

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**T S L** 謝瑞麟

HONG KONG

**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)**

**Advised by**

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED

An investigation was commenced by the Independent Commission Against Corruption into the affairs of Tse Sui Luen Jewellery (International) Limited (the “Company”) on 20 April 2005. The board of directors of the Company considers that the investigation appears in substance to emanate from the matters dealt with in an internal review of certain transactions of the Company conducted by its then board of directors with the assistance of its financial and legal advisers in 2003, and for which stringent internal controls have been introduced as previously announced.

\* *For identification purpose only*

A further announcement will be made by the Company once more details of the investigation emerge.

A committee of the independent non-executive directors of the Company has been formed to oversee the Company's response to this investigation.

Trading in the Company's shares was suspended at the request of the Company with effect from 9:30 a.m. on Thursday, 21 April 2005 pending the release of this announcement. An application has been made to The Stock Exchange of Hong Kong Limited for resumption of trading in the Company's shares with effect from 9:30 a.m. on 18 July 2005.

The Company announces that an investigation was commenced by the Independent Commission Against Corruption ("ICAC") into its affairs on 20 April 2005 and that the Company is fully co-operating with the investigation.

In addition, the board of directors of the Company also wishes to clarify various press articles and other media coverage that appeared on 22 and 23 April 2005 relating to the Company.

On 22 April 2005, the ICAC issued a press release stating that it had arrested 11 persons, including the former chairman and incumbent chairman of a publicly listed company in relation to an alleged illegal commission and suspected misappropriation of the company's funds. According to the press release, it was alleged that the former chairman, incumbent chairman, former deputy chairman and three business promotion managers of the listed company were involved in a scheme which offered illegal commissions to employees of a number of travel agencies and to help it to evade tax. The commissions were allegedly routed to three offshore companies controlled by the senior management of the listed company and their associates. It was further stated that the incumbent chairman had allegedly misappropriated company funds totaling over HK\$2 million.

The Company has been informed by the following persons that they were arrested on 20 April 2005 and released by the ICAC without charge on 22 April 2005:

- Mr. Tse Tat Fung, Tommy (“Mr. Tse”), the Executive Chairman of the Company and its subsidiaries (“TSL Group”) who is responsible for the TSL Group’s overall strategy and business development.
- Mr. Stephen Wong, the Controller of showroom operations who is responsible for the operations of the TSL Group’s showroom business.
- Mr. Tse Sui Luen, a consultant to the TSL Group who advises it on jewellery related matters as specified in the Company’s announcement dated 13 April 2005. He is the former chairman of the TSL Group having resigned in September 2000.

None of the above persons have any dealings with the TSL Group outside of their employment/consultancy agreements except that Mr. Tse controls Partner Logistics Limited which is a 73.9% shareholder of the Company and a lender to the TSL Group on the terms as specified in the Company’s announcement dated 6 October 2004. Save as disclosed above, none of the Company or its directors have been informed by any other directors or employees of the TSL Group of their arrest by the ICAC. Save as disclosed in this announcement, none of the existing directors of the Company have been arrested by the ICAC.

TSL Group has not been informed by any of its former directors or employees of details of their arrest and any allegations made against them by the ICAC. The Company does not have any dealings with its former directors or employees save for Mr. Tse Sui Luen as disclosed above.

On 20 April 2005, the ICAC executed a search warrant at the Company's premises at Hung Hom and took away certain documents and records.

The board of directors of the Company considers that the ICAC allegations, as described above, appear in substance to emanate from the matters dealt with in an internal review (the "Review") of certain transactions of the Company conducted by its then board of directors with the assistance of its financial and legal advisers in 2003. The Company presently understands from its legal advisers that the ICAC investigation into the Company's affairs will also consider the period subsequent to the Review. The main issues, which were the subject matter of the Review, were summarised in the Company's announcement dated 2 October 2003.

As stated in the announcement of 2 October 2003, as a consequence of the Review, the Company introduced more stringent internal controls in relation to the commission payments such that there would be a full audit trail in relation to payments made by the TSL Group to travel agents. Save for some small freelance travel operators who only visit the showroom on a once off or infrequent basis, all commission arrangements with travel agents are supported by written contracts and all commission entitlements of travel agents are calculated in accordance with these contracts by a purpose built computer system. There is a segregation of duty between relevant departments in that the finance department closely monitors the showroom administration department who must, save for the small freelance travel operators mentioned above, provide them with the written contracts for all commission arrangements with travel agents. All commission entitlements of travel agents, including small freelance travel operators, are processed and controlled through the abovementioned computer system. After receiving approval from appropriately authorised staff, the payment of the commission entitlements of travel agents is made by showroom administration department and, save for token payments to guides and bus drivers, any cash payments of commissions to travel agents are required

to be acknowledged by the recipient by written receipt. There is also a segregation of duties in that the finance department reconciles the amount of commission paid to the acknowledged receipt to ensure that all cash payments of commission are acknowledged by written receipts. The executive management has reported approximately every half year to the board and the audit committee, including the independent non-executive directors, of the progress and implementation of such controls. The announcement also referred to a payment by the Company of the equivalent of HK\$1,821,954 to Mr. Tse which related to, according to Mr. Tse, a bonus payment to an employee of a subsidiary of the Company. This payment was returned in full to the Company in January 2003. In light of the issues arising from the bonus payment, the Company introduced internal controls such that all bonus payments are approved by the Remuneration Committee of the Company which majority is composed of the independent non-executive directors and paid to employees as part of the payroll authorised by the Chief Executive Officer of the Company by autopay. The board of directors of the Company, including the independent non-executive directors, have reviewed and are satisfied that these controls remain in place and are effective as at the date of this announcement.

In addition the Company understands from its legal advisers that the ICAC is also investigating amounts totaling HK\$600,000 paid to Mr. Tse by a third party business promoter between July and November 2002. As stated in the Company's announcement dated 2 October 2003, during the course of the Review, Mr. Tse explained that such payments constituted a personal loan and that did not emanate from the Company's funds.

A meeting of the directors of the Company was held at 5:00 p.m. on Monday, 25 April 2005 and a committee of the three independent non-executive directors of the Company was formed to oversee the Company's response to this investigation.

Save as disclosed herein, the Company is not in a position to comment further on the allegations made by the ICAC. While the ICAC's investigation is still at an early stage, the board of the directors, including independent non-executive directors, of the Company is of the view that as things stand now there is no material financial or operational impact on the Company arising out of this investigation and is not aware of any further developments that should be communicated to shareholders beyond that contained in this announcement and previous announcements dated 31 December 2002 and 2 October 2003 made by the Company.

Reference is made to the announcement made by the board of directors of the Company on 27 April 2005 relating to the resignation of Mr. Leung Yit Kuen, Raymond as executive director of the Company with effect from 25 April 2005. The Company has not been informed by Mr. Leung of his involvement, if any, in the context of the ICAC investigation, or any other matter which needs to be brought to the attention of shareholders of the Company. The Company has not been able to contact Mr. Leung following his resignation and it has not been informed by Mr. Leung of the reasons for his resignation.

Trading in the Company's shares was suspended at the request of the Company with effect from 9:30 a.m. on Thursday, 21 April 2005 pending the release of this announcement. An application has been made to The Stock Exchange of Hong Kong Limited for resumption of trading in the Company's shares with effect from 9:30 a.m. on 18 July 2005.

As at the date of this announcement, the board of directors of the Company comprises:

*Executive Directors:*

Mr. Tse Tat Fung, Tommy  
Mr. Peter Gerardus Van Weerdenburg  
Mr. Alex Chan  
Mr. Huang Erwin Steve

*Non-executive Director:*

Mr. Hong Po Kui, Martin

*Independent Non-executive Directors:*

Mr. Chui Chi Yun, Robert  
Mr. Gerald Clive Dobby  
Mr. Lui Pui Kee, Francis

By order of the Board  
**Lai Tsz Mo, Lawrence**  
*Company Secretary*

Hong Kong, 15 July 2005

“Please also refer to the published version of this announcement in The Standard.”