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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

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Financial Adviser to the Company

MOELIS & COMPANY

*Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders*



This announcement is made pursuant to Rule 13.09(2)(a) and Chapters 14 and 14A of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

THE DISPOSAL

The Board announces that on 26 January 2018, the Seller, the Purchaser and the Purchaser Guarantor entered into the SPA, pursuant to which:

- (1) the Seller has conditionally agreed to sell, or procure the sale of, and the Purchaser has conditionally agreed to purchase (and the Purchaser Guarantor has agreed to guarantee the obligations of the Purchaser under the SPA), the Optical 88 Share, the EGG Share, the Thong Sia Optical Share and the Receivables; and
- (2) the Seller has conditionally agreed to sell, or procure the sale of, and the Purchaser Guarantor has conditionally agreed to purchase either by himself or through his nominee, the Optical 88 (Thailand) Shares,

for a total Purchase Price of HK\$400 million (subject to certain adjustments which are described in the section headed "THE DISPOSAL AND THE SPA"). Upon Completion, the Disposed Entities will cease to be subsidiaries of the Company.

The Disposed Entities Group operates the Optical Business, which comprises the entirety of the Optical 88 and EGG retail operations and the Thong Sia Optical wholesale trading business, the operations of which span across Hong Kong, Macau, the PRC, Singapore, Malaysia and Thailand. Following Completion, the Company will continue to own and operate the Remaining Business.

The Disposal will allow the Company to focus on the operation and development of the Remaining Business, which includes the CITY CHAIN watch retail business, and watch wholesale trading business, with business operations spanning Hong Kong, the PRC, Macau, Malaysia, Singapore, Thailand and Switzerland, including strengthening its position as a pan-Asian lifestyle-oriented fast fashion accessory business.

Further information in relation to the reasons for the Disposal is described in the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL".

For further information in relation to the Remaining Business, please refer to the section headed "THE DISPOSAL AND THE SPA – The Retained Group after the Disposal".

PROPOSED CONTINUING CONNECTED TRANSACTIONS AND PARTIAL TERMINATION OF EXISTING TENANCY AGREEMENT

The Group intends to, upon Completion, enter into the Proposed Continuing Connected Transactions to deal with ongoing transactions after Completion between the Retained Group and the Purchaser Group so that the Optical Business and the Remaining Business are not unduly affected.

It is also proposed that, with effect from Completion, the tenancy in respect of the Optical Premises under the Stelux House Tenancy Agreement be terminated.

Further information in relation to the above is described in the section headed "THE PROPOSED CONTINUING CONNECTED TRANSACTIONS AND PARTIAL TERMINATION OF EXISTING TENANCY AGREEMENT".

DECLARATION OF CONDITIONAL SPECIAL DISTRIBUTION

The Board has declared a Conditional Special Distribution in cash of HK\$0.19 per Share (which equals to a total of approximately HK\$198.8 million based on the total number of issued Shares as at the date of this announcement). The Conditional Special Distribution will be payable out of part of the proceeds from the Disposal and will be distributed as soon as practicable after Completion to the Shareholders whose names appear on the register of members of the Company on a record date to be determined by the Board. The payment of the Conditional Special Distribution is conditional upon Completion taking place.

Further details of the Conditional Special Distribution, the closure date of the register of members of the Company, the record date and the pay-out date for the Conditional Special Distribution will be determined by the Board after the SGM and announced on or around the date of Completion.

IMPLICATIONS UNDER THE LISTING RULES

The highest of the applicable percentage ratios in respect of the Disposal is higher than 25% but below 75%. Accordingly, the Disposal constitutes a major transaction of the Company and is subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Purchaser Guarantor is a director of and a substantial shareholder of the Company. Therefore, the Purchaser Guarantor and his associates are connected persons of the Company. Since the Purchaser is wholly-owned by the Purchaser Guarantor, it is an “associate” of the Purchaser Guarantor pursuant to Rule 14A.12(1)(c) of the Listing Rules and is a connected person of the Company. The Disposal therefore constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Shared Services Arrangement is a fully exempt continuing connected transaction pursuant to Rule 14A.98 of the Listing Rules.

The Trademark Licensing Arrangement and the Lease Management Arrangement are fully exempt continuing connected transactions pursuant to Rule 14A.76(1) of the Listing Rules.

As the relevant applicable percentage ratios in respect of the Property Arrangement are more than 0.1% but less than 5%, the Property Arrangement is a continuing connected transaction that is subject to the reporting, annual review and announcement requirements, but exempt from the Independent Shareholders’ approval requirement, under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all of the Independent Non-executive Directors has been established to advise the Independent Shareholders as to the Disposal.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

SGM AND DESPATCH OF CIRCULAR

The SGM will be convened to consider and, if thought fit, approve, among other things, the Disposal.

A circular containing, among other information, (a) further details of the Disposal, the Conditional Special Distribution, the Proposed Continuing Connected Transactions and the partial termination of the Stelux House Tenancy Agreement; (b) the advice and recommendations of the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (c) the advice and recommendations of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (d) a notice of the SGM, will be despatched to the Shareholders on or around 20 February 2018 in accordance with the relevant requirements of the Listing Rules.

Completion is subject to the fulfilment of a number of conditions precedent (including the approval by the Independent Shareholders of the Disposal at the SGM) and may or may not proceed. If the Disposal does not complete for any reason, the Conditional Special Distribution will not be paid to Shareholders. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

This announcement is made pursuant to Rule 13.09(2)(a) and Chapters 14 and 14A of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

THE DISPOSAL AND THE SPA

On 26 January 2018, the Seller, the Purchaser and the Purchaser Guarantor entered into the SPA.

The principal terms and conditions of the SPA are summarised below:

- Date** : 26 January 2018
- Parties** : (a) the Seller
(b) the Purchaser
(c) the Purchaser Guarantor
- General nature of the Disposal** : The Seller has conditionally agreed to sell, or procure the sale of, and the Purchaser has conditionally agreed to purchase, the Optical 88 Share, the EGG Share, the Thong Sia Optical Share and the Receivables, and the Seller has conditionally agreed to sell, or procure the sale of, and the Purchaser Guarantor has conditionally agreed to purchase either by himself or through his nominee, the Optical 88 (Thailand) Shares, in accordance with the terms of the SPA. The Purchaser Guarantor has agreed to guarantee the obligations of the Purchaser under the SPA. The Disposed Entities Group operates the Optical Business.
- The existing banking facilities of the Optical Business will be settled prior to Completion.
- The Disposal excludes certain properties in Macau that are currently held by the Disposed Entities Group and such properties will be transferred back to the Retained Group.
- An amount equal to approximately HK\$56 million in cash will remain with the Optical Business at Completion. Cash held by the Optical Business exceeding such amount will be transferred back to the Retained Group prior to Completion.
- Purchase Price** : The total Purchase Price for the Disposed Entities Shares and the Receivables is HK\$400 million (subject to certain adjustments as stated below), which shall be payable by the Purchaser and/or the Purchaser Guarantor at Completion.
- The Purchase Price will be subject to adjustments based on the total amount of cash held by the Disposed Entities Group at Completion. Such adjustments are not expected to be material.
- Conditions Precedent** : Completion is conditional upon the satisfaction of, among other things, the following conditions:
- (i) the approval by the Independent Shareholders in respect of the Disposal;
 - (ii) the completion of the Reorganisation in all material respects; and
 - (iii) definitive agreements in respect of the Proposed Continuing Connected Transactions having been executed.
- Completion** : Pursuant to the SPA, Completion shall take place on the 90th day after the date on which the Seller notifies the Purchaser that certain of the conditions precedent under the SPA have been satisfied or waived (or on such other earlier date as the parties to the SPA may mutually agree).
- If the conditions precedent under the SPA are not satisfied or waived

on or before six months after the date of the SPA (or such later date as the parties to the SPA may agree), the SPA shall terminate (other than in respect of certain surviving provisions therein).

It is currently intended that Completion will take place in April or May 2018.

The Purchase Price for the Disposal was arrived at after arm's length negotiations between the Seller and the Purchaser and/or the Purchaser Guarantor with reference to the historical performance and future prospects of the Disposed Entities Group. In determining the Purchase Price, the Company took into account the following factors: (a) the net asset value of the Optical Business; (b) the Group's historical trading multiples; (c) the Optical Business' financial contribution to the Group; (d) trading comparable analysis of Hong Kong retail and Asian optical peers; and (e) analysis of precedent Hong Kong retail and global optical retail transactions.

Upon Completion, the Disposed Entities will cease to be subsidiaries of the Company.

The Retained Group after the Disposal

Following Completion, the Company will continue to own and operate the Remaining Business, which comprises the CITY CHAIN watch retail business, the watch wholesale trading business, as well as production facilities in Switzerland for Swiss watch movements and Swiss-made watches. The CITY CHAIN watch retail business has a unique business model as a multi-branded retailer selling third party foreign brands and also produces its own house brands, such as "Solvil et Titus" and "CYMA", that are available exclusively at CITY CHAIN stores. The Remaining Business is also the sole distributor for SEIKO clocks and watches in Malaysia, Singapore and Hong Kong.

The Remaining Business employs around 1,700 employees and has operations in Hong Kong, the PRC, Macau, Malaysia, Singapore, Thailand and Switzerland (including more than 250 stores across the above jurisdictions).

The Remaining Business will continue to develop into a pan-Asian lifestyle-oriented fast fashion accessory business, which includes pursuing the following initiatives:

- refreshing the watch product portfolio by introducing new affordable luxury brands and other products, including smart wearables;
- major revamping of watch retail shops, including new shop decorations and layout, to align the CITY CHAIN image with current trends to create a fresher and younger lifestyle shopping environment; and
- continuing the Company's investment in e-commerce business and sales channels, including enhancing integration of on-line and off-line shopping experiences for customers, developing e-commerce platforms in the PRC, Hong Kong and Southeast Asia, and increasing the level of advertising and promotional spending on social media.

Financial effects of the Disposal on the Retained Group

Based on the Purchase Price and the Group's financial position as at 30 September 2017, the Group is expected to recognise a gain of approximately HK\$57 million. Such gain is calculated on the basis of:

- (a) the estimated negative net asset value of the Optical Business as at 30 September 2017 of approximately negative HK\$97 million;
- (b) net intra-group receivables owed by the Optical Business to the Retained Group as at 30 September 2017 of approximately HK\$440 million (such net intra-group receivables relate predominantly to historical support and financial subsidies that

were provided by the Retained Group to the Optical Business); and

(c) the Purchase Price.

Taking into account (a) and (b) above, from the perspective of the Company and as at 30 September 2017, the Disposed Entities Group and the Receivables together represented a net asset value of HK\$343 million. The final amount of such gain will be subject to applicable accounting adjustments and the Group's final balances as at Completion and may therefore change.

Net Proceeds from the Disposal

The Retained Group intends to apply the net proceeds from the Disposal primarily for repayment of existing debt of the Group and payment of the Conditional Special Distribution to the Shareholders.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The reasons for the Disposal are explained below.

Diverging strategic focus for the Optical Business and the Remaining Business

The Disposal follows from the strategic decision made by the Company to split the Optical Business and the Remaining Business, and allows the Retained Group to focus on the operation and development of the Remaining Business, including strengthening its position as a pan-Asian lifestyle-oriented fast fashion accessory business.

Given the increasing competitiveness in the markets in which the Company operates and in order for the Company to further differentiate and protect its business, as stated in the Company's 2017 Annual Report, the majority of the Optical Business operating under the Optical 88 brand is undergoing a major strategy change to focus not only on optical retailing, but also on developing professional healthcare businesses, including professional eye-care centres and other healthcare-related services and products (such as hearing care services and products). The Optical Business will therefore be pivoting to a more professional healthcare-based business.

Furthermore, the Remaining Business and the Optical Business are serving target markets that are increasingly diverging from each other and, in fact, the Remaining Business and the Optical Business already operate relatively independently of each other.

Further information relating to the Company's plan for the Remaining Business and its prospects will be included in the circular to Shareholders (see section headed "SGM AND DESPATCH OF CIRCULAR").

Funding requirements for the Optical Business

As a consequence of the major strategy change in the Optical Business to address the increasing competitiveness in the markets in which it operates, it is envisaged that further capital contributions will be needed to fund future investment growth of the Optical Business. However, as at 30 September 2017, the Group had total borrowings of approximately HK\$1.1 billion. This relatively high level of debt would mean that it would not be economically feasible for the Group to make further borrowings to fund the proposed growth plans for the Optical Business. The Group is unable to commit to such requirements as it is focused on deleveraging in anticipation of rising interest rates.

Reduction of borrowings to strengthen the Retained Group's balance sheet

Following the Disposal, a part of the net proceeds from the Disposal are intended to be used to reduce the Group's gearing ratio and strengthen the Group's capital structure. As a result of repaying existing borrowings of the Retained Group, the Retained Group is

expected to benefit from savings in finance costs.

Benefit to Shareholders – the Conditional Special Distribution

Shareholders are expected to benefit from the Disposal via a cash realisation from the Conditional Special Distribution.

In particular, it should be noted that the Conditional Special Distribution of HK\$0.19 per Share represents: (i) approximately 50% of the total Purchase Price; and (ii) 30% of the average closing trading price of the Shares for the 30 trading days immediately prior to the date of this announcement. Accordingly, the Disposal will provide Shareholders with an opportunity to realise value from their investment in the Company.

GENERAL INFORMATION

Information on the Group

The Group is principally engaged in the business of watch retailing, optical retailing and the wholesale trading of watches and optical frames.

Information on the Disposed Entities Group and the Optical Business

Following Completion, the Purchaser Group, which will include the Disposed Entities Group, will operate the Optical Business.

As at 30 September 2017, the carrying value of the Optical Business was approximately negative HK\$97 million.

The following table sets out further information relating to the Optical Business for the two financial years ended 31 March 2016 and 31 March 2017:

	For the financial year ended	
	31 March 2016	31 March 2017
	HK\$ million (unaudited)	HK\$ million (unaudited)
Sales	1,273	1,216
Operating EBITDA ^{Note 1}	44	35
Adjusted Operating EBITDA ^{Note 2}	41	31
Net loss before taxation ^{Note 3}	(25)	(41)
Net loss after taxation	(28)	(47)

Note 1: "Operating EBITDA" refers to operating earnings, including attributable corporate overhead, before income tax, depreciation and amortisation charges and other non-cash items.

Note 2: "Adjusted Operating EBITDA" refers to Operating EBITDA, less estimated pro-forma royalty fee payments (as described in respect of the Trademark Licensing Arrangement) to the Retained Group and estimated additional standalone costs, assuming the Disposal has already occurred at the beginning of the relevant financial period.

Note 3: "Net loss before taxation" refers to Operating EBITDA less depreciation and amortisation charges, other non-cash items and finance costs.

Information on the Purchaser

The Purchaser is a special purpose vehicle incorporated in the BVI and is wholly-owned by the Purchaser Guarantor. The Purchaser Guarantor has been the chairman and chief executive officer of the Group since 2011 and 1996, respectively.

DECLARATION OF CONDITIONAL SPECIAL DISTRIBUTION

The Board has declared a Conditional Special Distribution in cash of HK\$0.19 per Share (which equals to a total of approximately HK\$198.8 million based on the total number of issued Shares as at the date of this announcement). The Conditional Special Distribution will be payable out of part of the proceeds from the Disposal and will be distributed as soon as practicable after Completion to the Shareholders whose names appear on the register of members of the Company on a record date to be determined by the Board. The payment of the Conditional Special Distribution is conditional upon Completion taking place.

Further details of the Conditional Special Distribution, the closure date of the register of members of the Company, the record date and the pay-out date for the Conditional Special Distribution will be determined by the Board after the SGM and announced on or around the date of Completion.

THE PROPOSED CONTINUING CONNECTED TRANSACTIONS AND PARTIAL TERMINATION OF EXISTING TENANCY AGREEMENT

To ensure that neither the Remaining Business nor the Optical Business is unduly affected as a result of the Disposal and to support both the Remaining Business and the Optical Business for a transitional period following Completion, the Retained Group and the Purchaser Group intend to effect the following upon Completion:

Shared Services Arrangement

The Shared Services Arrangement will allow the Retained Group to provide to the Purchaser Group, on an at-cost basis allocated on a fair and equitable basis, certain supporting administrative services that the Optical Business currently receives from the Retained Group. These supporting administrative services include legal and compliance, financial and accounting (including insurance management), information technology, human resources and general office administration services.

The Company's intention is for the Shared Services Arrangement to be for an initial term of up to three years and to be renewable thereafter upon mutual agreement between the parties thereto. The Company envisages for these supporting administrative services to be provided on a transitional basis until such time that the Purchaser Group can fully procure such services itself on similarly competitive terms.

Trademark Licensing Arrangement

The Trademark Licensing Arrangement will allow the Purchaser Group and its franchisees, licensees and distributors to continue to use certain trademarks owned by members of the Retained Group. Such trademarks have been used by the Optical Business for goods sold or provided by the Optical Business.

The Retained Group intends to license such trademarks to the Purchaser Group and the Purchaser Group's franchisees, licensees and distributors for a period of up to three years and to be renewable thereafter upon mutual agreement between the parties thereto.

The principal terms and conditions of the proposed trademark licence agreement reflecting the Trademark Licensing Arrangement are summarised below:

Date : It is proposed that the trademark licence agreement will be entered into upon Completion.

- Parties** : (i) Relevant members of the Retained Group holding the relevant trademarks
(ii) Optical 88 and Optical 88 (Thailand)
- Nature of the agreement** : The trademark licence agreement governs the terms on which members of the Retained Group license various trademarks to members of the Purchaser Group and the Purchaser Group's franchisees, licensees and distributors in relation to the Optical Business.
- Royalty payment** : 10% of the invoice value as invoiced by suppliers/vendors in respect of the supply of frames, spectacles and sunglasses and related accessories bearing the licensed trademarks, after (i) deducting discounts or rebates and (ii) excluding any value added or sales tax.

The royalty payment will be paid on 31 October and 31 July of each year.
- Term** : From Completion until (and including) 31 March 2021, and to be renewable thereafter upon mutual agreement between the parties.

Lease Management Arrangement

The Lease Management Arrangement will allow the Purchaser Group to provide to the Retained Group lease management services, and will be for a period of up to three years and to be renewable thereafter upon mutual agreement between the parties thereto.

The principal terms and conditions of the proposed lease management agreement reflecting the Lease Management Arrangement are summarised below:

- Date** : It is proposed that the lease management agreement will be entered into upon Completion.
- Parties** : (i) Stelux Holdings Limited, a wholly-owned subsidiary of the Company
(ii) Optical 88 Limited
- Nature of the agreement** : The lease management agreement governs the terms on which members of the Purchaser Group provide to members of the Retained Group lease management services.
- Fee** : HK\$600,000 (for the financial year ending 31 March 2019), HK\$630,000 (for the financial year ending 31 March 2020) and HK\$661,500 (for the financial year ending 31 March 2021).
- Term** : From Completion until (and including) 31 March 2021, and to be renewable thereafter upon mutual agreement between the parties.

Property Arrangement

Following Completion, the Retained Group and the Purchaser Group will lease, sub-lease or license certain offices, shops, showrooms and warehouses to and from each other. To ensure that neither the Remaining Business nor the Optical Business is unduly affected upon Completion, a master property agreement is proposed to be entered into between the Disposed Entities and a member of the Retained Group in relation to the use of such premises after Completion. The Property Arrangement will be for a period of up to three years and to be renewable thereafter upon mutual agreement between the parties thereto.

The principal terms and conditions of the proposed master property agreement reflecting the Property Arrangement are summarised below:

- Date** : It is proposed that the master property agreement will be entered into upon Completion.
- Parties** : (i) Stelux Holdings Limited, a wholly-owned subsidiary of the Company
(ii) the Disposed Entities
- Rental** : At cost based on the proportion of the rental, management fees and other ordinary outgoings payable to a third party under the relevant tenancy or, in respect of premises owned by the Retained Group or the Purchaser Group, at the market rate for such premises.
- Term** : From Completion until (and including) 31 March 2021, and to be renewable thereafter upon mutual agreement between the parties.
- Historical transaction amounts** : Certain transactions under the Property Arrangement will be charged at cost based on the relevant proportion of rental under the relevant existing lease agreements and/or invoices issued by third parties. There are also other new leasing/sub-leasing and licensing arrangement for which there are no historical amounts. As such there are no historical amounts for the total sums payable or receivable under these arrangements.
- Annual caps and basis of determination** : For payments payable by the Retained Group:
HK\$14,500,000 (for the financial year ending 31 March 2019),
HK\$13,500,000 (for the financial year ending 31 March 2020) and
HK\$14,000,000 (for the financial year ending 31 March 2021).

For payments payable to the Retained Group:

HK\$8,500,000 (for the financial year ending 31 March 2019),
HK\$8,500,000 (for the financial year ending 31 March 2020) and
HK\$9,500,000 (for the financial year ending 31 March 2021).

The annual caps have been determined with reference to: (i) the estimated incremental annual increase in the underlying lease agreements; and (ii) the estimated increases in expenses as a result of inflation, increased business activity and an increase in the value of properties.

Partial termination of the Stelux House Tenancy Agreement

Reference is made to the announcement of the Company dated 6 April 2016 in relation to, among others, the Stelux House Tenancy Agreement. As the Optical Premises of Stelux House will be used solely by the Optical Business following Completion, it is proposed that the Retained Group's existing tenancy for the Optical Premises be terminated with effect from Completion.

LISTING RULES IMPLICATIONS

The Disposal and the SPA

The highest of the applicable percentage ratios in respect of the Disposal is higher than 25% but below 75%. Accordingly, the Disposal constitutes a major transaction of the

Company and is subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Purchaser Guarantor is a director of and a substantial shareholder of the Company. Therefore, the Purchaser Guarantor and his associates are connected persons of the Company. Since the Purchaser is wholly-owned by the Purchaser Guarantor, it is an "associate" of the Purchaser Guarantor pursuant to Rule 14A.12(1)(c) of the Listing Rules and is a connected person of the Company. The Disposal therefore constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shared Services Arrangement

The Shared Services Arrangement is a fully exempt continuing connected transaction pursuant to Rule 14A.98 of the Listing Rules.

The Trademark Licensing Arrangement

The Trademark Licensing Arrangement is a fully exempt continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules.

The Lease Management Arrangement

The Lease Management Arrangement is a fully exempt continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules.

The Property Arrangement

As the relevant applicable percentage ratios in respect of the Property Arrangement are more than 0.1% but less than 5%, the Property Arrangement is a continuing connected transaction that is subject to the reporting, annual review and announcement requirements, but exempt from the Independent Shareholders' approval requirement, under Chapter 14A of the Listing Rules.

Other matters

Pursuant to the Listing Rules, any Shareholder with a material interest in the Disposal and its associates are required to abstain from voting at the SGM on the relevant resolutions in relation thereto. As such, the Purchaser Guarantor and his associates are required to abstain from voting at the SGM on such resolutions. To the best of the Directors' knowledge and information, no other Shareholder is required to abstain from voting at the SGM.

Based on the reasons set out in this announcement and having considered all of the relevant factors, the Directors (excluding the Independent Non-executive Directors who will express their views after considering the advice of the Independent Financial Adviser) consider that the Disposal, though not in the ordinary and usual course of business of the Group, is conducted on normal commercial terms, is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the terms thereof were arrived at after arm's length negotiations between the Company on the one hand and the Purchaser and the Purchaser Guarantor on the other hand.

Based on the reasons set out in this announcement and having considered all of the relevant factors, the Directors (excluding the Independent Non-Executive Directors who will express their views at the same time when they consider the Disposal) consider that the Proposed Continuing Connected Transactions (other than the Trademark Licensing Arrangement), despite the fact that the Proposed Continuing Connected Transactions (other than the Trademark Licensing Arrangement) are not in the ordinary and usual course of business of the Group, are conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the terms thereof were arrived at after arm's length negotiations between the Company on the

one hand and the Purchaser and the Purchaser Guarantor on the other hand.

Based on the reasons set out in this announcement and having considered all of the relevant factors, the Directors (excluding the Independent Non-Executive Directors who will express their views at the same time when they consider the Disposal) consider that the Trademark Licensing Arrangement is in the ordinary and usual course of business of the Group, is conducted on normal commercial terms, is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the terms thereof were arrived at after arm's length negotiations between the Company on the one hand and the Purchaser and the Purchaser Guarantor on the other hand.

Chumphol Kanjanapas (also known as Joseph C.C. Wong), being a Director with a material interest in the Disposal and the Proposed Continuing Connected Transactions, abstained from voting in the relevant resolutions of the Board in approving the above.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all of the Independent Non-executive Directors of the Company has been established to advise the Independent Shareholders:

- (i) as to whether the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (ii) as to whether the Disposal is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and
- (iii) on how to vote, taking into account the recommendation of the Independent Financial Adviser.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the above.

SGM AND DESPATCH OF CIRCULAR

The SGM will be convened to consider and, if thought fit, approve, among other matters, the Disposal.

A circular containing, among other information, (a) further details of the Disposal, the Conditional Special Distribution, the Proposed Continuing Connected Transactions and the partial termination of the Stelux House Tenancy Agreement; (b) the advice and recommendations of the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (c) the advice and recommendations of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (d) a notice of the SGM, will be despatched to the Shareholders on or around 20 February 2018 in accordance with the relevant requirements of the Listing Rules.

WARNING

Completion is subject to the fulfilment of a number of conditions precedent (including the approval by the Independent Shareholders of the Disposal at the SGM) and may or may not proceed. If the Disposal does not complete for any reason, the Conditional Special Distribution will not be paid to Shareholders. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following terms and expressions shall have the following

meanings unless the context requires otherwise:

“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“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 Disposal;
“Conditional Special Distribution”	the conditional special distribution in cash of HK\$0.19 per Share as more particularly described under the section headed “DECLARATION OF CONDITIONAL SPECIAL DISTRIBUTION” in this announcement;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of (i) the Optical 88 Share, the EGG Share, the Thong Sia Optical Share and the Receivables by the Seller to the Purchaser and (ii) the Optical 88 (Thailand) Shares by the Seller to the Purchaser Guarantor, in each case pursuant to the terms of the SPA;
“Disposed Entities”	Optical 88, EGG, Thong Sia Optical and Optical 88 (Thailand);
“Disposed Entities Group”	the Disposed Entities and their respective subsidiaries following completion of the Reorganisation;
“Disposed Entities Shares”	the Optical 88 Share, the EGG Share, the Thong Sia Optical Share and the Optical 88 (Thailand) Shares;
“EGG”	eGG Optical Boutique Group Limited, a company incorporated in the BVI;
“EGG Receivable”	all receivables that are due from EGG to the Seller as at 11:59pm on the day immediately before Completion and are to be assigned by the Seller to the Purchaser at Completion;
“EGG Share”	one ordinary share in EGG (representing its entire issued share capital);
“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 PRC;
“Independent Board Committee”	the independent committee of the Board, comprising Wu Chun Sang, Lawrence Wu Chi Man and Agnes Kwong Yi Hang, being the Independent Non-executive Directors of the Company, formed to advise the Independent Shareholders on the Disposal;

“Independent Financial Adviser”	Somerley Capital Limited;
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution approving the Disposal;
“Lease Management Arrangement”	the proposed arrangement between the Retained Group and the Purchaser Group for the provision by the Purchaser Group to the Retained Group of lease management services, as more particularly described under the section headed “THE PROPOSED CONTINUING CONNECTED TRANSACTIONS AND PARTIAL TERMINATION OF EXISTING TENANCY AGREEMENT – Lease Management Arrangement” in this announcement;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
“Optical 88”	Optical 88 Group (BVI) Limited, a company incorporated in the BVI;
“Optical 88 Receivable”	all receivables that are due from Optical 88 to the Seller as at 11:59pm on the day immediately before Completion and are to be assigned by the Seller to the Purchaser at Completion;
“Optical 88 Share”	one ordinary share in Optical 88 (representing its entire issued share capital);
“Optical 88 (Thailand)”	Optical 88 (Thailand) Ltd., a company incorporated in Thailand;
“Optical 88 (Thailand) Shares”	245,000 ordinary shares in Optical 88 (Thailand) (representing all of the issued ordinary shares in Optical 88 (Thailand));
“Optical Business”	optical retail and optical wholesale trading business and related healthcare business operated by the Disposed Entities Group and to be disposed by the Company to the Purchaser and the Purchaser Guarantor through the Disposal;
“Optical Premises”	19 th Floor of Stelux House, the portion of 21 st Floor of Stelux House occupied by Thong Sia Optical and 4 carpark spaces of Stelux House occupied by the Optical Business;
“PRC”	the People's Republic of China;
“Property Arrangement”	the proposed arrangement between the Retained Group and the Purchaser Group for the leasing, sub-leasing or licensing of offices, shops, showrooms and warehouses to and from each other, as more particularly described under the section headed “THE PROPOSED CONTINUING CONNECTED TRANSACTIONS AND PARTIAL TERMINATION OF EXISTING TENANCY AGREEMENT – Property Arrangement” in this

	announcement;
“Proposed Continuing Connected Transactions”	the Shared Services Arrangement, the Trademark Licensing Arrangement, the Lease Management Arrangement and the Property Arrangement;
“Purchase Price”	the purchase price payable by the Purchaser and/or the Purchaser Guarantor to the Seller pursuant to the SPA, as more particularly described under the section headed “THE DISPOSAL AND THE SPA” in this announcement;
“Purchaser”	Bright Odyssey Limited, a company incorporated in the BVI;
“Purchaser Group”	the Purchaser and its subsidiaries following Completion, and, following Completion, Optical 88 (Thailand);
“Purchaser Guarantor”	Mr. Chumphol Kanjanapas (also known as Joseph C.C. Wong);
“Receivables”	the Optical 88 Receivable, the EGG Receivable and the Thong Sia Optical Receivable;
“Remaining Business”	watches retail, watch wholesale trading and related business, which will continue to be operated by the Retained Group following Completion;
“Reorganisation”	the reorganisation of the Group for the purpose of the Disposal, which involves, among others, (i) the transfer of certain subsidiaries that operate the Optical Business from members of the Group to the Disposed Entities Group; (ii) the termination of the Retained Group’s existing tenancies in relation to the Optical Premises; (iii) the setting-off of all outstanding intra-group receivables and payables between the Retained Group and the Purchaser Group; and (iv) the amendment of various banking facilities of the Group, each as more particularly set out in the SPA;
“Retained Group”	the Company and its subsidiaries excluding the Disposed Entities Group;
“Seller”	City Chain (Bermuda) Holdings Limited, a company incorporated in Bermuda and a wholly-owned subsidiary of the Company;
“SGM”	the special general meeting of the Company to be held to, among other things, consider and, if thought fit, approve the Disposal;
“Shared Services Arrangement”	the proposed arrangement between the Retained Group and the Purchaser Group for the sharing of legal and compliance, financial and accounting (including insurance management), information technology, human resources and general office administration services, as more particularly described under the section headed “THE PROPOSED CONTINUING CONNECTED TRANSACTIONS AND PARTIAL TERMINATION OF EXISTING TENANCY AGREEMENT – Shared Services Arrangement” in this announcement;

“Shareholder(s)”	shareholder(s) of the Company;
“Shares”	the shares in the Company;
“Singapore”	the Republic of Singapore;
“SPA”	the share purchase agreement dated 26 January 2018 entered into between the Seller, the Purchaser and the Purchaser Guarantor in relation to the Disposal;
“Stelux House”	the building known as “Stelux House” situated at 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong, erected on New Kowloon Inland Lot No. 4790;
“Stelux House Tenancy Agreement”	the tenancy agreements entered into on 5 April 2016 between Mengiwa Property Investment Limited (as landlord), and Stelux Holdings Limited and Thong Sia Watch Company Limited (as tenants) in respect of certain premises and carpark spaces at Stelux House;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Thailand”	the Kingdom of Thailand;
“Thong Sia Optical”	Thong Sia Optical Group Limited, a company incorporated in the BVI;
“Thong Sia Optical Receivable”	all receivables that are due from Thong Sia Optical to the Seller as at 11:59pm on the day immediately before Completion and are to be assigned by the Seller to the Purchaser at Completion;
“Thong Sia Optical Share”	one ordinary share in Thong Sia Optical (representing its entire issued share capital);
“Trademark Licensing Arrangement”	the proposed arrangement between the Retained Group and the Purchaser Group for the licensing to members of the Purchaser Group and the Purchaser Group’s franchisees, licensees and distributors various trademarks owned by members of the Retained Group, as more particularly described under the section headed “THE PROPOSED CONTINUING CONNECTED TRANSACTIONS AND PARTIAL TERMINATION OF EXISTING TENANCY AGREEMENT – Trademark Licensing Arrangement” in this announcement; and
“%”	per cent.

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

Hong Kong, 26 January 2018

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*)

Independent Non-executive Directors:

Wu Chun Sang, Lawrence Wu Chi Man and Agnes Kwong Yi Hang

**For identification purposes only*