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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)

## **ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS**

### **Extension of Manufacturing and Supply Agreement Renewal of Retail Purchase Agreements And Renewal of Wholesale Purchase Agreements with Connected Persons**

Reference is made to the announcement of the Company dated 19 June 2008 that IOM, as manufacturing supplier, and the Group, through two of its wholly-owned subsidiaries, as purchaser, entered into the Manufacturing and Supply Agreement for a period of 33 months and 11 days from 20 June 2008 to and including 31 March 2011. On 31 March 2010, the Group, through certain of its wholly-owned subsidiaries, entered into an agreement with IOM to extend the Manufacturing and Supply Agreement 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 for another two years from 1 April 2011 to and including 31 March 2013. The Extended Manufacturing and Supply Agreement reflects the Group's efforts to secure manufacture and supply of its house-brand Optical Products in the upcoming years and streamline the administration of various supply agreements entered into with IOM and the Vision Pro Group.

The annual cap amounts in respect of the Manufacturing and Supply Agreement set for the period from 20 June 2008 to 31 March 2009 and for the two years ending 31 March 2010 and 2011 were HK\$3.50 million, HK\$4.20 million and HK\$5.04 million respectively. Since the actual purchases of Optical Products from IOM for the period from 20 June 2008 to 31 March 2009 were below the annual cap and the anticipated purchases of Optical Products from IOM for the year ending 31 March 2010 will be below the annual cap for the year, the Group decided to reduce the annual cap for the Manufacturing and Supply Agreement for the year ending 31 March 2011 from HK\$5.04 million to HK\$3 million.

\* For identification purpose only

Reference is made to the announcement of the Company dated 26 March 2007 that the Group, through certain of its 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 the Retail Purchase Agreements and the Wholesale Purchase Agreements. As the Retail Purchase Agreements and the Wholesale Purchase Agreements will be expiring on 31 March 2010, on 31 March 2010, the Group, through certain of its subsidiaries, entered into the Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements, with Vision Pro Group, in order to continue to make purchases of suitable optical products on an ongoing basis for its retail and wholesale operations from the Vision Pro Group.

Since Yee Hing, the controlling shareholder of the Company with an approximate shareholding of 32% in the Company on the date of this announcement, has effective controlling interests of approximately 94% in both IOM and Vision Pro Group, IOM and Vision Pro Group, being subsidiaries of Yee Hing, are thus connected persons of the Company as defined in the Listing Rules. The Extended Manufacturing and Supply Agreement, the Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements (hereinafter collectively referred to as the “**Transactions**”) therefore constitute continuing connected transactions for the Company under the Listing Rules.

The Transactions are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.25 of the Listing Rules.

Given that the aggregate Annual Cap and the Reduced Annual Cap for the years ending 31 March 2011, 2012 and 2013 exceed 0.1% but is less than 2.5% for each of the applicable percentage ratios calculated pursuant to Rule 14A.34(1) of the Listing Rules, the Transactions are classified as continuing connected transactions exempt from the independent shareholders’ approval, but are still subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules. Furthermore, the Transactions are subject to the annual review requirements as set out in Rules 14A.37 and 14A.38 of the Listing Rules.

## **BACKGROUND**

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

IOM 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.

The 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.

Since Yee Hing, the controlling shareholder of the Company with an approximate shareholding of 32% in the Company on the date of this announcement, has effective controlling interests of approximately 94% in both IOM and Vision Pro Group, IOM and the Vision Pro Group, being subsidiaries of Yee Hing, are thus connected persons of the Company as defined in the Listing Rules.

The business relationships of the Group with IOM and the Vision Pro Group are mutually satisfactory, and the Group intends to i) engage IOM as manufacturing supplier for its house-brand Optical Products for a further two years from 1 April 2011 to and including 31 March 2013 by extending the Manufacturing and Supply Agreement, and ii) continue making purchases of optical products from the Vision Pro Group on an ongoing basis for its retail and wholesale operations by renewing the Retail Purchase Agreements and the Wholesale Purchase Agreements expiring on 31 March 2010 for a further 3 years from 1 April 2010 to and including 31 March 2013.

### **EXTENDED MANUFACTURING AND SUPPLY AGREEMENT**

On 19 June 2008, IOM, as manufacturing supplier, and the Group, through two of its wholly-owned subsidiaries, as purchaser, entered into the Manufacturing and Supply Agreement that IOM was engaged as one of the manufacturing suppliers of the Group for the manufacture and supply of the Group's house-brand Optical Products for the period from 20 June 2008 to and including 31 March 2011. In order to streamline the administration of various supply agreements entered into with IOM and the Vision Pro Group, on 31 March 2010, the Group, through certain of its wholly-owned subsidiaries, entered into the Extended Manufacturing and Supply Agreement with IOM to extend the Manufacturing and Supply Agreement. The principal terms of the Extended Manufacturing and Supply Agreement are as follows:

Subject Matter: The Extended Manufacturing and Supply Agreement sets out the principal terms and conditions under which the Group may continue to place specific purchase orders to IOM for purchases of Optical Products from time to time during the period from 1 April 2011 to 31 March 2013.

Date: 31 March 2010.

Parties: Manufacturer: IOM, which is principally engaged in the manufacture of Optical Products.

Purchaser: Certain wholly-owned subsidiaries of the Company, which collectively are principally engaged in the trading of Optical Products.

Term and Commencement Date: A term of 24 months covering the period from 1 April 2011 to and including 31 March 2013.

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 Extended 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 purchases will be determined on an individual purchase order basis based on prevailing industry conditions and the purchases will be made on normal commercial terms.

Annual Cap Amounts: For each of the years ending 31 March 2012 and 2013, the annual maximum amount of purchases for house-brand Optical Products to be made by the Group from IOM shall not exceed HK\$3 million.

## **RENEWAL RETAIL PURCHASE AGREEMENTS AND RENEWAL WHOLESALE PURCHASE AGREEMENTS**

Reference is made to the announcement of the Company dated 26 March 2007 that the Group, through certain of its 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 the Retail Purchase Agreements and Wholesale Purchase Agreements. As the Retail Purchase Agreements and the Wholesale Purchase Agreements will be expiring on 31 March 2010, on 31 March 2010, the Group, through certain of its subsidiaries, entered into the Renewal Retail Purchase Agreements and Renewal Wholesale Purchase Agreements with Vision Pro Group in order to continue to make purchases of optical products on an ongoing basis from the Vision Pro Group for its retail and wholesale operations after the expiry of the Retail Purchase Agreements and Wholesale Purchase Agreements on 31 March 2010. The principal terms of the Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements are as follows:

Subject Matter: The Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements set out the principal terms and conditions under which the Group may place specific purchase orders to the Vision Pro Group for purchases of optical products from time to time for its retail and wholesale operations during the period from 1 April 2010 to and including 31 March 2013.

Date: 31 March 2010.

Parties: Vendor: The Vision Pro Group, which is principally engaged in the distribution and wholesale of optical products.

Purchaser: Certain subsidiaries of the Company.

Term and Commencement Date: A term of 36 months covering the period from 1 April 2010 to and including 31 March 2013.

Scope: The Vision Pro Group agrees to supply to the Group, and the Group agrees to purchase from the Vision Pro Group, optical products subject to the terms and conditions contained in the Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements.

Terms of Purchases: The Group shall engage the Vision Pro Group to supply optical products typically for cash with payment terms of 30 to 60 days upon receipt of the invoice for purchases made under the Renewal Retail Purchase Agreements and 90 days upon receipt of the invoice for purchases made under the Renewal Wholesale Purchase Agreements. The terms of purchases will be determined on an individual purchase order basis based on prevailing industry conditions and the purchases will be on terms no less favourable than those offered by the 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.

Annual Cap Amounts: For each of the years ending 31 March 2011, 2012 and 2013, the annual maximum amount of purchases of optical products to be made by the Group from the Vision Pro Group under the Renewal Retail Purchase Agreements and Renewal Wholesale Purchase Agreements shall not exceed HK\$8.75 million, HK\$9 million and HK\$9.25 million respectively.

## **REDUCTION OF 2011 ANNUAL CAP FOR THE MANUFACTURING AND SUPPLY AGREEMENT**

The annual cap amounts in respect of the Manufacturing and Supply Agreement set for the period from 20 June 2008 to 31 March 2009 and for the two years ending 31 March 2010 and 2011 were HK\$3.50 million, HK\$4.20 million and HK\$5.04 million respectively. The actual purchases of Optical Products from IOM for the period from 20 June 2008 to 31 March 2009 were HK\$288,000 and were below the annual cap of HK\$3.50 million set for the period. The actual purchases of Optical Products from IOM for the period from 1 April 2009 to 28 February 2010 were HK\$1,525,000 and the anticipated purchases for the year ending 31 March 2010 will be less than the annual cap of HK\$4.20 million set for the year. In light of the current market conditions and historical purchases records, the Group decided to reduce the annual cap for the Manufacturing and Supply Agreement for the year ending 31 March 2011 from HK\$5.04 million to HK\$3 million (hereinafter referred to as “Reduced Annual Cap”). The Reduced Annual Cap has been accounted for in the calculation of the percentage ratios relevant to the Transactions pursuant to Rule 14A.34(1) of the Listing Rules.

## **BASIS FOR DETERMINING THE ANNUAL CAP AMOUNTS**

### ***Extended Manufacturing and Supply Agreement***

Based on the annual report of the Group for the year ended 31 March 2009 and the unaudited financial statements of the Group for the period from 1 April 2009 to 28 February 2010, the amount of purchases of Optical Products by the Group from IOM under the Manufacturing and Supply Agreement amounted to HK\$288,000 and HK\$1,525,000 respectively.

Overall, underlying economic recovery in some of the markets where the Group operates generally remain fragile. Under these market conditions and the fact that the Group's purchases of Optical Products from IOM during the period from 20 June 2008 to 31 March 2009 were below the annual cap and the anticipated purchases for the year ending 31 March 2010 will be below the annual cap set for the year for the Manufacturing and Supply Agreement, the Group proposes to set the annual caps for the Extended Manufacturing and Supply Agreement at a level lower than those set for the Manufacturing and Supply Agreement. The proposed annual cap for the Extended Manufacturing Supply Agreement for each of the years ending 31 March 2012 and 2013 is HK\$3 million and has been set based on the Group's past experience and best estimation of the maximum amount of future purchases.

### ***Renewal Retail Purchase Agreements and Renewal Wholesale Purchase Agreements***

Based on the annual reports of the Group for the year ended 31 March 2008 and 2009 and the unaudited financial statements of the Group for the period from 1 April 2009 to 28 February 2010, the amount of purchases of optical products by the Group from Vision Pro Group amounted to HK\$9.8 million, HK\$9.9 million and HK\$7.9 million respectively.

The Group proposes to set the aggregate annual caps for the Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements at HK\$8.75 million, HK\$9 million and HK\$9.25 million for each of the years ending 31 March 2011, 2012 and 2013 respectively. The annual caps for the years ending 31 March 2011, 2012 and 2013 are based on the aggregate amount of purchases of optical products by the Group from the Vision Pro Group under the Retail Purchase Agreements and Wholesale Purchase Agreements for the period from 1 April 2009 to 28 February 2010 annualized into one year and with allowance for an average growth rate of 2.5% per annum during the three years ending 31 March 2013.

## **REASONS FOR AND BENEFITS OF EXTENDING THE MANUFACTURING AND SUPPLY AGREEMENT, RENEWAL OF THE RETAIL PURCHASE AGREEMENTS AND WHOLESALE PURCHASE AGREEMENTS**

### ***Extended Manufacturing and Supply Agreement***

The Group is satisfied with the business relationship with IOM over the previous years, and is pleased with IOM's market knowledge and trend perception in certain major markets, as evidenced by its success in being a supplier to various internationally renowned brands of Optical Products. The Directors believe that the Extended Manufacturing and Supply Agreement will help achieve the Group's objectives to



develop more higher-end house-brand Optical Products and secure manufacture and supply of these products in the upcoming years. Furthermore, the extension of the Manufacturing and Supply Agreement will help the Group streamline the administration of various supply agreements entered into with IOM and the Vision Pro Group.

### ***Renewal Retail Purchase Agreements and Renewal Wholesale Purchase Agreements***

The Vision Pro Group has been one of the major optical products suppliers of the Group. The optical products supplied by the Vision Pro Group have been well received in the retail and wholesale markets and have made a positive contribution to the Group's principal business of optical retailing and wholesale distribution. As such, the renewal of the Retail Purchase Agreements and Wholesale Purchase Agreements are considered commercially beneficial to the Group.

The Board (including the independent non-executive directors) is of the view that the Transactions have been entered into under normal commercial terms agreed after arm's length negotiations between the relevant parties, and are fair and reasonable. Furthermore, the Directors consider that the Extended Manufacturing and Supply Agreement, the Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements are entered into in the usual and ordinary course of business of the Group and are in the interests of the Group and the Shareholders as a whole as the Transactions will help enhance the brand image and ensure quality of the Group's optical products.

### **AGGREGATION OF THE TRANSACTIONS**

The Transactions are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.25 of the Listing Rules.

### **LISTING RULES IMPLICATIONS**

Given that the aggregate Annual Cap and the Reduced Annual Cap for the years ending 31 March 2011, 2012 and 2013 exceed 0.1% but is less than 2.5% for each of the applicable percentage ratios calculated pursuant to Rule 14A.34(1) of the Listing Rules, the Transactions are classified as continuing connected transactions exempt from the independent shareholders' approval but are still subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules. Furthermore, the Transactions are subject to the annual review requirements as set out in Rules 14A.37 and 14A.38 of the Listing Rules.

## DEFINITIONS

“Annual Cap”	the aggregate of the i) maximum annual amount of purchase of Optical Products by the Group from IOM under the Extended Manufacturing and Supply Agreement for each of the two years ending 31 March 2012 and 2013 and ii) maximum annual amount of purchases of optical products by the Group from the Vision Pro Group under the Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements for each of the three years ending 31 March 2011, 2012 and 2013
“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 persons”	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
“Extended Manufacturing and Supply Agreement”	the agreement entered into amongst IOM, as supplier, and certain wholly-owned subsidiaries of the Company, as purchaser on 31 March 2010 to extend the Manufacturing and Supply Agreement dated 19 June 2008 for two additional years, and setting out the principal terms and conditions under which the Group may place specific purchase orders to IOM for purchases of Optical Products for a term of 24 months from 1 April 2011 to and including 31 March 2013
“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 is owned as to approximately 84% by Yee Hing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“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 to IOM for purchases of Optical Products for a term of 33 months and 11 days from 20 June 2008 to and including 31 March 2011
“Optical Products”	optical frames and sunglasses
“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 agreements entered into on 31 March 2010 between certain subsidiaries of the Group and Vision Pro Group to record the terms and conditions of continuing purchases of optical products from Vision Pro Group by the Group for its retail operations for a term of 36 months from 1 April 2010 to and including 31 March 2013
“Renewal Wholesale Purchase Agreements”	the agreements entered into on 31 March 2010 between certain subsidiaries of the Group and the Vision Pro Group to record the terms and conditions of continuing purchases of optical products from the Vision Pro Group by the Group for its wholesale operations for a term of 36 months from 1 April 2010 to and including 31 March 2013
“Retail Purchase Agreements”	the agreements entered into on 26 March 2007 between certain subsidiaries of the Group and the Vision Pro Group to record the terms and conditions of continuing purchases of optical products from the Vision Pro Group by the Group for its retail operations for the period from 1 April 2007 to 31 March 2010
“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
“Wholesale Purchase Agreements”	the agreements entered into on 26 March 2007 between certain subsidiaries of the Group and the Vision Pro Group to record the terms and conditions of continuing purchases of optical products from the Vision Pro Group by the Group for its wholesales operations for the period from 1 April 2007 to 31 March 2010

“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**  
*Executive Director*

Hong Kong, 31 March 2010

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*)