

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in STELUX Holdings International Limited, you should at once hand this circular to the purchaser or to the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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STELUX Holdings International Limited

寶光實業(國際)有限公司*

<http://www.irasia.com/listcolhk/stelux>

(Incorporated in Bermuda with limited liability)

(Stock Code: 84)

DISCLOSEABLE TRANSACTION DISPOSAL OF INVESTMENT

Financial Adviser to STELUX Holdings International Limited

MANAGEMENT CAPITAL LIMITED

A letter from the Board of Stelux Holdings International Limited is set out on pages 3 to 6 of this circular.

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Announcement”	the announcement dated 23 August 2006 issued by the Company in relation to the Disposal
“Board”	the board of Directors
“Buyer”	the buyer of the Sale Shares, King Power Investments Limited, a company incorporated under the laws of Hong Kong with limited liability in 1993
“Company”	STELUX Holdings International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors (including the independent non-executive directors) of the Company
“Disposal”	the disposal of the Sale Shares on 23 August 2006 to the Buyers at HK\$4.00 per share for a total consideration of HK\$120 million
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected person(s) of the Company and is(are) independent of and not connected with (as defined in the Listing Rules) the Company and any of its connected persons
“Latest Practicable Date”	11 September 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Sale Shares”	the 30.00 million ordinary shares with a par value HK\$0.01 each held by the Company, representing approximately 2.89% of the entire issued share capital of Xinyu as at 31 December 2005
“Shareholders”	shareholders of the Company

DEFINITIONS

“SHL”	Stelux Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinyu”	Xinyu Hengdeli Holdings Limited (stock code: 3389.HK), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“%”	Percentage

For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this announcement is based on the exchange rate of HK\$1.00 to RMB1.025. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

STELUX Holdings International Limited

寶光實業(國際)有限公司*

<http://www.irasia.com/listcolhk/stelux>

(Incorporated in Bermuda with limited liability)

(Stock Code: 84)

Board of Directors

Executive Directors:

Wong Chong Po (*Chairman*)

Chumphol Kanjanapas, alias Joseph C.C. Wong

(*Vice Chairman and Chief Executive Officer*)

Anthony Chu Kai Wah

Stan Lee Shu Chung

Vincent Lau Tak Bui

Non-executive Directors:

Sakorn Kanjanapas

Wu Chun Sang (*independent*)

Lawrence Wu Chi Man (*independent*)

Kwong Yi Hang (*independent*)

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Principal office:

27th Floor, Stelux House

698 Prince Edward Road East

San Po Kong

Kowloon

Hong Kong

13 September 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION DISPOSAL OF INVESTMENT

INTRODUCTION

Reference is made to the Announcement dated 23 August 2006, where the Company through its indirect wholly-owned subsidiary, SHL, disposed of its entire holding of 30.00 million shares of HK\$0.01 each in Xinyu, representing approximately 2.89% of the entire issued share capital of Xinyu (stock code: 3389.HK) as at 31 December 2005, at HK\$4.00 per share for a total consideration of HK\$120 million in cash to the Buyer. The Group had not entered into any written agreement with the Buyer regarding the Disposal prior to the date of Disposal.

As the total assets ratio, the profit ratio, and the consideration ratio under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. This circular provides information in relation to the Disposal to the Shareholders.

* For identification purpose only

LETTER FROM THE BOARD

THE DISPOSAL

Date:

23 August 2006

Parties:

Buyer: King Power Investments Limited, the principal activity of which is investment holding

To the best of their knowledge, information and belief and having made all reasonable enquiries, the Directors confirm that the Buyer including its ultimate shareholders are Independent Third Parties of the Company

Vendor: SHL, the principal activity of which is investment holding and is holding all operating subsidiaries and businesses of the Group

Assets disposed of

30.00 million shares with a par value of HK\$0.01 each in Xinyu, representing approximately 2.89% of the entire issued share capital of Xinyu (stock code: 3389.HK) as at 31 December 2005, were disposed of by SHL. The total market value of the Sale Shares, based on the closing price of Xinyu quoted on the Stock Exchange on 22 August 2006 (being the day preceding the date of the Disposal) of HK\$4.50 per share, was HK\$135 million. The net asset value attributable to the Sale Shares was RMB23.0 million (approximately HK\$ 22.4 million) based on the audited net asset value of Xinyu as at 31 December 2005 as disclosed in its annual report for the year ended 31 December 2005. The audited consolidated net profit before and after taxation and extraordinary items of Xinyu for each of the financial years ended 31 December 2004 and 2005 are set out as follows:

	For the year ended 31 December			
	2005		2004	
	<i>RMB'000</i>	<i>HK\$'000</i> <i>equivalent</i>	<i>RMB'000</i>	<i>HK\$'000</i> <i>equivalent</i>
Profit before taxation and extraordinary items	196,663	191,866	158,764	154,892
Profit after taxation, extraordinary items and minority interests	121,011	118,060	97,545	95,166
Profit before taxation and extraordinary items attributable to the Sale Shares	5,687	5,548	4,591	4,479
Profit after taxation, extraordinary items and minority interests attributable to the Sale Shares	3,497	3,412	2,819	2,750

LETTER FROM THE BOARD

Consideration

The consideration for the Disposal of HK\$4.00 per share, representing a discount of approximately 11.1% to the closing price of Xinyu of HK\$4.50 per share on 22 August 2006, being the day preceding the date of the Disposal, was arrived at after arm's length negotiation between the Company and the Buyer on a willing buyer, willing seller basis. The consideration for the Disposal was determined by reference to the average closing price of Xinyu of approximately HK\$4.36 per share quoted on the Stock Exchange for a period of 10 trading days ended on 22 August 2006.

The Buyer had satisfied the total consideration of HK\$120 million in cash on 23 August 2006.

EFFECT OF THE DISPOSAL

The Sale Shares were acquired by SHL at the time of Xinyu's initial public offering on the Stock Exchange in September 2005 at a price of HK\$1.32 per share.

As a result of the Disposal, a gain of approximately HK\$29.25 million (before taxation and subject to audit) is expected to be realised by the Group for the year ending 31 March 2007. The gain is calculated based on the difference between the consideration of the Disposal and the carrying amount, as at 31 March 2006, of the shareholding interest in Xinyu of approximately HK\$90.75 million recorded by the Group. Immediately following the Disposal, the current assets of the Group represented by the Sale Shares (with a carrying value of HK\$90.75 million as at 31 March 2006) has been replaced with cash and bank balances equivalent to the proceeds of the Disposal of HK\$120 million. Since the Sale Shares have neither been pledged for loan nor as security for a guarantee, the Disposal has no impact on the liabilities of the Group.

For the period commencing from the date of acquisition of the Sale Share by SHL to 31 March 2006, the Group had recorded an unrealised gain (before taxation) of approximately HK\$51.00 million which arose from the investment in Xinyu. Together with such gain of approximately HK\$51.00 million and the dividend of approximately HK\$1.41 million received, the gain realised by the Group from its investment in Xinyu would in aggregate amount to approximately HK\$81.66 million.

Immediately following the Disposal, the Company will no longer have any shareholding interest in Xinyu.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

Xinyu is a retailer and distributor of luxury brand watches and timepieces in China focusing on distributing international branded watches. The Company and Xinyu have built up a business relationship over many years with Xinyu distributing the CYMA brand in China.

LETTER FROM THE BOARD

Given the complementary nature of the two group's businesses, the Group has been exploring business opportunities with Xinyu. The Directors do not consider an equity stake in Xinyu a prerequisite for developing a business relationship with Xinyu. The decision by the Company to subscribe for shares in the initial public offering of Xinyu was made on the basis that it was an attractive investment opportunity as well as an act to support the initial public offering of Xinyu. As such, the investment in Xinyu has been classified as current assets of the Group in its financial accounts.

Since the initial public offering of Xinyu, its share price has risen by more than two-fold to its current level of HK\$4.50 per share. In addition, SHL received a final dividend of RMB0.048 (approximately HK\$0.047) per share distributed in June 2006. For the year ended 31 March 2006, the Group recorded an unrealised gain (before taxation) of approximately HK\$51.00 million which arose from the investment in Xinyu. The Directors consider that the investment in Xinyu has increased in value significantly and consider it a good opportunity for the Group to secure a sizeable cash profit.

The Directors are of the view that the terms of the Disposal are fair and reasonable and in the interests of the Company and its shareholders as a whole and are on normal commercial terms.

INTENDED USE OF PROCEEDS

With the cash inflow of HK\$120 million generated as a result of the Disposal, the Directors believe that the sale of the investment in Xinyu will enhance the cash position of the Group and provide additional resources for the expansion and development of its core business. The proceeds from the Disposal will be used for general working capital purposes.

GENERAL

As the total assets ratio, the profit ratio, and the consideration ratio under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the general information regarding the Group which is required to be included in this circular under the Listing Rules as set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
STELUX Holdings International Limited
Joseph C.C. Wong
Vice Chairman and Chief Executive Officer

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts with regard to the Company, the omission of which would make any statement in this circular misleading.

DISCLOSURE OF INTERESTS**(a) Interests of Directors and chief executives**

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

All interests disclosed below represent long positions in shares of the Company as at the Latest Practicable Date:

(i) The Company – Ordinary Shares

Name of Director	Capacity	Total number of shares of the Company interested in	Approximate % of the issued share capital of the Company
Mr. Wong Chong Po	Trustee (other than a bare trustee)	7,200,000	0.76
Mr. Joseph C. C. Wong	Beneficial owner	93,090,011	9.79
Mr. Chu Kai Wah, Anthony	Beneficial owner	2,000,000	0.21
Mr. Sakorn Kanjanapas	Beneficial owner	6,991,056	0.73
Mr. Lee Shu Chung, Stan	Beneficial owner	2,000,000	0.21
Mr. Lau Tak Bui, Vincent	Beneficial owner	819,200	0.09

(ii) *Subsidiary Companies*

	Personal Interests	Number of Shares		Total	Approximate % of preference shares
		Family Interests	Corporate Interests		
(i) City Chain (Thailand) Company Limited – Preference shares ⁽¹⁾					
Mr. Wong Chong Po	200	–	208,800	209,000	99.52
Mr. Joseph C. C. Wong	200	–	208,800	209,000	99.52
Mr. Sakorn Kanjanapas	200	–	208,800	209,000	99.52
(ii) Stelux Watch (Thailand) Company Limited – Preference shares ⁽²⁾					
Mr. Wong Chong Po	600	–	–	600	16.67
Mr. Joseph C. C. Wong	600	–	–	600	16.67
Mr. Sakorn Kanjanapas	600	–	–	600	16.67
(iii) Optical 88 (Thailand) Company Limited – Preference shares ⁽³⁾					
Mr. Wong Chong Po	5,000	–	225,000	230,000	90.20
Mr. Joseph C. C. Wong	5,000	–	225,000	230,000	90.20
Mr. Sakorn Kanjanapas	5,000	–	225,000	230,000	90.20

Notes:

- (1) City Chain (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by City Chain (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends. The corporate interests of each of Mr. Wong Chong Po, Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas in 208,800 preference shares duplicate with each other.
- (2) Stelux Watch (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by Stelux Watch (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends.
- (3) Optical 88 (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by Optical 88 (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends. The corporate interests of each of Mr. Wong Chong Po, Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas in 225,000 preference shares duplicate with each other.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company's chief executive, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the

register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

(b) Interests of shareholders discloseable pursuant to the SFO

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, as at the Latest Practicable Date, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares	Percentage of shareholding	Note
Yee Hing Company Limited	344,031,771	36.16	(a)
Active Lights Company Limited	135,653,636	14.26	(b)
Thong Sia Company Limited	91,032,218	9.57	(c)

Notes:

- (a) These shares are held by Yee Hing Company Limited as beneficial owner. The estate of Mr. Wong Chue Meng has a controlling interest in Yee Hing Company Limited. Mr. Wong Chong Po and Mr. Joseph C.C. Wong are directors of Yee Hing Company Limited. Mr. Vincent Lau Tak Bui is the company secretary of Yee Hing Company Limited.
- (b) These shares are held by Active Lights Company Limited as beneficial owner. Active Lights Company Limited is a company controlled by Yee Hing Company Limited. Mr. Wong Chong Po and Mr. Joseph C.C. Wong are directors of Active Lights Company Limited. Mr. Vincent Lau Tak Bui is the company secretary of Active Lights Company Limited.
- (c) These shares are held by Thong Sia Company Limited as beneficial owner. Yee Hing Company Limited holds 66.25% of the issued shares of Thong Sia Company Limited. Mr. Wong Chong Po, Mr. Joseph C.C. Wong and Mr. Vincent Lau Tak Bui are directors of Thong Sia Company Limited. Mr. Vincent Lau Tak Bui is the company secretary of Thong Sia Company Limited.

All interests disclosed above represent long positions in shares of the Company.

(c) Substantial shareholding in other members of the Group

The Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, as at the Latest Practicable Date, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(d) Other Directors' Interests

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business apart from the Company's business which competes or is likely to compete, either directly or indirectly, the Company's business, or which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

SERVICE CONTRACTS

There is no existing or proposed service contracts between any of the Directors and the Company or any of its subsidiaries respectively, other than contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation).

GENERAL

- (a) The secretary of the Company is Caroline Chong Sue Peng, BA (Law) (Hons), admitted as a Barrister in England and Wales, and Hong Kong.
- (b) Mr. Vincent Lau Tak Bui, CPA, has been appointed as the qualified accountant for the purpose of Rule 3.24 of the Listing Rules.
- (c) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda. The principal place of business of the Group in Hong Kong is at 27th Floor, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong. The share registrar of the Company is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and the branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.