

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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*

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

(Incorporated in Bermuda with limited liability)

(STOCK CODE: 84)

ELIMINATION AND APPLICATION OF CONTRIBUTED SURPLUS

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 6 September 2004 at 12:15 p.m. is set out on pages 6 to 7 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:

“Board”	board of Directors
“Bye-Laws”	the bye-laws of the Company
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Company”	Stelux Holdings International Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on The Stock Exchange of Hong Kong Limited
“Contributed Surplus Determination Date”	the date immediately prior to the Special General Meeting
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Elimination and Application”	the proposed elimination of contributed surplus account of the Company and application of the credit balance of the contributed surplus account of the Company by way of a transfer to the profit and loss appropriation account of the Company, as further described in this circular
“Shareholders”	holders of the ordinary 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 6 September 2004 at 12:15 p.m., notice of which is set out on pages 6 to 7 of this Circular or any adjourned meeting

LETTER FROM THE BOARD

STELUX Holdings International Limited

寶光實業(國際)有限公司*

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

(Incorporated in Bermuda with limited liability)

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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

29 July 2004

To the Shareholders

Dear Sir/Madam,

**ELIMINATION AND APPLICATION OF
CONTRIBUTED SURPLUS**

INTRODUCTION

The Board announced on 15 July 2004 that a proposal will be submitted to the Company's shareholders to eliminate and apply the credit balance of the contributed surplus account of the Company by way of a transfer of the balance to the profit and loss appropriation account of the Company. The purpose of this circular is to provide you with further information on the Elimination and Application and to seek your approval of the special resolution to be proposed at the Special General Meeting.

* For identification purpose only

LETTER FROM THE BOARD

PROPOSED ELIMINATION AND APPLICATION OF CONTRIBUTED SURPLUS

As stated in the audited accounts of the Company as at 31 March 2004, the Company's contributed surplus account had a credit balance of approximately HK\$4,085 million and the profit and loss appropriation account of the Company had a debit balance of approximately HK\$3,702 million. It is proposed that, subject to the conditions set out under the section headed "Conditions of the Elimination and Application" below, the credit balance of the contributed surplus account of the Company as at the Contributed Surplus Determination Date be eliminated by way of a transfer of the balance to the profit and loss appropriation account of the Company.

EFFECT OF THE ELIMINATION AND APPLICATION ON SHAREHOLDERS' FUNDS

The effect of the Elimination and Application on the components of the shareholders' funds of the Group and the Company is set out below:

SHAREHOLDERS' FUNDS	Balance before Elimination and Application as at 31 March 2004 (audited)		Balance immediately after Elimination and Application	
	<i>HK\$'000</i> Group	<i>HK\$'000</i> Company	<i>HK\$'000</i> Group	<i>HK\$'000</i> Company
Issued share capital	94,334	94,334	94,334	94,334
Contributed surplus	2,848,462	4,085,186	–	–
Share premium	793	793	793	793
(Accumulated loss)/ Retained Profit	(2,123,230)	(3,702,476)	725,232	382,710

REASONS FOR THE ELIMINATION AND APPLICATION

Immediately after the Elimination and Application, a credit balance will be recorded in the profit and loss appropriation account of the Company as a result. This will streamline the accounts of the Company and will enable the Company to achieve a capital structure that would permit and facilitate the payment of dividends, as and when the Directors consider it appropriate in the future.

EFFECTS OF THE ELIMINATION AND APPLICATION

For the purposes of the Companies Act contributed surplus is a capital contribution by a shareholder to a company without the company being required to issue any further security to the shareholder. It is more in the nature of share capital or share premium, than profits. The Companies Act and the Bye-laws are silent on the treatment of a

LETTER FROM THE BOARD

Elimination and Application. Given that contributed surplus is similar in nature to capital, the Company has been advised by its Bermuda legal counsel that (a) in accordance with its Bye-Laws a special resolution of the shareholders would be required in order to use the funds attributed to the contributed surplus account by way of a transfer to the profit and loss appropriation account, and (b) the Company should comply with the solvency requirements in the Companies Act in relation to distributions. These requirements are set out under the paragraph headed “Conditions of the Elimination and Application”.

Implementation of the Elimination and Application will not, in itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interest of the Shareholders, other than related expenses incurred which are immaterial. The Directors consider that the Elimination and Application will not have a material adverse effect on the financial position of the Group. The Directors further consider that in view of the clarity to be brought about to the presentation of the accounts of the Company as a result of the Elimination and Application, i.e. the contributed surplus accounts of the Company being eliminated and a credit balance being recorded in the profit and loss appropriation account of the Company the Elimination and Application is in the best interests of the Company.

CONDITIONS OF THE ELIMINATION AND APPLICATION

The Elimination and Application is conditional upon the following:

- (a) the passing of a special resolution to approve the Elimination and Application at the Special General Meeting; and
- (b) the Board confirming that on the date the Elimination and Application is to take effect, there should be no reasonable grounds for believing that the Company is or after the Elimination and Application would be unable to pay its liabilities as they may become due, or the realisable value of the Company’s assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Assuming the above conditions are fulfilled, it is expected that the Elimination and Application will become effective on the date of passing of the special resolution to approve the same.

SPECIAL GENERAL MEETING

A notice of the Special General Meeting is set out on pages 6 and 7 of this circular and a form of proxy for use at the Special General Meeting is enclosed. Whether or not you are able to attend the Special General 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).

LETTER FROM THE BOARD

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 Bye-laws, certain categories of members (details of which are set out in note 4 to the said notice, on page 7 of this circular) may demand that the vote in respect of the resolution to be put to the Special General Meeting should be taken on a poll.

RECOMMENDATION

The Directors consider that the Elimination and Application is in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend all Shareholders to vote in favour of the special resolution to be proposed at the Special General Meeting.

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

NOTICE OF SPECIAL GENERAL MEETING

STELUX Holdings International Limited

寶光實業(國際)有限公司*

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

(Incorporated in Bermuda with limited liability)

(STOCK CODE: 84)

NOTICE IS HEREBY GIVEN that a Special General Meeting of the shareholders (“Shareholders”) of Stelux Holdings International Limited (the “Company”) will be held at 12:15 p.m. on 6 September 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 following resolution as a Special Resolution:

SPECIAL RESOLUTION

“**THAT**, conditional upon the Board confirming that on the date the Elimination and Application (as defined below) is to take effect, there should be no reasonable grounds for believing that the Company is or after the Elimination and Application would be unable to pay its liabilities as they may become due or the realisable value of the Company’s assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts:–

- (a) the contributed surplus account of the Company, as it shall stand at the close of business on the day immediately prior to the date of the special general meeting of the Company at which this special resolution is considered, be eliminated and that such amount be transferred, credited and applied to the profit and loss appropriation account of the Company (the “**Elimination and Application**”); and
- (b) any one of the directors of the Company be authorised to execute or sign any further documents and/or take such acts as such director may consider necessary or desirable to complete and give effect to the above and to do such other things as may be necessary or desirable in connection therewith.”

For and on behalf of the Board

Wong Yuk Woon

Director

Hong Kong, 29 July 2004

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

Directors of the Company as at the date hereof:

Executive Directors:

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

Non-Executive Directors:

Sakorn Kanjanapas, Kwong Yiu Chung (*independent*) and Sydney Chu Chun Keung (*independent*)

Principal office:

27/F., 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. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. 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.
4. In accordance with the Bye-laws, the following categories of members may demand that the vote in respect of the resolution to be put to the Special General Meeting should be taken on a poll:–
 - (i) by the Chairman of the meeting; or
 - (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
 - (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
 - (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.
5. Light refreshments will be available after the conclusion of the special general meeting.

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FORM OF PROXY SPECIAL GENERAL MEETING – 6 SEPTEMBER 2004

I/We¹
of
being (a) Member(s) of Stelux Holdings International Limited (寶光實業(國際)有限公司) hereby appoint² the
Chairman of the Meeting or failing him
of
as my/our proxy to vote on my/our behalf at the Special General Meeting of the Company to be held on
Monday 6 September 2004 at 12:15 p.m. and at any adjournment thereof on the Resolutions (with or without
modifications) as indicated below:

Special Resolution	For ³	Against ³
<p>"THAT, conditional upon the Board confirming that on the date the Elimination and Application (as defined below) is to take effect, there should be no reasonable grounds for believing that the Company is or after the Elimination and Application would be unable to pay its liabilities as they may become due or the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts:-</p> <p>(a) the contributed surplus account of the Company, as it shall stand at the close of business on the day immediately prior to the date of the special general meeting of the Company at which this special resolution is considered, be eliminated and that such amount be transferred, credited and applied to the profit and loss appropriation account of the Company (the "Elimination and Application"); and</p> <p>(b) any one of the directors of the Company be authorised to execute or sign any further documents and/or take such acts as such director may consider necessary or desirable to complete and give effect to the above and to do such other things as may be necessary or desirable in connection therewith."</p>		

Signature(s)⁵

Number of shares to
which this proxy relates⁴

Date

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**. The names of all joint holders should be stated.
2. If any proxy other than the Chairman of the Meeting is preferred, delete the words "the Chairman of the Meeting or failing him" and insert the name and address of the proxy desired in the space provided. A member may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.**
3. **IMPORTANT: IF YOU WISH YOUR PROXY TO VOTE ON YOUR BEHALF FOR A PARTICULAR RESOLUTION, PLEASE TICK THE RELEVANT BOX MARKED "FOR". IF YOU WISH YOUR PROXY TO VOTE AGAINST A PARTICULAR RESOLUTION, PLEASE TICK THE RELEVANT BOX MARKED "AGAINST".** If you do not indicate how you wish your proxy to vote, your proxy will be entitled to exercise his discretion whether to vote for or against the resolutions or to abstain from voting.
4. Please insert the number of shares to which this proxy relates in the space provided. If a number is inserted, this form of proxy will be deemed to relate only to those shares. If no number is inserted, this form will be deemed to relate to all the shares in the Company which are registered in your name (whether alone or jointly with others).
5. This form of proxy must be signed by you under hand or your attorney duly authorised in writing or, in the case of a corporation, either executed under seal or under the hand of an officer or attorney duly authorised.
6. If two or more persons are jointly entitled to a share and are present at the Meeting, only the joint holder whose name stands first in the register of members in respect of the joint holding is entitled to vote at the Meeting.
7. To be valid this form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at 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 of the Meeting or any adjourned meeting.**
8. Completion and deposit of the proxy form will not preclude you from attending and voting in person at the Meeting if you so wish.

* For identification purpose only