

# STELUX Holdings International Limited

寶光實業(國際)有限公司

(Incorporated in Bermuda with limited liability)

http://www.ione.com.hk

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

### Summary

During the period from 1996 to 2001, the Company through several of its subsidiaries in Hong Kong, Singapore and Malaysia have purchased Japanese brands of timepieces from the Thong Sia Companies and also through its subsidiary in Hong Kong have purchased a Swiss brand of watches from the Thong Sia Company Limited (referred to below as the “Transactions”).

The Transactions were conducted in the ordinary course of business on normal commercial terms agreed after arms’ length negotiations between the parties. The auditors of the Thong Sia Companies have confirmed that the Transactions were conducted on the best terms compared to terms offered by the Thong Sia Companies to their other customers.

Mr. Wong Chue Meng, the Chairman of the Board of the Company who is interested in approximately 67% of the issued share capital of the Company is a director and holds more than 35% of the equity of the Thong Sia Companies. Therefore, the Thong Sia Companies is an associate of a connected person to the Company. Accordingly, the Transactions constitute connected transactions under the Listing Rules.

The Company acknowledged that they have inadvertently breached the requirements of Chapter 14 of the Listing Rules. The Company will include details of the Transactions in its next published annual/interim report. The Stock Exchange reserves the right to take appropriate action as a result of the breach of the Listing Rules by the Company in this respect.

It is anticipated that the Company will continue to purchase timepieces (except for the Swiss brand referred to above) from the Thong Sia Companies (referred to below as the “Continuing Connected Transactions”). The Company has applied to the Stock Exchange for a waiver from strict compliance with the disclosure and Independent Shareholders’ approval requirements under Chapter 14 of the Listing Rules for the period from 1 April 2001 to 31 March 2004. The Continuing Connected Transactions will be subject to the conditions set out in this announcement.

### Background

The Group is principally engaged in the business of watch retailing, optical wear retailing, and children’s wear retailing and property investment.

During the period from 1996 to 2001, the Company through several of its subsidiaries in Hong Kong, Singapore and Malaysia have purchased Japanese brands of timepieces from the Thong Sia Companies and also through its subsidiary in Hong Kong have purchased a Swiss brand of watches from the Thong Sia Company Limited.

The Transactions were conducted in the ordinary course of business on normal commercial terms agreed after arms’ length negotiations between the parties. The auditors of the Thong Sia Companies have confirmed that the Transactions were conducted on the best terms compared to terms offered by the Thong Sia Companies to their other customers.

Mr. Wong Chue Meng, the Chairman of the Board of the Company who is interested in approximately 67% of the issued share capital of the Company is a director and holds more than 35% of the equity of the Thong Sia Companies. Therefore, the Thong Sia Companies is an associate of a connected person to the Company.

### The Transactions

For the two years ended 31 March 1998, the aggregate transaction amount under the Transactions were approximately HK\$37.6 million and HK\$33.5 million and represent approximately 0.9% and 0.7% of the audited net assets of the Group as at the year-end dates 31 March 1996 and 31 March 1997 respectively. For the three months ended 30 June 2001, the aggregate transaction amount under the Transactions was approximately HK\$6.5 million and represent approximately 0.9% of the audited net assets of the Group as at 31 March 2001. These Transactions constitute connected transactions of the Company but fall within the de minimus provision under rule 14.25(1) of the Listing Rules. The Company acknowledged that they have inadvertently breached the disclosure requirements under rule 14.25 of the Listing Rules.

For the three years ended 31 March 2001, the aggregate transaction amount under the Transactions were approximately HK\$26.8 million, HK\$21.5 million and HK\$43.4 million and represent approximately 3.2%, 3.4% and 6.0% of the audited net assets of the Group as at the year-end dates 31 March 1998, 31 March 1999 and 31 March 2000 respectively. These Transactions constitute connected transactions of the Company. The Company acknowledged that they have inadvertently breached the requirements of rule 14.26 of the Listing Rules.

Immediately upon being aware of exceeding the threshold imposed under Chapter 14 of the Listing Rules, the Company notified the Stock Exchange in July 2001 and have taken steps to rectify the Transactions, including by way of this press announcement.

The Company will include details of the Transactions in its next published annual/interim report. The Stock Exchange reserves the right to take appropriate action as a result of the breach of the Listing Rules by the Company in this respect.

### The Continuing Connected Transactions

It is anticipated that the Group will continue to purchase timepieces (except for the Swiss brand referred to above) through the Thong Sia Companies, an exclusive wholesale agent for several major Japanese brands in Hong Kong, Singapore and Malaysia from time to time.

The Continuing Connected Transactions are based on normal commercial terms agreed after arms’ length negotiations between the parties at prices and terms no more than those charged by other third party suppliers of the Group. The Directors of the Company, including the independent non-executive directors of the Company, consider that the terms of the Continuing Connected Transactions are fair and reasonable in so far as the Shareholders of the Company are concerned and are in the best interest of the Company.

### Reasons for the Transactions and Continuing Connected Transactions

At the time the Transactions were made, the Thong Sia Company Limited was the exclusive licensee for the Swiss watch brand in Hong Kong and the Thong Sia Companies were and still are the exclusive wholesale agents for several major Japanese brands of timepieces in Hong Kong, Singapore and Malaysia. Apart from distribution of these brands of timepieces to the Group, the Thong Sia Companies also distribute these brands of watch products to other watch retailers (independent of the Directors, the chief executive and the substantial shareholders and/or their respective associates) in Hong Kong, Singapore and Malaysia.

The timepieces are well received by the Group’s customers.

### Application for the waiver

The Thong Sia Companies are the exclusive wholesale agents for several major Japanese brands of timepieces in Hong Kong, Singapore and Malaysia which are well received by the Group’s customers. Given the popularity of those timepieces, it is anticipated that there will be growth in the purchases from the Thong Sia Companies in the forthcoming years. For the three months ended 30 June 2001, the aggregate transaction value for the Transactions did not exceed the 3% audited net assets of the Group as at 31 March 2001 (being the latest published audited accounts of the Group). It is currently anticipated by the Directors that the transaction value under the Transactions on an ongoing basis will exceed the 3% threshold. The Transactions will normally be subject to the Independent Shareholders’ approval and disclosure requirements applicable to connected transactions under Chapter 14 of the Listing Rules.

The Board considers that the disclosure and Independent Shareholders’ approval of the Continuing Connected Transactions each time they arise in full compliance with the Listing Rules will be unduly burdensome because the Transactions will occur on an ongoing basis. The Company has applied to the Stock Exchange for a waiver from strict compliance with the disclosure and Independent Shareholders’ approval requirements in respect of the Continuing Connected Transactions from the period from 1 April 2001 to 31 March 2004 (“**Waiver**”), subject to the following conditions:

- the Continuing Connected Transactions are:
  - entered into by the Group in the ordinary and usual course of business of the Company;
  - conducted either (i) on normal commercial terms or (ii) (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders are concerned; and

- entered into either (i) in accordance with the terms of the agreements governing such Continuing Connected Transaction or (ii) (where there is no such agreements) on terms no less favourable than terms available to or from independent third parties;
- the yearly aggregate value of purchases of timepieces from the Thong Sia Companies does not exceed 15% of the total purchase of any financial year of the Group ending 31 March 2004 (the “**Waiver Limit**”);
  - approval by the Independent Shareholders at the EGM in respect of the Continuing Connected Transactions and the Waiver Limit;
  - an independent financial adviser will be appointed to advise the Independent Shareholders in respect of the Continuing Connected Transactions and the Waiver Limit;
  - details of the Transactions will be disclosed in the annual report of the Company (“**Annual Report**”) in accordance with the requirements under rule 14.25(1)(A) to (D) of the Listing Rules;
  - the independent non-executive Directors shall review the Continuing Connected Transactions and confirm in the Annual Report that such transactions have been conducted in the manner as stated in paragraphs 1 and 2 above;
  - the auditors of the Company shall review the Continuing Connected Transactions and confirm by way of a letter addressed to the Board (contents of which will be stated in the Annual Report) and a copy to the Stock Exchange stating that:
    - the Continuing Connected Transactions have received the approval of the Board of the Company;
    - the Continuing Connected Transaction have been entered into in accordance with the terms of the agreements governing the Continuing Connected Transactions or (where there is no such agreements) on terms no less favourable than terms available to or from independent third parties;
    - the total aggregate value of purchases of the Group for the relevant financial year and that the Continuing Connected Transactions have not exceeded the Waiver Limit;
  - In the event that, for whatever reason, the auditors of the Company decline to accept the engagement or are unable to provide the letter as stated in paragraph 7 above, the Directors shall contact the Stock Exchange immediately; and
  - in the event that:
    - the total amount of the Continuing Connected Transactions has exceeded the Waiver Limit; or
    - there is any material amendments to the terms of the Continuing Connected Transactions,the Company will, in relation to the Continuing Connected Transactions, comply with the applicable provisions of the Listing Rules governing connected transactions or will apply for waiver from strict compliance with the relevant requirements.

If any conditions of the Continuing Connected Transactions as mentioned above are altered or if the Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the Company must comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions unless it applies for and obtains a separate waiver from the Stock Exchange.

The Waiver, if granted by the Stock Exchange, will be for a period from 1 April 2001 to 31 March 2004.

A circular containing the details of the Transactions and Continuing Connected Transactions, together with the notice of the EGM and the recommendation of the independent financial adviser to the Independent Shareholders in respect of the Continuing Connected Transactions and the Waiver Limit will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

### DEFINITIONS

“ <b>associate</b> ”	has the meaning as given to it in the Listing Rules
“ <b>Board</b> ”	board of Directors
“ <b>Company</b> ”	Stelux Holdings International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“ <b>Directors</b> ”	directors of the Company
“ <b>Group</b> ”	the Company and its subsidiaries
“ <b>Thong Sia Companies</b> ”	include Thong Sia Company Limited, Thong Sia Watch Company Limited, Thong Sia Company (Singapore) Private Limited and Thong Sia Sdn Bhd, companies in which Mr. Wong Chue Meng is both a director and a shareholder
“ <b>Hong Kong</b> ”	the Hong Kong Special Administrative Region of the PRC
“ <b>Independent Shareholders</b> ”	Shareholders who are not interested in the Continuing Connected Transactions
“ <b>Listing Rules</b> ”	Rules Governing the Listing of Securities on the Stock Exchange
“ <b>Shareholders</b> ”	holders of the shares in the issued share capital of the Company
“ <b>EGM</b> ”	an extraordinary general meeting of the Shareholders to be convened to consider and, if thought fit, approve the Continuing Connected Transactions and the Waiver Limit
“ <b>Stock Exchange</b> ”	The Stock Exchange of Hong Kong Limited

On behalf of the Board  
**Joseph C.C. Wong**  
Managing Director