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STELUX Holdings International Limited

寶光實業(國際)有限公司*

<http://www.irasia.com/listco/hk/stelux>
(Incorporated in Bermuda with limited liability)
(Stock Code: 84)

ELIMINATION AND APPLICATION OF CONTRIBUTED SURPLUS

The Board announces that a proposal will be submitted to the Company's shareholders to eliminate and apply the credit balance of the contributed surplus account of the Company by way of a transfer of the balance to the profit and loss appropriation account of the Company. As stated in the audited accounts of the Company as at 31 March 2004, the Company's contributed surplus account had a credit balance of approximately HK\$4,085 million and the profit and loss appropriation account of the Company had a debit balance of approximately HK\$3,702 million. It is proposed that, subject to the conditions set out under the section headed "Conditions of the Elimination and Application" below, the credit balance of the contributed surplus account of the Company as at the Contributed Surplus Determination Date be eliminated and applied by way of a transfer of the balance to the profit and loss appropriation account. Immediately after the Elimination and Application, there will no longer be any balance in the contributed surplus account of the Company and as a result a credit balance will be recorded in the profit and loss appropriation account of the Company.

A circular containing further details concerning the Elimination and Application and a notice of the special general meeting of the Company to be convened for the purpose of passing a special resolution to approve the Elimination and Application will be despatched to Shareholders as soon as practicable.

PROPOSED ELIMINATION AND APPLICATION OF CONTRIBUTED SURPLUS

As stated in the audited accounts of the Company as at 31 March 2004, the Company's contributed surplus account had a credit balance of approximately HK\$4,085 million and the profit and loss appropriation account of the Company had a debit balance of approximately HK\$3,702 million. It is proposed that, subject to the conditions set out under the section headed "Conditions of the Elimination and Application" below, the credit balance of the contributed surplus account of the Company as at the Contributed Surplus Determination Date be eliminated by way of a transfer of the balance to the profit and loss appropriation account of the Company.

EFFECT OF THE ELIMINATION AND APPLICATION ON SHAREHOLDERS' FUNDS

The effect of the Elimination and Application on the components of the shareholders' funds of the Group and the Company is set out below:

SHAREHOLDERS' FUNDS	Balance before Elimination and Application as at 31 March 2004 (audited)		Balance immediately after Elimination and Application	
	(HK\$'000) Group	(HK\$'000) Company	(HK\$'000) Group	(HK\$'000) Company
Issued share capital	94,334	94,334	94,334	94,334
Contributed surplus	2,848,462	4,085,186	–	–
Share premium	793	793	793	793
(Accumulated loss)/Retained Profit	(2,123,230)	(3,702,476)	725,232	382,710

REASONS FOR THE ELIMINATION AND APPLICATION

Immediately after the Elimination and Application, a credit balance will be recorded in the profit and loss appropriation account of the Company as a result. This will streamline the accounts of the Company and will enable the Company to achieve a capital structure that would permit and facilitate the payment of dividends, as and when the Directors consider it appropriate in the future.

EFFECTS OF THE ELIMINATION AND APPLICATION

For the purposes of the Companies Act contributed surplus is a capital contribution by a shareholder to a company without the company being required to issue any further security to the shareholder. It is more in the nature of share capital or share premium, than profits. The Companies Act and the Bye-laws are silent on the treatment of a Elimination and Application. Given that contributed surplus is similar in nature to capital, the Company has been advised by its Bermuda legal counsel that (a) in accordance with its Bye-Laws a special resolution of the shareholders would be required in order to use the funds attributed to the contributed surplus account by way of a transfer to the profit and loss appropriation account, and (b) the Company should comply with the solvency requirements in the Companies Act in relation to distributions. These requirements are set out under the paragraph headed “Conditions of the Elimination and Application”.

Implementation of the Elimination and Application will not, in itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interest of the Shareholders, other than related expenses incurred which are immaterial. The Directors consider that the Elimination and Application will not have a material adverse effect on the financial position of the Group. The Directors further consider that in view of the clarity to be brought about to the presentation of the accounts of the Company as a result of the Elimination and Application, i.e. the contributed surplus accounts of the Company being eliminated and a credit balance being recorded in the profit and loss appropriation account of the Company, the Elimination and Application is in the best interests of the Company.

CONDITIONS OF THE ELIMINATION AND APPLICATION

The Elimination and Application is conditional upon the following:

- (a) the passing of a special resolution to approve the Elimination and Application at a special general meeting of the Company to be convened; and
- (b) the Board confirming that on the date the Elimination and Application is to take effect, there should be no reasonable grounds for believing that the Company is or after the Elimination and Application would be unable to pay its liabilities as they may become due, or the realisable value of the Company’s assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Assuming the above conditions are fulfilled, it is expected that the Elimination and Application will become effective on the date of passing of the special resolution to approve the same.

GENERAL

A circular containing further information in relation to the Elimination and Application and a notice of the special general meeting of the Company to be convened for the purpose of passing a special resolution to approve the Elimination and Application will be sent to shareholders as soon as practicable.

DEFINITIONS

“Board”	board of Directors
“Bye-Laws”	the bye-laws of the Company
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Company”	Stelux Holdings International Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on The Stock Exchange of Hong Kong Limited
“Contributed Surplus Determination Date”	the date immediately prior to the special general meeting of the Company to be convened for the purpose of passing a special resolution to approve the Elimination and Application
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China

“Elimination and Application”

the proposed elimination of contributed surplus account of the Company and application of the credit balance of the contributed surplus account of the Company by way of a transfer to the profit and loss appropriation account of the Company, as further described in this announcement

“Shareholders”

holders of the ordinary shares in the issued share capital of the Company

By order of the Board
CAROLINE CHONG
Company Secretary

Date: 15 July 2004

Directors of the Company as at the date hereof:

Executive Directors:

Wong Chong Po (*Chairman*), Chumpol Kanjanapas (alias Joseph C. C. Wong) (*Vice Chairman and Chief Executive Officer*), Anthony Chu Kai Wah, Stan Lee Shu Chung and Wong Yuk Woon

Non- Executive Directors:

Sakorn Kanjanapas, Kwong Yiu Chung (independent) and Sydney Chu Chun Keung (independent)

* *for identification purposes only*

*Please also refer to the published version of this announcement in
Economic Times.*