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STELUX Holdings International Limited

寶光實業(國際)有限公司*

Incorporated in Bermuda with limited liability

website: <http://www.stelux.com>

Stock Code: 84

DISCLOSEABLE TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET

THE DISPOSAL

The Board is pleased to announce that on 16 November 2020, the Provisional Agreement was entered into between the Seller and the Purchaser, pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase the Sale Share, representing the entire issued share capital of the Target and the Sale Debt (if any) at an aggregate consideration of HK\$108,000,000.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Disposal are more than 5% but all of such ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholder's approval requirements under Chapter 14 of the Listing Rules.

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PROVISIONAL AGREEMENT

The principal terms of the Provisional Agreement are set out below:

Date

16 November 2020

Parties:

- (1) Stelux Properties Limited (寶光地產有限公司), as the seller;
- (2) Greater Wise Limited (慧創有限公司), as the purchaser; and
- (3) The Company, as the guarantor

Assets to be disposed of

Pursuant to the Provisional Agreement, the Seller has agreed to sell, and the Purchaser has agreed to purchase the Sale Share and the Sale Debt (if any) subject to the terms contained therein.

The Target is a company incorporated in Hong Kong with limited liability and it is principally engaged in property investment. At Completion, the Property will be the only asset of the Target. The Property is situated at Flats A, B and C, Ground Floor, No. 231 Nathan Road, Hong Kong. Before the Disposal, the Property was used by the Group as one of its retail stores.

Upon the completion of the Disposal, the Target will cease to be a subsidiary of the Company and therefore its results will no longer be consolidated into the financial statements of the Group.

Consideration

The aggregate consideration for the Sale Share and the Sale Debt (if any) is HK\$108,000,000.

An initial deposit in the sum of HK\$5,500,000 (“**Initial Deposit**”) has been paid upon the signing of the Provisional Agreement. A further deposit in the sum of HK\$5,300,000 (“**Further Deposit**”) shall be paid within 14 days from the date of the Provisional Agreement. The balance of the Consideration in the sum of HK\$97,200,000 (“**Balance**”) shall be paid upon Completion, which shall take place on or before 2:00 p.m. on 15 January 2021 (or such other date as the Seller and the Purchaser may agree in writing). The Consideration shall be settled in cash.

If the NTAV as shown in the Proforma Accounts is more or less than zero, the Balance shall be adjusted upwards or downwards (as the case may be) accordingly as follows:

- (a) it shall be added to the Balance all current tangible assets of the Target as shown in the Proforma Accounts including rentals receivable (if applicable) (up and inclusive of the Completion Date), utilities and other miscellaneous deposits, prepaid rates and government rent relating to the Property (up to and inclusive of the Completion date), other than the Property and the deferred tax assets (if any); and
- (b) it shall be deducted from the Balance all liabilities of the Target as shown in the Proforma Accounts (other than the Sale Debt and the deferred tax liabilities (if any)).

If the NTAV as shown in the Completion Accounts is more or less than the NTAV as shown in the Proforma Accounts, the Seller and the Purchaser (as the case may be) shall pay the difference to the other party within five (5) days from the date of receipt of the Completion Account.

The Consideration was determined after arm's length negotiations between the Seller and the Purchaser and on normal commercial terms after taking into consideration the valuation of the Property made by an independent qualified valuer as at 12 November 2020 of approximately HK\$110,000,000, the market value of the properties in the vicinity of the Property and the reasons for the Disposal as described under the section headed "Reasons and Benefits of the Disposal and Use of Proceeds" below.

Seller's Right to Annul the Provisional Agreement

If the Purchaser shall make and insist on any requisition or objection in respect of the title or conveyance or otherwise which the Seller and/or the Target shall be unable or unwilling (due to difficulty, delay, expense or any other ground) to answer or comply with or if the title of the Target to the Property shall be defective, the Seller shall notwithstanding any previous negotiation or litigation be at liberty on giving to the Purchaser 3 days' notice in writing to annul the sale in which case unless the requisition or objection shall in the meantime be withdrawn or complied with, the Provisional Agreement shall upon the expiry of the notice be annulled and the Purchaser shall in that event be entitled to the return of the Initial Deposit and the Further Deposit paid but without interest cost or compensation.

Formal Agreement

The Seller and the Purchaser shall use their respective reasonable commercial endeavours to enter into a formal agreement for the Disposal within 21 days from the date of the Provisional Agreement. In the event that the Seller and the Purchaser shall fail to reach an agreement on the terms of the formal agreement on or before the aforesaid date, the Provisional Agreement shall remain valid, legally binding and of full force and effect and the parties thereto shall continue to fulfil their respective obligations in the Provisional Agreement.

Completion

The Completion shall take place on the Completion Date.

Guarantee

Pursuant to the Provisional Agreement, the Company agreed to (i) guarantee the performance of the Seller's agreements, obligations and undertakings under the Provisional Agreement ("Seller's Guaranteed Obligations"), and (ii) indemnify the Purchaser/or the Target for any actual losses and damages suffered as a direct result of the failure of the Seller to perform any of the Seller's Guaranteed Obligations, provided that the Seller's Guaranteed Obligations shall not exceed the liabilities of the Seller and the same limitation of liabilities which are applicable to the Seller shall be equally applicable to the Company. According to the Provisional Agreement, the Seller's liabilities under the Provisional Agreement, Formal Agreement and any other documents in relation to the transaction thereunder shall not exceed 10% of the Consideration (as adjusted in accordance with the Provisional Agreement) and that the relevant claim was made by the Purchaser within 2 years from the Completion Date in writing.

INFORMATION OF THE PARTIES AND THE GROUP

The Seller is a limited liability company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company. The Seller is principally engaged in investment holding.

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 (stock code: 84). The Group is principally engaged in the business of watch retailing and the wholesale trading of watches.

The Purchaser is a limited liability company incorporated in Hong Kong and is principally engaged in investment holding. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Lun Yiu Kay Edwin is the ultimate beneficial owner of the Purchaser, and as at the date of this announcement, the Purchaser and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Set out below is a summary of certain unaudited financial information of the Target for the years ended 31 March 2019 and 31 March 2020.

	For the year ended 31 March	
	2019	2020
	<i>HK\$</i>	<i>HK\$</i>
Revenue	2,850,000	1,500,000
Loss before taxation	(621,450)	(20,793,067)
Loss after taxation	(885,724)	(20,924,477)

	As at 31 March	
	2019	2020
	<i>HK\$</i>	<i>HK\$</i>
Net assets ¹	178,273,912	157,349,435

Notes 1: The net assets contain cash and certain utilities deposit.

REASONS AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Directors consider that the Disposal represents a good opportunity to realise the value of the Property, to enhance the liquidity of the Group and reduce the gearing ratio of the Group. The net proceeds from the Disposal will be used to repay bank loans of the Group and as the general working capital of the Group.

The Group is expected to recognise an unaudited gain of approximately HK\$95,000,000 from the Disposal in its consolidated financial statements, being the difference between the Consideration and the unaudited carrying value of the Property at Group level as at 30 September 2020 and net of agency fees and professional fees.

Having taken into account the above reasons and benefits, the Directors consider that the Disposal and the terms of the Provisional Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Disposal are more than 5% but all of such ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholder’s approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions having the following meanings:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday, public holiday and a day on which a typhoon signal no.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours

“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 (stock code: 84)
“Completion”	completion of the sale and purchase of the Sale Shares and Sale Debt (if any)
“Completion Accounts”	The Proforma Accounts audited by certified public accountants (practising) and signed by the Seller
“Completion Date”	the date of Completion which shall take place on or before 2:00 p.m. on 15 January 2021 (or such other date as the Seller and the Purchaser may agree in writing)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of the sale and purchase of the Sale Share and the Sale Debt (if any), being the sum of HK\$108,000,000.
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Sale Share and Sale Debt (if any) by the Seller to the Purchaser pursuant to the terms and conditions of the Provisional Agreement
“Further Deposit”	has the meaning as defined under the sub-section headed “PROVISIONAL AGREEMENT – Consideration”
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Initial Deposit”	has the meaning as defined under the sub-section headed “PROVISIONAL AGREEMENT – Consideration”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“NTAV”	the aggregate of all tangible assets of the Target which are readily convertible into cash or cash equivalents (excluding the Property, any intangible assets and other fixed assets and deferred tax assets), less the aggregate of all liabilities (other than deferred tax liabilities) of the Target as at Completion Date
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“Provisional Agreement”	the provisional agreement for sale and purchase dated 16 November 2020 entered into between the Seller and the Purchaser relating to the sale and purchase of the Sale Share and the Sale Debt (if any)
“Proforma Accounts”	the proforma completion accounts to be delivered by the Seller to the Purchaser at least 5 Business Days prior to the Completion Date, comprising the profit and loss account of the Target for the period from the beginning of the current financial year (i.e. 1 April 2020) of the Target to the Completion Date and a proforma balance sheet of the Target as at the Completion Date
“Property”	Flats A, B and C, Ground Floor, No. 231 Nathan Road, Hong Kong
“Purchaser”	Greater Wise Limited (慧創有限公司), a company incorporated in the Hong Kong
“Sale Debt”	an assignment of the right to all debts owing by the Target to the Seller and its associates as at Completion (if any)
“Sale Share”	the entire issued share capital of the Target
“Seller”	Stelux Properties Limited (寶光地產有限公司) a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Seller’s Guaranteed Obligations”	has the meaning as defined under the sub-section headed “PROVISIONAL AGREEMENT – Guarantee”
“Share(s)”	ordinary share(s) of HK\$1.0 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules

“Target” STL Properties Limited (寶光物業有限公司) (formerly known as Optical 88 Properties Limited (眼鏡88物業有限公司), a company incorporated in Hong Kong

“%” per cent

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

Hong Kong, 16 November 2020

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 Wallace Kwan Chi Kin (Chief Financial Officer)

Non-Executive independent directors:

Lawrence Wu Chi Man, Agnes Kwong Yi Hang and Ho Chi Kin (also known as Jeff Ho)