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If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold and transferred all your shares in Stelux Holdings International Limited, you should at once hand this Circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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STELUX Holdings International Limited

寶光實業(國際)有限公司*

(Incorporated in Bermuda with limited liability)

<http://www.irasia.com/listco/hk/stelux>

CONTINUING CONNECTED TRANSACTIONS WAIVER APPLICATION IN RELATION TO PURCHASES OF TIMEPIECES

**Independent financial adviser to the Independent Board Committee of
Stelux Holdings International Limited**



A letter from the Independent Board Committee is set out on page 8 of this Circular. A letter from Access Capital Limited containing its advice to the Independent Board Committee is set out on pages 9 to 14 of this Circular.

A notice convening a special general meeting of the Company to be held at 5th Floor, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong on Thursday, 25 March 2004 at 11:45 a.m. is set out at the end of this Circular. Whether or not you are able to attend the Special General Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time appointed for holding the Special General Meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting should you so wish.

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DEFINITIONS

In this Circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Access Capital”	Access Capital Limited, the independent financial adviser to the Independent Board Committee in relation to the Continuing Connected Transactions, is a deemed licensed corporation and engaged in Types 1, 4, 6, and 9 regulated activities under the SFO
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Business Day”	any day (other than a Saturday or Sunday) on which banks in Hong Kong are generally open for business
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Stelux Holdings International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the anticipated continuing purchase of timepieces from the Thong Sia Companies by the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising, Messrs. Kwong Yiu Chung and Chu Chun Keung, Sydney
“Independent Shareholders”	Shareholders who are not interested in the Continuing Connected Transactions
“Latest Practicable Date”	27 February 2004, being the latest practicable date prior to the printing of this Circular for ascertaining certain information for inclusion in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares in the issued share capital of the Company
“Special General Meeting”	the special general meeting of the Company to be held at 5th Floor, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong on Thursday, 25 March 2004 at 11:45 a.m., notice of which is set out at the end of this Circular or any adjourned meeting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Thong Sia Companies”	include Thong Sia Watch Company Limited (a company incorporated in Hong Kong), Thong Sia Company (Singapore) Private Limited (a company incorporated in Singapore) and Thong Sia Sdn Bhd (a company incorporated in Malaysia), whose connections with the Company are set out below
“Waiver”	the waiver to be granted by the Stock Exchange to the Company from strict compliance with the disclosure and Independent Shareholders’ approval requirements of the Listing Rules in respect of the Continuing Connected Transactions for the three financial years ending 31 March 2007
“Waiver Application”	the application to the Stock Exchange by the Company from strict compliance with the disclosure and Independent Shareholders’ approval requirements of the Listing Rules regarding the Continuing Connected Transactions
“Waiver Limit”	has the meaning ascribed to it in the paragraph headed “Conditions of the Waiver” in the section headed “Letter from the Board” below
“HK\$” and “cents”	Hong Kong dollar(s) and Hong Kong cent(s) respectively, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD

STELUX Holdings International Limited

寶光實業(國際)有限公司*

(Incorporated in Bermuda with limited liability)

Board of Directors

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

Wong Yuk Woon

Non-executive Directors:

Sakorn **Kanjanapas**

Kwong Yiu Chung *(independent)*

Sydney **Chu** Chun Keung *(independent)*

Registered office:

Canon's Court
22 Victoria Street
Hamilton, HM12
Bermuda

Principal office:

27th Floor, Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

3 March 2004

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
WAIVER APPLICATION IN RELATION TO
PURCHASES OF TIMEPIECES**

INTRODUCTION

The Board announced on 12 February 2004 that 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 in respect of the Continuing Connected Transactions (as described under the paragraph headed "Information about the Continuing Connected Transactions" below) which constitute connected transactions under the Listing Rules.

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

The Group has in the past purchased timepieces for trading purpose on a continuing basis through the Thong Sia Companies, an exclusive wholesale agent for several major Japanese brands in Hong Kong, Singapore and Malaysia. In October 2001, the Stock Exchange granted a waiver to

* *For identification purpose only*

LETTER FROM THE BOARD

the Company from strict compliance with the announcement/shareholders' approval requirement in connection with the Continuing Connected Transactions for the three years ended 31 March 2004.

The waiver will expire on 31 March 2004. The Group will continue to make purchases of timepieces through Thong Sia Companies in its ordinary course of business, and in view of the continuous nature of such business activity the Company has applied to the Stock Exchange for a new waiver in connection with the Continuing Connected Transactions.

The estate of Mr. Wong Chue Meng is interested in approximately 70% of the issued capital of the Company (through various holding companies) and holds more than 30% of the equity in each of the Thong Sia Companies. Mr. Wong Chue Meng was the chairman of the Company and passed away last year. Mr. Chumphol Kanjanapas (alias Mr. Joseph C. C. Wong), the vice chairman and chief executive officer of the Company, is a director of Thong Sia Company (Singapore) Private Limited and Thong Sia Sdn Bhd, and is in de facto control of the management of Thong Sia Watch Company Limited. Therefore, the Thong Sia Companies are associates of connected persons of the Company. Accordingly, the Continuing Connected Transactions constitute connected transactions under the Listing Rules.

Access Capital is the independent financial adviser appointed by the Company to advise the Independent Board Committee in respect of the Continuing Connected Transactions.

The purpose of this Circular is to provide you with information relating to the Continuing Connected Transactions and the Waiver, to set out the advice of Access Capital to the Independent Board Committee in respect of the Continuing Connected Transactions and to give you notice of the Special General Meeting at which an ordinary resolution will be proposed to seek your approval of the Continuing Connected Transactions.

INFORMATION ABOUT THE CONTINUING CONNECTED TRANSACTIONS

The Thong Sia Companies 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, and the Board considers it to be in the interest of the Group to continue to engage in the Continuing Connected Transactions. 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 Board, including the independent non-executive directors of the Company, whose opinions are set out in page 8 of this Circular, consider that the terms of the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE BOARD

The transaction amount of timepieces purchased through the Thong Sia Companies for each of the two years ended 31 March 2003, and the six months ended 30 September 2003 were approximately HK\$27,582,000, HK\$29,552,000 and HK\$10,099,000 respectively (representing approximately 6.38%, 6.98% and 5.20% of the Group's total purchase for each of the financial period as mentioned above respectively).

WAIVER APPLICATION

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. It is currently anticipated by the Board that the aggregate annual transaction value for the Continuing Connected Transactions will exceed the 3% threshold for each of the three financial years ending 31 March 2007. The Continuing Connected Transactions will normally be subject to the Independent Shareholders' approval and disclosure requirements applicable to connected transactions under Chapter 14 of the Listing Rules.

CONDITIONS OF THE WAIVER

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. 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 for the three financial years ending 31 March 2007, subject to the following conditions:

- A. the Continuing Connected Transactions are:
 - (a) entered into by the Group in the ordinary and usual course of business of the Group;
 - (b) conducted either (i) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (ii) (where there is no available comparison) on terms that are fair and reasonable so far as the Independent Shareholders are concerned; and
 - (c) entered into either (i) in accordance with the terms of the agreements governing such Continuing Connected Transactions or (ii) (where there are no such agreements) on terms no less favourable than terms available to or from independent third parties;
- B. the annual aggregate value of purchases of timepieces from the Thong Sia Companies shall not exceed 11% of the total purchase of the Group in that financial year (the "**Waiver Limit**");

LETTER FROM THE BOARD

- C. the independent non-executive Directors shall review the Continuing Connected Transactions annually and confirm in the Company's next annual report that these transactions were conducted in the manner as stated in paragraphs A and B above;
- D. the auditors of the Company shall review the Continuing Connected Transactions annually and confirm by way of a letter addressed to the Board (contents of which will be stated in the annual report for that financial year) and a copy to the Stock Exchange stating whether:
 - (a) the Continuing Connected Transactions have received the approval of the Board of the Company;
 - (b) the Continuing Connected Transactions have been entered into in accordance with the terms of the agreements governing the Continuing Connected Transactions or (where there are no such agreements) on terms no less favourable than terms available to or from independent third parties; and
 - (c) the total aggregate value of purchases of the Group for the relevant financial year under the Continuing Connected Transactions have 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 above, the Directors shall contact the Listing Division of the Stock Exchange immediately; and

- E. details of the Continuing Connected Transactions in each financial year shall be disclosed in the annual report of the Company for that financial year in accordance with the requirements under Rule 14.25(1)(A) to (D) of the Listing Rules together with a statement of the opinion of the independent non-executive Directors of the Company as referred to in paragraph C above.

If any terms 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 2004 to 31 March 2007.

The Company will produce monthly management accounts in order to supervise the value of the Continuing Connected Transactions and to determine whether the Waiver Limit has been exceeded. In accordance with the transitional arrangement relating to the Listing Rules amendment as announced by the Stock Exchange on 30 January 2004, the Waiver once granted will continue to apply until the earlier of (A) expiry of the Waiver; and (B) the Company failing to comply with any of the conditions to the Waiver set out above or the agreement governing the Continuing Connected Transactions (if any) being reviewed or there being a material change to the terms of such agreement.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

A notice convening the Special General Meeting, which will be held at 5th Floor, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong on Thursday, 25 March 2004 at 11:45 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution in respect of the Continuing Connected Transactions to be proposed at the Special General Meeting, is set out at the end of this Circular. A form of proxy for use by the Shareholders at the Special General Meeting is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event, not later than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting thereof (as the case may be) should you so wish.

In accordance with the Listing Rules, the estate of Mr. Wong Chue Meng, Mr. Joseph C. C. Wong and their respective associates will abstain from voting on the ordinary resolution to be proposed at the Special General Meeting or any adjourned meeting thereof (as the case may be).

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 8 of this Circular which contains its recommendation to the Independent Shareholders as to voting at the Special General Meeting regarding the Continuing Connected Transactions. Your attention is also drawn to the letter of advice received from Access Capital which contains, amongst other matters, its advice to the Independent Board Committee in relation to the Continuing Connected Transactions and the principal factors and reasons considered by it in concluding its advice. The letter from Access Capital is set out on pages 9 to 14 of this Circular.

Your attention is also drawn to the additional information set out in the appendix to this Circular.

Yours faithfully,
For and on behalf of the Board of
STELUX HOLDINGS INTERNATIONAL LIMITED
WONG YUK WOON
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

STELUX Holdings International Limited

寶光實業(國際)有限公司*

(Incorporated in Bermuda with limited liability)

To the Independent Shareholders

3 March 2004

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
WAIVER APPLICATION IN RELATION TO
PURCHASES OF TIMEPIECES**

We refer to the circular dated 3 March 2004 of the Company (“**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the terms of the Continuing Connected Transactions and to advise the Independent Shareholders whether, in our opinion, the terms of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. Access Capital has been appointed to advise the Independent Board Committee in respect of the terms of the Continuing Connected Transactions (including the Waiver Limit).

We wish to draw your attention to the letter from the Board set out on pages 3 to 7 of the Circular which contains, inter alia, information about the Continuing Connected Transactions and the Waiver, and the letter from Access Capital set out on pages 9 to 14 of the Circular which contains its advice in respect of the terms of the Continuing Connected Transactions (including the Waiver Limit).

Having taking into account the advice of Access Capital, we consider the terms of the Continuing Connected Transactions (including the Waiver Limit) to be fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Special General Meeting to approve the Continuing Connected Transactions and the Waiver Limit.

Yours faithfully,

The Independent Board Committee

Kwong Yiu Chung

Chu Chun Keung, Sydney

Independent non-executive Directors

* For identification purpose only

LETTER FROM ACCESS CAPITAL

The following is the text of a letter received from Access Capital Limited setting out its opinion to the Independent Board Committee in respect of the Continuing Connected Transactions for inclusion in this Circular.



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

3 March 2004

*To: The Independent Board Committee of
Stelux Holdings International Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee as regards the Continuing Connected Transactions, details of which are contained in the “Letter from the Board” set out on pages 3 to 7 of a circular to the Shareholders dated 3 March 2004 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

During the period from 1 April 2001 until the Latest Practicable Date, the Company through several of its subsidiaries in Hong Kong, Singapore and Malaysia has continued to purchase timepieces through the Thong Sia Companies.

The estate of Mr. Wong Chue Meng is interested in approximately 70% of the issued capital of the Company (through various holding companies) and holds more than 30% of the equity in each of the Thong Sia Companies. Mr. Wong Chue Meng was the chairman of the Company and passed away last year. Mr. Chumphol Kanjanapas (alias Joseph C.C. Wong), the vice chairman and chief executive officer of the Company, is a director of Thong Sia Company (Singapore) Private Limited and Thong Sia Sdn Bhd, and is in de facto control of the management of Thong Sia Watch Company Limited. Therefore, the Thong Sia Companies are associates of connected persons of the Company. Accordingly, the Continuing Connected Transactions constitute connected transactions under the Listing Rules.

LETTER FROM ACCESS CAPITAL

II. WAIVER APPLICATION AND INDEPENDENT BOARD COMMITTEE

Since these transactions are and will continue to be on-going in nature; and for all practical purposes, the Company has applied to the Stock Exchange for the Waiver. The Waiver will be subject to the conditions set out in the section headed “Conditions of the Waiver” in the “Letter from the Board” of the Circular and the Continuing Connected Transactions are subject to the approval of the Independent Shareholders at the Special General Meeting. A Special General Meeting will be convened at which an ordinary resolution will be proposed to the Independent Shareholders for approval of the Continuing Connected Transactions. Messrs. Kwong Yiu Chung and Chu Chun Keung, Sydney, the independent non-executive Directors, have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the Continuing Connected Transactions. We have been appointed to advise the Independent Board Committee in this regard.

III. BASES OF THE OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, assumptions, opinions and representations contained or referred to in the Circular or otherwise provided by the Company and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have also assumed that all statements of belief, opinions and intention of the Directors as set out in the “Letter from the Board” on pages 3 to 7 of the Circular and in this letter have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all available information and documents which are currently available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company, or any of its subsidiaries.

LETTER FROM ACCESS CAPITAL

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background to the Continuing Connected Transactions and reasons for the Waiver

(a) Background to the Continuing Connected Transactions

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

At the time the Continuing Connected Transactions were made, the Thong Sia Companies were the exclusive wholesale agents for several major Japanese brands of timepieces in Hong Kong, Singapore and Malaysia. Hence, the Group sources timepieces from the Thong Sia Companies from time to time.

The Directors advised us that apart from distributing the timepieces to the Group, the Thong Sia Companies also distribute timepieces to other watch retailers in Hong Kong, Singapore and Malaysia (such watch retailers are independent of the Directors, the chief executive and the substantial shareholders and/or their respective associates). The respective auditors of the Thong Sia Companies have confirmed that the Continuing Connected Transactions were conducted on the terms comparable to terms offered by the Thong Sia Companies to their other customers.

The Directors also confirmed that the Continuing Connected Transactions were based on normal commercial terms agreed after arms' length negotiations between the parties concerned. The Directors are of the view that the terms of the Continuing Connected Transactions are fair and reasonable in so far as the Independent Shareholders are concerned and are in the interest of the Company.

(b) Reasons for the waiver application

In October 2001, the Company obtained a conditional waiver from the Stock Exchange, pursuant to which the Company is exempted from compliance with certain announcement and shareholders' approval requirements under the Listing Rules in connection with the Continuing Connected Transactions. This waiver is conditional, among other things, on the total value for the Continuing Connected Transactions for each of the three financial years ending 31 March 2004 not exceeding 15% of the Group's total annual value of purchases (i.e. a pre-determined cap amount approved by the Stock Exchange). As stated in each of the annual reports of the Company for the last two financial years ended 31 March 2003, the cap amount for the Continuing Connected Transactions has not been exceeded.

LETTER FROM ACCESS CAPITAL

As the abovementioned waiver will expire on 31 March 2004, and those transactions constituting Continuing Connected Transactions will continue to occur in the ordinary course of business and on normal commercial terms after 31 March 2004, the Company has applied to the Stock Exchange for (i) a new waiver from strict compliance with the disclosure and shareholders' approval requirements of the Listing Rules regarding the Continuing Connected Transactions, and (ii) for the cap amount for the Continuing Connected Transactions for the three years ending 31 March 2007 not exceeding 11% of the Group's total annual value of purchases as stated in the section headed "Conditions of the Waiver" in the "Letter from the Board".

We believe that obtaining a waiver from strict compliance with the disclosure and shareholders' approval requirements with respect to the Continuing Connected Transactions from the Stock Exchange is a practical solution for the Company to permit it to comply with the Listing Rules.

2. Terms of the Continuing Connected Transactions and commercial justification for determining the Waiver Limit

(a) Terms of the Continuing Connected Transactions

The Continuing Connected Transactions are conducted on normal commercial terms, and in the usual and ordinary course of business of the Company and are no more or less favourable than those terms offered by other third party suppliers as noted in the section headed "Continuing Connected Transactions" in the "Letter from the Board".

We have reviewed the invoices of some of the past purchases made between the Group and the Thong Sia Companies for the period from 1 April 2001 to 31 December 2003, and the invoices of some of the past purchases made between the Group and other independent wholesale agents for other brands of timepieces. Taking into account the aforesaid background and confirmation of the Directors, and our review of the terms of some of the past purchases offered by the Thong Sia Companies and the other independent wholesale agents, we concur with the view of the Directors that the purchases made under the Continuing Connected Transactions appear to be normal commercial arrangements between the Group and the Thong Sia Companies, the terms (including the payment terms) of which were reasonable and in the interests of the Independent Shareholders and were conducted on terms no less favourable than terms offered by the Thong Sia Companies to independent third parties.

(b) For the Waiver Limit

According to the Company, the Waiver Limit was determined with reference to the past transaction amount of timepieces purchased through the Thong Sia Companies and the projected purchases of timepieces by the Group.

LETTER FROM ACCESS CAPITAL

According to the Directors, the transaction amount of timepieces purchased through the Thong Sia Companies for each of the three years ended 31 March 2003 and for the six months ended 30 September 2003 were approximately HK\$43.4 million, HK\$27.6 million, HK\$29.6 million and HK\$10.1 million respectively, representing approximately 9.91%, 6.38%, 6.98% and 5.20% of the Group's total purchases for each of the three years ended 31 March 2003 and the six months ended 30 September 2003.

The Directors believe that the reducing year-on-year amount of annual purchases from the Thong Sia Companies under these Continuing Connected Transactions was the result of sluggish global economic conditions which have continued to exert pressure on the economy of Hong Kong over the last few years. The outbreak of Severe Acute Respiratory Syndrome in Hong Kong during the first quarter of 2003 further exacerbated the situation and negatively affected the already depressed Hong Kong economy, in particular, the retail sector. With the recent improvement in economic outlook and general consumer confidence, the Hong Kong economy is now showing some signs of recovery. The Directors believe that the recent relaxation of restrictions for Mainland tourists visiting Hong Kong and the introduction of the Closer Economic Partnership Arrangement have led to an improvement in general confidence in the economic outlook of Hong Kong, and this in turn resulted in some improvement in consumer confidence of the general public in Hong Kong.

Taking into account the amount of the Group's purchases from the Thong Sia Companies in the last few months, the Directors anticipate that the Group's purchases from the Thong Sia Companies in the forthcoming years may surpass the amount of the past three years. In view of the aforesaid background and reasons, we concur with the view of the Directors. According to the Directors, the Group also intends to expand in other countries in South East Asia which may lead to an increased demand in timepieces.

Also, taking into account the historical facts and projected purchases of timepieces by the Group and the amount of the Group's expected total purchases for the corresponding period, the Directors consider that a cap amount for the Continuing Connected Transactions for each of the year ending 31 March 2005, 31 March 2006 and 31 March 2007 which does not exceed 11% of the Group's total purchases of that financial year is adequate and essential in order to provide flexibility in the operation of the Group's timepiece business. Having considered (i) the historical transaction amount of timepieces purchased through the Thong Sia Companies; and (ii) the projected purchases of timepieces by the Group which is in line with the amount of the Group's purchases from the Thong Sia Companies in the last few months, we are of the view that the projected purchases of timepieces by the Group and the amount of the Group's expected total purchases for the corresponding period is justifiable. Accordingly, we concur with the view of the Directors and consider that the basis of determining the Waiver Limit for the Continuing Connected Transactions for each of the three years ending 31 March 2007 is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM ACCESS CAPITAL

Shareholders should note that the Waiver Limit will be subject to certain conditions as set out under the section headed “Conditions of Waiver” in the “Letter from the Board”. We have discussed with the Company and noted that adequate internal control measures are in place to monitor the amount of purchases through the Thong Sia Companies will not exceed the Waiver Limit.

RECOMMENDATION

Having considered the above principal factors being (i) the background to the Continuing Connected Transactions and reasons for the waiver application; and (ii) the terms of the Continuing Connected Transactions and commercial justification for determining the Waiver Limit, we are of the view that the terms of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company.

Furthermore, in relation to compliance with the conditions set out in the section headed “Conditions of the Waiver” in the “Letter from the Board”, the Directors confirm that the auditors of the Company shall review the Continuing Connected Transactions and confirm that the terms of the Continuing Connected Transactions have received the approval of the independent non-executive Directors and that the Continuing Connected Transactions will not exceed the Waiver Limit. In addition, in order to comply with this condition, the Directors confirm that the auditors of the Company will have full access to the books and records of the Group for the purpose of the auditors’ review of the Continuing Connected Transactions. On this basis, we believe that the aforesaid condition and right to access have been given in the interests of the Shareholders and provide additional safeguards to the Company.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Continuing Connected Transactions (including the Waiver and the Waiver Limit) which will be proposed at the Special General Meeting.

Yours faithfully,
For and on behalf of
ACCESS CAPITAL LIMITED
Jeanny Leung
Managing Director

RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, other than matters already set out in the Company's interim report for the six months ended 30 September 2003, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2003, being the date to which the latest published audited accounts of the Company were made up.

DISCLOSURE OF INTERESTS**(A) Interests of Directors and Chief Executives**

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

All interests disclosed below represent long position in shares of the Company:

(a) The Company – Ordinary Shares

Name of Director	Number of Shares				Total	Approximate percentage of issued share capital as at the Latest Practicable Date
	Personal Interests	Family Interests	Corporate Interests			
Mr. Wong Chong Po	3,600,000	–	552,037,741 ⁽¹⁾	–	555,637,741	58.90%
Mr. Joseph C. C. Wong	8,181,211	10,000	–	–	8,191,211	0.87%
Mr. Sakorn Kanjanapas	391,056	–	–	–	391,056	0.04%
Mr. Chu Kai Wah, Anthony	1,000,000	–	–	–	1,000,000	0.11%
Mr. Lee Shu Chung, Stan	1,000,000	–	–	–	1,000,000	0.11%
Mr. Wong Yuk Woon	1,000,000	–	–	–	1,000,000	0.11%

(b) The Company – Number of options to subscribe for ordinary shares of HK\$0.1 each

Name of Director	Number of Options			Total	Approximate percentage of issued share capital as at the Latest Practicable Date
	Personal Interests	Family Interests	Corporate Interests		
Mr. Joseph C. C. Wong <i>(Note i)</i>	5,000,000	–	–	5,000,000	0.53%
Mr. Chu Kai Wah, Anthony <i>(Note ii)</i>	1,000,000	–	–	1,000,000	0.11%
Mr. Lee Shu Chung, Stan <i>(Note iii)</i>	1,000,000	–	–	1,000,000	0.11%
Mr. Wong Yuk Woon <i>(Note iv)</i>	1,000,000	–	–	1,000,000	0.11%

Notes:

- (i) 5,000,000 options were granted on 17 January 2000 and exercisable at HK\$0.248 per share during the period from 17 January 2000 to 16 January 2005.
- (ii) 1,000,000 options were granted on 17 January 2000 and exercisable at HK\$0.248 per share during the period from 17 January 2000 to 16 January 2005.
- (iii) 1,000,000 options were granted on 17 January 2000 and exercisable at HK\$0.248 per share during the period from 17 January 2000 to 16 January 2005.
- (iv) 1,000,000 options were granted on 17 January 2000 and exercisable at HK\$0.248 per share during the period from 17 January 2000 to 16 January 2005.

(c) *Subsidiary Companies*(i) City Chain (Thailand) Company Limited – Preference Shares Only⁽²⁾

Name of Director	Number of Shares			Total	Approximate percentage of all the preference shares as at the Latest Practicable Date
	Personal Interests	Family Interests	Corporate Interests		
Mr. Wong Chong Po	200	–	208,800	209,000	99.52%
Mr. Joseph C. C. Wong	200	–	208,800	209,000	99.52%
Mr. Sakorn Kanjanapas	200	–	208,800	209,000	99.52%

(ii) Stelux Watch (Thailand) Company Limited – Preference Shares Only⁽³⁾

Name of Director	Number of Shares			Total	Approximate percentage of all the preference shares as at the Latest Practicable Date
	Personal Interests	Family Interests	Corporate Interests		
Mr. Wong Chong Po	600	–	–	600	16.67%
Mr. Joseph C. C. Wong	600	–	–	600	16.67%
Mr. Sakorn Kanjanapas	600	–	–	600	16.67%

(iii) Optical 88 (Thailand) Company Limited – Preference Shares Only⁽⁴⁾

Name of Director	Number of Shares			Total	Approximate percentage of all the preference shares as at the Latest Practicable Date
	Personal Interests	Family Interests	Corporate Interests		
Mr. Wong Chong Po	5,000	–	225,000	230,000	90.20%
Mr. Joseph C. C. Wong	5,000	–	225,000	230,000	90.20%
Mr. Sakorn Kanjanapas	5,000	–	225,000	230,000	90.20%

- (1) This includes the duplication of corporate interests of 552,037,741 shares through Yee Hing Company Limited, Active Lights Company Limited and Yee Hing International Limited in which Mr. Wong Chong Po is deemed to have corporate interests.
- (2) City Chain (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by City Chain (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends. The corporate interests of each of Mr. Wong Chong Po, Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas in 208,800 preference shares duplicates with each other.
- (3) Stelux Watch (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by Stelux Watch (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends.
- (4) Optical 88 (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by Optical 88 (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends. The corporate interests of each of Mr. Wong Chong Po, Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas in 225,000 preference shares duplicates with each other.

Save as disclosed herein and in the Company's interim report for the six months ended 30 September 2003:

- (i) as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 31 March 2003 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (ii) as at the Latest Practicable Date, none of the Directors are materially interested in any contract or arrangement which was significant in relation to the business of the Group taken as a whole.

(B) Interests of shareholders discloseable pursuant to the SFO

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, as at the Latest Practicable Date, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Number of Shares	Percentage of shareholding	Note
Yee Hing Company Limited	415,031,771	44.00%	(i)
Active Lights Company Limited	135,653,636	14.38%	(ii)
Thong Sia Company Limited	91,032,218	9.65%	(iii)

Notes:

- (i) These shares are held by Yee Hing Company Limited as beneficial owner and duplicate part of the corporate interests held by Mr. Wong Chong Po in the Company.
- (ii) These shares are held by Active Lights Company Limited as beneficial owner and duplicate part of the corporate interests held by Mr. Wong Chong Po in the Company.
- (iii) These shares are held by Thong Sia Company Limited as beneficial owner. The estate of Mr. Wong Chue Meng (deceased on 15 June 2003 and former Chairman of the Company), holds 38% of the issued shares of Thong Sia Company Limited.

All interests disclosed above represent long position in shares of the Company.

(C) Substantial shareholding in other members of the Group

The Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, as at the Latest Practicable Date, was directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

LITIGATION

As at the Latest Practical Date, the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group other than those disclosed below:

An arbitration was heard in the fourth quarter of 2002 in respect of a dispute between the Group and the contractors relating to certain construction work for Stelux House. This was disclosed in the Group's annual report for the year ended 31 March 2003. The arbitration award is pending.

SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any member of the Group, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

CONSENT AND EXPERT

Access Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and set out in this Circular and references to its name in the form and context in which they respectively appear in this Circular.

QUALIFICATION OF EXPERT

The following is the qualification of the expert which has given its opinion or advice which is contained in this Circular:

Name	Qualification	Date of opinion	Nature of opinion or advice
Access Capital	Deemed licensed under the SFO to advise on securities and corporate finance, to deal in securities and for assets management	3 March 2004	Letter of advice to the Independent Board Committee

As at the Latest Practicable Date, Access Capital does not have any shareholding interest, directly or indirectly, in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate any person to subscribe for securities in any members of the Group.

As at the Latest Practicable Date, Access Capital does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, nor which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2003, the date to which the latest published audited financial statements of the Company were made up.

OTHER INFORMATION

1. The Secretary of the Company is Ms. Caroline Chong Sue Peng, who is a Barrister in England and Wales, and Hong Kong.
2. The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.
3. The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

4. The principal office of the Company is at 27th Floor, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong.
5. In the event of inconsistency, the English text of this Circular will prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal office of the Company at 27th Floor, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong during normal business hours on any weekday (public holidays excepted) up to and including 25 March 2004:

1. the audited consolidated accounts of the Group for the two financial years ended 31 March 2002 and 2003 and the interim report of the Group for the six months ended 30 September 2003;
2. the memorandum and bye-laws of the Company;
3. the letter from the Independent Board Committee, the text of which is set out in this Circular;
4. the letter of advice from Access Capital, the text of which is set out in this Circular; and
5. the written consent referred to in this Appendix.

NOTICE OF SPECIAL GENERAL MEETING

STELUX Holdings International Limited

寶光實業(國際)有限公司*

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders (“Shareholders”) of Stelux Holdings International Limited (the “Company”) will be held at 11:45 a.m. on Thursday, 25 March 2004 at 5th Floor, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong, for the purpose of considering and, if thought fit, passing (with or without modifications) the ordinary resolution set out below:

“THAT the Continuing Connected Transactions (as defined and described in the circular to the shareholders of the Company dated 3 March 2004 (the “Circular”), a copy of which has been produced to the meeting marked “A” and signed by the Chairman hereof for the purpose of identification) for the three financial years ending 31 March 2007 be and are hereby approved on the condition that the annual aggregate value of purchases of timepieces from the Thong Sia Companies (as defined and described in the Circular) shall not exceed 11% of the total purchase of the Group of that financial year AND the directors of the Company be and are hereby authorised to sign, execute and deliver all such documents and take all such actions as they may consider necessary or desirable for the purpose of or in connection with the Continuing Connected Transactions.”

By order of the Board
Caroline Chong
Company Secretary

Hong Kong, 3 March 2004

Principal office:

27th Floor, Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.
2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company’s Hong Kong registrar, Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting.
3. Light refreshments will be available after the meeting.

* For identification purpose only