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## **STELUX Holdings International Limited**

**寶光實業(國際)有限公司\***

website: <http://www.stelux.com>

*Incorporated in Bermuda with limited liability*

**Stock Code: 84**

### **ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE AND RESUMPTION OF TRADING**

#### **ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

The Board is pleased to announce that on 29 November 2012 the Company entered into the Investment Agreement with the Investor pursuant to which the Company and the Investor have agreed to establish a strategic co-operation relationship. Pursuant to the Investment Agreement, the Investor shall subscribe for, and the Company shall issue, the Bonds in an aggregate principal amount of HK\$371,022,600 at an aggregate subscription price of HK\$371,022,600. The Bonds will be convertible into Shares at the initial Conversion Price of HK\$1.95 per New Share.

Assuming the exercise in full of the Conversion Right attaching to the Bonds at the initial Conversion Price, a total of 190,268,000 New Shares will be issued, representing approximately 15.38% of the issued share capital of the Company as enlarged by the issue of the New Shares. The New Shares will be issued under the General Mandate.

#### **RESUMPTION OF TRADING**

Trading in the Shares has been suspended at the request of the Company with effect from 9:00a.m. on 27 November 2012 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00a.m. on 30 November 2012.

**Closing of the issue of the Bonds under the Investment Agreement is subject to the satisfaction of the Conditions Precedent.**

**As the Investment Agreement may or may not proceed to Closing, the Bonds may or may not be issued, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

On 29 November 2012, the Company entered into the Investment Agreement with the Investor pursuant to which the Company and the Investor have agreed to establish a strategic co-operation relationship. Pursuant to the Investment Agreement, the Investor shall subscribe for, and the Company shall issue, the Bonds in an aggregate principal amount of HK\$371,022,600 at an aggregate subscription price of HK\$371,022,600. The Bonds will be convertible into Shares at the initial Conversion Price of HK\$1.95 per New Share.

Principal terms of the Investment Agreement and the Bonds are summarised below.

## **THE INVESTMENT AGREEMENT**

**Date:** 29 November 2012

**Company:** the Company

**Investor:** Sapphire Illuminatus Holdings Limited.

To the best of the knowledge and belief of the Directors, the Investor is independent of the Company and its connected persons.

**Issue of Bonds:** Pursuant to the Investment Agreement, the Company will, subject to the conditions as set out in the Investment Agreement, issue the Bonds to the Investor in the aggregate principal amount of HK\$371,022,600 at an aggregate subscription price of HK\$371,022,600.

**Conditions Precedent:** Closing is conditional on the following conditions being satisfied (or, if applicable, waived by the Investor) prior to 31 March 2013:

- (a) the representations and warranties of the Company set out in the Investment Agreement continuing to be true, accurate and correct and not misleading as of the Closing Date;
- (b) the Company having obtained all necessary approvals required under its memorandum of association and bye-laws, applicable law and the Listing Rules:

- (i) to issue the Bonds to the Investor;
  - (ii) to issue the New Shares; and
  - (iii) for the appointment to the Board of the initial Investor Directors;
- (c) the Stock Exchange having approved the listing of, and granted permission to deal in, the New Shares;
  - (d) the Company having performed all of its obligations under the Investment Agreement expressed to be performed on or before the Closing Date;
  - (e) Mr. Chumphol Kanjanapas (alias Mr. Joseph C.C. Wong) having delivered to the Investors an executed original of the irrevocable undertaking to vote his Shares in favour of the appointment of the Investor Directors;
  - (f) no Shares or securities convertible into Shares having been issued by the Company since the date of the Investment Agreement, other than pursuant to the exercise of options issued under an employee share option scheme;
  - (g) no Material Adverse Effect having occurred;
  - (h) no injunction, interim or otherwise, having been granted in respect of the Company which would prohibit the Company to enter into and perform its obligations under the Investment Agreement and the Instrument; and
  - (i) no Event of Default or Special Event of Default having occurred.

The Investor may waive compliance with the whole or any part of the Conditions Precedent (except conditions (b)(i) and (ii)) set out above.

**Closing:**

Closing shall take place on the Closing Date at 10:00 a.m. (Hong Kong time) (or such other time as may be agreed by the Company and the Investor).

**Strategic  
Co-operation:**

The Company and the Investor have agreed that, for so long as the Investor and its Affiliates hold in aggregate the Minimum Governance Rights Proportion, the Investor will, in good faith, use its best endeavours to provide (through its Investor Directors, any operations manager secondee and otherwise) strategic and business advice and support to the Group from time to time, and in particular by:

- (a) contributing its expertise, experience and knowledge to the Group from time to time in the retail and consumer sector in the People's Republic of China for the growth, expansion and development of the Company's business in the People's Republic of China;
- (b) providing strategic and business advice in relation to the Company's expansion and future development (including in relation to acquisition opportunities);
- (c) assisting in the training and development of the Company's senior management team;
- (d) using its reasonable efforts to facilitate the development of opportunities for the strategic co-operation between the Company or its subsidiaries (on the one hand) and the Investor's Affiliates and entities and companies in which they have investments (on the other hand);
- (e) using its reasonable efforts to facilitate the negotiation and signing of arm's length agreements, on normal commercial terms, between the Company or its subsidiaries (on the one hand) and relevant entities or companies in which the Investor or any of its Affiliates has at least a 10% investment (on the other hand), of lease, tenancy, concessionaire or similar agreements for the operation of points of sale and other retail outlets, and co-operation, sales or other similar agreements for distribution or sale of the products of the Company or its subsidiaries;
- (f) assisting the Group in the formulation of key performance indicators ("KPI") with respect to the Company's business and, without limiting the generality of the foregoing, including setting a KPI scheme for its retail outlets, management and business as the Company may in good faith reasonably request; and
- (g) generally providing such other strategic advice to the Group as the Company may in good faith reasonably request.

**Dividend Policy:**

The Company will implement and, for so long as any Bonds are outstanding, maintain in place a dividend policy that aims to distribute at least 30% of the Group's operating net profit (excluding any one-off or extraordinary items) in each financial year subject to:

- (a) the requirements of the Bermuda Companies Act, the Listing Rules and other applicable laws;
- (b) any banking or other funding covenants by which the Company is bound from time to time; and

- (c) the anticipated investment and operating requirements of the Group.

Subject to the foregoing, the amount of any dividend shall be determined by the Board and, in respect of the final dividend for any financial year, shall also be subject to the approval of the shareholders of the Company. There is no obligation on the Company to distribute such amount of dividend.

**Governance  
Rights:**

For so long as the Investor and its Affiliates hold in aggregate the Minimum Governance Rights Proportion, the Investor shall to the extent permitted under applicable law and the Listing Rules have the right from time to time to:

- (a) nominate one person (which shall be increased to two persons for such time as the Investor and its Affiliates hold in aggregate the Governance Rights Proportion) to be appointed as Investor Director(s);
- (b) nominate an Investor Director to be appointed and to continue in office as a member of certain committees of the Board;
- (c) nominate candidates to be appointed and to continue in office in certain management positions for the Group's business in the People's Republic of China; and
- (d) second an operations manager to the Company and/or its subsidiaries for the purposes of monitoring the Investor's investment in the Company and assisting in the strategic management of the Group.

For such time as the Investor and its Affiliates hold in aggregate the Minimum Governance Rights Proportion, the Company shall to the extent permitted under applicable law and the Listing Rules procure that:

- (a) the Board shall at all times comprise not more than twelve Directors (including the Investor Directors);
- (b) certain committees of the Board shall comprise at least one Investor Director; and
- (c) participation by at least one Investor Director is necessary to reach a quorum for any meeting of the Board, unless a notice for the meeting of the Board is issued at least 14 days prior to such meeting of the Board.

Any Investor Director or other person nominated for appointment by

the Company shall meet all criteria and qualifications under all applicable laws and the Listing Rules and any Investor Director appointed by the Board is subject to the approval of the Shareholders at annual general meetings of Shareholders.

If the Investor, together with its Affiliates, ceases to hold the Minimum Governance Rights Proportion, the Investor shall cease to have the benefit of the governance rights described above.

**Strategy  
Committee:**

The Company will procure the establishment of a strategy committee of the Board, which will provide recommendations to the Board on an ongoing basis on strategic matters, including changes to the Group's organisational structure, annual budgets of the Group, substantial changes to the Group's existing retail portfolios, material dispositions and acquisitions.

**Information  
Rights:**

Subject to any legal or regulatory restrictions, for so long as the Investor and its Affiliates hold in aggregate the Minimum Governance Rights Proportion, the Investor shall be entitled to receive any information held by the Company which the Investor reasonably requires to keep it properly informed about the business and affairs of the Group and generally to protect its interests as a Bondholder, including the Group's finalised monthly management accounts and financial or other information provided by the Group to any bank or holder of debt securities in any member of the Group.

**Pre-emption  
Rights:**

For so long as the Investor and/or its Affiliates hold Bonds, if the Company issues any new Shares or other securities (other than in accordance with the Group's employee share option schemes in existence at the date of the Investment Agreement or for the conversion of Bonds and the payment of scrip dividend), the value or return of which is related to the value or return on the Shares, the Company shall within three Business Days thereof notify the Investor of such new Shares or securities and make an offer to it, which the Investor shall be entitled to accept, to subscribe for in proportion to the aggregate number of Shares held by it and/or its Affiliates, whether directly or indirectly, on a fully diluted basis as against the aggregate number of Shares outstanding on a fully diluted basis at the time of the offer.

**Investor Covenant  
Trigger Event:**

If, during the period commencing on the date of the Investment Agreement and ending on the date that is 180 days from the date on which the last Investor Director ceases to be a Director, any of the Investor Covenant Trigger Event has taken place, then the Company shall have the right within 30 days of becoming aware of the occurrence of such event to give written notice to the Investor that it has determined in good faith that it would be inappropriate to continue the strategic co-operation under the Investment Agreement

and to terminate the strategic co-operation provisions and various governance rights (other than the right to nominate Investor Directors) under the Investment Agreement.

Investor Covenant Trigger Event includes, in summary, events where any of the Investor, Investor Director(s) or any of their respective Affiliates (i) without the prior consent of the Board engages or holds an interest in a business that competes with the business of the Group in the Greater China region, other than any investment which was made prior to the date of the Investment Agreement or any investment for financial investment purposes representing no more than 5% of the issued share capital of a publicly listed company or (ii) engages in the solicitation of certain suppliers, wholesalers or employees of the Group.

**Restriction on Exercise of Conversion Right:**

The Investor undertakes and covenants with the Company that it will, and will procure that each of its Affiliates will on each separate occasion on which the Investor and/or any of its Affiliates exercises its Conversion Right, the Investor and/or any of its Affiliates will, in aggregate, exercise such right in relation to at least 20% of the aggregate amount of the Bonds initially issued (or such lower percentage as constitutes the outstanding Bonds held by the Investor and/or any of its Affiliates at such time).

**PRINCIPAL TERMS OF THE BONDS**

**Issuer:** the Company

**Principal Amount:** HK\$371,022,600

**Interest:** 3.5% per annum payable semi-annually in arrears with respect to the Bonds registered under the name of the Investor or any of its Affiliates.

2.75% per annum payable semi-annually in arrears with respect to the Bonds registered under the name of any other Bondholder.

**Additional Interest:**

Provided that no Reduction Event has taken place, if the amount of interest accrued on each Bond registered under the name of and beneficially owned by the Investor or any of its Affiliates is less than the amount of the half-yearly interim or final cash dividend (not including, for the avoidance of doubt, any special dividend) payable in respect of the number of Shares into which each Bond would convert as at the record date for such interim or final dividend, then the Company shall pay to the Investor or the relevant Affiliates the difference between such amounts. If a Reduction Event takes place, the Additional Interest provisions immediately cease to have any further effect.

**Conversion Period:** The period that commences after the earlier of the date which is 18 months after the issue date of the Bonds and the date of any Event of Default or Special Event of Default up to the close of business on the fifth Business Day prior to (i) the Maturity Date or (ii) the date fixed for redemption of the Bonds.

**Conversion Right:** Bondholders shall have the right to convert their Bonds into New Shares at any time during the Conversion Period.

Assuming the exercise in full of the Conversion Right attaching to the Bonds at the initial Conversion Price, a total of 190,268,000 New Shares will be issued, representing approximately 15.38% of the issued share capital of the Company as enlarged by the issue of the New Shares.

**Conversion Price and Conversion Ratio:** Subject to the provisions in respect of the Put Option, the number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the conversion date (the "**Conversion Ratio**"). If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

The initial Conversion Price of HK\$1.95 per Share represents:

- (i) a discount of approximately 1.5% over the closing price of HK\$1.98 per Share as quoted in the daily quotation sheet of the Stock Exchange on the Last Trading Date;
- (ii) the average of the closing prices of the Shares as quoted in the daily quotation sheets of the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 5.5% over the average of the closing prices of the Shares as quoted in the daily quotation sheets of the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date; and
- (iv) a premium of approximately 14.4% over the average of the closing prices of the Shares as quoted in the daily quotation sheets of the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Date.

**Adjustments to the Conversion Price:** The Conversion Price will be subject to adjustment based on the prescribed formulas as set out in the Instrument upon the occurrence of, amongst others, the following events:

- (i) consolidation, subdivision or reclassification;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (iv) dividend (other than, in relation to Bonds held by the Investor and/or any of its Affiliates, any half-yearly interim cash dividend or final cash dividend);
- (v) rights issues of Shares or grant of options over Shares;
- (vi) rights issues of other securities;
- (vii) issue of Shares, grant of options over Shares or issues of other securities;
- (viii) modification of rights of conversion.

Shares or other securities (including rights, warrants or options) issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of, or subscribed for, purchased or otherwise acquired pursuant to, any employee share scheme or the conversion of the Bonds are not subject to the Conversion Price adjustment provisions above. In addition, the Conversion Price adjustment provisions above do not apply to Bonds in relation to which the Investor and/or its Affiliates have exercised their pre-emption rights set out herein.

**Maturity:** Unless previously converted, redeemed or purchased and cancelled as provided in the Instrument, the Company will redeem each Bond at the outstanding principal amount of such Bond, together with accrued but unpaid interest and/or, if applicable, Additional Interest to such date on the Maturity Date.

**Redemption:** Following the occurrence of an Event of Default (as described below) or a Special Event of Default (as described below), each Bondholder (in the case of an Event of Default) and each Bondholder that is the Investor or any of its Affiliates (in the case of a Special Event of Default) shall have the right to require the Company to redeem all or some of its Bonds at an amount equal to 130% of the outstanding principal amount of such Bonds, together with accrued but unpaid interest and/or, if applicable, Additional Interest to such date.

**Events of Default:** Each of the following events is an Event of Default under the Instrument:

- (a) if there is a change of control of the Company;
- (b) if there is a breach by the Company of any of the Covenants;
- (c) if the external auditors of the Company have issued a qualified or adverse opinion in respect of any accounts of the Company or are unable to provide an opinion in respect of any accounts of the Company that are required to be audited pursuant to the Listing Rules;
- (d) if the Shares cease to be listed or admitted to trading on the Stock Exchange or if steps are taken by or on behalf of the Company to effect such cessation or if trading in the Shares on the Stock Exchange has been suspended for 20 consecutive trading days;
- (e) if a default is made by the Company in the payment of any principal, premium, interest and/or, if applicable, Additional Interest or any other amount due in respect of the Bonds within 14 days from the due date for payment;
- (f) if there is a failure by the Company to deliver the Shares as and when such Shares are required to be delivered in accordance with the conditions under the Instrument following conversion and such failure continues for a period of more than 14 days;
- (g) if the Company fails to perform or comply with one or more of the other covenants, conditions, provisions or obligations attaching to the Bonds which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Company by a Bondholder;
- (h) if it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under the Bonds;
- (i) if any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Company lawfully to exercise its rights and perform and comply with its obligations under the Bonds; or (ii) to ensure that these obligations are legally binding and enforceable, is not taken, fulfilled or done;
- (j) if an event has occurred which is, or is likely to become, an Insolvency Event; or
- (k) if the Company or any principal subsidiary is named as a defendant in, or is the subject of, any material criminal litigation

or an officially commenced government instigated and material criminal proceeding in any competent jurisdiction.

**Special Event of Default:**

Each of the following events is a Special Event of Default under the Instrument:

- (a) if the Company fails to appoint a Director or Board committee member, who has been nominated by the Investor in accordance with the Investor's governance rights set out in the Investment Agreement, unless such appointment would be unlawful, in breach of the Listing Rules or contrary to a publicly made recommendation by the Stock Exchange or The Securities and Futures Commission of Hong Kong in respect of that specific Investor Director;
- (b) (i) if any of the other governance rights and information and reporting rights set out in the Investment Agreement are not capable of being exercised by the Investor or the Investor is prevented from exercising any of those rights; or (ii) if the Company fails to procure the matters set out in the other governance rights and information and reporting rights set out in the Investment Agreement, other than when such rights are terminated or cease to have any further effect pursuant to the terms of the Investment Agreement; or
- (c) if any of the representations or warranties given by the Company pursuant to the Investment Agreement were inaccurate, untrue or misleading when given or if at any time any undertaking or covenant by the Company in the Investment Agreement is not observed or not complied with in all material respects by the Company.

**General Undertakings:**

So long as there are any outstanding Bonds, save with the approval by a special resolution of the Bondholders, the Company will, and will procure that its subsidiaries will, amongst other things:

- (a) not amend, repeal or alter its memorandum and bye-laws in such manner which would, or would be reasonably likely to, affect the rights of Bondholders;
- (b) use its best endeavours: (i) to maintain a listing for all the issued Shares on the Stock Exchange; and (ii) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Stock Exchange;
- (c) not make any reduction of its ordinary share capital or any uncalled liability or any share premium account or capital redemption reserve fund;

- (d) not in any way modify the rights attaching to the Shares with respect to voting, dividends or liquidation;
- (e) reserve, free from any pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital, and obtain and maintain the requisite Board and Shareholder authorities to allot and issue, the full number of Shares liable to be issued on conversion of the Bonds and ensure that all Shares will be duly and validly issued as fully paid, free from any security interest, and will rank at least pari passu with any other Shares then in issue;
- (f) not make any offer, issue or distribution or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares; and
- (g) if any offer is made to all Shareholders to acquire all or a portion of the Shares, provided that to do so is lawful, use all reasonable endeavours to procure that a like or comparable offer is extended in respect of the Bonds or any Shares issued on conversion of the Bonds during the period of the offer.

**Covenants:**

*Negative pledge:*

So long as any Bonds remain outstanding, the Company will not, and will procure that none of its subsidiaries will, create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (other than that created for the benefit of the Company or any of its subsidiaries prior to the date of the Investment Agreement or during the ordinary course of business of the Group and which will not have a material adverse impact on the Company or any of its subsidiaries) upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any debt securities or to secure any guarantee of or indemnity relating thereto, unless, at the same time or prior thereto, the Company's obligations under the Bonds: (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto; or (ii) have the benefit of such other security interest, guarantee, indemnity or other arrangement as shall be approved by a special resolution at a meeting of Bondholders passed by a majority consisting of not less than three-quarters of the votes cast at such meeting of Bondholders.

*Limitation on Mergers:*

So long as any Bonds remaining outstanding, the Company will not, and will procure that none of its subsidiaries will, consolidate with, merge or amalgamate into or transfer its assets substantially as an

entirety to any corporation or convey or transfer its properties and assets substantially as an entirety to any person (the consummation of any such event, a "**Merger**"), unless: (i) the Company has notified the Bondholders of such event, (ii) the corporation formed by such Merger or the person that acquires such properties and assets shall expressly assume all obligations of the Company under the Bonds and the Instrument; (iii) immediately after giving effect to any such Merger, none of the events specified in paragraphs (d) to (k) set out under "Event of Default" above shall have occurred or be continuing or would result therefrom; and (iv) the corporation formed by such Merger or the person that acquires such properties and assets shall expressly agree to indemnify each Bondholder against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal, premium, interest and/or, if applicable, Additional Interest on the Bonds.

**Put Option:**

Provided that no Reduction Event has taken place, each Bondholder that is the Investor or any of its Affiliates shall have a put option ("Put Option") to require the Company to early redeem 30% of the outstanding Bonds legally and beneficially owned by it, if:

- (a) the audited consolidated net income (before taking into account any items treated as extraordinary items) of the Company (without taking into account any expenses arising from accounting treatments of the Bonds required under the relevant Hong Kong Financial Reporting Standards) is less than HK\$400,000,000 in more than one out of the three financial years between 2015 and 2017 based on the consolidated audited accounts of the Company for those years; or
- (b) the aggregate of the audited consolidated net income (before taking into account any items treated as extraordinary items) of the Company (without taking into account any expenses arising from accounting treatments of the Bonds required under the relevant Hong Kong Financial Reporting Standards) is less than HK\$1,000,000,000 for the three financial years between 2015 and 2017 based on the consolidated audited accounts of the Company for those years.

After the Put Option is exercised, such Bondholder shall tender 30% of the Bonds legally and beneficially owned by it to the Company for redemption against payment in cash by the Company. The remainder of the Bonds legally and beneficially owned by such Bondholder shall remain to be convertible, and such Bonds which have not been previously converted, redeemed, or purchased and cancelled and remain outstanding on the Maturity Date shall be redeemed. The Company shall also pay an amount in cash to such Bondholder equal

to 3/7<sup>th</sup> of the outstanding principal amount of such remaining Bonds held by such Bondholder on the Maturity Date. If a Reduction Event takes place, these Put Option provisions immediately cease to have any further effect.

For the avoidance of doubt, none of the events under (a) or (b) above should constitute or should be regarded as a forecast or projection of any anticipated level of future profits of the Company for the purposes of Listing Rule 14.61 or otherwise. In particular, these thresholds were developed by the Investor independently of the Company and were then commercially agreed between the Company and the Investor in the context of negotiating the various terms of the Bonds. These events should not be regarded as an assurance or indication that the Company or the Investor or their respective advisers considered or consider them to be a reliable indicator of future performance and these events should not be relied upon as such.

**Ranking:** The Shares issued upon conversion of the Bonds will in all respects rank *pari passu* with the Shares already in issue on the relevant conversion date.

**Voting Rights:** Other than meetings of the Bondholders, the Bondholders will not have any right to attend or vote at any meeting of the Company by virtue of them being Bondholders, until and unless they have converted their Bonds into Shares.

**Listing:** No application will be made for the listing of the Bonds on the Stock Exchange or any other stock exchange.

**Transferability** Subject to certain closed periods, a Bond may be transferred at any time by delivery to the Company of the bond certificate issued in respect of that Bond, together with the endorsed form of transfer and evidence that all applicable stamp or other transfer duties have been duly paid, provided that the prior approval of the Stock Exchange shall be obtained and the requirements of the Listing Rules shall be complied with (in each case to the extent required) for any transfer to any person who the transferor knows to be a connected person.

## **EFFECT ON THE SHAREHOLDING STRUCTURE**

To the best knowledge of the Company, assuming that there is no change in the issued share capital of the Company prior to the conversion of the Bonds, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) assuming full conversion of the Bonds at the initial Conversion Price of HK\$1.95 will be as follows:

Shareholder	As at the date of this announcement		Assuming full conversion of the Bonds at the initial Conversion Price of HK\$1.95	
	Number of Shares directly or indirectly held	% of issued share capital of the Company	Number of Shares directly or indirectly held	% of issued share capital of the Company as enlarged by the issue of the New Shares
Trust <sup>(Note 1)</sup>	4,830,100	0.46	4,830,100	0.39
Mr. Chumphol Kanjanapas <sup>(Note 2)</sup>	525,067,814	50.17	525,067,814	42.46
Mr. Sakorn Kanjanapas <sup>(Note 3)</sup>	71,221,078	6.81	71,221,078	5.76
Mr. Lau Tak Bui, Vincent	9,192,920	0.88	9,192,920	0.74
Mr. Chu Kai Wah, Anthony	2,200,000	0.21	2,200,000	0.18
The Investor	-	-	190,268,000	15.38
Public Shareholders	433,962,113	41.47	433,962,113	35.09
Total	1,046,474,025	100.00	1,236,742,025	100.00

Notes:

- (1) Yee Hing Company Limited holds, directly and indirectly through its subsidiaries, including Active Lights Company Limited, 4,830,100 Shares as at the date of this announcement. 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the "Trust"). Mr. Chumphol Kanjanapas and Mr. Sakorn Kanjanapas are the beneficiaries of the Trust and are therefore deemed to be interested in 4,830,100 Shares through the Trust's interest in Yee Hing Company Limited.
- (2) These Shares represent 525,056,814 Shares beneficially owned by Mr. Chumphol Kanjanapas and 11,000 Shares held by his spouse.
- (3) These Shares are beneficially owned by Mr. Sakorn Kanjanapas.
- (4) As at the date of this announcement, pursuant to an agreement entered into in August 2012 between Mr. Chumphol Kanjanapas and Mr. Sakorn Kanjanapas, Mr. Chumphol Kanjanapas holds outstanding options granted under the agreement to purchase 71,221,078 Shares from Mr. Sakorn Kanjanapas.

## REASONS FOR AND BENEFITS OF THE ISSUE OF THE BONDS

The Company and the Investor share the same strategic vision that the mid-end watch and optical retail industry has huge potential for growth in the Greater China region. The Directors consider that the new funding through the issue of the Bonds combined with the Company's leading position and strong management team as well as the Investor's in-depth retail industry experience will assist the Group to strengthen its position in the Greater China region and bring unparalleled experiences and expertise in expanding the Group's presence in Mainland China in order to achieve profitable long term growth. The strategic

co-operation under the Investment Agreement will allow the Group to work closely with the Investor to further develop its core businesses, improve operational efficiency, cultivate a profit-orientated management culture and further enhance the Company's corporate governance.

The terms and conditions of the Investment Agreement and the Instrument were agreed after arm's length negotiations between the Company and the Investor having taken into account the prevailing market prices of the Shares and the benefits arising from the strategic co-operation. The Directors consider that the terms of the Investment Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP**

The Group is primarily engaged in the retailing, trading and wholesale of watches and optical products through its "CITY CHAIN" and "OPTICAL 88" retail chain stores respectively with over 600 stores and also through the Thong Sia Group as the sole distributor of "SEIKO" watches within the region.

## **INFORMATION ON THE INVESTOR**

The Investor is owned by Boyu Capital Fund I, L.P. Boyu Capital is a leading China-focused private investment firm with over US\$1 billion under management and offices in Hong Kong and Beijing. Founded by a team of experienced investors and business operators, Boyu Capital provides growth capital and strategic support for industry-leading companies through long-term partnerships with management teams.

## **USE OF PROCEEDS**

The estimated net proceeds from the issue of the Bonds will be approximately HK\$371 million, which is intended to be used for further expansion of the Group's "CITY CHAIN" and "OPTICAL 88" store networks, promotion of in-house brands, potential business expansion opportunities, and/or other general corporate purposes.

## **FUND RAISING ACTIVITY BY THE COMPANY IN THE LAST 12 MONTHS**

The Company has not conducted any fund raising activities in the twelve months immediately before the date of this announcement.

## **LISTING RULES IMPLICATION**

The New Shares will be issued under the General Mandate to allot, issue and deal with

Shares granted to the Directors at the annual general meeting of the Company held on 23 August 2012. Under the General Mandate, up to 190,268,004 Shares (being the maximum number of Shares issuable under the General Mandate granted to the Directors) can be issued. The General Mandate has not been utilised prior to the date of this announcement. The New Shares, being a maximum of 190,268,000 Shares to be issued upon the exercise in full of the Conversion Right based on the initial Conversion Price, can be issued under the General Mandate.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the New Shares.

## **RESUMPTION OF TRADING**

Trading in the Shares has been suspended at the request of the Company with effect from 9:00a.m. on 27 November 2012 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00a.m. on 30 November 2012.

**Closing of the issue of the Bonds under the Investment Agreement is subject to the satisfaction of the Conditions Precedent.**

**As the Investment Agreement may or may not proceed to Closing, the Bonds may or may not be issued, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

"Affiliate"	means a person who is directly or indirectly controlling or controlled by or under direct or indirect common control with another person;
"Bermuda Companies Act"	Companies Act 1981 of Bermuda
"Board"	means the board of Directors;
"Bonds"	means the unsecured convertible bonds in an aggregate principal amount of HK\$371,022,600 to be constituted by the Instrument and issued with the benefit of and subject to the provisions of the Instrument and due on the Maturity Date;
"Bondholder(s)"	means the person(s) who is/are for the time being the registered holder(s) of the Bonds;

“Business Day”	means a day (other than a Saturday or Sunday or public holiday in Hong Kong or any day on which a tropical cyclone warning no. 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are open for business in Hong Kong;
“Closing”	means the completion of the issue of and the subscription for the Bonds in accordance with the Investment Agreement;
“Closing Date”	means the date of Closing, which shall be the third Business Day after the date on which the Conditions Precedent have been (and continue to be) satisfied (or waived by the Investor), or on such other date as the parties may agree;
“Company”	means Stelux Holdings International Limited, the Shares of which are listed on the Stock Exchange;
“Conditions Precedent”	means the conditions precedent set out in the Investment Agreement;
"Connected person"	has the meaning ascribed to it in the Listing Rules;
“Conversion Price”	means the price per Share at which Shares will be issued upon exercise of the Conversion Rights, such price initially being HK\$1.95 per Share, subject to adjustment in accordance with the terms of the Instrument;
“Conversion Right”	means the right of the Bondholders to convert their Bonds into Shares at any time during the Conversion Period;
“Director(s)”	means the director(s) of the Company;
“General Mandate”	means the general mandate granted to the Directors pursuant to a resolution passed by the Shareholders on 23 August 2012 for the allotment and issue of and dealing with additional Shares not exceeding 20% of the issued share capital of the Company;
“Group”	means the Company and its subsidiaries from time to time;

"Governance Rights Proportion"	means an interest in such number of Shares, whether directly or indirectly, by holding the legal and beneficial title to Shares and/or by holding the legal and beneficial title to Bonds, as is equal to or more than 50% of the aggregate number of Shares which the Investor and/or any of its Affiliates would be entitled to receive on conversion of all the Bonds initially issued under the Investment Agreement at the initial Conversion Price, provided that the Investor and/or any of its Affiliates are also together the legal and beneficial owners of Bonds representing at least 20% of the Bonds initially issued under the Investment Agreement in such circumstances;
"Hong Kong"	means the Hong Kong Special Administrative Region of the People's Republic of China;
"HK\$"	means the legal currency of Hong Kong;
"Insolvency Event"	means any of the following occurrences: <ul style="list-style-type: none"> <li style="margin-bottom: 10px;">(i) if the Company or any principal subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due or takes any proceeding under any law for readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors generally or by reason of actual financial difficulties commences negotiation with its creditors generally with a view to rescheduling any or all of its debts, or if proceedings for any of the foregoing are initiated and are not discharged or stayed within a period of 30 days, other than any alleged liability or debt which the Company or the relevant principal subsidiary is diligently and in good faith disputing and defending and which is not (in the reasonable opinion of any Bondholder(s) holding more than 20% of the outstanding Bonds) materially prejudicial to the interests of the Bondholders;</li> <li>(ii) if any final judgment or order of any court or arbitrator for the payment of money or damages in excess of HK\$100,000,000 (or the</li> </ul>

equivalent thereof) in the aggregate for all such final judgments or orders shall be rendered against the Company or any of its subsidiaries and shall not be bonded, paid or discharged for a period of 45 days following such judgment or order during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

- (iii) if (aa) any other present or future indebtedness of the Company or any of its subsidiaries for or in respect of monies borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default or the like (howsoever described); or (bb) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (cc) the Company or any of its subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any monies borrowed or raised (other than any alleged liability or debt which the Company or the relevant subsidiary is diligently and in good faith disputing and defending), provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds HK\$10,000,000 (or the equivalent thereof) for any debt securities and/or indebtedness constituted by loan agreements with lenders or HK\$100,000,000 (or the equivalent thereof) for any other indebtedness on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity;
- (iv) if a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company or any of its principal subsidiaries and is not discharged or stayed within 30 days;
- (v) if an order is made or an effective resolution

passed for the winding-up or dissolution, judicial management or administration of the Company or any of its principal subsidiaries, or the Company or any of its principal subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (aa) on terms approved by a special resolution approved by not less than three-quarters of the votes cast at such meeting of the Bondholders or (bb) in the case of a principal subsidiary, whereby the undertaking and assets of such principal subsidiary are transferred to or otherwise vested in the Company or another of its principal subsidiaries;

(vi) if any step is taken by any person that could reasonably be expected to result in the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of its principal subsidiaries;

(vii) if an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the property, assets or revenues of the Company or any of its principal subsidiaries (as the case may be) and is not discharged within 30 days; or

(viii) if any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this definition.

“Instrument”

means the instrument to be executed as a deed by the Company constituting the Bonds;

“Investment Agreement”

means the investment agreement dated 29 November 2012 and entered into between the Company and the Investor in relation to the subscription of the Bonds by the Investor;

“Investor”	means Sapphire Illuminatus Holdings Limited;
“Last Trading Date”	means 26 November 2012, being the last full trading day in the Shares immediately before the publication of this announcement;
“Listing Rules”	means the Rules Governing the Listing of Securities of the Stock Exchange;
"Macau"	means the Macau Special Administrative Region of the People's Republic of China;
"Material Adverse Effect"	means any event, circumstance or state of affairs or any combination thereof which is, or will in all reasonable likelihood be, materially adverse to the business, operations, assets, liabilities (including contingent liabilities), properties, regulatory status, business or financial condition, results or prospects of the Group taken as a whole or to the financial markets in Hong Kong, the People's Republic of China or the United States of America or to the ability of the Company to perform its obligations under the Investment Agreement or the Instrument;
“Maturity Date”	means the fifth anniversary of the issue date of the Bonds or, if such date is not a Business Day, the Business Day immediately preceding such date;
"Minimum Governance Rights Proportion"	means an interest in such number of Shares, whether directly or indirectly, by holding the legal and beneficial title to Shares and/or by holding the legal and beneficial title to Bonds, as is equal to or more than 25% of the aggregate number of Shares which the Investor and/or any of its Affiliates would be entitled to receive on conversion of all the Bonds initially issued under the Investment Agreement at the initial Conversion Price, provided that the Investor and/or any of its Affiliates are also together the legal and beneficial owners of Bonds representing at least 20% of the Bonds initially issued under the Investment Agreement in such circumstances;
"New Shares"	means Shares issued on the conversion of the Bonds in accordance with the Instrument;
"Reduction Event"	means at any time during the period commencing on the issue date of the Bonds and ending on the third

anniversary thereof, if any of the following events takes place whilst (i) the Investor and its Affiliates hold in aggregate the Minimum Governance Rights Proportion and (ii) no notice has been given to terminate the strategic co-operation between the Company and the Investor as a result of the occurrence of an Investor Covenant Trigger Event:

- (a) in circumstances where at least one of the senior candidates in the list of candidates agreed by the Company to be appointed as Investor Director(s) remains under the employment of the Investor and/or its Affiliates but none of them is continuing as a member of the Board (other than due to his/her removal by the Board or the Shareholders), the Investor has not nominated a replacement senior candidate to be a Director within 30 days of receiving notice from the Company that it requires such nomination; or
- (b) in circumstances where (i) none of the senior candidates in the list of candidates agreed by the Company to be appointed as Investor Director(s) remains under the employment of the Investor and/or its Affiliates nor are any of them continuing as a member of the Board and (ii) no other candidates in the list of candidates agreed by the Company to be appointed as Investor Director(s) is a member of the Board (other than due to his/her removal by the Board or the Shareholders), the Investor has not nominated a replacement candidate to be a Director within 90 days of receiving notice from the Company that it requires such nomination;

“Share(s)”

means ordinary shares with a par value of HK\$0.10 each in the capital of the Company (which include ordinary shares of the Company listed on the Stock Exchange) or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company;

“Shareholder(s)” means holder(s) of the Share(s); and  
“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

On behalf of the Board  
**Chumphol Kanjanapas**  
*Chairman and Chief  
Executive Officer*

Hong Kong, 29 November 2012

Directors of the Company as at the date hereof:

*Executive directors:*

Chumphol Kanjanapas (alias Joseph C. C. Wong) (Chairman and Chief Executive Officer), Anthony Chu Kai Wah and Vincent Lau Tak Bui

*Non-Executive directors:*

Sakorn Kanjanapas, Wu Chun Sang (independent), Lawrence Wu Chi Man (independent) and Agnes Kwong Yi Hang (independent)

*\* For identification purpose only*