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T S L | 謝瑞麟

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)

**MAJOR TRANSACTION
CONSTRUCTION AGREEMENT**

CONSTRUCTION AGREEMENT

On 4 August 2022, TSL Guangzhou (an indirect wholly-owned subsidiary of the Company) and the Contractor entered into the Construction Agreement in relation to the Construction Project on the Land at the Consideration of RMB84,950,000 (equivalent to approximately HK\$98,542,000), subject to adjustments (if any).

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Construction Agreement exceeds 25% but is less than 100%, the entering into of the Construction Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Construction Agreement and the transactions contemplated thereunder, therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Partner Logistics holds 180,691,775 Shares, representing approximately 72.51% of the issued share capital of the Company. The Company has obtained written approval of the Construction Agreement from Partner Logistics in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules. Accordingly, no general meeting will be convened by the Company for approving the Construction Agreement and the transactions contemplated thereunder.

A circular containing further details of the Construction Agreement is expected to be despatched to the Shareholders on or before 24 August 2022 for information purposes only.

* For identification purpose only

INTRODUCTION

Reference is made to the announcement of the Company dated 25 July 2019 in relation to the acquisition of land use rights of the Land for industrial use.

On 4 August 2022, TSL Guangzhou (an indirect wholly-owned subsidiary of the Company) and the Contractor entered into the Construction Agreement in relation to the construction of a new factory together with ancillary facilities on the Land for the Group's own use at the Consideration of RMB84,950,000 (equivalent to approximately HK\$98,542,000), subject to adjustments (if any).

CONSTRUCTION AGREEMENT

The principal terms of the Construction Agreement are as follows:

- Date : 4 August 2022
- Parties : (1) TSL Guangzhou; and
(2) the Contractor
- Subject matter : The Contractor will act as the main contractor in providing construction services to TSL Guangzhou in respect of the Construction Project on the Land.
- Consideration : RMB84,950,000 (equivalent to approximately HK\$98,542,000), which is tax inclusive and subject to adjustments under certain situations stipulated in the Construction Agreement.

The Construction Contract was awarded to the Contractor after a tendering process, and the Consideration was determined after arm's length negotiations between TSL Guangzhou and the Contractor based on the bid price submitted by the Contractor. In determining the Consideration, the Group has assessed the expected scope and complexity of the construction works to be undertaken, the estimated material and labour costs, and the prevailing market prices of construction works with similar scale and complexity. Accordingly, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable.

The Consideration will be financed by the internal resources and bank borrowings of the Group.

- Payment terms : TSL Guangzhou will pay the Consideration to the Contractor based on the following scheduled construction progress:
- (1) 10% of the Consideration (being RMB8,495,000, equivalent to HK\$9,854,000 approximately) shall be paid within 30 days after signing of the Construction Agreement;
 - (2) 10% of the Consideration (being RMB8,495,000, equivalent to HK\$9,854,000 approximately) shall be paid within 1 month after the base construction has passed the quality inspection;

- (3) 30% of the Consideration (being RMB25,485,000, equivalent to HK\$29,563,000 approximately) shall be paid within 1 month after the concrete surface is completed;
- (4) 20% of the Consideration (being RMB16,990,000, equivalent to HK\$19,708,000 approximately) shall be paid within 1 month after the main structure is completed;
- (5) 15% of the Consideration (being RMB12,743,000, equivalent to HK\$14,782,000 approximately) shall be paid within 1 month after the masonry structure is completed;
- (6) 10% of the Consideration (being RMB8,495,000, equivalent to HK\$9,854,000 approximately) shall be paid within 1 month after the construction works are completed and have passed the quality inspection; and
- (7) 5% of the Consideration (being RMB4,247,000, equivalent to HK\$4,927,000 approximately) shall be paid within 1 month after the Contractor has provided TSL Guangzhou with the quality assurance issued by a bank following the completion and acceptance of the construction works.

Guarantee : Within 15 days of the signing of the Construction Agreement, the Contractor shall provide TSL Guangzhou with (i) a performance guarantee issued by a bank in an amount equivalent to 5% of the Consideration (being RMB4,247,000, equivalent to HK\$4,927,000 approximately); and (ii) an advance payment guarantee issued by a bank in an amount equivalent to 10% of the Consideration (being RMB8,495,000, equivalent to HK\$9,854,000 approximately).

Construction period : The Construction Project is expected to be completed within 350 days from the commencement date pursuant to the Construction Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT

As disclosed in the announcement of the Company dated 25 July 2019, the Group had acquired the Land with the intention of constructing a new factory together with ancillary facilities for the Group's own use. The construction of the new factory and ancillary facilities, which will be equipped with more advanced and automated machineries, will not only enhance the Group's production capacity and efficiency, but also will facilitate the innovation of new quality products and enrich the product portfolio of the Group. Upon the completion of the Construction Project, the Board expects that this will become the Group's headquarters and logistics centre in the PRC, which is in line with the Group's overall business strategy and laying a solid foundation for the Group's long-term development.

TSL Guangzhou has selected the Contractor through a tendering process, through which six bids were received, and the Construction Agreement was awarded to the Contractor after an assessment of the technical expertise, experience, reputation and proposed construction price of the bidders.

In view of the above, the Board considers that the Construction Agreement was entered into on normal commercial terms, and that the terms of the Construction Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION OF THE PARTIES

The Company is an investment holding company with its principal subsidiaries engaged in the manufacturing, design, trading and retailing of jewellery products. TSL Guangzhou is an indirect wholly-owned subsidiary of the Company incorporated under the laws of the PRC as a limited liability company. Its principal business activities are jewellery manufacturing, distribution and franchising.

The Contractor is a company established under the laws of the PRC as a limited liability company, and is principally engaged in construction contracting. Based on publicly available information and to the best knowledge, information and belief of the Directors, the Contractor is an indirect wholly-owned subsidiary of 廣州市建築集團有限公司 (Guangzhou Municipal Construction Group Co., Ltd.), which is a PRC state-owned construction company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Contractor and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Construction Agreement exceeds 25% but is less than 100%, the entering into of the Construction Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Construction Agreement and the transactions contemplated thereunder, therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Partner Logistics holds 180,691,775 Shares, representing approximately 72.51% of the issued share capital of the Company. The Company has obtained written approval of the Construction Agreement from Partner Logistics in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules. Accordingly, no general meeting will be convened by the Company for approving the Construction Agreement and the transactions contemplated thereunder.

A circular containing, among other matters, further details of the Construction Agreement and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 24 August 2022 for information purposes only.

DEFINITIONS

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

“Board”	the board of Directors;
“Company”	Tse Sui Luen Jewellery (International) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“Consideration”	the total consideration payable by TSL Guangzhou to the Contractor under the Construction Agreement;
“Construction Agreement”	the construction agreement dated 4 August 2022 entered into between TSL Guangzhou and the Contractor in relation to the Construction Project;
“Construction Project”	the construction of a new factory together with ancillary facilities in accordance with the terms and conditions of the Construction Agreement;
“Contractor”	廣州市機電安裝有限公司 (Guangzhou Mechanical & Electrical Installation Co., Ltd.#), a company established under the laws of the PRC as a limited liability company;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Land”	a piece of land located at 中國廣州市番禺區沙灣鎮福涌村 (Fuchong Village, Shawan Town, Panyu District, Guangzhou City, the PRC#);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Partner Logistics”	Partner Logistics Limited, a company incorporated in the British Virgin Islands with limited liability, being the controlling shareholder of the Company;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	ordinary shares of HK\$0.25 each in the share capital of the Company;

Unofficial translation

“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TSL Guangzhou”	謝瑞麟(廣州)珠寶有限公司 (Tse Sui Luen (Guangzhou) Jewellery Company Limited [#]), a company incorporated under the laws of the PRC as a limited liability company and an indirect wholly-owned subsidiary of the Company; and
“%”	per cent.

Amounts denominated in RMB in this announcement have been converted into HK\$ at the rate of RMB1 = HK\$1.16 for illustration purpose only. No representation is made that any amounts have been, could have been or could be converted at the above rate or any other rates at all.

By order of the Board
Tse Sui Luen Jewellery (International) Limited
YAU On Yee, Annie
Chairman

Hong Kong, 4 August 2022

At the date of this announcement, the Board comprises:

Executive Directors:

Ms. YAU On Yee, Annie
Ms. NG Yi Kum, Estella

Independent Non-executive Directors:

Mr. CHUI Chi Yun, Robert
Mr. CHAN Yue Kwong, Michael
Mr. CHOW Chee Wai, Christopher

Unofficial translation