past three financial years ended 31 March 2008:

**Monthly rent in HK\$**

			<b>for the year ended 31 March,</b>			
			<b>2006</b>	<b>2007</b>	<b>2008</b>	<i>Note</i>
		<b>Landlord</b>				
Warehouse Rentals A	lease 1	Thong Sia Co	10,400	10,400	10,400	(1)
	lease 2	Thong Sia Co	14,440	14,440	14,440	(1)
Warehouse Rentals B	licence 1	Active Lights	5,500	6,050	6,050	(2), (3)
Warehouse Rentals C	lease 3	Thong Sia Co	12,000	12,000	12,000	(2)
	lease 4	Active Lights	34,600	34,600	34,600	(1)

*Note (1):* exclusive of management fees, rates and government rent

*Note (2):* inclusive of management fees, rates and government rent

*Note (3):* the relevant licence agreement was renewed on 27 March 2008 for the period from 1 April 2008 up to and including 31 March 2010 for a monthly rent of HK\$6,500 per calendar month (inclusive of management fees, rates and government rent)

The Company intends to put the said verbal agreements with respect to Warehouse Rentals C in writing and to streamline the administration of its property lease arrangements with different expiry dates.

## 2.2 Warehouse Agreements dated 22 July 2008

As a result, on 22 July 2008, the Group (i) terminated, with effect from 1 July 2008, the two tenancy agreements with respect to Warehouse Rentals A earlier than their contractual expiration dates, and (ii) through certain of its subsidiaries, as tenant, and Active Lights and Thong Sia Co, each of them as landlord, entered into the Warehouse Agreements with expiry dates to coincide with most of the expiry dates of the Stelux House Leases, for the renewal lease of Warehouse Rentals A and Warehouse Rentals C for the period from 1 July 2008 to 31 March 2010 at the same rent as before expiry of the respective relevant written agreements.

Parties:	Landlord: Active Lights, which is engaged in investment holding Thong Sia Co, which is engaged in investment holding
	Tenant: wholly-owned subsidiaries of the Company
Term and rental period:	A term of one year and nine months commencing from 1 July 2008 up to and including 31 March 2010 for the renewal licence and lease of Warehouse Rentals A and Warehouse Rentals C.
Rent:	HK\$10,400 and HK\$14,440 per calendar month (exclusive of management fees, rates and government rent) respectively in relation to the two leases under Warehouse Rentals A, and  HK\$12,000 per calendar month (inclusive of management fees, rates and government rent) and HK\$34,600 per calendar month (exclusive of management fees, rates and government rent) respectively in relation to the two leases under Warehouse Rentals C,  all payable monthly in advance in cash from internal funds by the tenant on the first day of each and every calendar month.

## 2.3 Basis for determining the rent and the annual cap amounts

The monthly rents payable under the Warehouse Agreements were determined with reference to prevailing market rates for properties in the vicinity of the different relevant locations of the warehouse spaces and taking into account any relocation costs which may otherwise be incurred by the Group. Accordingly, the Directors consider that the terms of the Warehouse Agreements are fair and reasonable and entering into of the Warehouse Agreements is in the interest of the Company and the Shareholders as a whole.

Based on the terms of the Warehouse Agreements, the Group proposes to set the Annual Cap Amount for the Warehouse Agreements at HK\$642,960 and HK\$857,280 for each of the periods from 1 July 2008 to 31 March 2009 and from 1 April 2009 to 31 March 2010 respectively.

## **THE TRANSACTIONS**

The Estate holds a controlling interest in Mengiwa SIN and the Estate is deemed to be interested in a controlling interest in the Company through the Estate's indirect controlling interest in Yee Hing. Furthermore, both Active Lights and Thong Sia Co are subsidiaries of Yee Hing. In this connection, each of Mengiwa SIN, Active Lights and Thong Sia Co is an associate of the Estate and thus is a connected person of the Company. The entering into of the Tenancy Agreement and the Warehouse Agreements (the "**Transactions**") therefore constituted continuing connected transactions for the Company under the Listing Rules.

The Directors consider that the Transactions have been entered into 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.

## **AGGREGATION OF THE TRANSACTIONS AND OTHER SUBSISTING PROPERTY LEASE TRANSACTIONS WITH SAME CONNECTED PERSONS**

Reference is made to the announcements of the Company dated 19 July 2006 (in relation to a tenancy agreement expiring on 31 March 2009) and 19 December 2007 (in relation to tenancy agreements expiring on 31 March 2010) relating to the continuing connected transactions (the "**Stelux House Leases**") for the Company in respect of the lease of certain office premises, storerooms and car parking spaces at Stelux House from Mengiwa Property Investment by the Group.

Since the Group has entered into property lease arrangements under the Transactions, the Stelux House Leases and the Warehouse Rentals B with landlords (namely: Mengiwa SIN, Mengiwa Property Investment, Active Lights and Thong Sia Co), each of which is directly or indirectly controlled by the Estate, the Transactions, the Stelux House Leases and the Warehouse Rentals B should be aggregated for the purpose of classification in accordance with Rule 14A.25 of the Listing Rules.

## **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 for the Tenancy Agreement and the Warehouse Agreements, and the relevant annual cap amounts for the Stelux House Leases and the relevant annual rent for Warehouse Rentals B for the financial years ending 31 March 2009, 2010 and 2011, exceeds 0.1% but is less than 2.5%. As such, the Transactions are classified, on an aggregated basis, 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 thereunder.

## DEFINITIONS

“Active Lights”	Active Lights Company Limited, a company incorporated in Hong Kong, and controlled by Yee Hing
“Annual Cap Amount(s)”	the maximum rental payment to be made by the Group to Mengiwa SIN under the Tenancy Agreement for each of the periods from 1 July 2008 to 31 March 2009, from 1 April 2009 to 31 March 2010 and from 1 April 2010 to 30 June 2010 and the maximum rental payment to be made by the Group to Active Lights and Thong Sia Co under the Warehouse Agreements for each of the periods from 1 July 2008 to 31 March 2009 and from 1 April 2009 to 31 March 2010
“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”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	directors (including the independent non-executive Directors) of the Company
“Estate”	the Estate of Mr Wong Chue Meng
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“Mengiwa Property Investment”	Mengiwa Property Investment Limited, a company incorporated in Hong Kong and a subsidiary of Yee Hing
“Mengiwa SIN”	Mengiwa Private Limited, a company incorporated in Singapore, and in which the Estate has a controlling interest
“Premises”	Units #B2-00, #01-01 and #04-00 of Thongsia Building, No. 30 Bideford Road, Singapore, comprising a total floor area of approximately 10,289 square feet
“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
“Tenancy Agreement”	the tenancy agreement entered into between Mengiwa SIN as landlord, and the Group, through its wholly-owned subsidiary, as tenant, on 22 July 2008 setting out the terms for the renewal lease of the Premises in Singapore for the period from 1 July 2008 to 30 June 2010
“Thong Sia Co”	Thong Sia Company Limited, a company incorporated in Hong Kong and a subsidiary of Yee Hing
“Thong Sia Singapore”	Thong Sia Company (Singapore) Pte Limited, a company incorporated in Singapore and a wholly-owned subsidiary of the Company
“Warehouse Agreements”	the leasing agreements entered into between Active Lights and Thong Sia Co, each of them as landlord, and the Group, through certain of its wholly-owned subsidiaries, as tenant, on 22 July 2008 setting out the terms of renewal lease of Warehouse Rentals A and Warehouse Rentals C for the period from 1 July 2008 to 31 March 2010
“Yee Hing”	Yee Hing Company Limited, a company incorporated in Hong Kong and a controlling shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“%”	Percentage

*Unless otherwise stated, the conversion of S\$ into HK\$ is based on the exchange rate of S\$1.00 = HK\$5.7. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.*

On behalf of the Board  
**Caroline Chong**  
*Company Secretary*

Hong Kong, 22 July 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*)

\* *For identification purpose only*