THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in Stelux Holdings International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

STELUX Holdings International Limited

寶光實業(國際)有限公司*

http://www.stelux.com

Incorporated in Bermuda with limited liability

Stock Code: 84

VERY SUBSTANTIAL DISPOSAL
(1) PROPOSED DISPOSAL OF A SUBSIDIARY
(2) PROPOSED DISPOSAL OF INVENTORY
AND
NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting ("**SGM**") of Stelux Holdings International Limited to be held at Unit 901, 9/F, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong on 20, February 2024 at 3:00 p.m. is set out on pages SGM-1 and SGM-3 of this circular. A form of proxy for use at the SGM is also enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed on it and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournment thereof) if you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

* *For identification purpose only*

2 February 2024

CONTENTS

In this circular and the appendices, the following expressions have the following meanings unless the context otherwise requires:

″Adjustment Items″	the financial metrics of the Target Company as set out in the Completion Statement to be used for the purpose of adjusting the Shares Consideration, being: (i) the aggregate amount of available cash, which will be added to the Total Consideration; (ii) the aggregate amount of all liabilities (including the Sale Loan but excluding current liabilities), which will be deducted from the Shares Consideration; (iii) the amount of current assets in excess of current liabilities (if any), which will be added to the Shares Consideration; and (iv) the amount of current liabilities in excess of current assets (if any), which will be deducted from the Share Consideration
"Agreed Interest Rate"	interest at a rate per annum equal to the sum of the Swiss National Bank policy rate (prevailing on the first day of the relevant interest calculation period, as per the Swiss National Bank's website) plus a margin of 3%
"Analysis Report"	the guideline transaction analysis report dated 31 January 2024 regarding the equity interest in the Target Company issued by the Independent Valuer to the Company as set out in Appendix V to this circular
"Announcement"	the announcement of the Company dated 12 December 2023 in relation to the proposed Share Disposal and the proposed Inventory Disposal
"Authorized Retailer"	City Chain Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Breitling Group"	the group of companies of which the Purchaser forms part, as more particularly defined in the Share Sale Agreement
"business day(s)"	a day, other than a Saturday or Sunday or public holiday in Hong Kong or the City of Zurich, Switzerland, on which the commercial banks are open for general business

"Bye-laws"	the Bye-laws of the Company as amended from time to time
"CHF"	Swiss Franc, the lawful currency of Switzerland
"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
"Completion"	the completion of the Share Disposal in accordance with the terms and conditions of the Share Sale Agreement
"Completion Date"	the date on which Completion shall take place
"Completion Statement"	the audited financial statements of the Target Company as of the Target Company as of the Completion Date to be prepared by the Purchaser in accordance with the terms of the Share Sale Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	Chumphol Kanjanapas (aka Joseph C. C. Wong), a controlling shareholder of the Company within the meaning of the Listing Rules
"Delivery Date"	in respect of Watch Stock 1, a date to be mutually agreed between the Authorized Retailer and the Target Company after Completion, which shall be no later than 60 calendar days after the third anniversary of the Completion Date; and, in respect of Watch Stock 2, the Completion Date
"Director(s)"	the director(s) of the Company
"Escrow Agent"	the escrow agent appointed by the Seller and the Purchaser pursuant to the terms of the Share Sale Agreement
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HKFRS"	Hong Kong Financial Reporting Standards
"Independent Third Party"	third parties independent of the Group and its connected persons
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Inventory"	a stock of watches under the UG Brands owned by the Authorized Retailer as at the Latest Practicable Date or, as the context requires, Watch Stock 1 and Watch Stock 2 collectively
"Inventory Disposal"	the disposal of the Inventory from the Authorized Retailer to the Target Company pursuant to the terms and conditions of the Inventory Sale Agreement
"Inventory Sale Agreement"	the asset purchase agreement to be entered into between the Authorized Retailer (as seller) and the Target Company (as purchaser) on the Completion Date immediately after Completion in respect of the Inventory Disposal
"Latest Practicable Date"	31 January 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Consideration"	the consideration payable by the Purchaser to the Seller for the Sale Loan under the Share Sale Agreement, being the actual nominal value of the Sale Loan plus any accrued interest as of the Completion Date pursuant to the Completion Statement

"Payment Acceleration Events"	the events as set out in the Share Sale Agreement the occurrence of which will result in the acceleration of the payment of any outstanding Post-Completion Payment, being: (i) the initial public offering of equity securities of the Purchaser, any holding company of the Purchaser or the Breitling Group, or any subsidiary of the Breitling Group; (ii) any sale transaction with third parties outside of the Breitling Group resulting in a change of shareholding of accumulatively 5% or more of the Purchaser, any holding company of the Purchaser, or any subsidiary of the Breitling Group accounting for accumulatively 20% or more of the net asset value or revenues of the Breitling Group; (iii) the transfer of the UG Trademarks or the BREITLING logo or word trademarks (save and except non-material transfers relating to settlements of trademark disputes) out of the Breitling Group; (iv) the failure of the Purchaser to timely pay any Post-Completion Payment in accordance with the terms of the Share Sale Agreement; or (v) the insolvency, deregistration or liquidation of the Purchaser, any holding company of the Purchaser, or any subsidiary of the Breitling Group (save for the purpose or reorganization, merger or reconstruction within the Breitling Group)
"Post-Completion Payment"	the remaining balance of the Total Consideration payable by the Purchaser to the Seller after Completion, being the amount of the Total Consideration less CHF 20.0 million (being the aggregate amount payable by the Purchaser to the Seller before and at Completion)
"Purchaser"	Breitling SA, a company incorporated and registered in Switzerland and a member of the Breitling Group
"Remaining Group"	the Group excluding the Target Company
"Sale Loan"	the amount receivable by the Seller from the Target Company as of the Completion Date, which amounts to approximately CHF 18.0 million as of the date of the Share Sale Agreement

"Sale Shares"	5,000 registered shares with a nominal value of CHF 1,000 per share (each fully paid-up) in the share capital of the Target Company, representing the entire issued share capital of the Target Company as at the Latest Practicable Date
"Seller"	City Chain (Bermuda) Holdings Limited, a limited liability company incorporated in Bermuda, a wholly-owned subsidiary of the Company
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at Unit 901, 9/F, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong on 20, February 2024 at 3:00 p.m., a notice of which is set out on pages SGM-1 to SGM-3 of this circular
"Share(s)"	shares(s) in the issued share capital of the Company
"Share Disposal"	the disposal of the Sale Shares and the Sale Loan by the Seller to the Purchaser pursuant to the terms and conditions of the Share Sale Agreement
"Shareholder(s)"	the holder(s) of the Shares
"Shareholders' Approval"	the approval of the Shareholders to be obtained by the Company at the SGM in relation to the Share Sale Agreement, the Inventory Sale Agreement and the transactions contemplated thereunder
"Share Sale Agreement"	the share purchase agreement dated 12 December 2023 and entered into between the Seller and the Purchaser in respect of the Share Disposal
"Shares Consideration"	the consideration payable by the Purchaser to the Seller for the Sale Shares under the Share Sale Agreement, being the agreed amount of CHF 60.0 million (subject to adjustments in accordance with the terms of the Share Sale Agreement with reference to the amounts of the Adjustment Items as of the Completion Date)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Universal Geneve SA, a corporation incorporated and registered in Switzerland, which is a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Total Consideration"	the aggregate amount of the Shares Consideration and the Loan Consideration
"Total Inventory Purchase Price"	CHF 5.0 million (subject to adjustment in accordance with the terms of the Inventory Sale Agreement with reference to the respective number of Watch Stock 1 and Watch Stock 2 as of the Delivery Date)
"Trade Mark Licence"	the deed of trade mark licence to be entered into between the Target Company (as licensor) and the Authorized Retailer (as licensee) on the Completion Date immediately after Completion pursuant to which the Authorized Retailer shall be granted a royalty-free and non-exclusive license to use the UG Trademarks for all purposes in relation to the Inventory
"UG Brands"	the watch brands known as "Universal Genève", "Perret & Berthoud Geneve", "Universal", "Universal Watch" and/or variations thereof
"UG Domains and Accounts"	certain domain names and accounts on social media relating to the UG Brands registered in the name of the Target Company as at the Latest Practicable Date
"UG Trademarks"	certain trademarks relating to the UG Brands including trademarks registered in the name of the Target Company as at the Latest Practicable Date, and trademarks to be transferred to the Target Company from another a wholly-owned subsidiary of the Company in accordance with the terms of the Share Sale Agreement
"Valuation Report"	valuation report dated 31 January 2024 in respect of Watch Stock 2 issued by the Independent Valuer to the Company as set out in Appendix VI to this circular

"Watch Stock 1"	a stock of 4,713 watches under the UG Brands as listed in the Inventory Sale Agreement, the designs and styles of which are currently offered for sale to retail customers by the Authorized Retailer
"Watch Stock 2"	a stock of 673 watches under the UG Brands (including but not limited to watches without bracelets and incomplete watches) as listed in the Inventory Sale Agreement, which are currently not offered for sale to retail customers by the Authorized Retailer
"%"	per cent.

For illustrative purpose of this circular only, conversion of CHF into HK$ is made at the following exchange rate: CHF 1 = HK$8.96

STELUX Holdings International Limited
寶光實業(國際)有限公司*

http://www.stelux.com
Incorporated in Bermuda with limited liability
Stock Code: 84

Executive Directors:
Chumphol Kanjanapas
(also known as Joseph C. C. Wong)
(Chairman and Chief Executive Officer)
Kelly Liao Ching Mei
(Chief Financial Officer)

Non-executive Director:
Suriyan Kanjanapas
(also known as Suriyan Joshua Kanjanapas)

Independent non-executive Directors:
Jeff Ho Chi Kin
Ricky Lai Kai Ming
Honnus Cheung Ho Ling

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
27 Floor, Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

2 February 2024

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
(1) PROPOSED DISPOSAL OF A SUBSIDIARY
(2) PROPOSED DISPOSAL OF INVENTORY

1. INTRODUCTION

Reference is made to the Announcement dated 12 December 2023 in relation to the proposed Share Disposal and the proposed Inventory Disposal.

On 12 December 2023 (after trading hours), the Seller (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Share Sale Agreement, pursuant to which the Seller agreed to sell, and the Purchaser agreed to acquire, the Sale Shares (representing the entire issued share capital of the Target Company) and the Sale Loan in accordance with the terms and conditions of the Share Sale Agreement. Upon Completion, the Group will cease to hold any interest in the Target Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

Pursuant to the terms and conditions of the Share Sale Agreement, subject to Completion, the Authorized Retailer (a wholly-owned subsidiary of the Company) shall enter into the Inventory Sale Agreement with the Target Company on the Completion Date immediately after Completion pursuant to which the Authorized Retailer shall sell the Inventory to the Target Company and deliver all remaining Inventory to the Target Company on the Delivery Date.

The purpose of this circular is to provide you with, among other things, (a) further information on the Share Sale Agreement and the Inventory Sale Agreement; (b) the financial information of the Target Company; (c) the pro-forma financial information of the Remaining Group; (d) the details of the Analysis Report and the Valuation Report issued by the Independent Valuer; (e) other information as required under the Listing Rules; and (f) notice of the SGM.

2. PROPOSED DISPOSAL OF A SUBSIDARY

The Share Sale Agreement

The principal terms of the Share Sale Agreement are set out below:

Date

12 December 2023

Parties

(1) The Seller, as seller; and

(2) The Purchaser, as purchaser

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser is an Independent Third Party.

Subject matter

The Seller agreed to sell, and the Purchaser agreed to acquire, the Sale Shares (representing the entire issued share capital of the Target Company) and the Sale Loan in accordance with the terms and conditions of the Share Sale Agreement.

Consideration and payment terms

The Total Consideration, comprising the Shares Consideration and the Loan Consideration, shall be CHF 60.0 million (equivalent to approximately HK$537.6 million), and the Shares Consideration shall be subject to adjustments with reference to the amounts of the Adjustment Items as of the Completion Date. The Total Consideration shall be payable by various instalments in the following manner:

(a) CHF 20.0 million of the Total Consideration shall be payable upon or before Completion as follows:

(i) CHF 1.5 million (equivalent to approximately HK$13.4 million) has been paid to the Seller before the date of signing of the Share Sale Agreement;

(ii) CHF 4.5 million (equivalent to approximately HK$40.3 million) has been paid to the Seller on the date of signing of the Share Sale Agreement;

(iii) CHF 4.0 million (equivalent to approximately HK$35.8 million) has been paid to the Escrow Agent immediately after signing of the Share Sale Agreement, which shall be released to the Seller within 5 business days after the Shareholders' Approval has been obtained by the Company and all applicable requirements under the Listing Rules in respect of the transaction contemplated under the Share Sale Agreement have been satisfied;

(iv) CHF 10.0 million (equivalent to approximately HK$89.6 million) shall be paid to the Seller at Completion;

(b) the remaining balance of the Total Consideration shall be payable after Completion as follows:

(i) 12.5% of the Post-Completion Payment shall be paid to the Seller on the first anniversary of the Completion Date;

(ii) 12.5% of the Post-Completion Payment shall be paid to the Seller on the second anniversary of the Completion Date;

(iii) 12.5% of the Post-Completion Payment shall be paid to the Seller on the third anniversary of the Completion Date;

(iv) 12.5% of the Post-Completion Payment shall be paid to the Seller on the fourth anniversary of the Completion Date; and

(v) 50% of the Post-Completion Payment shall be paid to the Seller on the fifth anniversary of the Completion Date.

The Seller shall be entitled to receive interest at the Agreed Interest Rate on the outstanding balance of the Post-Completion Payment from the Completion Date until the date of full payment of the Post-Completion Payment. Any accrued interest shall be paid to the Seller in arrears on 31 December of each calendar year after the Completion Date.

The Purchaser shall have the right to accelerate payments of any instalment of the Post-Completion Payment at its discretion. Further, if any of the Payment Acceleration Event occurs prior to the due date of any instalment of the Post-Completion Payment, the unpaid balance of the Post-Completion Payment (and all accrued interest) shall immediately become due and payable.

Conditions Precedent

Completion is conditional upon the satisfaction or waiver (if permitted under the Share Sale Agreement) of the following conditions precedent:

(a) the Shareholders' Approval shall have been obtained by the Company and all applicable requirements under the Listing Rules in respect of the transaction contemplated under the Share Sale Agreement shall have been satisfied; and

(b) no judgment, order, injunction or decree of any court administrative or governmental body or arbitration tribunal shall exist which prohibits the consummation of the transaction contemplated by the Share Sale Agreement.

If any of the conditions precedent has not been satisfied or waived on or before the date that is nine months after the date of the Share Sale Agreement, either the Seller or the Purchaser may terminate the Share Sale Agreement unless such non-satisfaction is caused or permitted by its willful misconduct or gross negligence.

Completion

Subject to the satisfaction or waiver of all conditions precedent, Completion shall take place on (i) the last day of the month in which the condition precedent relating to the obtaining of the Shareholders' Approval is satisfied, provided that such day is a business day and the relevant condition precedent has been satisfied at least 5 business days before such day, otherwise Completion shall take place on the last business day of the next month; or (ii) such other date as the Seller and the Purchaser may agree.

Inventory

On the Completion Date, immediately after Completion, the Target Company shall enter into the following agreements with the Authorized Retailer regarding the Inventory:

(a) the Inventory Sale Agreement pursuant to which the Authorized Retailer shall agree to sell the Inventory to the Target Company and deliver the remaining Inventory to the Target Company on the Delivery Date in accordance with the terms and conditions thereof, and pursuant to which the Authorized Retailer shall be permitted to sell and distribute Watch Stock 1 between the Completion Date and the Delivery Date; and

(b) the Trade Mark Licence pursuant to which the Authorized Retailer shall be granted a royalty-free and non-exclusive license to use the UG Trademarks for all purposes in relation to the Inventory, including but not limited to selling and advertising the same after Completion in accordance with the terms and conditions thereof.

Subject to Completion, the Purchaser shall guarantee as primary obligor the performance by the Target Company of all its obligations under the Inventory Sale Agreement.

Further details relating to the Inventory Sale Agreement is set out under the section headed "3. Proposed Disposal of Inventory – The Inventory Sale Agreement" in this circular. The transaction contemplated under the Trade Mark Licence is of a revenue nature in the ordinary and usual course of business of the Group under Rule 14.04(1)(g) of the Listing Rules. As such, it will not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Information on the Company, the Group and the Seller

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of the Company is investment holding, and the Group is principally engaged in the business of watch retailing and the wholesale trading of watches.

The Seller is a company incorporated in Bermuda with limited liability and is an indirect wholly-owned subsidiary of the Company. The principal business activity of the Seller is investment holding.

Information on the Purchaser

The Purchaser is a private corporation incorporated and registered in Switzerland with substantive business and is generally known to the public. The Purchaser and its subsidiaries are principally engaged in the design, manufacture and sale of watches of the luxury watch brand "Breitling".

Information on the Target Company

The Target Company is a corporation incorporated and registered in Switzerland, which is an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date. The principal business activities of the Target Company are watch supply chain management and distribution, which includes the licensing of trademarks for retail distribution of watches and the provision of international warranty and after-sales services for watches sold in retail distribution.

Pursuant to the terms of the Share Sale Agreement, it is the intention of the parties that, as of the Completion Date, the Target Company will be the registered owner of the UG Trademarks and the UG Domains and Accounts (all relating to the UG Brands) and the Target Company will have no other material assets.

Financial Information of the Target Company

The following unaudited financial information is extracted from the financial statements of the Target Company compiled in accordance with HKFRS:

	For the financial year ended 31 March 2022 *(CHF '000)*	**For the financial year ended 31 March 2023** *(CHF '000)*	**For the 8 months ended 30 November 2023** *(CHF '000)*
Revenue *(Note)*	14	23	16
Profit/(Loss) before tax	(589)	(245)	(3,153)
Profit/(Loss) after tax	(589)	(259)	(3,166)

Note: All revenue of the Target Company stated above are generated from the provision of after-sales services for watches sold in retail distribution. No revenue was generated for the licensing of trademarks as the intra-group licence of the UG Trademarks granted by the Target Company to the Authorized Retailer is on a royalty-free basis and the other licensee of the Target Company did not generate any sales of products bearing other trademarks held by the Target Company during the relevant periods.

The unaudited net assets value (excluding the Sale Loan) of the Target Company as at 30 November 2023 was approximately CHF 0.3 million (equivalent to approximately HK$2.7 million).

Basis of the consideration for the Share Disposal

The Total Consideration was determined after arm's length negotiations between the Seller and the Purchaser after taking into account: (i) the unaudited net assets value (excluding the Sale Loan) of the Target Company as at 30 November 2023, being approximately CHF 0.3 million (equivalent to approximately HK$2.7 million); and (ii) the range of probable transaction prices as noted in comparable transactions and the opinion of the Independent Valuer as set out in the Analysis Report.

According to the Analysis Report, the Total Consideration of CHF 60 million is within the range of probable transaction prices as noted in comparable transactions, which is between the lower range of CHF 29 million and the upper range of CHF 72 million as at 7 November 2023. Given the fact that the principal business operations of the Target Company have been limited to the licensing of trademarks for retail distribution of watches and the provision of international warranty and after-sales services for watches sold in retail distribution, the Independent Valuer is of the view that the Total Consideration of CHF 60 million is not unfavorable to the owner of the Target Company. In forming their opinion, the Independent Valuer adopted the market approach valuation technique known as the guideline transaction method, which takes reference to recent merger and acquisition transactions between unrelated parties and ratio of transaction price to the Target Company's financial parameters.

The payment terms for the Total Consideration were also determined after arm's length negotiations between the Seller and the Purchaser. The Seller agreed to allow the Purchaser to pay the Post-Completion Payment over a period of up to five years after Completion upon the request of the Purchaser after taking into account: (i) the fact that CHF 20 million will have been received by the Seller upon Completion; (ii) the interest income to be received by the Seller on the outstanding Post-Completion Payment from the Completion Date until the full payment of the Post-Completion Payment; and (iii) the list of Payment Acceleration Events which the Directors consider should be reasonably sufficient to protect the Seller's position. In addition, upon considering the identity of the Purchaser and having assessed its financial position, the Directors are of the view that the Purchaser will have sufficient resources to honor the Post-Completion Payment obligations under the Share Sale Agreement.

Financial Impact of the Share Disposal and use of proceeds

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will not be consolidated into the financial statements of the Group. Further, upon Completion, the Sale Loan will be assigned to the Purchaser and the Target Company will owe the Sale Loan to the Purchaser but not the Group. The Group will be no longer entitled to the repayment of the Sale Loan after Completion.

Upon Completion, the Group expects to recognize a gain on disposal of approximately CHF 59.7 million (equivalent to approximately HK$534.9 million) subject to adjustment on the Total Consideration, being the difference between the Total Consideration and the net assets value (excluding the Sale Loan) of the Target Company based on the unaudited financial statements of the Target Company as at 30 November 2023, before costs and expenses relating to the Share Disposal. It should be noted that the actual gain on the Share Disposal to be recorded by the Company is subject to audit and may be different from the estimated amount.

The proceeds from the Share Disposal are intended to be used as general working capital of the Group. The Company may apply the proceeds towards new business opportunities should any suitable opportunities arise. The Company intends to apply approximately 50% of the net proceeds towards selling expenses and general and administrative expenses. The remainder of the net proceeds are intended to be applied towards the business development of the Group, for example, the opening of new retail stores and the sourcing of more luxurious non-house branded products from new brand partners for the Group's watch retailing business. Due to the uncertainty of the macro-economic environment, the Company will consider each new business development opportunity with due care and prudence.

3. PROPOSED DISPOSAL OF INVENTORY

The Inventory Sale Agreement

The principal terms of the Inventory Sale Agreement as finalized between the parties are as follows:

Parties

(1) The Authorized Retailer, as seller; and

(2) The Target Company, as purchaser

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, subject to Completion, the Target Company will be an Independent Third Party upon signing of the Inventory Sale Agreement.

Subject matter

The Authorized Retailer shall agree to sell, and the Target Company shall agree to acquire the Inventory, comprising of Watch Stock 1 and Watch Stock 2 all under the UG Brands, in accordance with the terms and conditions of the Inventory Sale Agreement.

Consideration and payment terms

The purchase price for Watch Stock 1 shall be CHF 0.5 million and the purchase price for Watch Stock 2 shall be CHF 4.5 million, and the Total Inventory Purchase Price shall be CHF 5.0 million (equivalent to approximately HK$44.8 million) subject to adjustment upon the Delivery Date as set out below, which shall be payable by two instalments in the following manner:

(a) CHF 2.5 million of the Total Inventory Purchase Price shall be payable by the Target Company or its affiliate upon signing of the Inventory Sale Agreement on the Completion Date; and

(b) the remaining balance of the Total Inventory Purchase Price shall be payable by the Target Company or its affiliate no later than 60 calendar days after the third anniversary of the Completion Date.

The Authorized Retailer shall be entitled to receive interest at the Agreed Interest Rate on the outstanding balance of the Total Inventory Purchase Price from the Completion Date until the date of full payment of the Total Inventory Purchase Price. Any accrued interest shall be paid to the Authorized Retailer in arrears on 31 December of each calendar year after the Completion Date.

Condition

The Inventory Sale Agreement shall become effective on the Completion Date subject to Completion having taken place in accordance with the terms and conditions of the Share Sale Agreement. As disclosed in the section headed "2. Proposed Disposal of a Subsidiary – The Share Sale Agreement – Conditions Precedent" in this circular, Completion is in turn subject to various conditions precedent, including but not limited to the obtaining of the Shareholders' Approval.

Sale of Watch Stock 1

The Authorized Seller may fulfill sales orders in relation to any item in Watch Stock 1 in accordance with the terms of the Inventory Sale Agreement from the Completion Date until the Delivery Date or until Watch Stock 1 has been exhausted, whichever is the earlier.

Adjustment of purchase price

On the Delivery Date, (i) if the number of watches in Watch Stock 1 is lower than the number stated in the Inventory Sale Agreement, the purchase price for Watch Stock 1 shall be reduced on a pro rata basis; and (ii) if the number of watches in Watch Stock 2 is lower than the number stated in the Inventory Sale Agreement, the purchase price for Watch Stock 2 shall be reduced by such amount as shall be determined by the parties after good faith negotiations.

Delivery

The Authorized Retailer shall make available for collection the remaining items in Watch Stock 1 (if any) and Watch Stock 2 on the Delivery Date provided that the Total Inventory Purchase Price has been paid.

Information on the Authorized Retailer

The Authorized Retailer is a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which is principally engaged in the business of watch retailing.

Information on the Inventory

The Inventory comprises the entire stock of watches under the UG Brands owned by the Authorized Retailer as of the Latest Practicable Date. Watch Stock 1 comprises 4,713 watches under the UG Brands, the designs and styles of which are currently offered for sale to retail customers by the Authorized Retailer, and Watch Stock 2 comprises 673 watches under the UG Brands (including watches without bracelets and incomplete watches) which are currently not offered for sale to retail customers by the Authorized Retailer.

The total net book value of the Inventory as at 30 November 2023 was CHF 0.157 million (equivalent to approximately HK$1.4 million).

Basis of the consideration for the Inventory Disposal

The Total Inventory Purchase Price was determined after arm's length negotiations between the Authorized Retailer and the Purchaser (on behalf of the Target Company).

In considering the purchase price for Watch Stock 1, the Directors took into account: (i) the net book value of Watch Stock 1 as at 30 November 2023, being CHF 0 (equivalent to approximately HK$0); and (ii) the fact that the Authorized Retailer will be able to continue selling and distributing Watch Stock 1 through retail channels between the Completion Date and the Delivery Date on a royalty-free basis under the Trade Mark Licence and only the remaining items in Watch Stock 1 will be sold and delivered to the Target Company on the Delivery Date.

In considering the purchase price for Watch Stock 2, the Directors took into account: (i) the net book value of Watch Stock 2 as at 30 November 2023, being CHF 0.157 million (equivalent to approximately HK$1.4 million); (ii) the original total purchase cost of Watch Stock 2, being approximately CHF 0.7 million; and (iii) the appraised fair value less costs to sell of Watch Stock 2 as at 7 November 2023, being CHF 1.19 million (equivalent to approximately HK$10.7 million) according to the Valuation Report prepared by the Independent Valuer on a fair value less costs to sell basis.

Financial impact of the Inventory Disposal and use of proceeds

Subject to completion of the Inventory Disposal, the Group expects to recognize a gain on disposal of approximately CHF 4.843 million (equivalent to approximately HK$43.4 million), subject to adjustment, being the difference between the Total Inventory Purchase Price and the total net book value of the Inventory based on the unaudited financial statements of the Authorized Retailer as at 30 November 2023, before costs and expenses relating to the Inventory Disposal. It should be noted that the actual gain on the Inventory Disposal to be recorded by the Company is subject to audit and may be different from the estimated amount.

The proceeds from the Inventory Disposal are intended to be used as general working capital of the Group. The Company may apply the proceeds towards new business opportunities should any suitable opportunities arise. The Company intends to apply approximately 50% of the net proceeds towards selling expenses and general and administrative expenses. The remainder of the net proceeds are intended to be applied towards the business development of the Group, for example, the opening of new retail stores and the sourcing of more luxurious non-house branded products from new brand partners for the Group's watch retailing business. Due to the uncertainty of the macro-economic environment, the Company will consider each new business development opportunity with due care and prudence.

4. REASONS FOR AND BENEFITS OF THE SHARE DISPOSAL AND THE INVENTORY DISPOSAL

As disclosed above, the principal business operations of the Target Company have been limited to the licensing of trademarks for retail distribution of watches and the provision of international warranty and after-sales services for watches sold in retail distribution, and the Target Company has been operating at a loss over the past few financial years with minimal revenue. The Directors consider that, given there is a willing buyer, it is in the interest of the Group to dispose of its interest in Target Company and the Share Disposal represents a valuable and rare opportunity for the Company to realize the value of the Target Company at a favorable price.

Subject to Completion, the Group will no longer own the trademarks relating to the UG Brands after Completion but the Authorized Retailer will remain the owner of the Inventory. The Inventory Sale Agreement and the ancillary Trade Mark Licence form part and parcel of the transaction contemplated under the Share Sale Agreement. The Directors consider that it is in the interest of the Group to enter into the Inventory Sale Agreement and the Trade Mark Licence as this will not only allow the Authorized Retailer to continue to offer Watch Stock 1 to customers after Completion at retail prices on a royalty-free basis, but also secure a purchaser for all remaining Inventory and lock-in a favorable purchase price.

In addition, the proceeds to be received from the Share Disposal and the Inventory Disposal will allow the Group to be well positioned and equipped to identify and capture other business opportunities in the future.

Taking into account the above factors and having considered the respective basis for determining the Total Consideration and the Total Inventory Purchase Price, the Directors (including the independent non-executive Directors) are of the view that the terms of the Share Sale Agreement, the Inventory Sale Agreement and the transactions contemplated thereunder, including the Total Consideration, the Total Inventory Purchase Price and the payment terms thereof, which have been reached after arm's length negotiations among the parties, are on normal commercial terms or better to the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors had any material interest in the Share Sale Agreement or the Inventory Sale Agreement, and hence no Director was required to abstain from voting on the relevant resolutions of the Board.

5. IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Share Disposal and the Inventory Disposal (on an aggregated basis) exceeds 75%, the transactions contemplated under the Share Sale Agreement and the Inventory Sale Agreement (on an aggregated basis) constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

6. SGM

The SGM will be convened and held at Unit 901, 9/F, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong on 20, February 2024 at 3:00 p.m. for the Shareholders to consider and, if thought fit, approve the Share Sale Agreement, the Inventory Sale Agreement and the transactions contemplated thereunder. A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular. The ordinary resolutions to be proposed at the SGM are set out in full in the notice of the SGM.

A form of proxy for use at the SGM is also enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed on it and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournment thereof) if you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

At the SGM, voting will be taken by way of poll in accordance with Rule 13.39(4) of the Listing Rules. Results of the poll will be announced in accordance with Rule 13.39(5) of the Listing Rules. The chairman of the meeting will exercise his power under Bye-law 78 of the Bye-laws to put each of the resolutions set out in the notice of SGM to the vote by way of poll.

To the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has a material interest in the Share Sale Agreement or the Inventory Sale Agreement, and therefore no other Shareholder is required to abstain from voting on the proposed resolutions approving the Share Sale Agreement, the Inventory Sale Agreement and the transactions contemplated thereunder.

7. VOTING UNDERTAKING

The Company was informed that the Controlling Shareholder has provided a written undertaking to the Purchaser to vote in favor of the resolutions approving the Share Sale Agreement, the Inventory Sale Agreement and the transactions contemplated thereunder to be proposed at the SGM in respect of a total of 548,474,814 Shares held by him (representing approximately 52.41% of the issued share capital of the Company as at the Latest Practicable Date).

8. CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of Shareholders to the right to attend and vote at the SGM (or any adjournment thereof), the Register will be closed from Thursday, 15, February 2024 to Tuesday, 20, February 2024, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 14, February 2024.

9. RECOMMENDATION

The Board (including the independent non-executive Directors) is of the view that the terms and conditions of the Share Sale Agreement and the Inventory Sale Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Share Sale Agreement, the Inventory Sale Agreement and the transactions contemplated thereunder.

Shareholders should be aware that the Share Disposal and the Inventory Disposal are respectively subject to conditions to be satisfied, and consequently the Share Disposal and/or the Inventory Disposal may or may not be completed. Accordingly, Shareholders are advised to exercise caution when dealing or contemplating dealing in the securities of the Company.

10. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Joseph C.C. Wong
Chairman and Chief Executive Officer

I. FINANCIAL INFORMATION OF THE GROUP

The consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 March 2021, 2022 and 2023 and for the six months ended 30 September 2023 are disclosed in the annual reports of the Company for the financial years ended 31 March 2021, 2022 and 2023, and the interim report of the Company for the six months ended 30 September 2023, respectively, and are incorporated by reference into this circular.

The said reports of the Company are available on the Company's website at www.stelux.com and website of the Stock Exchange at www.hkexnews.hk respectively through the links below:

– annual report of the Company for the year ended 31 March 2021 (pages 45 to 163): https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0715/2021071500587.pdf

– annual report of the Company for the year ended 31 March 2022 (pages 45 to 165): https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0715/2022071500191.pdf

– annual report of the Company for the year ended 31 March 2023 (pages 44 to 159): https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0721/2023072100162.pdf

– interim report of the Company for the six months ended 30 September 2023 (pages 1 to 16): https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1215/2023121500223.pdf

II. INDEBTEDNESS STATEMENT

	Target Company	**Remaining Group**	**The Group**
	HK$ million	*HK$ million*	*HK$ million*
	(unaudited)	*(unaudited)*	*(unaudited)*
Hong Kong and Macau			
Revolving loans	–	58.0	58.0
Trade loans	–	26.3	26.3
Term Loans	–	245.3	245.3
Total Bank Borrowings	**–**	**329.6**	**329.6**

As at 31 December 2023, the Group's total bank borrowings of approximately HK$329.6 million are secured by the Group's properties and guaranteed by the Company.

As at 31 December 2023, a subsidiary of the Remaining Group had contingent liabilities in respect of bank guarantees given to landlords in lieu of rental deposits for certain retails shops and suppliers amounting to approximately HK$9.508 million.

As at 31 December 2023, a subsidiary of the Remaining Group had obligation under finance lease amounting to approximately HK$105,000.

Except as disclosed above and apart from inter-group liabilities, as at the close of business on 31 December 2023, the Group did not have any loan capital or debt securities issued and outstanding and authorised or otherwise created but unissued, liabilities under acceptances (other than normal trade bills), acceptance credits, finance leases, hire purchase commitments, borrowings or other similar indebtedness, bank overdrafts, bank loans, mortgages, pledges, debentures, charges, contingent liabilities or guarantees.

III. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the current available facilities and the effects of the Share Disposal and Inventory Disposal, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

IV. MATERIAL ADVERSE CHANGE

As disclosed in the interim report of the Company for the six months ended 30 September 2023, the Company recorded a consolidated net loss attributable to equity holders of the Company of HK$29.9 million for the six months ended 30 September 2023, as compared to a consolidated net profit of HK$53.2 million for the same period in 2022. Nevertheless, excluding the gain recognized upon the completion of disposal of a property in Hong Kong of HK$78.7 million and government subsidies income of HK$6.4 million recognized in the six months ended 30 September 2022, the Group would have reported a consolidated net loss of HK$31.9 million the six months ended 30 September 2022.

In view of the above, the Directors are of the view that there were no material adverse changes in the financial or trading position or prospects of the Group since 31 March 2023 (being the date to which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

V. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

After Completion, the Remaining Group will continue to engage in the businesses of (i) watch retailing and (ii) the wholesale trading of watches. Despite the fact that there has been a gradual recovery of retail performance in the operating regions of the Remaining Group, tourist arrivals and local consumer sentiments were yet to reach pre-pandemic levels. In addition, inflationary pressure, wars in Ukraine and the Middle East and rising interest rate could impact economy recovery and consumer spending power. The Remaining Group maintains a prudent view on the short run outlook of the retail sector. The Remaining Group will therefore focus on uplifting shop productivity and strengthening corporate financial performance through strict financial discipline as well as improving gross profit margin, in order to achieve sustainable business development in the long run. Given the uplift of the Remaining Group's e-commerce development in various regions, the Remaining Group will also continue to invest in this growing segment to realize the potential of integration of online and offline channels.

Set out below are the unaudited statements of financial position of the Target Company as at 31 March 2021, 2022 and 2023 and 30 September 2023, and the unaudited statements of profit or loss, unaudited statements of other comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows of Target Company for the three years ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2022 and 2023 (the "**Relevant Periods**"), and certain explanatory notes (the "**Financial Information**").

The Financial Information has been presented on the basis set out in note 2 to the Financial Information and are prepared in accordance with the accounting policies adopted by the Company as shown in its annual report for the year ended 31 March 2023, and Rule 14.68(2)(a)(i)(A) of the Listing Rules.

The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Share Disposal and the Inventory Disposal. The Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong (the "**reporting accountants**"), were engaged to review the Financial Information of Target Company set out on pages II-2 to II-7 of this appendix in accordance with Hong Kong Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and with reference to Practice Note 750, Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal issued by the HKICPA.

The Target Company incurred a loss of approximately HK$2.535 million during the six months ended 30 September 2023 and, as of that date, the Target Company had net liabilities of approximately HK$153.029 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern. Accordingly, the review report includes an material uncertainty relating to the going concern basis paragraph.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountants do not express an audit opinion on the Financial Information.

Based on the reporting accountants' review of the Financial Information, nothing has come to their attention that causes them to believe that the Financial Information is not prepared, in all material respects, in accordance with the basis of preparation as set out in note 2 below.

UNAUDITED STATEMENTS OF PROFIT OR LOSS

	Year ended 31 March			Six months ended 30 September	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	233	123	186	–	135
Cost of sales	(58)	(1)	(108)	–	(88)
Gross profit	175	122	78	–	47
Other gains/(loss)	589	–	394	(12)	–
Other income	–	806	1,085	49	–
General and administrative expenses	(5,413)	(5,810)	(3,290)	(2,873)	(1,794)
Other operating expenses	(93)	(116)	(161)	–	(788)
Loss before tax	(4,742)	(4,998)	(1,894)	(2,836)	(2,535)
Income tax expense	–	–	–	–	–
Loss for the year/ period	(4,742)	(4,998)	(1,894)	(2,836)	(2,535)

UNAUDITED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Year ended 31 March			Six months ended 30 September	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year/period	(4,742)	(4,998)	(1,894)	(2,836)	(2,535)
Other comprehensive income:					
Exchange difference of translation of foreign operation	(2,667)	(3,872)	(2,002)	7,518	1,140
Other comprehensive income for the year/period, net of tax	(2,667)	(3,872)	(2,002)	7,518	1,140
Total comprehensive income for the year/period	(7,409)	(8,870)	(3,896)	4,682	(1,395)

UNAUDITED STATEMENTS OF FINANCIAL POSITION

	As at 31 March			As at 30 September
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Current assets				
Trade and other receivables	577	726	614	202
Amounts due from group companies	14,578	14,533	15,143	–
Cash and cash equivalents	485	686	523	350
Total current assets	15,640	15,945	16,280	552
EQUITY				
Share capital	26,500	26,500	26,500	26,500
Accumulated losses	(149,750)	(154,748)	(156,642)	(159,177)
Exchange reserves	(15,618)	(19,490)	(21,492)	(20,352)
Capital deficiencies	(138,868)	(147,738)	(151,634)	(153,029)
LIABILITIES				
Current liabilities				
Trade and other payables	562	717	493	304
Amounts due to group companies	153,946	162,966	167,421	153,277
Total current liabilities	154,508	163,683	167,914	153,581
Total equity and liabilities	15,640	15,945	16,280	552

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Exchange reserves	Accumulated losses	Capital deficiencies
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020	26,500	(12,951)	(145,008)	(131,459)
Loss for the year	–	–	(4,742)	(4,742)
Other comprehensive income	–	(2,667)	–	(2,667)
Changes in equity for the year	–	(2,667)	(4,742)	(7,409)
At 31 March 2021	26,500	(15,618)	(149,750)	(138,868)
Loss for the year	–	–	(4,998)	(4,998)
Other comprehensive income	–	(3,872)	–	(3,872)
Changes in equity for the year	–	(3,872)	(4,998)	(8,870)
At 31 March 2022	26,500	(19,490)	(154,748)	(147,738)
Loss for the year	–	–	(1,894)	(1,894)
Other comprehensive income	–	(2,002)	–	(2,002)
Changes in equity for the year	–	(2,002)	(1,894)	(3,896)
At 31 March 2023	26,500	(21,492)	(156,642)	(151,634)
At 1 April 2023	26,500	(21,492)	(156,642)	(151,634)
Loss for the period	–	–	(2,535)	(2,535)
Other comprehensive income	–	1,140	–	1,140
Changes in equity for the period	–	1,140	(2,535)	(1,395)
At 30 September 2023	26,500	(20,352)	(159,177)	(153,029)
At 1 April 2022	26,500	(19,490)	(154,748)	(147,738)
Loss for the period	–	–	(2,836)	(2,836)
Other comprehensive income	–	7,518	–	7,518
Changes in equity for the period	–	7,518	(2,836)	4,682
At 30 September 2022	26,500	(11,972)	(157,584)	(143,056)

UNAUDITED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities					
Loss before tax and before working capital changes	(4,742)	(4,998)	(1,894)	(2,836)	(2,535)
Trade and other receivables	(185)	(149)	112	39	412
Trade and other payables	(129)	155	(224)	(166)	(189)
Cash from operating activities and net cash used in operating activities	(5,056)	(4,992)	(2,006)	(2,963)	(2,312)
Cash flows from investing activity					
Repayment from/(advances to) group companies	763	45	(610)	580	15,143
Cash from investing activity and net cash generated from/(used in) investing activity	763	45	(610)	580	15,143
Cash flows from financing activity					
Repayment from/(advances to) group companies	6,968	9,020	4,455	(5,153)	(14,144)
Cash from financing activity and net cash generated from/(used in) financing activity	6,968	9,020	4,455	(5,153)	(14,144)
Net changes in cash and cash equivalent	2,675	4,073	1,839	(7,536)	(1,313)
Cash and cash equivalent at the beginning of the year/period	477	485	686	686	523
Effect of changes in foreign exchange rates	(2,667)	(3,872)	(2,002)	7,518	1,140
Cash and cash equivalent at the end of the year/period	485	686	523	668	350

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

On 12 December 2023, City Chain (Bermuda) Holdings Limited (the "Seller") entered into an equity transfer agreement for the disposal of the entire equity interest in Universal Geneve SA (the "Target Company") to Breitling SA (the "Purchaser") at a consideration of CHF60 million (equivalent to approximately HK$537.6 million) (subject to adjustment) (the "Share Disposal'). Upon completion of the Share Disposal, the Target Company will cease to be a subsidiary of the Seller.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The unaudited financial information of the Target Company has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and is solely for the purpose of inclusion in the circular issued by the Company in connection with the Share Disposal and Inventory Disposal.

The amounts included in the unaudited financial information for each of the three years ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2022 and 2023 have been recognised and measured in accordance with the relevant accounting policies of the Group adopted in the preparation of the Company's annual consolidated financial statements, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the Company's annual consolidated financial statements.

In preparing the unaudited financial information, the directors of the Company have given due and careful consideration to the Target Company's future liquidity in light of the net liabilities position of approximately HK$153.029 million as at 30 September 2023. The directors of the Company are confident that the Target Company will continue to obtain the ongoing support from the Purchaser upon the completion of the Share Disposal and Inventory Disposal, and accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the financial information on a going concern basis.

However, if the Share Disposal and Inventory Disposal is not completed, the directors of the Company believe that the Target Company will continue to obtain the ongoing support from the Company and the Company has agreed to provide adequate funds to enable the Target Company to meet in full its financial obligation as they fall due for the foreseeable future.

Set out below is the management discussion and analysis on the Remaining Group for each of the three years ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2023. The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the consolidated financial statements of the Company for the reporting periods.

Upon Completion of the Share Disposal and the Inventory Disposal, the Company will no longer hold any interest in the Target Company, and the Target Company will no longer remain as a subsidiary company of the Group. For the purpose of this circular and for illustration purpose only, the management discussion and analysis of the Remaining Group below is made with the exclusion of the Target Company.

The management discussion and analysis of the Remaining Group for the three years ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2023 are set out below.

I. SEGMENTAL INFORMATION

There will be no change to the principal business of the Remaining Group as a result of the Share Disposal and the Inventory Disposal. Following the Share Disposal and the Inventory Disposal, the Remaining Group will continue to carry out its existing businesses. The principal activity of the Company is investment holding, and the principal subsidiaries of the Remaining Group are engaged in the businesses of (i) watch retailing and (ii) the wholesale trading of watches.

II. FOR THE YEAR ENDED 31 MARCH 2021 ("FY2020/21")

(a) Financial Overview

Turnover – For FY2020/21, Remaining Group's turnover decreased to HK$706.0 million, representing a decrease of 31.7% as compared to the preceding year ended 31 March 2020 ("**FY2019/20**") as the COVID-19 pandemic severely disrupted economic activities with lockdowns in some of the Remaining Group's operating regions.

Loss for the year – A loss attributable to the equity holders of the Company of HK$77.1 million was recorded after taking into account: (i) a gain on disposal of a subsidiary of HK$97.8 million relating to a property in Hong Kong; (ii) the accounting impact from HKFRS 16 Leases (non-cash) of HK$76.3 million (income); (iii) an impairment (non-cash) of HK$15.7 million relating to right-of-use assets mainly arising from retail stores with declined store profitability; (iv) an impairment loss (non-cash) of HK$54.1 million due to revaluation of investment properties and leasehold land and buildings as at 31 March 2021; (v) a stock provision expense (non-cash) of HK$19.3 million relating to slow-moving watch movements; and (vi) an impairment of intangible assets (non-cash) of HK$5.6 million due to reducing recoverable amount. If the above items were excluded, the Remaining Group would have reported a loss of HK$156.5 million for FY2020/21, as compared to a loss of HK$142.9 million (after excluding various non-cash expense items totaling HK$257.1 million) for FY2019/20.

Gross profit margin – The gross profit margin of the Remaining Group was 46.0% compared with 48.8% for FY2019/20 as promotional strategies were implemented to stimulate consumer demand and to reduce inventory to enhance liquidity.

Government subsidies – Various government subsidies of approximately HK$31.2 million were received in the operating regions of the Remaining Group in FY2020/21.

Inventory – Inventory of the Remaining Group as at 31 March 2021 was HK$267.3 million, down HK$105.7 million as compared to the inventory at 31 March 2020.

Net debt – Net debt of the Remaining Group as at 31 March 2021 was HK$342.9 million, down HK$127.4 million as compared to the net debt at 31 March 2020.

(b) Watch Retailing Business – The CITY CHAIN Group

As at 31 March 2021, the CITY CHAIN Group comprising subsidiaries in the Remaining Group operated around 150 stores in Hong Kong, Macau, Mainland China (the "**Greater China**"), Singapore, Thailand and Malaysia together with on-line stores for "CITY CHAIN" and "SOLVIL et TITUS". For FY2020/21, the CITY CHAIN Group reported a 38.9% decline in turnover to HK$472.5 million and a loss before interest and tax ("**LBIT**") of HK$69.6 million as compared to FY2019/20.

In FY2020/21, as the CITY CHAIN Group progressed with its migration to an omni-channel business model, encouraging results were reported by its e-commerce business in Hong Kong. Moreover, the CITY CHAIN Group's upgraded CRM membership program "Delights", a key component to the development of its omni-channel business was launched in Hong Kong and Mainland China in 2019 and continued to strengthen customer engagement. Under COVID-19, the CITY CHAIN Group continued to accelerate its pace of investment, adopting the necessary infrastructure and expertise, increasing allocation of marketing expenditure on its online operations such as social networking platforms to maintain quality interactions with consumers to boost online sales and to enhance the online brand presence of "CITY CHAIN" and "SOLVIL et TITUS".

In Greater China, turnover for the CITY CHAIN Group's operations fell by 46.7% to HK$254.3 million but LBIT narrowed to HK$75.1 million, mainly attributable to tight cost control measures in place throughout FY2020/21 and the accounting impact from HKFRS 16 Leases. In line with the shop consolidation strategy of the CITY CHAIN Group, the number of shops as at 31 March 2021 reduced by 19 compared with 31 March 2020. A deficit in valuation of investment properties of HK$15.3 million was recorded in FY2020/21. Notwithstanding the pandemic, the CITY CHAIN Group saw a mild recovery of sales in the quarter from January to March 2021 despite a reduced number of shops. The CITY CHAIN Group continued to see a year-over-year sales growth from April to May 2021. In addition, its online business in Hong Kong delivered a promising performance with escalating sales recorded in FY2020/21 and a satisfactory earnings before interest and tax ("**EBIT**") was recorded, whilst cost efficiencies for the Mainland China watch e-commerce business continued to improve.

In Southeast Asia, the CITY CHAIN Group's operations in Singapore, Malaysia and Thailand in FY2020/21 were impacted by COVID-19 almost throughout the year as curfews and movement controls were implemented within these countries. Certain shopping malls were either closed temporarily in response to government demand or voluntarily shortened operating hours. Work-from-home and no dine-in arrangements were prevalent and reduced foot traffic in shopping malls significantly. Moreover, these economies were hit hard by muted tourism. Despite these however, the CITY CHAIN Group's operation teams remained agile throughout FY2020/21, and managed these unprecedented challenges with an emphasized focus on enlarging its local customer base, growing e-commerce sales and negotiating for rental concessions. Turnover for the Southeast Asian operations declined by 26.3% to HK$218.2 million with the number of shops reduced by 17% due to the closure of certain non-performing shops mainly in Thailand and Singapore. Despite the challenging business environment, the Singapore and Malaysian operations posted an EBIT (excluding exchange difference) of HK$10.2 million. The Singapore operations recorded a store growth of 11.4% in the last 4 months of FY2020/21. The Southeast Asian operations of the CITY CHAIN Group reported an aggregate EBIT (excluding exchange difference) of HK$6.5 million as compared to HK$3.1 million for FY2019/20 despite a loss of HK$3.7 million posted by its Thai operations.

(c) Supply Chain Management and Wholesale Trading Business

Turnover for this division, comprising the supply chain and wholesale trading subsidiaries of the Remaining Group, decreased moderately by 10.2% to HK$233.5 million as compared to FY2019/20, and an EBIT of HK$24.7 million was posted. Excluding a provision expense of HK$19.3 million for slow-moving watch movements, this division would have reported a profit of HK$44.0 million as compared to a profit of HK$33.3 million in FY2019/20 (excluding a provision expense of HK$95.4 million for slow-moving watch movements). As the sole distributor for "SEIKO" clocks and watches and "GRAND SEIKO" watches in Hong

Kong, Macau, Singapore, Brunei and Malaysia, the wholesale trading unit launched various marketing campaigns, which were well received, and with prompt service support promoted sell-through to retailers.

(d) Finance

The Remaining Group's capital management, currency and interest rate movement were constantly monitored and reviewed by its management to address and manage relevant financial risks relating to the Remaining Group's operations. The Remaining Group maintained prudent treasury management policies to address liquidity to finance both short-term and long-term working capital needs for business operations. Funds were generated from business operating activities and banking facilities in the form of term loans and short-term trading facilities. Forecast and actual cash flow analyses were continuously monitored. Maturity of assets and liabilities and requirement of financial resources for business operations were prudently managed.

The gearing ratio of the Remaining Group as at 31 March 2021 was 54.7% with shareholders' funds standing at HK$626.4 million and net debts of HK$342.9 million. The net debts are based on the bank borrowings of HK$512.8 million less bank balance and cash of HK$169.9 million. The bank borrowings of the Remaining Group as at 31 March 2021 comprised of HK$226.2 million repayable within one year and HK$286.6 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities. There was a decrease in gearing ratio from FY2019/20 due to the disposal of a property by way of transfer of shares in a subsidiary to a third party during FY2020/21 with most of the sales proceeds used to repay bank loans. The unutilized banking facilities as at 31 March 2021 was HK$122.7 million.

The Remaining Group's major borrowings were in Hong Kong dollars and based on a floating rate at HIBOR. No bank borrowing was based on fixed interest rate. As major revenues of the Remaining Group were in Hong Kong dollars, the natural hedge mechanism was applied.

The Remaining Group's bank balance and cash were in Hong Kong dollars, Renminbi, Singapore dollars, Malaysian ringgit, Thai bahts, Macanese Pataca, Swiss francs, Japanese yen and US dollars.

As at 31 March 2021, the current assets and current liabilities of the Remaining Group were approximately HK$564.0 million and HK$610.8 million, respectively. The current ratio was approximately 0.92.

The Remaining Group's total equity funds amounted to HK$633.5 million as at 31 March 2021.

For FY2020/21, the Remaining Group did not use any financial instruments for hedging purposes and the Remaining Group did not engage in speculative derivative trading.

As at 31 March 2021, the Remaining Group did not have any significant contingent liabilities.

The Remaining Group did not have plans for material investments or change of capital assets.

As at 31 March 2021, certain property, plant and equipment and investment properties amounting to HK$513.9 million were pledged to secure banking facilities granted to the Remaining Group. Capital expenditure was well controlled and reduced to HK$4.2 million.

The investment properties and leasehold land and buildings of the Remaining Group were revalued by independent valuers as at 31 March 2021. An impairment loss of HK$54.1 million was recorded in the year ended 31 March 2021 accordingly.

The deferred tax asset balance decreased by HK$22.3 million and this expense was charged to the income statement during the year ended 31 March 2021. The decrease was mainly from a decrease in tax losses and other temporary differences recognised as a deferred tax asset.

(e) Employment and Remuneration Policy

The Remaining Group's remuneration policies were reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Remaining Group operates. As at 31 March 2021, the Remaining Group had around 1,000 employees. The Remaining Group offered KPI related bonuses to eligible employees based on the performance of the Remaining Group and the individual employee. The Remaining Group also provided related training programmes to improve the quality, competence and skills of its employees.

III. FOR THE YEAR ENDED 31 MARCH 2022 ("FY2021/22")

(a) Financial Overview

Turnover – For FY2021/22, despite economic activities continued to be disrupted by the pandemic, as well as movement control in some of the operating regions of the Remaining Group, turnover decreased mildly by 1.93% to HK$692.4 million as compared to FY2020/21. As the COVID-19 situation started to be stabilised in some of the Remaining Group's operating regions, it was noticed that the Remaining Group's turnover picked up with an increase of 26.1%

in the second half of FY2021/22, compared with the first half of FY2021/22. This momentum continued from April to May 2022 with annual growth of 17% due to rebound in consumer sentiments in Hong Kong and Southeast Asia.

Loss for the year – A loss attributable to equity holders of the Company of HK$101.7 million was recorded after taking into account various non-cash items, including: (i) the accounting impact from HKFRS 16 Leases of HK$29.1 million (income); (ii) an impairment loss of HK$8.1 million relating to right-of-use assets mainly arising from retail stores with declined store profitability; (iii) an impairment loss of HK$23.0 million due to revaluation of investment properties and leasehold land and buildings as at year end; (iv) a stock provision expense relating to slow-moving watch movements was nil; and (iv) an impairment of intangible assets of HK$2.7 million due to reducing recoverable amount. If the above non-cash items were excluded, the Remaining Group would have reported a loss of HK$97.0 million in FY2021/22. This represents an improvement of 38.0% compared with a loss of HK$156.5 million in FY2020/21 after excluding the above non-cash items and the gain on disposal of a subsidiary of HK$97.8 million in FY2020/21 (relating to a property in Hong Kong). This improvement was due to ongoing enhancement in operating efficiency.

Gross profit margin – The gross profit margin of the Remaining Group in FY2021/22 improved to 46.7% as compared with 46.0% in FY2020/21 as a result of fine tuning of product portfolio.

Government subsidies – Various government subsidies of approximately HK$8.4 million were received in the operating regions of the Remaining Group during the FY2021/22, as compared to HK$31.2 million for FY2020/21.

Expenses – Selling expenses (excluding expenses related to investment in brand building) fell by 15.0% mainly due to reduced rental expenses and other overheads at shops. General and administrative expenses for FY2021/22 maintained at same level as the preceding year after having decreased for two consecutive years by 14.3% in FY2020/21 and 21.6% in FY2019/20.

Inventory – Strict inventory control and prudent stock procurement were implemented to reduce the inventory balance of the Remaining Group, which declined by 2.5% or HK$6.6 million compared with the balance at 31 March 2021.

(b) Watch Retailing Business – The CITY CHAIN Group

As at 31 March 2022, the CITY CHAIN Group comprising subsidiaries in the Remaining Group operated around 142 stores in Greater China, Singapore, Thailand and Malaysia together with on-line stores for "CITY CHAIN" and "SOLVIL et TITUS". The CITY CHAIN Group reported a 6.6% decline in turnover to HK$441.4 million as compared to HK$472.5 million in FY2020/21 and a LBIT of HK$74.2 million as compared to HK$69.6 million in FY2020/21.

In FY2021/22, the CITY CHAIN Group recorded a profitable result in its e-commerce business in Hong Kong and Southeast Asia regions with annual sales growth of 14.3% and 102% respectively. Under the pandemic, the CITY CHAIN Group strengthened its product assortment and accelerated its pace of investment in online operations. As such, interactions with consumers were enhanced so that the sales via omni channels were boosted with the enhanced awareness of self-owned brands "CITY CHAIN" and "SOLVIL et TITUS".

For Greater China, the retail sales in Hong Kong were improved by 8.3% in FY2021/22, and same store sales also achieved a growth of 22.5%. However, the worsening Omicron spread in Mainland China and Macau offset such growth, causing the turnover for the CITY CHAIN operations in Greater China to fall by 4.6% to HK$242.7 million. Greater China regions recorded a LBIT of HK$72.8 million as compared to HK$75.1 million in FY2020/21. If the accounting impact from HKFRS 16 Leases in both years was excluded, the LBIT for FY2021/22 would have been HK$96.5 million, which represented an improvement of HK$49.7 million or 34% from HK$146.2 million for FY2020/21. A deficit in valuation of investment properties of HK$10.7 million was recorded in FY2021/22 as compared to HK$15.3 million in FY2020/21. Although there was fifth wave of the pandemic in Hong Kong in the quarter from January to March 2022, recovery since April 2022 was noticed. Business was supported by a strengthened product portfolio, attributing an annual sales growth of approximately 22% in Hong Kong throughout April and May 2022. Meanwhile, the CITY CHAIN Group's online business in Hong Kong sustained a growing trend and recorded a profit with year-on-year growth of 20.4%. At the same time, efficiency on the Mainland China watch e-commerce business also continued to improve.

In Southeast Asia, the CITY CHAIN Group's operations in Singapore, Malaysia and Thailand were impacted by various extents of travel restrictions between June to August 2021. Despite these restrictions, by focusing on refreshing product portfolio, streamlining cost structure and developing omni channels, the CITY CHAIN Group adapted to the new normal and achieved annual growth rate of approximately 102% for its e-commerce business. Turnover for the Southeast Asian operations declined by 8.9% to HK$198.7 million as compared to HK$218.2 million in FY2020/21 with an aggregate LBIT of HK$1.4 million, as compared to an EBIT of HK$5.5 million in FY2020/21. The Singapore and Malaysian operations posted a reduced EBIT of HK$8.4 million compared to HK$9.7 million in FY2020/21 while Thailand operations posted a loss of HK$9.8 million, as compared to a loss of HK$4.2 million in FY2020/21. With the gradual reopening of economies, retail sales performance and profitability were improved since April 2022.

(c) Supply Chain Management and Wholesale Trading Business

Turnover for this division, comprising the supply chain and wholesale trading subsidiaries of the Remaining Group, increased moderately by 7.5% to HK$251.0 million for FY2021/22 as compared to HK$233.5 million in FY2020/21. An EBIT of HK$50.8 million was posted as compared to HK$24.7 million in FY2020/21 (with a provision expense of HK$19.3 million for slow-moving watch movements). Being the sole distributor for "GRAND SEIKO" and "SEIKO" watches in Hong Kong, Macau, Singapore and Malaysia, the Remaining Group's wholesale trading unit launched various marketing campaigns, which were well received, with prompt service support promoted sell-through rate to retailers.

(d) Finance

The Remaining Group's capital management, currency and interest rate movement were constantly monitored and reviewed by its management to address and manage relevant financial risks relating to the Remaining Group's operations. The Remaining Group maintained prudent treasury management policies to address liquidity to finance both short-term and long-term working capital needs for business operations. Funds were generated from business operating activities and banking facilities in the form of term loans and short-term trading facilities. Forecast and actual cash flow analyses were continuously monitored. Maturity of assets and liabilities and requirement of financial resources for business operations were prudently managed.

The gearing ratio of the Remaining Group as at 31 March 2022 was 68.9% as compared to 54.7% as at 31 March 2021, with shareholders' funds and net debts standing at HK$525.9 million and HK$362.5 million respectively, as compared to HK$626.4 million and HK$342.9 million as at 31 March 2021 respectively. The net debts were based on the bank borrowings of HK$473.9 million (as compared to HK$512.8 million as at 31 March 2021) and less bank balance and cash of HK$111.4 million (as compared to HK$169.9 million as at 31 March 2021). The bank borrowings comprised of HK$226.2 million repayable within one year and HK$247.7 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities. The unutilized banking facilities as at 31 March 2022 was HK$82.7 million.

On 28 January 2022, a subsidiary of the Remaining Group entered into a provisional agreement with an independent third party for the disposal ("**Property Disposal**") of a property in Hong Kong at a consideration of HK$120 million. A deposit of HK$12 million was received by the Group before 31 March 2022. The Property Disposal was expected to be completed in August 2022 and an unaudited gain on disposal of approximately HK$79 million would be recognised in the financial year ending 31 March 2023.

The Remaining Group's major borrowings were in Hong Kong dollars and based on a floating rate at HIBOR. No bank borrowing was based on fixed interest rate. As major assets of the Remaining Group were in Hong Kong dollars, the natural hedge mechanism was applied.

The Remaining Group's bank balance and cash were in Hong Kong dollars, Renminbi, Singapore dollars, Malaysian ringgit, Thai bahts, Macanese Pataca, Swiss francs, Japanese yen and US dollars.

As at 31 March 2022, the current assets and current liabilities of the Remaining Group were approximately HK$533.9 million and HK$571.2 million, respectively, as compared to HK$564.0 million and HK$610.8 million, respectively, as at 31 March 2021. The current ratio was approximately 0.93.

As at 31 March 2022, the Remaining Group's total equity funds amounted to HK$532.5 million. The Remaining Group did not use any financial instruments for hedging purposes and did not engage in speculative derivative trading.

As at 31 March 2022, a subsidiary of the Remaining Group had contingent liabilities in respect of bank guarantees given to landlords in lieu of rental deposits for certain retails shops and suppliers amounting to approximately HK$5.296 million.

The Remaining Group did not have plans for material investments or change of capital assets.

As at 31 March 2022, certain property, plant and equipment, investment properties and assets classified as held for sale amounting to HK$479.8 million (as compared to HK$513.9 million of certain property, plant and equipment and investment properties as at 31 March 2021) were pledged to secure banking facilities granted to the Remaining Group.

The investment properties and leasehold land and buildings of the Remaining Group were revalued by independent valuers as at 31 March 2022, and an impairment loss of HK$23.0 million was recorded in the year ended 31 March 2022 accordingly.

(e) Employment and Remuneration Policy

The Remaining Group's remuneration policies were reviewed on a regular basis and remuneration packages were in line with market practices in the relevant countries where the Remaining Group operated. As at 31 March 2022, the Remaining Group had around 910 employees as compared to 1,000 as at 31 March 2021. The Remaining Group offered KPI related bonuses to eligible employees based on the performance of the Remaining Group and the individual employee. The Remaining Group also provided related training programmes to improve the quality, competence and skills of its employees.

IV. FOR THE YEAR ENDED 31 MARCH 2023 ("FY2022/23")

(a) Financial Overview

Turnover – For FY2022/23, the Remaining Group's turnover increased by 16.3% to HK$805.3 million, as compared with HK$692.4 million in FY2021/22.

Profit for the year – A profit attributable to the equity holders the Company of HK$52.7 million was recorded in FY2022/23 as compared to a loss of HK$101.7 million for FY2021/22 after taking into account: (i) the gain on disposal for the Property Disposal of HK$78.7 million; (ii) the accounting impact from HKFRS 16 Leases (non-cash) of HK$12.4 million (income); (iii) an impairment loss (non-cash) of HK$5.6 million relating to right-of-use assets mainly arising from retail stores with declined store profitability; (iv) a revaluation gain of investment properties (non-cash) of HK$14.8 million; (v) the impairment loss of intangible assets (non-cash) was HK$3.9 million in FY2022/23 due to reducing recoverable amount. If the above gain on disposal for the Property Disposal and non-cash items were excluded, the Remaining Group would have reported a loss of HK$43.7 million in FY2022/23, representing a reduction of loss by 54.9% as compared with a loss of HK$97.0 million in FY2021/22 after excluding various non-cash items. Such reduction of loss was due to recovery of sales in Hong Kong and Southeast Asia region together with uplift in operating efficiency in all operating regions.

Gross profit margin – The gross profit margin of the Remaining Group was 45.3% in FY2022/23, representing a decrease of 1.4% point as compared to 46.7% in FY2021/22. The gross profit margin of retail segment improved resulting from fine-tuning of product portfolio. However, it was partly offset by the shrinking gross profit margin in wholesale segment.

Government subsidies – Various government subsidies of approximately HK$7.5 million were received in the operating regions of the Remaining Group during FY2022/23.

Inventory – In FY2022/23, the Remaining Group continued to implement inventory control measures. The inventory balance at 31 March 2023 was HK$222.1 million, representing a decline of 14.8% or HK$38.6 million compared with the balance at 31 March 2022 of HK$260.7 million. Stock turnover days improved from 258 days at 31 March 2022 to 184 days at 31 March 2023. Continuous inventory control and prudent stock procurement were in place to strengthen balance sheet management.

(b) Watch Retailing Business – The CITY CHAIN Group

As at 31 March 2023, the CITY CHAIN Group comprising subsidiaries in the Remaining Group operated around 109 stores in Greater China, Singapore, Thailand and Malaysia together with online stores under its own brands of "CITY CHAIN" and "SOLVIL et TITUS". The CITY CHAIN Group reported a 20% increase in turnover to HK$529.2 million from HK$441.4 million in FY2021/22, which was mainly driven by sales growth in Hong Kong with same store sales growth of 38.8% and the momentum in Southeast Asia. The LBIT was HK$8.2 million as compared to HK$74.2 million for FY2021/22.

For Greater China, turnover for CITY CHAIN operations was HK$274.1 million for FY2022/23, as compared to HK$242.7 million for FY2021/22, representing a year-over-year growth of 12.9%. The rise was mainly driven by the year-over-year growth in Hong Kong of 32.1%, partly offset by the sales drop in Mainland China and Macau due to the strict movement control throughout FY2022/23. A LBIT of HK$14.7 million was recorded after taking into account of the following factors: (i) a revaluation gain of investment properties of HK$10.6 million in FY2022/23 due to valuation at year end; and (ii) the accounting impact from HKFRS 16 Leases of HK$9.4 million (income). If the above two factors were excluded in both years, the LBIT for FY2022/23 would be HK$34.7 million, representing a reduction in loss by 59.6% from HK$85.8 million for FY2021/22. Since January 2023, Hong Kong resumed cross-border travel with Mainland China. With tourist arrivals and resumption of normal travel, retail sales in the quarter January to March 2023 strongly improved by 80% year-on-year. However, the uncertain macro-economic environment and inflationary pressures casted doubts on the pace of recovery. Meanwhile, the CITY CHAIN Group's online business of its own brands "CITY CHAIN" and "SOLVIL et TITUS" has continued to report a profitable result in Hong Kong despite the fact that certain customers switched from online to physical stores after the relaxation of social-distancing and anti-pandemic measures. At the same time, efficiency on the Mainland China watch e-commerce business has also continued to improve.

In Southeast Asia, with reopening of economies and gradual recovery in consumer sentiment, the Southeast Asian operations recorded turnover growth of 28.4% to HK$255.1 million in FY2022/23 as compared to HK$198.7 million in FY2021/22, and generated an EBIT of HK$6.5 million as compared to a LBIT of HK$1.4 million in FY2021/22. Singapore and Malaysia operations posted an increased EBIT of HK$11.6 million from HK$8.4 million in FY2021/22, while Thailand operations recorded a reduced loss of HK$5.1 million as compared to a loss of HK$9.8 million for FY2021/22. With continual investments in the e-commerce platforms of the CITY CHAIN Group and corresponding marketing efforts, its e-commerce business in Southeast Asia continued to develop satisfactorily during FY2022/23 with a year-over-year sales growth of 74.4%.

(c) Supply Chain Management and Wholesale Trading Business

Turnover for this division comprising the supply chain and wholesale trading subsidiaries of the Remaining Group increased by 10.0% to HK$276.1 million in FY2022/23 as compared to HK$251.0 million in FY2021/22, and an EBIT of HK$42.9 million was posted as compared to HK$50.8 million in FY2021/22. The modification of wholesale distributorship arrangements of "GRAND SEIKO" and "CREDOR" watches in Singapore, Brunei and Malaysia was effective from 3 October 2022, and the Remaining Group would continue to: (a) distribute as sole wholesale distributor for "GRAND SEIKO" and "CREDOR" watches in Hong Kong and Macau, and "SEIKO" watches in Hong Kong, Macau, Singapore, Brunei and Malaysia; and (b) act as retailer for "GRAND SEIKO", "SEIKO" and "CREDOR" watches in Hong Kong, Macau, Singapore and Malaysia.

(d) Finance

The Remaining Group's capital management, currency and interest rate movement were constantly monitored and reviewed by its management to address and manage relevant financial risks relating to the Remaining Group's operations. The Remaining Group maintained prudent treasury management policies to address liquidity to finance both short-term and long-term working capital needs for business operations. Funds were generated from business operating activities and banking facilities in the form of term loans and short-term trading facilities. Forecast and actual cash flow analyses were continuously monitored. Maturity of assets and liabilities and requirement of financial resources for business operations were prudently managed.

The gearing ratio of the Remaining Group as at 31 March 2023 was 44.8% as compared to 68.9% as at 31 March 2022, with shareholders' funds and net debts standing at HK$575.7 million and HK$257.9 million, respectively, as compared to HK$525.9 million and HK$362.5 million, respectively, as at 31 March 2022. The net debts were based on the bank borrowings of HK$342.8 million and less bank balance and cash of HK$84.9 million. The bank borrowings comprised of HK$116.4 million repayable within one year and HK$226.4 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities. The unutilized banking facilities as at 31 March 2023 was HK$60.314 million.

On 28 January 2022, a subsidiary of the Remaining Group entered into a provisional agreement with an independent third party for the Property Disposal at a consideration of HK$120 million. The Property Disposal was completed in August 2022 and the gain on disposal of HK$78.7 million was recognised in the financial year ended 31 March 2023. Majority of the sales proceeds were used to repay bank loans of the Remaining Group.

The Remaining Group's major borrowings were in Hong Kong dollars and based on a floating rate at HIBOR. No bank borrowing was based on fixed interest rate. As major assets of the Remaining Group were in Hong Kong dollars, the natural hedge mechanism was applied.

The Remaining Group's bank balance and cash were in Hong Kong dollars, Renminbi, Singapore dollars, Malaysian ringgit, Thai bahts, Macanese Pataca, Swiss francs, Japanese yen and US dollars.

As at 31 March 2023, the current assets and current liabilities of the Remaining Group were approximately HK$403.7 million and HK$397.8 million, respectively, as compared to HK$533.9 million and HK$571.2 million, respectively, as at 31 March 2022. The current ratio was approximately 1.01 as compared to 0.93 as at 31 March 2022.

As at 31 March 2023, the Remaining Group's total equity funds amounted to HK$581.7 million. The Remaining Group did not use any financial instruments for hedging purposes, and did not engage in speculative derivative trading.

As at 31 March 2023, a subsidiary of the Remaining Group had contingent liabilities in respect of bank guarantees given to landlords in lieu of rental deposits for certain retails shops and suppliers amounting to approximately HK$7.202 million as compared to HK$5.296 million as at 31 March 2022.

The Remaining Group did not have plans for material investments or change of capital assets.

As at 31 March 2023, certain property, plant and equipment and investment properties amounting to HK$443.6 million (as compared to HK$479.8 million of certain property, plant and equipment, investment properties and assets classified as held for sale as at 31 March 2022) were pledged to secure banking facilities granted to the Remaining Group.

The investment properties of the Remaining Group were revalued by independent valuers as at 31 March 2023. A revaluation gain of HK$14.8 million was recorded in the year ended 31 March 2023 accordingly.

(e) Employment and Remuneration Policy

The Remaining Group's remuneration policies were reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Remaining Group operates. As at 31 March 2023, the Remaining Group had around 840 employees as compared to 910 as at 31 March 2022. The Remaining Group offered KPI related bonuses to eligible employees based on the performance of the Remaining Group and the individual employee. The Remaining Group also provided related training programmes to improve the quality, competence and skills of its employees.

V. FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 ("1H2023")

(a) Financial Overview

Turnover – During 1H2023, turnover of the Remaining Group decreased by 9.8% to HK$368.2 million as compared to a turnover of HK$408.3 million for the six months ended 30 September 2022 ("**1H 2022**").

Loss for the period – The Remaining Group reported a loss attributable to equity holders of the Company of HK$27.4 million in 1H2023 as compared to a profit attributable to equity holders of HK$56.0 million in 1H2022. The Remaining Group would have reported a consolidated net loss of HK$29.1 million in 1H 2022 after excluding the gain recognized upon the completion of the Property Disposal of HK$78.7 million and government subsidies income of HK$6.4 million.

Gross profit margin – The gross profit margin of the Remaining Group improved by 4.1% point to 48.5% as compared to 44.4% in 1H2022 due to enhancement of product portfolio.

(b) Watch Retailing Business – The CITY CHAIN Group

As at 30 September 2023, the CITY CHAIN Group comprising subsidiaries in the Remaining Group operated around 112 stores in Greater China, Singapore, Thailand and Malaysia together with online stores of "CITY CHAIN" and "SOLVIL et TITUS".

For Greater China, the turnover was HK$147.7 million for 1H2023, as compared to HK$132.6 million for 1H2022, representing a year-over-year growth of 11.4% with retail sales in Hong Kong and Macau improved by 18.6% and same store sales growth of 27% achieved following resumption of cross-border travel and domestic demand. The retail sales in Mainland China recorded a decrease of 34.7% while the average number of shops decreased by 41.1%. With improved operating efficiencies, LBIT in Greater China was reduced by 57.9% to HK$9.9 million from HK$23.5 million for 1H2022. If the following factors were excluded, LBIT in Greater China would be HK$11.8 million in 1H2023, representing a reduction of loss by 64.4% as compared to a loss of HK$33.1 million in 1H2022: (i) under HKFRS 16 Leases, the right-of-use assets related to certain retail stores were fully impaired in previous financial years. During the period, impairment loss made in prior years of HK$2.5 million was reversed due to the improvement of shop performance; (ii) An impairment loss of HK$0.6 million being the right-of-use assets of the retail stores was recorded; and (iii) there was no government subsidy income booked in Greater China during 1H2023. The CITY CHAIN Group's e-commerce business in Greater China achieved profitable results in 1H2023. The Remaining Group continued to invest and expand its e-commerce business in Greater China to prioritize its online brand exposure and customer engagement.

In Southeast Asia, turnover for 1H2023 was HK$109.8 million, which declined by 14.2% year-over-year given prevailing inflation and slowdown in private consumption. A relatively high comparable base of turnover was recorded in 1H2022 when movement control and travel restrictions were relaxed, which boosted retail rebound. LBIT of HK$0.6 million was incurred in 1H2023 as compared to an EBIT of HK$3.2 million in 1H2022. With continual investments in the CITY CHAIN Group's e-commerce platforms to deploy welcoming products for consumers, its e-commerce business in Southeast Asia regions continued to develop satisfactorily during 1H2023 with sales growth of approximately 50% year-over-year.

(c) Supply Chain Management and Wholesale Trading Business

Turnover of the Remaining Group's watch supply chain and wholesale trading units for 1H2023 decreased by 25.2% to HK$110.6 million from HK$147.9 million in 1H2022, and recorded a profit of HK$16.0 million, as compared to a profit of HK$28.1 million in 1H2022. The Remaining Group's wholesale trading unit continued to launch various marketing campaigns with quality service support to boost sell-through to retailers.

(d) Finance

The Remaining Group's capital management, currency and interest rate movement were constantly monitored and reviewed by its management to address and manage relevant financial risks relating to the Remaining Group's operations. The Remaining Group maintained prudent treasury management policies to address liquidity to finance both short-term and long-term working capital needs for business operations. Funds were generated from business operating activities and banking facilities in the form of term loans and short-term trading facilities. Forecast and actual cash flow analyses were continuously monitored. Maturity of assets and liabilities and requirement of financial resources for business operations were prudently managed.

The gearing ratio of the Remaining Group as at 30 September 2023 was 51.8% as compared to 44.8% as at 31 March 2023, with shareholders' funds and net debts standing at HK$536.4 million and HK$277.7 million, respectively, as compared to HK$575.7 million and HK$257.9 million, respectively, as at 31 March 2023. The net debts were based on the bank borrowings of HK$340.1 million less bank balance and cash of HK$62.4 million of the Remaining Group. The bank borrowings comprised of HK$184.9 million repayable within one year and HK$155.2 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities. As at 30 September 2023, the Remaining Group's total equity funds amounted to HK$542.0 million. The unutilized banking facilities as at 30 September 2023 was HK$47.1 million.

The Remaining Group's major borrowings were in Hong Kong dollars and based on a floating rate at HIBOR. No bank borrowing was based on fixed interest rate. As major assets of the Group were in Hong Kong dollars, the natural hedge mechanism was applied.

The Remaining Group's bank balance and cash were in Hong Kong dollars, Renminbi, Singapore dollars, Malaysian ringgit, Thai bahts, Macanese Pataca, Swiss francs, Japanese yen and US dollars.

As at 30 September 2023, the current assets and current liabilities were approximately HK$428.6 million and HK$479.6 million, respectively, as compared to HK$403.7 million and HK$397.8 million, respectively, as at 31 March 2023. The current ratio was approximately 0.89 as compared to 1.01 as at 31 March 2023.

As at 30 September 2023, certain property, plant and equipment and investment properties of the Remaining Group amounting to HK$438.8 million were pledged to secure banking facilities granted to the Remaining Group, as compared to HK$443.6 million as at 31 March 2023.

The Remaining Group did not use any financial instruments for hedging purposes, and did not engage in speculative derivative trading.

As at 30 September 2023, a subsidiary of the Remaining Group had contingent liabilities in respect of bank guarantees given to landlords in lieu of rental deposits for certain retails shops and suppliers amounting to approximately HK$9.168 million, as compared to HK$7.202 million as at 31 March 2023).

The Remaining Group did not have plans for material investments or change of capital assets.

(e) Employment and Remuneration Policy

The Remaining Group's remuneration policies were reviewed on a regular basis and remuneration packages are in line with market practices in the relevant regions or countries where the Remaining Group operates. As at 30 September 2023, the Group had approximately 850 employees (as compared to 845 employees as at 30 September 2022). The Remaining Group offered KPI related bonuses to eligible employees based on the performance of the Remaining Group and the individual employee. The Remaining Group also provided related training programmes to improve the quality, competence and skills of its employees.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(I) Basis of preparation

In connection with the Share Disposal and Inventory Disposal, the unaudited pro forma financial information of the Remaining Group has been prepared by the Directors in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and solely for the purpose of illustrating the effect of the Share Disposal and Inventory Disposal on the Remaining Group's financial position as at 30 September 2023 as if the Share Disposal and Inventory Disposal had taken place on 30 September 2023; and on the Remaining Group's financial performance and cash flows for the year ended 31 March 2023 as if the Share Disposal and Inventory Disposal had taken place on 1 April 2022.

The unaudited pro forma consolidated statement of financial position as at 30 September 2023 and unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of other comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2023 (hereinafter collectively referred to as "**Unaudited Pro Forma Financial Information**") of the Remaining Group are prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2023 and the audited consolidated statement of profit or loss, audited consolidated statement of other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 March 2023 as extracted from the annual report of the Company for the year ended 31 March 2023.

The Unaudited Pro Forma Financial Information is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Share Disposal and Inventory Disposal that are (i) directly attributable to the Share Disposal and Inventory Disposal and (ii) factually supportable is summarised in the accompanying notes. The Unaudited Pro Forma Financial Information has been prepared based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not purport to predict what the financial position of the Remaining Group would have been if the Share Disposal and Inventory Disposal had taken place on 30 September 2023 or at any future dates, or what the financial performance and cash flows of the Remaining Group for the year ended 31 March 2023 or for any future periods would have been as if the Share Disposal and Inventory Disposal had taken place on 1 April 2022. The Unaudited Pro Forma Financial Information should be read in conjunction with, among others, the financial information of the Group and the Target Company, and other financial information included elsewhere in this circular.

(II) Unaudited Pro Forma Financial Information

Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Remaining Group

	Consolidated statement of profit or loss of the Group for the year ended 31 March 2023	Pro forma adjustments				Pro forma consolidated statement of profit or loss of the Remaining Group for the year ended 31 March 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1(a)	Note 2(a)	Note 2(b)	Note 4	Note 5	
Revenues	805,454	(186)			40,320	845,588
Cost of sales	(440,309)	108			(5,646)	(445,847)
Gross profit	365,145					399,741
Other gains	93,315	(394)	515,101			608,022
Other income	34,156	(1,085)		17,092	854	51,017
Selling expenses	(239,138)					(239,138)
General and administrative expenses	(168,084)	3,290				(164,794)
Other operating expenses	(4,550)	161			8,718	4,329
Finance costs	(21,273)					(21,273)
Profit before tax	59,571					637,904
Income tax expense	(8,466)					(8,466)
Profit for the year	51,105					629,438
Attributable to:						
Equity holders of the Company	50,795					629,128
Non-controlling interests	310					310
	51,105					629,438

(II) Unaudited Pro Forma Financial Information (Continued)

Unaudited Pro Forma Consolidated Statement of Other Comprehensive Income of the Remaining Group

	Consolidated statement of other comprehensive income of the Group for the year ended 31 March 2023	**Pro forma adjustments**	**Pro forma consolidated statement of other comprehensive income of the Remaining Group for the year ended 31 March 2023**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)
	Note 1(a)	Note 2(b)	
Profit for the year	51,105		629,438
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Release of translation reserve upon disposal of a subsidiary		19,490	19,490
Exchange differences of translation of foreign operations	(7,261)		(7,261)
Item that will not be reclassified to profit or loss:			
Change in fair value of equity investment at fair value through other comprehensive income	1,471		1,471
Other comprehensive income for the year, net of tax	(5,790)		13,700
Total comprehensive income for the year	45,315		643,138
Total comprehensive income for the year attributable to:			
Equity holders of the Company	45,906		643,729
Non-controlling interests	(591)		(591)
	45,315		643,138

(II) Unaudited Pro Forma Financial Information (Continued)

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	Condensed consolidated statement of financial position of the Group as at 30 September 2023	Pro forma adjustments			Pro forma condensed consolidated statement of financial position of the Remaining Group as at 30 September 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1(b)	Note 3	Note 2(b)	Note 5	
ASSETS					
Non-current assets					
Property, plant and equipment	184,839				184,839
Investment properties	297,900				297,900
Right-of-use assets	103,819				103,819
Intangible assets	47,548				47,548
Equity investment at fair value through other comprehensive income	3,265				3,265
Consideration receivable	–		358,850		358,850
Long term trade receivable	–			17,920	17,920
Deposits and prepayments	26,288				26,288
Deferred tax assets	6,941				6,941
Total non-current assets	670,600				1,047,370
Current assets					
Inventories	252,424			3,072	255,496
Trade and other receivables	113,942	(202)			113,740
Cash and cash equivalents	62,768	(350)	162,700	22,400	247,518
Total current assets	429,134				616,754
Total assets	1,099,734				1,664,124
EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital	104,647				104,647
Reserves	278,753	(248)	534,950	43,392	856,847
Shareholders' funds	383,400				961,494
Non-controlling interests	5,584				5,584
Total equity	388,984				967,078

(II) Unaudited Pro Forma Financial Information (Continued)

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group (Continued)

	Condensed consolidated statement of financial position of the Group as at 30 September 2023	Pro forma adjustments			Pro forma condensed consolidated statement of financial position of the Remaining Group as at 30 September 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1(b)	Note 3	Note 2(b)	Note 5	
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	26,314				26,314
Lease liabilities	51,204				51,204
Total non-current liabilities	77,518				77,518
Current liabilities					
Trade and other payables	207,379	(304)	(13,400)		193,675
Income tax payable	24,125				24,125
Bank borrowings	340,077				340,077
Lease liabilities	61,651				61,651
Total current liabilities	633,232				619,528
Total liabilities	710,750				697,046
Total equity and liabilities	1,099,734				1,664,124

(II) Unaudited Pro Forma Financial Information (Continued)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	Consolidated statement of the cash flows of the Group for the year ended 31 March 2023	Pro forma adjustments				Pro forma consolidated statement of the cash flows of the Remaining Group for the year ended 31 March 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1(a)	Note 2(a)	Note 2(b)	Note 4	Note 5	
Profit before tax	59,571	1,894	515,101	17,092	44,246	637,904
Adjustments for						
Depreciation of:						
– property, plant and equipment	18,691					18,691
– right-of-use assets	55,791					55,791
Gain on disposal of a subsidiary	–		(515,101)			(515,101)
Gain on disposal of property, plant and equipment	(67)					(67)
Gain on termination of leases	(213)					(213)
Gain on disposal of assets classified as held for sale	(78,689)					(78,689)
Fair value changes of investment properties	(14,800)					(14,800)
Reversal of provision for inventories	(8,174)				(8,718)	(16,892)
Impairment of:						
– property, plant and equipment	320					320
– right-of-use assets	5,570					5,570
– intangible assets	3,878					3,878
Interest income	(252)			(17,092)	(854)	(18,198)
Dividend income	(495)					(495)
Finance costs	21,273					21,273
Operating profit before working capital changes	62,404					98,972
Inventories	44,078				5,646	49,724
Trade and other receivables	16,766	(112)				16,654
Trade and other payables	(30,557)	224				(30,333)
Cash generated from operations	92,691					135,017
Interest paid	(15,127)					(15,127)
Interest on lease liabilities	(6,146)					(6,146)
Hong Kong profits tax paid	(5,036)					(5,036)
Hong Kong profits tax refunded	34					34
Overseas profits tax paid	(5,758)					(5,758)
Overseas profits tax refunded	178					178
Net cash generated from operating activities	60,836					103,162

(II) Unaudited Pro Forma Financial Information (Continued)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group (Continued)

	Consolidated statement of the cash flows of the Group for the year ended 31 March 2023	Pro forma adjustments				Pro forma consolidated statement of the cash flows of the Remaining Group for the year ended 31 March 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1(a)	Note 2(a)	Note 2(b)	Note 4	Note 5	
Cash flows from investing activities						
Purchases of property, plant and equipment	(7,224)					(7,224)
Proceeds from disposal of assets classified as held for sale	120,000					120,000
Net proceeds from disposal of a subsidiary	–		175,414			175,414
Proceeds from disposal of property, plant and equipment	74					74
Interest received	252					252
Dividend received	495					495
Net cash generated from investing activities	113,597					289,011
Cash flows from financing activities						
Drawdown of bank borrowings	113,271					113,271
Repayment of bank borrowings	(244,299)					(244,299)
Principal portion of lease payments	(67,432)					(67,432)
Net cash used in financing activities	(198,460)					(198,460)
Net (decrease)/increase in cash and cash equivalents	(24,027)					193,713
Effect of foreign exchange rate changes	(2,668)					(2,668)
Cash and cash equivalents at the beginning of the year	112,121					112,121
Cash and cash equivalents at the end of the year	85,426					303,166
Analysis of the balance of cash and cash equivalents:						
Cash and cash equivalents	85,426					303,166

(II) Unaudited Pro Forma Financial Information (Continued)

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group

1. (a) The amounts are extracted from the audited consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 March 2023 as set out in the published annual report of the Group for the year ended 31 March 2023.

   (b) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2023 as set out in the published interim report of the Group for the six months ended 30 September 2023.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated profit or loss, statement of other comprehensive income and consolidated statement of cash flows of the Group, assuming the Share Disposal had taken place on 1 April 2022:

   (a) The adjustment represents the exclusion of income, expenses and cash flows of the Target Company to be disposed as at 1 April 2022. The amounts have been extracted from the unaudited financial information of the Target Company as at 31 March 2023 as set out in Appendix II to this circular.

   (b) The adjustments represent the estimated gain on Share Disposal based on the following estimated completion dates:

(II) Unaudited Pro Forma Financial Information (Continued)

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (Continued)

2. (b) (Continued)

		Completion date as of:	
		1 April 2022	30 September 2023
	Note	*HK$'000*	*HK$'000*
Considerations for Sale Shares and Sale Loan	*(i)*	537,600	537,600
Estimated consideration adjustments	*(ii)*	686	350
		538,286	537,950
Less:			
Estimated professional expenses	*(iii)*	(3,000)	(3,000)
Estimated net consideration		535,286	534,950
Less:			
Net assets of the Target Company as of complete date	*(iv)*	(695)	(248)
Release of accumulated translation reserve as of completion date	*(v)*	(19,490)	(20,352)
Estimated gain on Share Disposal	*(vi)*	515,101	514,350
Effects on cash flows:			
Estimated net consideration		535,286	534,950
Less:			
Cash balance of Target Company as of completion date		(686)	(350)
Deferred consideration payments		(359,186)	(358,850)
Net proceeds to be received upon completion		175,414	175,750

(II) Unaudited Pro Forma Financial Information (Continued)

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (Continued)

2. (b) (Continued)

Note:

(i) Pursuant to the Share Sale Agreement, the Total Consideration for the Sale Shares and Sale Loan shall be CHF60.0 million (equivalent to approximately HK$537.6 million), of which CHF42.0 million (equivalent to approximately HK$376.3 million) relates to consideration for Sale Shares, CHF18.0 million (equivalent to approximately HK$161.3 million) relates to consideration for Sale Loan. The aforesaid Total Consideration is subject to a net adjustment of CHF39,063 (equivalent to approximately HK$350,000) or CHF76,563 (equivalent to approximately HK$686,000) which represents the Adjustment Items of the total Consideration as stated in the Share Sale Agreement. The Total Consideration shall be payable by various instalments in the following manner:

(a) CHF1.5 million (equivalent to approximately HK$13.4 million) has been paid to the Seller before the date of signing of the Share Sale Agreement;

(b) CHF4.5 million (equivalent to approximately HK$40.3 million) has been paid to the Seller on the date of signing of the Share Sale Agreement;

(c) CHF4.0 million (equivalent to approximately HK$35.8 million) has been paid to the Escrow Agent immediately after signing of the Share Sale Agreement, which shall be released to the Seller within 5 business days after the Shareholders' Approval has been obtained by the Company and all applicable requirements under the Listing Rules in respect of the transaction contemplated under the Share Sale Agreement have been satisfied;

(d) CHF10.0 million (equivalent to approximately HK$89.6 million) shall be paid to the Seller at Completion;

(e) the remaining balance of the total Consideration shall be payable after Completion as follows:

(I) 12.5% of the Post-Completion Payment shall be paid to the Seller on the first anniversary of the Completion Date;

(II) 12.5% of the Post-Completion Payment shall be paid to the Seller on the second anniversary of the Completion Date;

(III) 12.5% of the Post-Completion Payment shall be paid to the Seller on the third anniversary of the Completion Date;

(IV) 12.5% of the Post-Completion Payment shall be paid to the Seller on the fourth anniversary of the Completion Date; and

(V) 50% of the Post-Completion Payment shall be paid to the Seller on the fifth anniversary of the Completion Date.

(II) Unaudited Pro Forma Financial Information (Continued)

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (Continued)

2. (b) (Continued)

Note: (Continued)

The Seller shall be entitled to receive interest at the Agreed Interest Rate on the outstanding balance of the Post-Completion Payment from the Completion Date until the date of full payment of the Post-Completion Payment. Any accrued interest shall be paid to the Seller in arrears on 31 December of each calendar year after the Completion Date.

The table below sets out the estimated collection period and amount based on the above instalments schedule:

No. of instalment	**Estimated Collection Period**	**Amount** *(HK$'000)*
(a)	July 2023	13,400**
(b) to (c)	December 2023	76,100
(d)	February 2024	89,600
(e)(I)	February 2025	44,856
(e)(II)	February 2026	44,856
(e)(III)	February 2027	44,856
(e)(IV)	February 2028	44,857
(e)(V)	February 2029	179,425
		537,950

** *the first payment of HK$13.4 million was received in July 2023 and has included in the condensed consolidated statement of financial position as at 30 September 2023, such amount will be charging to profit or loss on the Completion Date.*

(ii) According to the Share Sale Agreement, the aforesaid considerations are subject to a net adjustment as of the Completion Date by adding the amount of cash balance of Target Company as at Completion Date of approximately HK$686,000 or HK$350,000.

(iii) The amount includes the estimated professional expenses directly incurred for the Share Disposal amounted to approximately HK$3.0 million which will be borne by the Remaining Group and are assumed to be settled in cash.

(iv) The amount represents the carrying amount of net assets of the Target Company as at 1 April 2022 and 30 September 2023 as disclosed in the Appendix II to this circular after taking into account the effect arising from Sale Loan of approximately HK$153.277 million.

(v) The amount represents the accumulated exchange reserve of the Target Company attributable to the Group as at 1 April 2022 and 30 September 2023, which is extracted from the Appendix II to this circular.

(vi) Actual gain on disposal arising from the Share Disposal depends on actual amount of the carrying value of the Target Company on the Completion Date. Therefore, the actual gain on Share Disposal shall be different from the amount calculated in the above table.

(II) Unaudited Pro Forma Financial Information (Continued)

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (Continued)

3. The adjustments represent the exclusion of assets and liabilities of the Target Company as at 30 September 2023, assuming the Share Disposal and Inventory Disposal had concurrently taken place on 30 September 2023. The assets and liabilities of the Target Company are extracted from Appendix II to this circular after taking into account the effect arising from Sale Loan of approximately HK$153.277 million.

4. The adjustments represent estimated interest payable by the Purchaser to the Seller based on the Agreed Interest Rate of approximately HK$17.092 million on the first anniversary of the Completion Date.

5. Pursuant to the terms and conditions of the Share Sale Agreement, subject to Completion, the Authorized Retailer (a wholly-owned subsidiary of the Company) shall enter into the Inventory Sale Agreement with the Target Company on the Completion Date immediately after Completion pursuant to which the Authorized Retailer shall sell the Inventory, i.e. Watch Stock 1 and Watch Stock 2 to the Target Company and deliver all remaining Inventory to the Target Company on the Delivery Date.

   The purchase price for Watch Stock 1 shall be CHF0.5 million (equivalent to approximately HK$4.48 million) and the purchase price for Watch Stock 2 shall be CHF 4.5 million (equivalent to approximately HK$40.32 million), and the Total Inventory Purchase Price shall be CHF 5.0 million (equivalent to approximately HK$44.8 million) subject to adjustment upon the Delivery Date as set out below, which shall be payable by two instalments in the following manner:

   (a) CHF2.5 million (equivalent to approximately HK$22.4 million) of the Total Inventory Purchase Price shall be payable by the Target Company or its affiliate upon signing of the Inventory Sale Agreement on the Completion Date; and

   (b) the remaining balance of the Total Inventory Purchase Price shall be payable by the Target Company or its affiliate no later than 60 calendar days after the third anniversary of the Completion Date.

(II) Unaudited Pro Forma Financial Information (Continued)

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (Continued)

5. (Continued)

The Authorized Retailer shall be entitled to receive interest at the Agreed Interest Rate on the outstanding balance of the Total Inventory Purchase Price from the Completion Date until the date of full payment of the Total Inventory Purchase Price. Any accrued interest shall be paid to the Authorized Retailer in arrears on 31 December of each calendar year after the Completion Date.

The delivery date in respect of Watch Stock 1 shall be a date to be mutually agreed between the Authorized Retailer and the Target Company after Completion, which shall be no later than 60 calendar days after the third anniversary of the Completion Date; and in respect of Watch Stock 2 shall be on the Completion Date.

The adjustments represent:

(i) reversal of provision of Stock 1 of approximately HK$4.48 million and Stock 2 of approximately HK$4.238 million;

(ii) recognition of sale of Stock 2 by debiting cash and cash equivalent with the payment due on Completion Date of CHF2.5 million (equivalent to approximately HK$22.4 million) and trade and other receivables with the balance of consideration receivable of CHF2.0 million (equivalent to approximately HK$17.92 million) and crediting revenue of approximately HK$40.32 million;

(iii) derecognition cost of inventory of Stock 2 of approximately HK$5.646 million;

(iv) interest payable by the Purchaser to the Seller based on the Agreed Interest Rate of approximately HK$0.854 million on the balance of consideration receivable on the first anniversary of the Completion Date.

6. The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows of the Remaining Group.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Set out below is the text of reporting accountants' assurance report dated 31 January 2024 received from RSM Hong Kong, Certified Public Accountants, Hong Kong, the reporting accountants of the Company in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

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The Board of Directors
Stelux Holdings International Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Stelux Holdings International Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2023, the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of other comprehensive income for the year ended 31 March 2023, the unaudited pro forma consolidated statement of cash flow for the year ended 31 March 2023 and related notes as set out on pages IV-1 to IV-13 of the circular issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Note 1 to Note 6 on pages IV-8 to IV-13.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Disposal and Inventory Disposal on the Group's financial position as at 30 September 2023, and on the Group's financial performance and cash flows for the year ended 31 March 2023 as if the transaction had been taken place at 30 September 2023 and 1 April 2022 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited consolidated financial information for the period ended 30 September 2023, on which no review report has been published, while information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2023, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Disposal and Inventory Disposal as at 30 September 2023 for the Group's financial position and 1 April 2022 and 31 March 2023 for the Group's financial performance and cash flows would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong, 31 January 2024

The following is the text of a guideline transaction analysis report dated 31 January 2024 received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited in respect of the equity interest of the Target Company for the purpose of inclusion in this circular.

JLL SEE A BRIGHTER WAY

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
Tel +852 2846 5000 Fax +852 2169 6001
Company Licence No.: C-030171

31 January 2024

The Board of Directors
Stelux Holdings International Limited
27/F., Stelux House,
698 Prince Edward Road East,
San Po Kong, Kowloon, H.K.

Dear Sirs,

In accordance with the instructions from Stelux Holdings International Limited (the "**Company**"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") has undertaken an analysis of the proposed transaction price of 100% equity interest in Universal Genève S.A. (the "**Target Company**") as at 7 November 2023 (the "**Reference Date**"). The report which follows is dated 31 January 2024 (the "**Report Date**"). The purpose of this analysis is to express an independent opinion for the Company's internal reference and inclusion in its relevant public disclosure.

BACKGROUND

The Target Company is a corporation incorporated and registered in Switzerland, which is an indirect wholly-owned subsidiary of the Company. Founded in 1894, the Target Company is a Swiss luxury watch company. It is known for creating the first-ever chronograph in 1917. Some of its established legendary models include Compax, Aero-Compax and Tri-Compax (1930-40), Polerouter (1954) and Microtor UG 66 (1966). We were given to understand that over the past decade, the Target Company generated minimal revenue while it has business operation that includes the licensing of trademarks for retail distribution of watches and the provision of international warranty and after-sales services for watches sold in retail distribution. The Target Company does not operate any retail stores.

Based on information as provided by the Company, a potential buyer, which is being an independent third party, has proposed a total of CHF60 million to acquire the Target Company, in which the consideration is comprised of CHF17,906,215 of acquiring shareholders' loan, and CHF42,093,785 of shareholders' equity of the Target Company.

FINANCIAL PERFORMANCE OF THE TARGET COMPANY

Key unaudited financial information of the Target Company over the latest financial period is set out as below:

Reporting Period	For the financial year ended 31 March 2022 *(CHF in Thousands)*	For the financial year ended 31 March 2023 *(CHF in Thousands)*	For the 8 months ended 30 November 2023 *(CHF in Thousands)*
Revenue	14	23	16
Profit/(Loss) after tax	(589)	(259)	(3,166)

Based on information provided by the Company, all revenue of the Target Company stated above are generated from the provision of after-sales services for watches sold in retail distribution.

SOURCES OF INFORMATION

In conducting our analysis, we have reviewed information including, but not limited to:

- Background of the Target Company;
- Financial information of the Target Company; and
- Other operation and market information in relation to the business of the Target Company.

We have also held discussions with management of the Company and conducted market research from public sources to analyse the proposed transaction price.

BASIS OF OPINION

The following factors form an integral part of our basis of analysis:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Target Company and
- Financial and business risk of the business.

We planned and performed our analysis so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the analysis of the proposed transaction price of 100% equity interest of the Target Company.

ASSESSMENT METHODOLOGY

In arriving at opinion of value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

To select the most appropriate approach, we have considered the purpose of the assessment as well as the availability and reliability of information provided to us to form perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Target Company. In our opinion, the cost approach is inappropriate for the analysis, as it does not directly incorporate information about the economic benefits contributed by the Target Company. The income approach is inappropriate as this approach require detailed operational information and long-term financial projection of the Target Company but such information is not available. We have therefore relied on the market approach in our analysis work.

There are two common methods under market approach, namely, guideline public companies method and guideline transaction method. The Target Company's business includes the licensing of trademarks for retail distribution of watches and the provision of international warranty and after-sales services for watches sold in retail distribution. We have also considered the financial information of the Target Company, and given the understanding that over the past decade, it generated minimal revenue and hence guideline public companies method is not adopted. We have therefore taken reference to the guideline transaction method in this analysis. For the comparable transaction with transaction date being relatively close to the Reference Date (within past 3-year), and under each comparable companies, the target companies' business nature is similar to that of the Target Company (i.e. Swiss watchmaker with over 100 years of history), we considered their transaction price serves as an appropriate benchmark to form our analysis.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this assessment have been evaluated in order to provide a more accurate and reasonable basis for arriving at our opinion. The following key assumptions in performing our analysis on the proposed transaction price of the Target Company have been made:

- There will be no material change in the existing operation state of the Target Company from present and/or from what is expected;
- All relevant laws, statutes, ordinances and regulations pertaining to the Target Company are complied with and where applicable renewable upon expiry;
- Operational and contractual terms stipulated in the contracts and agreements associated with the Target Company will be honored;
- We have assumed that there are no hidden or unexpected conditions associated with the Target Company that might adversely affect our analysis result;
- There will be no material change in the existing political, legal, technological, fiscal or economic conditions from present and / or from what is expected, which might adversely affect the business of the Target Company; and
- Our assessment is conducted based on a going concern assumption, in which the Target Company is viewed as continuing in business for the foreseeable future.

GUIDELINE TRANSACTION ANALYSIS

As a Swiss watchmaking company, the Target Company is established in 1894 and its brand has over 100 years of history. Its revenue over the past few years is minimal given that the Target Company has business includes the licensing of trademarks for retail distribution of watches and the provision of international warranty and after-sales services for watches sold in retail distribution. The Target Company has not held any inventory and does not operate any retail stores.

As the Target Company has limited business and generated minimal revenue over the past decades, the difference in business size of target company under each comparable transaction was not being one of our selection criteria of comparable transaction. On the other hand, the Target Company is a Switzerland-based luxury watch company founded in 1894, at the same time famous for creating the first-ever chronograph in 1917. Its established legendary models include Compax, Aero-Compax and Tri-Compax (1930-40), Polerouter (1954) and Microtor UG 66 (1966). The brand name of the Target Company is therefore considered to be its most important asset and attributes to the majority of the value of the Target Company. For watches, it is commonly considered that the brands of Swiss watchmakers with longer histories are more valuable than the others. As such, in the selection of the comparable transactions, we focused on the location and history instead of business size. The criteria in selecting the comparable transactions are as follows:

- The target company of comparable transaction is being watchmaker company that is based in Switzerland;
- The operational history of target company of comparable transaction is over 100 years;
- The comparable transaction is announced within the past 3-year prior to the Reference Date;
- Transactions are searchable in S&P Capital IQ; and
- Sufficient data, including the transaction price and financials of the target companies of comparable transactions are available.

As sourced from Capital IQ, a list of comparable transaction satisfying the above criteria has been identified with business description of the target company listed in below table.

Announcement Date	Seller of the Transaction	Target Company of the Transaction	Business Description of Target Company of the Transaction
24 August 2023	Information not available	Bucherer AG	Bucherer AG designs, manufactures, and retails watches, jewelry, pearls, and diamonds in Europe. It provides rings, ear jewelry, colliers, and arm jewelry. The company offers its jewelry under the brand Carl F. Bucherer. It also retails watches from other brands. Additionally, the company provides personalized jewelry; services and repairs watches and jewelry; and offers spare parts. Bucherer AG was founded in 1888 and is based in Lucerne, Switzerland with store locations in Basel, Bern, Davos, Geneva, Lausanne, Locarno, Lugano, Interlaken, St. Gallen, St. Moritz, Zermatt, and Zurich, Switzerland; Copenhagen, Denmark; Berlin, Frankfurt, Hamburg, Munich, and Nuremberg, Germany; Paris, France; and Vienna, Austria. It also operates retail outlets in international shopping districts and resorts.
6 December 2022	CVC Capital Partners Limited	Breitling SA	Breitling SA develops and manufactures chronographs and technical watches for pilots, aviation enthusiasts, and other people. It offers mechanical chronograph movements, cases, dials, hands, crystals, bracelets, and casing ups for men and women. The company also offers leather, rubber, and fabric straps for watches. It also provides watch maintenance services. It sells its products through retailers in Africa, Asia, Central America and the Caribbean, Europe, the Middle East, North America, Oceania, and South America, as well as through its boutiques in Switzerland and internationally. The company was founded in 1884 and is based in Grenchen, Switzerland.
30 December 2022	DKSH Holding AG	Bovet Fleurier S.A.	Bovet Fleurier S.A. manufactures and markets clocks and watches. The company offers various watches, including wrist, pocket, water resistance watches, and table clocks. It offers products through retail stores and dealers in South America, Europe, the Middle East, Asia, and the Caribbean. The company was founded in 1822 and is based in Geneva, Switzerland.

Announcement Date	Seller of the Transaction	Target Company of the Transaction	Business Description of Target Company of the Transaction
24 January 2022	Kering SA	Sowind Group SA	Sowind Group SA is a holding company, which through its subsidiary Girard-Perregaux S.A. and Ulysse Nardin SA, designs, manufactures, and distributes watches. The company was founded in 1791 and is based in La Chaux-de-Fonds, Switzerland.

The founded year and historical sales of the target company, and transaction price of each comparable transaction are listed in below table.

Announcement Date	Seller of the Transaction	Target Company of the Transaction	Founded Year of Target Company of the Transaction	Annual Sales of Target Company of the Transaction (CHF)	Transaction Price (CHF) [4]
6 December 2022	CVC Capital Partners Limited	Breitling SA	1884	700 million[1]	4.2 billion
24 August 2023	Information not available	Bucherer AG	1888	2 billion[2]	4 billion
30 December 2022	DKSH Holding AG	Bovet Fleurier S.A.	1822	1.9 million[3]	72 million
24 January 2022	Kering SA	Sowind Group SA	1791	0.4 million[3]	29 million

Note:

1 According to an estimate by an investment bank, the Breitling SA's sales reached about CHF 700 million in year 2023 (source: https://luxus-plus.com/en/partners-group-aims-to-take-control-of-breitling-valued-at-4-5-billion/ retrieved on 28 November 2023)

2 An analyst with Vontobel Holding AG put annual sales at Bucherer AG of more than 100 stores at about CHF 2 billion.

3 According to S&P Capital IQ, the revenue of Bovet Fleurier S.A. and Sowind Group SA is CHF 1.9 million (year 2019) and CHF 0.4 million (year 2022) respectively. Since Bovet Fleurier S.A. is a private company, we are not able to obtain its latest financial information including revenue after year 2019.

4 The target companies of selected comparable transaction (i.e. Bovet Fleurier S.A. and Sowind Group SA) operate retail stores, but the details on the transaction price such as breakdown into trademark and retail business value is not available since these target companies are private companies, which are not subject to public disclosure requirement. Hence, we are not able to quantify the adjustment.

Given that the transactions regarding Breitling SA and Bucherer AG are reflecting implied transaction price of target companies that achieve annual sales that are significantly different from that of the Target Company, we have identified below comparable transactions that are more appropriate in forming our opinion of analysis:

Announcement Date	Seller of the Transaction	Target Company of the Transaction	Transaction Price (CHF)
30 December 2022	DKSH Holding AG	Bovet Fleurier S.A.	72 million
24 January 2022	Kering SA	Sowind Group SA	29 million

ANALYSIS OF PROPOSED TRANSACTION PRICE

Based on the guideline transaction approach, our analysis indicates that the proposed transaction price of the Target Company is within the range of probable transaction prices noted in comparable transactions.

Guideline Transaction Approach	Transaction Price (CHF)
Upper Range	72 million
Lower Range	29 million

Based on information as provided by the Company, a potential buyer, which is being an independent third party, has proposed a total of CHF60 million to acquire the Target Company, in which the consideration is comprised of CHF17,906,215 of acquiring shareholders' loan, and CHF42,093,785 of shareholders' equity of the Target Company. The proposed consideration is within the range observed from the guideline transactions. We understand that the Target Company's business includes the licensing of trademarks for retail distribution of watches and the provision of international warranty and after-sales services for watches sold in retail distribution. Over the past decade, the Target Company generated minimal revenue while the comparable companies under the comparable transaction are in active operation. We consider that the proposed transaction is not unfavourable to the owners of the Target Company.

ASSESSMENT COMMENT

Our analysis is performed based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company and JLL.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our Limiting Conditions as attached.

INDEPENDENCE DECLARATION

We confirm that to the best of our knowledge and belief, we are independent of the Company and the Target Company, and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the proposed transaction price of the equity interest of the Target Company is within the range of probable transaction prices noted in comparable transactions.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS). He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of this Report, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company / Target Company and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our Report was used as part of the analysis of the Company / Target Company in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Target Company rests solely with the Company.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The board of directors and the management of Company / Target Company have reviewed this Report and agreed and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the Report is subject to the terms of the Agreement and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Target Company.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company / Target Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This Report is confidential to the Company and the calculation of values expressed herein is valid only for the purpose stated in the Agreement as at the Reference Date. In accordance with our standard practice, we must state that this Report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by parties interested in the Target Company, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. The Company / Target Company agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company / Target Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This Report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the Report and conclusion of values are not intended by the author, and should not be construed by any reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company / Target Company and other sources. Actual transactions involving the Target Company might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the knowledge and motivation of the buyers and sellers at that time. The transaction amount does not need to be close to the result as estimated in this report.

17. The board of directors, management, staff, and representatives of the Company / Target Company have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Company / Target Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

The following is the text of a valuation report dated 31 January 2024 received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited in connection with the valuation of Watch Stock 2 for the purpose of inclusion in this circular.

JLL SEE A BRIGHTER WAY

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
Tel +852 2846 5000 Fax +852 2169 6001
Company Licence No.: C-030171

31 January 2024

The Board of Directors
Stelux Holdings International Limited
27/F., Stelux House,
698 Prince Edward Road East,
San Po Kong, Kowloon, H.K.

Dear Sirs,

In accordance with the instructions from Stelux Holdings International Limited (the "**Company**"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") has undertaken an assessment of the fair value less costs to sell of a batch of watches ("**Watch Stock 2**") as held by City Chain Co. Ltd. with the brand name "Universal Genève" as at 7 November 2023 (the "**Reference Date**"). The report which follows is dated 31 January 2024 (the "**Report Date**"). The purpose of this analysis is to express an independent opinion for the Company's internal reference and inclusion in its relevant public disclosure.

Our assessment was carried out on a fair value less cost to sell basis. According to the International Valuation Standards (the "**IVS**") issued by the International Valuation Standards Council (the "**IVSC**"), fair value is defined as "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The costs an entity would incur when selling the asset (e.g. selling and marketing expense) is then deducted to derive the fair value less costs to sell of Watch Stock 2.

BACKGROUND

Watch Stock 2 under this Assessment is a batch of watches owned by City Chain Company Limited with the brand name "Universal Genève". The brand name is held by Universal Genève S.A. (the "**Target Company**"). The batch of watches is comprised of 673 pieces of watches with a total purchase cost of CHF671,673. We understand that the batch of watches is held for sale in the ordinary course of business of City Chain Company Limited.

Founded in 1894, the Target Company is a Swiss luxury watch company. It is known for creating the first-ever chronograph in 1917. Some of its established legendary models include Compax, Aero-Compax and Tri-Compax (1930-40), Polerouter (1954) and Microtor UG 66 (1966). We were given to understand that over the past decade, the Target Company has business operation limited to providing after sale service to customer worldwide. It has not held any inventory and does not operate any retail stores. Watch Stock 2 is being held in the stock of City Chain Company Limited.

Based on information as provided by the Company, a potential buyer, which is being an independent third party, has proposed to acquire Watch Stock 2 from the Company.

SOURCES OF INFORMATION

In conducting our analysis, we have reviewed the background and purchase cost of Watch Stock 2. We have also held discussions with management of the Company and conducted market research from public sources to analyse the fair value less cost to sell of Watch Stock 2.

BASIS OF OPINION

The following factors form an integral part of our basis of analysis:

- The economic outlook in general;
- The nature of Watch Stock 2 and history of operation of the Target Company concerned; and
- Financial and business risk of the business.

We planned and performed our analysis so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the fair value less costs to sell of Watch Stock 2.

ASSESSMENT METHODOLOGY

We have considered the purpose of the Assessment, and availability and reliability of information provided to us to perform our analysis. Reference has been made based on the purchase cost of Watch Stock 2 as provided by the Company. The financial information of the comparable companies serves as a benchmark to reflect the net selling price and economic obsolescence of Watch Stock 2. Based on the historical selling the marketing expense of the comparable companies, we have also estimated the costs to sell of Watch Stock 2. The actual purchase cost and estimated costs to sell are deducted from the estimated selling price to derive the fair value less costs to sell of Watch Stock 2.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this assessment have been evaluated in order to provide a more accurate and reasonable basis for arriving at our opinion. The following key assumptions in determining the fair value less cost to sell of Watch Stock 2 have been made:

- The assessment was primarily based on the historical cost information of Watch Stock 2 that is made available to us;
- There will be no material change in the existing state of Watch Stock 2;
- We have assumed that there are no hidden or unexpected conditions associated with Watch Stock 2 that might adversely affect the selling price of Watch Stock 2;
- We have assumed Watch Stock 2 is held for sale in the ordinary course of business of the Target Company; and
- There will be no material change in the existing political, legal, technological, fiscal or economic conditions from present and / or from what is expected, which might adversely affect the market demand of Watch Stock 2.

COMPARABLE COMPANIES

Considering that the Company mainly engages in retail of watches under the name of City Chain, we have assessed the fair value less costs to sell of Watch Stock 2 by estimating their net selling price and selling and/or marketing expense. A list of guideline public companies is selected in order to estimate the relevant financial ratio of luxury watching business.

A list of guideline public companies was identified with the following selection criteria.

- Companies derive over 50% of revenues from the same industry of the Target Company, i.e. design, manufactures and distributes watches;
- Companies own Swiss watch brands with over 100 years of history;
- Companies are searchable in S&P Capital IQ;
- Companies are publicly listed; and
- Sufficient data, including the gross margin and selling and/or marketing expense as at the Reference Date, of the companies are available.

As sourced from S&P Capital IQ, the comparable companies satisfying the above criteria are listed in the following table.

Stock Code	**Company Name**	**Business Description**
MOV US EQUITY	Movado Group, Inc.	Movado Group, Inc. designs, sources, markets, and distributes watches worldwide. The company operates in two segments, Watch and Accessory Brands, and Company Stores. It offers its watches under the Movado, Concord, Ebel, Olivia Burton, and MVMT brands, as well as licensed brands, such as Coach, Tommy Hilfiger, HUGO BOSS, Lacoste, and Calvin Klein. The company also provides after-sales and shipping services.
256 HK EQUITY	Citychamp Watch & Jewellery Group Limited	Citychamp Watch & Jewellery Group Limited, an investment holding company, manufactures, sells, and distributes watches and timepieces in Hong Kong, the People's Republic of China, Switzerland, the United Kingdom, Liechtenstein, and internationally. The company offers watches and timepieces under the Rossini, Corum, Eterna, Dreyfuss & Co, J&T Windmills, Ernest Borel, and Rotary brands.
1856 HK EQUITY	Ernest Borel Holdings Limited	Ernest Borel Holdings Limited, an investment holding company, engages in the designing, manufacturing, marketing, and selling Swiss-made mechanical and quartz watches for men and women under the Ernest Borel brand. The company is also involved in the assembling and distribution of watches; and provision of after-sales services. It serves in the People's Republic of China, (includes Hong Kong and Macau), Southeast Asia, and Europe.

As extracted from the latest annual report of respective company, the gross margin and selling and/or marketing expense per sales ratio are listed in the following table.

Stock Code	Company Name	Gross Margin (%)	Selling and/or Marketing Expense per Sales (%)
MOV US EQUITY	Movado Group, Inc.	58	17
256 HK EQUITY	Citychamp Watch & Jewellery Group Limited	62	27
1856 HK EQUITY	Ernest Borel Holdings Limited	55	33
	Average	**58**	**26**

Note: According to the Company's year 2023 annual report, its gross margin is 45% and selling expense per sales ratio is 30%. The selling expense and/or marketing expense per sales ratio of the Company is within the range of comparable companies' ratio (ranges from 17% to 33%). We have noted that the gross margin of the Company is lower than the range of comparable companies' gross margin (ranges from 55% to 62%), with the understanding that the Company and the comparable companies have different positioning in the market. The Company engages in wholesale and retail of fashionable watches at "CITY CHAIN" that distributes both self-owned brands (including "**CITY CHAIN**, "**CYMA**" and "**SOLVIL et TITUS**") and third-party brands (including "**SEIKO**"), while the selected comparable companies focus on designing, manufacturing, marketing and selling of Swiss watch pieces with over 100 years of history.

ANALYSIS OF FAIR VALUE LESS COSTS TO SELL

In assessing the fair value less costs to sell of Watch Stock 2, the key inputs are listed as below.

Parameter	Currency	Input	Remark
Purchase Cost	CHF	671,673	Total cost of Watch Stock 2 as extracted from watch stock list of lot 1, lot 2, lot 3 and lot 4 as provided by the Company.
Fair Value	CHF	1.60 million	Estimated based on average gross margin of the comparable companies.
Fair Value Less Costs to Sell	CHF	1.19 million	Estimated by deducting the fair value of the Watch Stock 2 by the estimated selling and/or marketing expense based on selling and/or marketing expense per sales ratio of the comparable companies.

ASSESSMENT COMMENT

Our analysis is performed based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company and JLL.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our Limiting Conditions as attached.

INDEPENDENCE DECLARATION

We confirm that to the best of our knowledge and belief, we are independent of the Company and the Target Company, and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

OPINION OF VALUE

Based on the results of our investigations and analysis outlined in this report, we are of the opinion that the fair value less costs to sell of the Watch Stock 2 as at the Reference Date is reasonably stated at the amount of **CHF1.19 million**.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS). He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of this Report, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Client / Target Company and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the

accuracy of such information. Our Report was used as part of the analysis of the Client / Target Company in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of Watch Stock 2 rests solely with the Client.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The board of directors and the management of Client / Target Company have reviewed this Report and agreed and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the Report is subject to the terms of the Agreement and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of Watch Stock 2.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Client / Target Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This Report is confidential to the Client and the calculation of values expressed herein is valid only for the purpose stated in the Agreement as at the Reference Date. In accordance with our standard practice, we must state that this Report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by parties interested in Watch Stock 2, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. The Client / Target Company agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Client / Target Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This Report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the Report and conclusion of values are not intended by the author, and should not be construed by any reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Client / Target Company and other sources. Actual transactions involving Watch Stock 2 might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the knowledge and motivation of the buyers and sellers at that time. The transaction amount does not need to be close to the result as estimated in this report.

17. The board of directors, management, staff, and representatives of the Client / Target Company have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Client / Target Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying shares and debentures

As at the Latest Practicable Date, save as disclosed below, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(i) The Company – Ordinary shares

Long position in Shares and underlying shares of the Company

Name of Director	Number of Shares Personal interest	Family interest	Corporate/ trust interest	Other interest	Total	Approximate percentage of issued share capital
Joseph C. C. Wong	548,474,814	11,000	855,200*(Note)*	–	549,341,014	52.49%

Note: As at the Latest Practicable Date, Yee Hing Company Limited held 855,200 shares of the Company through its subsidiary Active Lights Company Limited, 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the "**Trust**"). Mr. Joseph C.C. Wong is a beneficiary of the Trust and was therefore deemed to be interested in 855,200 shares of the Company through the Trust's interest in Yee Hing Company Limited.

(ii) Subsidiaries – Preference shares

	Name of Director	Personal interest	Family interest	Number of Shares Corporate/ trust interest	Other interest	Total	Approximate percentage of the total preference shares in issue as at the Latest Practicable Date
(i)	*City Chain (Thailand) Company Limited – Preference shares (Note 1)*						
	Joseph C. C. Wong	200	–	208,800	–	209,000	99.52%
(ii)	*Stelux Watch (Thailand) Company Limited – Preference shares (Note 2)*						
	Joseph C. C. Wong	600	–	–	–	600	16.67%
(iii)	*Stelux (Thailand) Limited – Preference shares (Note 3)*						
	Joseph C. C. Wong	5,100	–	–	–	5,100	100.00%

Notes:

1. City Chain (Thailand) Company Limited is a subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend (if any) but not to any other profit sharing.

2. Stelux Watch (Thailand) Company Limited is a subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend (if any) but not to any other profit sharing.

3. Stelux (Thailand) Limited is a subsidiary of the Company. Joseph C. C. Wong is entitled to approximately 8.6% of the voting power of such subsidiary and an annual fixed dividend (if any) by virtue of the 5,100 preference shares held by him but not to any other profit sharing.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in Shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(b) Substantial Shareholders' and other persons' interests in Shares and underlying shares

So far as is known to the Directors, as at the Latest Practicable Date, the following person had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were 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 member of the Group:

Long position in Shares and underlying shares of the Company

	Number of Shares					Approximate
Name of Shareholder	Personal interest	Family interest	Corporate/ trust interest	Other interest	Total	percentage of issued share capital
Joseph C. C. Wong	548,474,814	11,000	855,200*(Note)*	–	549,341,014	52.49%

Note: As at the Latest Practicable Date, Yee Hing Company Limited held 855,200 shares of the Company through its subsidiary Active Lights Company Limited, 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of the Trust. Mr. Joseph C.C. Wong is a beneficiary of the Trust and were therefore deemed to be interested in 855,200 shares of the Company through the Trust's interest in Yee Hing Company Limited.

Save as disclosed above, the Company has not been notified by any persons or corporations (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO as at the Latest Practicable Date.

As at the Latest Practicable Date, the Directors are not aware of any person (other than a Director or chief executive of the Company or his/her respective associate(s)) who 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.

As at the Latest Practicable Date, none of the Directors or any proposed director of the Company is a director or employee of the Company's substantial shareholders.

3. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as known to the Directors, there was no litigation, arbitration or claim of material importance in which any member of the Group is engaged or pending or threatened against any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(i) the sale and purchase agreement dated 10 February 2022 and entered into between Fulani Investment Limited (an indirect wholly-owned subsidiary of the Company) as vendor and Golden Yield Investment Limited as purchaser in respect of the disposal of the property located at Ground Floor, Yuen King Building, No. 30 Sai Yeung Choi Street South, Kowloon, Hong Kong for a cash consideration of HK$120 million;

(ii) the Share Sale Agreement; and

(iii) the Inventory Sale Agreement.

6. INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Group or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 March 2023, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, 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 with, the Company's business, or which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder.

8. EXPERTS

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
RSM Hong Kong	Certified public accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2023, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, each of the above experts was not interested beneficially or non-beneficially in any Shares in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference to its name in the form and context in which it respectively appears.

9. MISCELLANEOUS

(a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The principal place of business of the Company in Hong Kong is at 27 Floor, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Ms. Hui Ka Wai Carrie, who is a practicing solicitor in Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.stelux.com) for a period of not less than 14 days prior to the date of the SGM:

(a) the Share Sale Agreement;

(b) the Inventory Sale Agreement;

(c) the written consents referred to in the paragraph headed "Experts" in this Appendix;

(d) the annual reports of the Company for the three financial years ended 31 March 2021, 2022 and 2023 and the interim report of the Company for the six months ended 30 September 2023;

(e) the assurance report from RSM Hong Kong on the compilation of unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix IV to this circular;

(f) the Analysis Report as set out in Appendix V to this circular;

(g) the Valuation Report as set out in Appendix VI to this circular; and

(h) this circular.

STELUX Holdings International Limited
寶光實業(國際)有限公司*

http://www.stelux.com
Incorporated in Bermuda with limited liability
Stock Code: 84

NOTICE IS HEREBY GIVEN that the special general meeting (the "**Meeting**") of Stelux Holdings International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") will be held at Unit 901, 9/F, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong on 20, February 2024 at 3:00 p.m. for the purpose of considering, and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement dated 12 December 2023 (the "**Share Sale Agreement**") entered into between City Chain (Bermuda) Holdings Limited as seller (the "**Seller**") and Breitling SA as purchaser (the "**Purchaser**") in relation to, among other things, the disposal of the 5,000 registered shares in the issued share capital of Universal Geneve SA (the "**Target Company**"), which represents the entire issued share capital of the Target Company, and the transactions contemplated thereunder, be and are ratified, confirmed and approved and any directors of the Company (the "**Directors**") be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and give effect to the Share Sale Agreement and the transactions contemplated thereunder;

(b) the conditional asset purchase agreement (the "**Inventory Sale Agreement**") to be entered into between City Chain Company Limited as seller (the "**Authorized Retailer**") and the Target Company as purchaser immediately after completion of the transaction contemplated under the Share Sale Agreement in relation to, among other things, the disposal of the entire stock of watches under the watch brands known as "Universal Genève", "Perret & Berthoud Geneve", "Universal", "Universal Watch" and/or variations thereof owned by the Authorized Retailer, and the transactions contemplated thereunder, be and are approved and any Directors be and are hereby authorised to execute the Inventory Sale Agreement for and on behalf of the Authorized Retailer and to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and give effect to the Inventory Sale Agreement and the transactions contemplated thereunder; and

(c) any Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not) and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Share Sale Agreement, the Inventory Sale Agreement and the transactions contemplated thereunder as he/she/they may in his/her/their absolute discretion consider necessary, desirable or expedient to give effect to the Share Sale Agreement, the Inventory Sale Agreement and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

By order of the Board
Carrie Ka Wai Hui
Company Secretary

Hong Kong, 2 February 2024

The directors of the Company as at the date hereof:
Executive Directors:
Chumphol Kanjanapas (also known as Joseph C. C. Wong) *(Chairman and Chief Executive Officer)* and Kelly Liao Ching Mei *(Chief Financial Officer)*

Non-Executive Directors:
Suriyan Kanjanapas (also known as Suriyan Joshua Kanjanapas), Jeff Ho Chi Kin *(independent)*, Ricky Lai Kai Ming *(independent)* and Honnus Cheung Ho Ling *(independent)*

Principal office:
27/F., Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

Notes:

1. The register of members of the Company will be closed from 15 February 2024 to 20 February 2024, both dates inclusive, during which period no transfer of shares of the Company will be registered for the purpose of determining the eligibility of the members of the Company to attend and vote at the Meeting. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14 February 2024 for registration.

2. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her and vote on his/her behalf at the Meeting or at a class meeting.

3. The form of proxy must be signed by a member of the Company or the attorney duly authorised in writing or, in the case of a corporation, must be either under its seal and under the hand of an officer or attorney or other person duly authorized to sign the same. In case of joint holders, the signature of any one of them is sufficient.

4. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power of attorney or authority, must be delivered to the office of the the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

5. Delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting or at any adjournment thereof. In such event, the form of proxy shall be deemed to be revoked.

6. In the case of joint holders of any share, if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of joint holding.

7. No gifts, food or beverage will be provided or distributed at the Meeting.

8. If Typhoon Signal No. 8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force at any time between 1:00 p.m. and 3:00 p.m. on the day of the Meeting, then the Meeting will be adjourned in accordance with the bye-laws of the Company and the Shareholders will be informed of the date, time and place of the adjourned meeting and, if necessary, be given notice thereof pursuant to the bye-laws of the Company, posted on the Company's website (www.stelux.com) and the website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

9. If Typhoon Signal No. 8 or above or a Black Rainstorm Warning Signal is cancelled at or before 1:00 p.m. on the day of the Meeting and, where conditions permit, the Meeting will be held as scheduled.

10. The Meeting will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders or their proxies should decide if they want to attend the Meeting under bad weather conditions bearing in mind their individual circumstances and, if they do, are advised to exercise extra care and caution.