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## **TSE SUI LUEN JEWELLERY (INTERNATIONAL) LIMITED**

**謝瑞麟珠寶(國際)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 417)**

### **ANNOUNCEMENT**

#### **Continuing Connected Transactions**

Reference is made to the Company's announcement dated 30 August 2011 concerning, among other things, the terms of employment of the Company's founder and Chief Merchandising Officer, Mr. Tse Sui Luen and Mr. Tse Tat Fung, Tommy. The Directors announce that, in the context of the Company's group-wide annual remuneration review, the Company has, in light of the valuable contributions of Mr. Tse Senior and Mr. Tommy Tse to the Group's development since rejoining the Group, decided, with effect from 1 June 2012, to reward Mr. Tse Senior by increasing his remuneration package through the grant of a housing subsidy of up to HK\$32,000 per month and to reward Mr. Tommy Tse by increasing his basic salary and declaring him eligible to join the Management Bonus Scheme under which Mr. Tommy Tse may be paid a bonus, depending on the Group's and Mr. Tommy Tse's performance.

The employment arrangements of Mr. Tse Senior and Mr. Tommy Tse constitute continuing connected transactions for the Company but, prior to this latest change, were de minimis in nature and exempt from the reporting, annual review, announcement and independent shareholder approval requirements of the Listing Rules.

With the addition of the housing subsidy benefit referred to in this announcement, one or more of the relevant percentage ratios under Chapter 14A of the Listing Rules applicable to the aggregate annual remuneration package of Mr. Tse Senior exceeds 0.1%, but each of the relevant percentage ratios remains below 5%. Additionally, with the increase in Mr. Tommy Tse's basic salary and the prospective addition of the bonus referred to in this announcement, one or more of the relevant percentage ratios under Chapter 14A of the Listing Rules applicable to the aggregate annual remuneration package of Mr. Tommy Tse exceeds 0.1%, but each of the relevant percentage ratios remains below 5%. Accordingly, with the Directors (including the independent non-executive Directors) being of the view that the employment arrangements of Mr. Tse Senior and Mr. Tommy Tse are on normal commercial terms, the Tse Senior Employment Agreement and the Tommy Tse Employment Agreement constitute continuing connected transactions governed by Rule 14A.34 of the Listing Rules, being transactions that are required to be disclosed (by this announcement) and reported on (in the Company's annual reports from time to time), but are exempt from the requirement for independent shareholders' approval.

## **The Tse Senior Employment Agreement**

With effect from 1 June 2012, the Company, through TSLJ, has agreed to pay to Mr. Tse Senior a housing subsidy as part of his overall annual employment arrangements, the effect of which is to make the Tse Senior Employment Agreement a continuing connected transaction that is required to be disclosed as follows:

- Parties:**
- (1) TSLJ
  - (2) Mr. Tse Senior
- Date:** 22 June 2012, on which date the Tse Senior Employment Agreement was entered into, superseding his previous employment agreement, and which contains an additional benefit, in the form of the housing subsidy, taking effect from 1 June 2012.
- Nature of Transaction:** An employment contract by which Mr. Tse Senior is employed by TSLJ with the title “Founder”. Mr. Tse Senior’s duties include, amongst others:
- (a) providing advice on matters including, but not limited to, designs, prototyping, goldsmith training, manufacturing processes, factory layout planning, quality control, subcontracting management, raw material purchasing, selling techniques, and pricing;
  - (b) providing advice on quality standards, on-time delivery, staff morale and technical assistance in manufacturing to subcontractors and the Group’s owned factories;
  - (c) managing the Group’s relationships with suppliers, subcontractors, trade association, and other third parties;
  - (d) providing advice on the overall strategy of the Group; and
  - (e) introducing affluent local and Mainland Chinese customers to patronise the Group’s stores.
- Remuneration:** TSLJ pays to Mr. Tse Senior a basic monthly salary of HK\$80,000 and, with effect from 1 June 2012 has agreed to pay him a monthly housing subsidy of up to HK\$32,000 (equating to an aggregate annualised remuneration package of approximately HK\$1.34 million). Any discretionary bonus paid to him is at the complete and sole discretion of the Company’s Remuneration Committee taking into account the Group’s performance and personal contributions of Mr. Tse Senior. No housing subsidy was paid to Mr. Tse Senior in respect of the financial year ended 29 February 2012.
- Terms and termination:** The Tse Senior Employment Agreement has, in light of the applicability of Listing Rule 14A.34, been fixed to a term that expires on 28 February 2015 but is, in any event, terminable on six months’ notice in writing by either party. The parties may agree to and renew the Tse Senior Employment Agreement in writing for another three years subject to compliance with the applicable Listing Rules.

Mr. Tse Senior is the father-in-law of Ms. Yau On Yee, Annie, the Chairman and Chief Executive Officer of the Group, and the father of Mr. Tommy Tse, the controlling shareholder of the Company and is therefore a connected person as defined under Rule 14A.11 of the Listing Rules. The Tse Senior Employment Agreement therefore constitutes a continuing connected transaction under Rule 14A.14 of the Listing Rules.

Mr. Tse Senior's basic remuneration package, inclusive of the newly-awarded housing subsidy, amounts to an approximately annualised aggregate of HK\$1.34 million. There is also the prospect of his being awarded a discretionary annual bonus (at the complete and sole discretion of the Company's Remuneration Committee). To cater for the possibility of such a bonus being awarded, the Board has set a cap on the total amount (inclusive of discretionary bonus) that may be paid to Mr. Tse Senior under the Tse Senior Employment Agreement for the financial years ending 28 February 2013, 2014 and 2015 of HK\$2.12 million, HK\$2.32 million and HK\$2.44 million, respectively. The aggregate annual cap amounts represent the estimated maximum possible aggregate annual remuneration payable by TSLJ to Mr. Tse Senior with reference to (i) Mr. Tse Senior's agreed fixed remuneration and housing subsidy; (ii) the maximum discretionary bonus payable to Mr. Tse Senior as determined by the Board (by reference to the equivalent maximum under the Management Bonus Scheme); and (iii) the expected contribution by Mr. Tse Senior in his advisory role on training, overall strategy, and relationships with suppliers.

On the basis that both Mr. Tse Senior's aggregate fixed annual remuneration package and the annual capped amount referred to above results in one or more of the relevant percentage ratios under Chapter 14A of the Listing Rules exceeding 0.1%, but in light of the fact that each of the relevant percentage ratios remains below 5%, the Tse Senior Employment Agreement constitutes a continuing connected transaction governed by Rules 14A.34 of the Listing Rules, being one that is required to be disclosed (by this announcement) and reported on (in the Company's annual reports from time to time), but is exempt from the requirement for independent shareholders' approval.

### **The Tommy Tse Employment Agreement**

With effect from 1 June 2012, the Company, through TSLJ, has agreed to increase Mr. Tommy Tse's basic salary and to declare Mr. Tommy Tse eligible to join the Management Bonus Scheme, the effect of which is to make the Tommy Tse Employment Agreement a continuing connected transaction that is required to be disclosed as follows:

<b>Parties:</b>	(1) TSLJ (2) Mr. Tommy Tse
<b>Date:</b>	22 June 2012, on which date the Tommy Tse Employment Agreement was entered into, superseding his previous employment agreement, with an increase in salary and eligibility to join the Management Bonus Scheme taking effect from 1 June 2012.
<b>Nature of Transaction:</b>	An employment contract by which Mr. Tommy Tse is employed by TSLJ as Chief Merchandising Officer. He is responsible for matters relating to the supply of merchandise to the Group and the development of the Group's product range.

**Remuneration:** TSLJ pays to Mr. Tommy Tse a basic monthly salary of HK\$80,000 which, with effect from 1 June 2012 has been increased to HK\$85,000. TSLJ has also declared Mr. Tommy Tse eligible to join the Management Bonus Scheme under which Mr. Tommy Tse is eligible for a bonus payment (the maximum amount of such bonus is HK\$918,000 for the financial year ending 28 February 2013). Any bonus paid to Mr. Tommy Tse under the Management Bonus Scheme is at the discretion of the Company's Remuneration Committee taking into account the Group's and Mr Tommy Tse's performance. No such bonus was paid to Mr. Tommy Tse in respect of the financial year ended 29 February 2012.

**Terms and termination:** The Tommy Tse Employment Agreement has, in light of the applicability of Listing Rule 14A.34, been fixed to a term that expires on 28 February 2015 but is, in any event, terminable on one month's notice in writing by either party. The parties may agree to and renew the Tommy Tse Employment Agreement in writing for another three years subject to compliance with the applicable Listing Rules.

Mr. Tommy Tse is the spouse of Ms. Yau On Yee, Annie, the Chairman and Chief Executive Officer of the Group, and the controlling shareholder of the Company and is therefore a connected person as defined under Rule 14A.11 of the Listing Rules. The Tommy Tse Employment Agreement therefore constitutes a continuing connected transaction under Rule 14A.14 of the Listing Rules.

Mr. Tommy Tse's basic salary amounts to an approximately annualised aggregate of HK\$1.02 million per annum. There is also the prospect of his being awarded a bonus under the Management Bonus Scheme (at the discretion of the Company's Remuneration Committee). To cater for the possibility of such a bonus being awarded, the Board has set an annual cap on the total amount (inclusive of bonus) that may be paid to Mr. Tommy Tse under the Tommy Tse Employment Agreement for the financial years ending 28 February 2013, 2014 and 2015 of HK\$1.93 million, HK\$2.04 million and HK\$2.14 million, respectively. The aggregate annual cap amounts represent the estimated maximum possible aggregate annual remuneration payable by TSLJ to Mr. Tommy Tse with reference to (i) Mr. Tommy Tse's agreed fixed remuneration; (ii) the maximum bonus payable to Mr. Tommy Tse under the Management Bonus Scheme; and (iii) the expected contribution of Mr. Tommy Tse to matters relating to the supply of merchandise to the Group and to the development of the Group's product range.

On the basis that both Mr. Tommy Tse's aggregate annual remuneration package and the annual capped amount referred to above results in one or more of the relevant percentage ratios under Chapter 14A of the Listing Rules exceeding 0.1%, but in light of the fact that each of the relevant percentage ratios remains below 5%, the Tommy Tse Employment Agreement constitutes a continuing connected transaction governed by Rules 14A.34 of the Listing Rules, being one that is required to be disclosed (by this announcement) and reported on (in the Company's annual reports from time to time), but is exempt from the requirement of independent shareholders' approval.

### **Reason for the Transactions**

Mr. Tse Senior is the founder of the Group, possesses a wealth of knowledge of jewellery production skills and technical know-how and has unique insight into and knowledge of the industry and relationships with customers and suppliers that have been developed over many years and which the Group benefits from. These factors, and the desire to protect the Group from the possibility of Mr. Tse Senior pursuing his business interests outside the Group that he founded, afforded by the provisions of the Tse Senior Employment Agreement, led the Group to enter into the Tse Senior

Employment Agreement in 2011. The grant of a housing subsidy, with effect from June 2012, arose out of the annual Group-wide remuneration review programme and was awarded in recognition of Mr. Tse Senior's valuable contribution to the Group's development since rejoining in 2011.

Mr. Tommy Tse is the Chief Merchandising Officer of the Group. He has a strong passion and unique vision for jewellery designs and manufacturing. In recognition of his valuable contribution to the Group's development since rejoining the Group in 2011, the Group awarded him with an increase in basic salary and has offered him the opportunity to earn a bonus under the Management Bonus Scheme.

The Group is principally engaged in the manufacturing, design, export and retailing of jewellery products.

### **Opinion of the Directors**

The Directors (including the independent non-executive Directors) are of the opinion that the Tse Senior Employment Agreement and the Tommy Tse Employment Agreement have been entered into on normal commercial terms, and terms that are fair, reasonable and in the interest of the Company and its shareholders as a whole.

None of the Directors, except Ms. Yau On Yee, Annie, have a material interest in the above transactions. Ms. Yau On Yee, Annie regarded herself as having an interest in the Tse Senior Employment Agreement and the Tommy Tse Employment Agreement, owing to the relationships described above, and accordingly abstained from voting on both the board resolutions to approve the original employment agreements back in 2011 and the subsequent board resolutions to authorise payment of an additional benefit in the form of the housing subsidy to Mr. Tse Senior and to authorise the increase in Mr. Tommy Tse's basic salary and the declaration that Mr. Tommy Tse be eligible to join the Management Bonus Scheme.

### **Definitions**

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

<b>“Company”</b>	Tse Sui Luen Jewellery (International) Limited (stock code: 417), a company incorporated in Bermuda with limited liability whose shares are listed on The Stock Exchange of Hong Kong Limited
<b>“Board”</b>	the board of Directors
<b>“Directors”</b>	the directors of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Management Bonus Scheme”</b>	the management bonus scheme operated by the Group
<b>“Mr. Tommy Tse”</b>	Mr. Tse Tat Fung, Tommy

<b>“Mr. Tse Senior”</b>	Mr. Tse Sui Luen
<b>“Remuneration Committee”</b>	the Remuneration Committee of the Company
<b>“Tommy Tse Employment Agreement”</b>	the employment contract dated 22 June 2012 entered into between TSLJ and Mr. Tommy Tse pursuant to which TSLJ agreed to employ Mr. Tommy Tse, the agreement superseding his previous employment terms, but maintaining his commencement date of employment, being 1 September 2011
<b>“Tse Senior Employment Agreement”</b>	the employment contract dated 22 June 2012 entered into between TSLJ and Mr. Tse Senior pursuant to which TSLJ agreed to employ Mr. Tse Senior, the agreement superseding his previous employment terms, but maintaining his commencement date of employment, being 1 September 2011
<b>“TSLJ”</b>	Tse Sui Luen Jewellery Company Limited, an indirect wholly-owned subsidiary of the Company

By order of the Board  
**Tse Sui Luen Jewellery (International) Limited**  
**LAI Tsz Mo, Lawrence**  
*Company Secretary*

At the date of this announcement, the Directors of the Company comprises:

*Executive Directors:*

Ms. YAU On Yee, Annie  
Mr. Erwin Steve HUANG  
Mr. LAI Tsz Mo, Lawrence

*Independent Non-executive Directors:*

Mr. CHUI Chi Yun, Robert  
Mr. HENG Ching Kuen, Franklin  
Mr. CHAN Yue Kwong, Michael

Hong Kong, 22 June 2012