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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)

### **PROPOSED ISSUE OF HK\$250,000,000 CONVERTIBLE BONDS DUE 2017**

On 31 March 2012, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for Tranche 1 Bonds with an aggregate principal amount of HK\$250,000,000. In addition, the Company has an option to elect to issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for Tranche 2 Bonds in an aggregate principal amount of up to HK\$200,000,000.

The initial Conversion Price (subject to adjustment) is HK\$6.40 per Share, representing (i) a premium of approximately 4.23 % over the closing price of the Shares as quoted on the Stock Exchange on 30 March 2012, (ii) a premium of 3.39 % to the five-day average closing price of the Shares over the five trading days up to and including 30 March 2012, and (iii) a premium of 5.25 % to the ten-day average closing price of the Shares over the ten trading days up to and including 30 March 2012.

Assuming full conversion of the Tranche 1 Bonds at the initial Conversion Price of HK\$6.40, the Tranche 1 Bonds will be convertible into 39,062,500 Shares, representing approximately 18.57% of the issued share capital of the Company as at the date of this announcement and approximately 15.66% of the issued share capital of the Company as enlarged by the issue of such Shares. Such Conversion Shares will be allotted and issued by the Company pursuant to the general mandate granted at the annual general meeting held on 25 August 2011.

The estimated net proceeds of the issue of the Tranche 1 Bonds (without taking into account the Tranche 2 Bonds), after deduction of commission and expenses, are approximately HK\$247,000,000. The net proceeds are all intended to be used by the Company for general corporate development and general working capital requirements.

\* For identification purposes only

**Completion of the Subscription Agreement is subject to fulfilment, or waiver, of certain conditions. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the section headed “SUBSCRIPTION AGREEMENT” below for further information.**

**As the Subscription Agreement may or may not be completed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.**

## **SUBSCRIPTION AGREEMENT**

Date: 31 March 2012

Parties: 1. The Company, as issuer  
2. The Subscriber

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners is not a connected person of the Company and is a third party not connected with any of the connected persons (as defined in the Listing Rules) of the Company.

Subject to fulfilment, or waiver, of the conditions precedent set out below, the Subscriber has agreed to subscribe for Tranche 1 Bonds with an aggregate principal amount of HK\$250,000,000. In addition, the Company has an option to require the Subscriber to subscribe for Tranche 2 Bonds in an aggregate principal amount of up to HK\$200,000,000. The option is exercisable, in whole on one occasion, at the discretion of the Company within the six (6) months following the date on which the Company releases its audited consolidated financial reports for the year ended 28 February 2013, subject to fulfilment, or waiver, of the conditions precedent set out below.

### **Pre-closing Undertakings**

Prior to the Tranche 1 Closing, the Company has, among other things, undertaken that save as required or contemplated by the Subscription Agreement, the business of the Group Companies shall be operated on its normal and usual basis, and the Group Companies shall not do or omit to do (or allow to be done or to be omitted to be done) any act or thing which would constitute a breach of the warranties or would lead to a breach thereof in respect or otherwise material to the Group Companies.

### **Conditions Precedent**

Completion of subscription of each of the Tranche 1 Bond and the Tranche 2 Bond under the Subscription Agreement is conditional upon, among other things:

- (i) the representations and warranties made by the Company in the Subscription Agreement shall be true, correct and complete when made, and shall be true, correct and complete in all material respects and not misleading in any material respect as of the date of the applicable Closing with the same force and effect as if they had been made on and as of such date;
- (ii) the Company shall have performed and complied with, in all material respects, all agreements, obligations and conditions contained in the Subscription Agreement that are required to be performed or complied with by it on or before the date of the applicable Closing and shall

have obtained all approvals, consents and qualifications necessary to complete the transactions contemplated thereby at the applicable Closing;

- (iii) the applicable board of Directors approval and all corporate and other proceedings in connection with the transactions contemplated hereby at each applicable Closing and all documents and instruments incidental to such transactions shall be satisfactory in substance and form to the Subscriber, and the Subscriber shall have received all such counterpart originals or certified or other copies of such documents as it may reasonably request;
- (iv) on or prior to the Tranche 1 Closing, the Company shall have delivered to the Subscriber a counterpart of the Subscription Agreement and each of the other Transaction Documents to which it is a party, duly executed by the Company and all other parties thereto (except for the Subscriber);
- (v) the Company shall have obtained, on or before the relevant closing date any and all approvals, consents and waivers necessary for consummation of the transactions contemplated by the Subscription Agreement, including, but not limited to (i) the approval from the Stock Exchange for the listing of, and permission to deal in, all of the Conversion Shares which fall to be issued upon conversion of the Bonds up to the maximum number of Shares issuable under the applicable general mandate or special mandate, as the case may be; (ii) approval from the Shareholders at general meeting of the Company in accordance with the requirements of the Listing Rules for the grant of a general mandate or special mandate, as the case may be, to allot and issue Shares to satisfy the allotment and issue all of the Conversion Shares to be issued upon conversion of the Bonds, as the case may be; and (iii) all other permits, consents and waivers of any governmental authority, regulatory body, or other third parties, if applicable;
- (vi) there shall have been no material adverse change in the operations, properties, conditions (financial or otherwise) or prospect of the Group Companies, taken as a whole;
- (vii) the Subscriber shall have completed its business, legal, financial due diligence investigation of the Group Companies to its satisfaction;
- (viii) in respect of Tranche 2 Bonds, on or before the Tranche 2 Closing Date, the Subscriber shall have obtained further approval from its investment committee on the consummation of the transactions contemplated hereunder for the Tranche 2 Closing.

The Subscriber may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the above conditions precedent (except those conditions set forth in (iii), (iv), and (v)).

### **Termination**

The Subscription Agreement may be terminated by either party on or after 31 May 2012 by written notice to the other party, if the Tranche 1 Closing has not occurred on or prior to such date. Each of the parties shall be relieved of their further duties and obligations under the Subscription Agreement after the date of such termination, provided that no such termination shall relieve any party from liability for any breach of this Agreement occurred prior to such termination.

**Completion of the Subscription Agreement is subject to fulfilment, or waiver, of the conditions set out above. In addition, the Subscription Agreement may be terminated under the**

**circumstances set out above. As the Subscription Agreement may or may not be completed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.**

## **INITIAL CONVERSION PRICE AND CONVERSION SHARES**

The initial Conversion Price (subject to adjustment), being HK\$6.40 per Share, represents;

- (i) a premium of approximately 4.23% over the closing price of the Shares as quoted on the Stock Exchange on 30 March 2012, being HK\$6.14 per Share;
- (ii) a premium of 3.39 % to the five-day average closing price of the Shares over the five trading days up to and including 30 March 2012; and
- (iii) a premium of 5.25% to the ten-day average closing price of the Shares over the ten trading days up to and including 30 March 2012.

The initial Conversion Price was determined after arms' length negotiations between the parties with reference to the prevailing market price of the Shares. The net price of each Conversion Share to the Company, based on the estimated net proceeds of approximately HK\$247,000,000 and 39,062,500 Conversion Shares (based on the initial conversion ratio of 1 Share per Tranche 1 Bond and not taking into account the Tranche 2 Bonds), is expected to be approximately HK\$6.32.

Assuming full conversion of the Tranche 1 Bonds at the initial Conversion Price of HK\$6.40, the Tranche 1 Bonds will be convertible into 39,062,500 Shares, representing approximately 18.57% of the issued share capital of the Company as at the date of this announcement and approximately 15.66% of the issued share capital of the Company as enlarged by the issue of such 39,062,500 Shares. The Conversion Shares will be allotted and issued by the Company pursuant to the mandate granted at the annual general meeting held on 25 August 2011 pursuant to which the Directors have the power to allot, issue or otherwise deal with up to 42,067,244 Shares.

## **PRINCIPAL TERMS AND CONDITIONS OF THE TRANCHE 1 BONDS**

The principal terms of the Tranche 1 Bonds are summarised as follows:

### **Issuer**

The Company will be the issuer of the Convertible Bonds.

### **Principal Amount**

The aggregate principal amount of the Tranche 1 Bonds will be HK\$250,000,000.

### **Subscription Price**

100% of the principal amount of the Convertible Bonds.

## **Interest**

5% per annum calculated by reference to the outstanding principal amount thereof and payable in HK dollars annually in arrears annually on 30 April in each year, commencing on 30 April 2013.

Each Convertible Bond will cease to bear interest: from and including the interest payment date last preceding its conversion date (or, if such conversion date falls on or before the first interest payment date, its Issue Date)

## **Additional Interest**

If the amount of interest which would have been accrued on each Convertible Bond in any financial year of the Company (the “**Aggregate Interest**”) is less than the aggregate amount of cash dividends (“**Dividends**”) attributable to the relevant financial year which would have been paid in respect of the number of Shares into which each Convertible Bond would convert, then the Company shall pay to each holder of a Convertible Bond the shortfall of the Aggregate Interest of the Dividends so calculated.

## **Default Interest**

If the Company fails to pay any sum in respect of the Convertible Bonds when the same becomes due and payable, interest shall accrue on the overdue sum at the default rate of 25% p.a. from the due date and ending on the date on which full payment is made.

## **Conversion Right**

Subject to certain restrictions as set out in the Bond instrument, holders of the Convertible Bonds have the right to convert their Convertible Bonds into Shares at any time during the Conversion Period at the then prevailing Conversion Price.

## **Conversion Price**

The Convertible Bonds will be convertible into Shares at an initial Conversion Price of HK\$6.40 per Share. The Conversion Price will be subject to customary anti-dilution adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and other dilutive events.

## **Conversion Period**

The Convertible Bonds may be converted into Shares at any time during the Conversion Period, on or after Issue Date up to the close of business on the maturity date, or if such Convertible Bond has been called for redemption at any time on or after the Issue Date, then up to the close of business on a date no later than five Business Days prior to the date fixed for redemption thereof.

If: (i) the Company shall default in making payment in full in respect of any Convertible Bond which shall have been called for redemption on the date fixed for redemption thereof; (ii) any Bond has become due and payable prior to the maturity Date by reason of the occurrence of any of the events of default; or (iii) any Convertible Bond is not redeemed on the maturity date, the Conversion Right attaching to such Convertible Bond will revive and/or will continue to be exercisable up to, and

including, the close of business on the date upon which the full amount of the moneys payable in respect of such Convertible Bond has been duly received by the holders of the Convertible Bonds.

### **Status of the Convertible Bonds**

The Convertible Bonds will be subordinated to all present and future indebtednesses of the Company, excluding equity-linked Debt Securities. The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company (subject to the Negative Pledge provisions below) and shall at all times rank *pari passu* and without any preference or priority among themselves.

The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and subject to the Negative Pledges provisions below, at all times rank at least equally with all equity-linked Debt Securities.

### **Ranking of Conversion Shares**

The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant date of registration of holders of such Shares on the register of members of the Company.

### **Application for Listing of the Conversion Shares**

Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares falling to be issued upon exercise of conversion rights attaching to the Tranche 1 Bonds, up to the maximum number of Shares which may be issued under the general mandate granted on 25 August 2011, being 42,067,244 Shares.

### **Transfer**

The Convertible Bonds may be transferred at any time provided that, the prior approval of the Stock Exchange and the independent shareholders of the Company shall be obtained (if required) for any transfer to any person who the transferor knows to be a connected person (as defined in the Listing Rules) of the Company.

No Bond may be transferred to any person primarily engaged in the manufacturing, design, export or retailing of jewellery products in Hong Kong, the Mainland China, Macao, or Malaysia that directly or indirectly competes with the business of the Company in such jurisdictions.

### **Maturity**

Unless previously redeemed, converted, purchased and cancelled, the Company will redeem each Convertible Bond at the redemption amount representing an internal rate of return of 12% p.a. on the fifth anniversary of the Issue Date of the Convertible Bond.

### **Redemption for Taxation Reasons**

At any time the Company may, having given not less than thirty (30) nor more than sixty (60) days' notice to the holders of Convertible Bonds (which notice shall be irrevocable) redeem all, but not some only, of the Convertible Bonds at a redemption price equal to the early redemption amount representing an internal rate of return of 12% p.a. on the redemption date if (i) the Company has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws

or regulations of the Bermuda, Hong Kong or the Mainland China or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no notice shall be given earlier than ninety (90) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Convertible Bonds then due.

If the Company gives a notice of redemption for taxation reasons, each holder of Convertible Bonds will have the right to elect that his Convertible Bond(s) shall not be redeemed and that any payment of principal, premium or interest (if any) to be made in respect of such Convertible Bond(s) which falls due after the tax redemption date shall be made subject to such additional tax deduction or withholding.

### **Delisting Put Right and Redemption for Change of Control**

When (a) the Shares cease to be listed or admitted to trading on the Stock Exchange (or if applicable, an alternative stock exchange) or (b) there is a change of control with respect to the Company, the holder of each Convertible Bond will have the right, at such holder's option, to require, by giving notice to the Issuer (which notice shall be irrevocable), the Company to redeem all but not some only of that holder's Convertible Bonds at the early redemption amount representing an internal rate of return of 25% p.a. on the redemption date.

### **Redemption at the option of holders of Convertible Bonds at Event of Default**

If for reason not attributable to the Issuer it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under the Subscription Agreement or the Bonds or 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 Major Subsidiaries, which is material to the Company and its Major Subsidiaries as a whole, the early redemption amount will represent an internal rate of return of 12% p.a..

In the event of occurrence of other events of default, the holders of Convertible Bond may declare the Convertible Bond(s) immediately due and payable at the early redemption amount representing an internal rate of return of 25% p.a..

### **Negative Pledge**

The Company has, among other things, also undertaken that, so long as any Convertible Bonds remain outstanding:

- (i) except for equity securities issued to or for the benefit of employees, former employees, contractors or former contractors (including directors holding or formerly holding executive office) of the Company or any Subsidiary, pursuant to any share option scheme or plan that is duly adopted by the Company in accordance with the Listing Rules, the Company will not, issue equity securities at a price below (i) 80% of the Current Market Price, or (ii) the Conversion Price per Equity Security, as adjusted from time to time, whichever is the highest, nor will it redeem or repurchase any equity securities without the prior approval of the holders of Convertible Bonds by Ordinary Resolution;

- (ii) the Company will not create or permit to subsist any equity-linked Debt Securities with terms more favourable than those of the Convertible Bonds without the prior approval of the holders of Convertible Bonds by Ordinary Resolution;
- (iii) the Company will not, and will procure that its Major Subsidiaries will not, consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any corporation (other than a corporation within the Group) or convey or transfer its properties and assets substantially as an entirety to any person that would constitute a major transaction as defined in the Listing Rules without the prior approval of the holders of Convertible Bonds by Ordinary Resolution;
- (iv) the Company will not, and will procure that its Subsidiaries will not, incur or have outstanding any indebtedness (excluding any indebtedness incurred under the Subscription Agreement) except with the prior consent of the holders of Convertible Bonds by Ordinary Resolution if the Debt to Equity Ratio exceeds 50% as a result of such indebtedness, save for inter group indebtedness between the Group Companies; and
- (v) the Company will not, and will procure that its Subsidiaries will not, directly or indirectly, engage in trading in shares, derivatives, options or other securities (save for in respect of hedging arrangements ordinarily entered into for the purposes of hedging interest rate, precious metals or currency exposure) except with the prior consent by the holders of Convertible Bonds by Ordinary Resolution.

### **Further Undertakings**

The Company undertakes and warrants, inter alia, that so long as there are any Bonds outstanding, save with the approval of the Bondholders by Ordinary Resolution, it shall (and, where applicable, shall procure that its Major Subsidiaries shall), amongst others:

- (a) continue to be primarily engaged in the core business in which it is engaged as at the date hereof;
- (b) not in any way modify the rights attaching to the Shares with respect to voting, dividends or liquidation;
- (c) reserve, free from any pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital, the full number of Shares liable to be issued on conversion of the Bonds from time to time and will ensure that all Shares will be duly and validly issued as fully-paid; and
- (d) incur interest bearing indebtedness with an interest rate which is excessive or extortionate or which will result in the Debt to Equity Ratio exceeding 50%.

Subject to the requirements of the Stock Exchange or any other applicable laws and regulations and the bye-laws of the Company, so long as the Subscriber remains the registered holder of not less than 15% of the principal amount of the Tranche 1 Bonds, the Subscriber may nominate one (1) member to be appointed as a director on the board of the Company. The Company shall procure that, immediately upon the Tranche 1 Closing, proposal be put forward to shareholders in general meeting to consider, and if thought fit, to approve of such person nominated by the Subscriber as a director of the Company subject to compliance of the relevant provisions of the Listing Rules.

## **PRINCIPAL TERMS AND CONDITIONS OF THE TRANCHE 2 BONDS**

It is agreed that the terms and conditions of the Tranche 2 Bonds should be substantially the same as those of the Tranche 1 Bonds except the conversion price.

The conversion price per Share at which Shares will be issued upon exercise of the Tranche 2 Bonds shall initially be the lower of (i) 110% of the Tranche 2 Market Price, and (ii) ten (10) times the normalized 2012 Earnings, in each case subject to adjustment in accordance with the terms of the Tranche 2 Bond. For purpose of this section, (a) “**Tranche 2 Market Price**” means the average of the VWAP for the twenty (20) consecutive trading days immediately preceding the date on which the Company delivers the notice to the Subscriber to require it to subscribe for the Tranche 2 Bonds; (b) “**2012 Earnings**” means the earnings per Share of the Company as publicly announced by the Company for the financial year ended on 28 February 2013; (c) “**VWAP**” means the volume-weighted average price quoted by the Stock Exchange or, as the case may be, by the alternative stock exchange for one Share (being a Share carrying full entitlement to Dividend).

As the conversion price is unknown at the date of the Subscription Agreement, a special mandate may have to be sought from shareholders of the Company at a special general meeting for the issue of Shares upon exercise of conversion rights attaching the Tranche 2 Bonds in the event the subscription of the Tranche 2 Bonds should occur.

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

The Directors consider that issue of the Convertible Bonds represents an opportunity to broaden the capital base of the Company and to raise capital for the development of the core jewellery business. The investment by an established institutional investor in the unsecured subordinated convertible bond of the Company reflects the confidence of the investor in the Company. The Company can also benefit from the extensive business networks of the Subscriber. The Directors (including the independent non-executive Directors) considered (1) the terms of the Convertible Bonds and the initial Conversion Price (which represents a 4.23% premium to the closing price of the Shares as quoted on the Stock Exchange on 30 March 2012); and (2) the strengthening of the Company's image, reputation and investor relationship by introducing a strategic investor; are fair and reasonable and are in the interests of the shareholders of the Company.

## **USE OF PROCEEDS**

The estimated net proceeds of the issue of the Tranche 1 Bonds (without taking into account the Tranche 2 Bonds), after deduction of commission and expenses, are approximately HK\$247,000,000. The net proceeds are all intended to be used by the Company for general corporate development and general working capital requirements.

## **FUND-RAISING ACTIVITIES IN THE PAST 12 MONTHS**

At the annual general meeting of the Company held on 25 August 2011, a general mandate was granted to the Directors to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company at the date of the passing of the resolution. As at the date of this announcement, no Shares have been allotted and issued by the Directors pursuant to such general mandate.

Apart from the issue of the Convertible Bonds, the Company has not raised any fund by issuing of equity securities during the 12 months immediately preceding the date of this announcement.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below summarises the shareholding structure of the Company (i) as at the date of this announcement; and (ii) assuming full conversion of the Tranche 1 Bonds at the initial Conversion Price:

Name of Shareholder	As at the date of this announcement		Immediately after the full conversion of the Tranche 1 Bonds at the initial Conversion Price	
	<i>No. of Shares</i>	<i>% of the issued share capital of the Company</i>	<i>No. of Shares</i>	<i>% of the enlarged share capital of the Company</i>
Partner Logistics Limited	152,960,914	72.72%	152,960,914	61.33%
Public	57,375,307	27.28%	57,375,307	23.01%*
The Subscriber	-	-	39,062,500	15.66%

\* It is a general obligation of the Company to maintain the proportion of issued Shares held by the public (as defined in the Listing Rules) to be no less than 25%.

It is a conversion restriction under the Tranche 1 Bonds that the Conversion Right shall only be exercisable by a Bondholder so long as the exercise of the Conversion Right will not result in the proportion of issued Shares held by the public (as defined in the Listing Rules) becoming less than 25%.

## INFORMATION ABOUT THE COMPANY AND THE SUBSCRIBER

The Company and its subsidiaries are principally engaged in the manufacturing, design, export and retailing of jewellery products.

The Subscriber is an investment company managed by CDH. CDH is an international alternative asset fund manager focusing on investments in private equity, venture capital, real estate and public equity markets with over US\$7 billion of assets under management. CDH has extensive experience with public and private investments in variety of industries and operates offices in Hong Kong, Beijing, Shanghai, Singapore, Shenzhen and Jakarta.

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**As the Subscription Agreement may or may not be completed, shareholders of the Company and prospective investors are reminded to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

- “Affiliate”** with respect to any specified person, any other person that directly or indirectly controls, or is controlled by, or is under common control with, such specified person, including, without limitation, any partner, officer, director, member or employee of such person and any venture capital or investment fund now or hereafter existing that is controlled by or under common control with one or more general partners or managing members of, or shares the same management company with, such person;
- “Bonds” or “Convertible Bonds”** the Tranche 1 Bonds and the Tranche 2 Bonds;
- “Bond Certificate”** a certificate representing the Convertible Bond;
- “Business Day”** a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and, in the case of a surrender of a Bond Certificate, in the place where the Bond Certificate is surrendered;
- “Change of Control”** occurs when either:
- (a) the Major Shareholder Group ceasing, directly or indirectly, to control 40% or more of the voting rights attaching to the issued share capital of the Company (a **“Control Stake”**);
  - (b) the Major Shareholder Group ceasing to control 50% or more of the voting rights attaching to the issued share capital of the Company as a result of a transaction, or a series of related transactions, which involves the transfer or disposal of interest in the Company by the Major Shareholder Group;
  - (c) any person or persons (other than any member of the Major Shareholder Group), acting individually or together, directly or indirectly, acquires a Control Stake in the Issuer; or
  - (d) the Company consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring a Control Stake in the Issuer or the successor entity or all or substantially all of the Company's assets;
- “Closing”** each of the Tranche 1 Closing and Tranche 2 Closing, as the case may be;

<b>“Company”</b>	Tse Sui Luen Jewellery (International) Limited (stock code: 417), a company incorporated in Bermuda with limited liability whose share are listed on The Stock Exchange of Hong Kong Limited;
<b>“Conversion Price”</b>	the price per Share at which the Convertible Bonds may be converted into Shares
<b>“Conversion Shares”</b>	Shares that are issued or issuable upon conversion of the Bonds in accordance with the terms and conditions thereof;
<b>“Current Market Price”</b>	the average of the volume-weighted average price quoted by the Stock Exchange or, as the case may be, by the alternative stock exchange for one Share (being a Share carrying full entitlement to dividend) for the five consecutive trading days ending on the trading day immediately preceding a particular date and calculated as defined in the Bond instrument;
<b>“Debt to Equity Ratio”</b>	the ratio of the Company’s consolidated Total Net Debt to the consolidated Total Equity, where “Total Net Debt” means total interest-bearing liabilities minus cash and “Total Equity” means the total equity attributable to owners of the Company as shown in its latest published financial statements plus the outstanding principal amount of the Bonds. For purpose of calculating the Debt to Equity Ratio, the Bonds and Tranche 2 Bonds shall be treated as equity of the Company and not included in the Total Net Debt;
<b>“Debt Securities”</b>	any present or future indebtedness in the form of, or represented by, bonds, debentures, notes, loan stock, redeemable shares or other debt securities;
<b>“Directors”</b>	directors of the Company;
<b>“Group Companies”</b>	collectively, the Company, and any direct and indirect subsidiary of the Company, including the Subsidiaries;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency for the time being of Hong Kong;
<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the People’s Republic of China;
<b>“Issue Date”</b>	in respect of any Bond, the date of issue of such Bond;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
<b>“Macao”</b>	Macao Special Administrative Region of the People’s Republic of China;

<b>“Mainland China”</b>	the People’s Republic of China, which for purpose of this Agreement excludes Hong Kong, Macao and Taiwan;
<b>“Major Shareholder Group”</b>	collectively, the following persons: (i) Partner Logistics Limited; (ii) Blink Technology Limited; and (iii) Tse Tat Fung, Tommy;
<b>“Major Subsidiary”</b>	a subsidiary of the Company which accounts for 5% or more of the Total Assets, the audited consolidated revenue, or the audited consolidated net profits before taxation of the Company, excluding any dormant companies;
<b>“Ordinary Resolution”</b>	a resolution passed at a meeting of holders of Convertible Bond(s) duly convened and held in accordance with the provisions set forth in the Convertible Bond by a majority consisting of not less than half of the votes cast at such meeting;
<b>“Securities”</b>	any shares, ownership interest, or any option, warrant, or right to subscribe for, acquire or purchase any shares or ownership interest, or any other security or instrument that are, or may become, convertible into or exercisable or exchangeable for any of the foregoing;
<b>“Shares”</b>	ordinary shares of par value HK\$0.25 each in the share capital of the Company;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“Subscriber”</b>	CDH King Limited, a company incorporated in the British Virgin Islands with limited liability;
<b>“Subscription Agreement”</b>	the conditional subscription agreement entered into between the Company and the Subscriber on 31 March 2012, pursuant to which the Subscriber has agreed to subscribe and pay for the Tranche 1 Bonds;
<b>“Tranche 1 Closing”</b>	closing of the subscription and issue of the Tranche 1 Bonds, and “Tranche 1 Closing Date” shall be construed accordingly;
<b>“Tranche 1 Bond(s)”</b>	means the convertible bonds due 2017 in an aggregate principal amount of HK\$250,000,000 having a denomination of HK\$1,000,000 each, constituted by an instrument and issued with the benefit of, and subject to, the terms and conditions set out therein;
<b>“Tranche 2 Closing”</b>	closing of the subscription and issue of the Tranche 2 Bonds, and “Tranche 2 Closing Date” shall be construed accordingly;
<b>“Tranche 2 Bond(s)”</b>	means the convertible bonds in an aggregate principal amount of up to HK\$200,000,000 having the substantially the same terms as Tranche 1 Bonds;

**“Transaction Documents”** the instrument constituting the Bonds, and any other agreements the execution of which is contemplated under the Subscription Agreement.

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

At the date of this announcement, the board of 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, 31 March 2012