

STELUX Holdings International Limited

寶光實業(國際)有限公司*

website: <http://www.irasia.com/listco/hk/stelux>
Incorporated in Bermuda with limited liability

Stock Code: 84

DISCLOSEABLE TRANSACTION DISPOSAL OF INVESTMENT

The Board is pleased to announce that on 23 August 2006 the Company, through its indirect wholly-owned subsidiary, SHL, disposed of the Sale Shares at HK\$4.00 per share for a cash consideration of HK\$120 million to the Buyer which including its ultimate shareholders are Independent Third Parties of the Company.

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing information regarding, amongst other matters, details of the Disposal will be despatched to the Shareholders as soon as practicable.

Introduction

The Board is pleased to announce that on 23 August 2006 the Company, through its indirect wholly-owned subsidiary, SHL, disposed of its entire holding of 30.00 million shares of HK\$0.01 each, representing approximately 2.89% of the entire issued share capital of Xinyu (stock code: 3389.HK) as at 31 December 2005, at HK\$4.00 per share to the Buyer. The Group had not entered into any written agreement with the Buyer regarding the Disposal.

Xinyu is a retailer and distributor of luxury brand watches and timepieces in China. The Sale Shares were acquired by SHL at the time of Xinyu's initial public offering on the Stock Exchange in September 2005 at a price of HK\$1.32 per share. Immediately following the Disposal, the Company will no longer have any shareholding interest in Xinyu.

Parties

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

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

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

Assets disposed of

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

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

Date of the Disposal

23 August 2006

Consideration

The Sale Shares were disposed of at HK\$4.00 per share for a total consideration of HK\$120 million, representing a discount of approximately 11.1% to the closing price of Xinyu of HK\$4.50 per share on 22 August 2006, being the day preceding the date of the Disposal. The consideration for the Disposal was arrived at after arm's length negotiation between the Company and the Buyer on a willing buyer, willing seller basis and by reference to the average closing price of Xinyu of approximately HK\$4.36 per share quoted on the Stock Exchange for a period of 10 trading days ended on 22 August 2006. The Buyer had satisfied the consideration in cash on 23 August 2006.

Reasons and Benefits of the Disposal

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

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

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

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

As a result of the Disposal, a gain of approximately HK\$29.25 million (before taxation and subject to audit) is expected to be realised by the Group for the year ending 31 March 2007. The gain is calculated based on the difference between the consideration of the Disposal and the carrying amount, as at 31 March 2006, of the shareholding interest in Xinyu of approximately HK\$90.75 million recorded by the Group.

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

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

Discloseable Transaction

Based on the applicable size tests performed regarding the Disposal, the relevant percentage ratios under Rule 14.07 of the Listing Rules exceed 5% but are below 25%. Accordingly, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing information regarding, amongst other matters, details of the Disposal will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“Board”	The board of Directors
“Buyer”	the buyer of the Sale Shares, King Power Investments Limited, a company incorporated under the laws of Hong Kong with limited liability in 1993
“Company”	STELUX Holdings International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning as given to it in the Listing Rules
“Directors”	the directors (including the independent non-executive directors) of the Company
“Disposal”	the disposal of the Sale Shares on 23 August 2006 to the Buyers at HK\$4.00 per share for a total consideration of HK\$120 million
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China
“Independent Third Party(ies)”	Independent third party(ies) who is(are) not connected person(s) of the Company and is(are) independent of and not connected with (as defined in the Listing Rules) the Company and any of its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
“Sale Shares”	the 30.00 million ordinary shares with a par value HK\$0.01 each held by the Company, representing approximately 2.89% of the entire issued share capital of Xinyu as at 31 December 2005
“SHL”	Stelux Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinyu”	Xinyu Hengdeli Holdings Limited (stock code: 3389.HK), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the People's Republic of China
“%”	Percentage

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

By order of the Board
Caroline Chong
Company Secretary

Hong Kong, 23 August 2006

Directors of the Company as at the date hereof:

Executive Directors:

Wong Chong Po (*Chairman*), Chumphol Kanjanapas (alias Joseph C.C. Wong) (*Vice Chairman and Chief Executive Officer*), Anthony Chu Kai Wah, Stan Lee Shu Chung, Vincent Lau Tak Bui

Non-executive Directors:

Sakorn Kanjanapas, Kwong Yiu Chung (*independent*), Wu Chun Sang (*independent*) and Dr Lawrence Wu Chi Man (*independent*)

* For identification purpose only

*Please also refer to the published version of this announcement in
The Standard and Hong Kong Economic Times.*