

ARE THE REGULATORY AUTHORITIES INVESTIGATING TSE SUI LUEN ?

If the regulatory authorities in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) are not investigating certain aspects of the activities of publicly listed Tse Sui Luen Jewellery (International) Ltd (TSL) (Code: 417), then minority shareholders of this jewellery company should rise up on their hind legs and scream for action.

From being the premier jewellery retailer in the HKSAR, Chairman Tse Sui Luen has, just about, brought the Company to its knees, requiring financial restructuring on a massive scale, relative to the size of the Company, that is.

Tse Sui Luen's July 14 announcement, regarding the Company's 1999-2000 Financial Results (Financial Year ended February 29, 2000), was a shocker, to be sure, and questions have to be raised about the complete accuracy of many aspects of this announcement.

The Company claims to have paid out \$HK17.15 million for, what it terms: *'Compensation in lieu of notice for early termination of directors' service contracts.'*

It would be, indeed, interesting to learn the names of those past TSL Directors that were paid that princely sum of money, and the method that was employed to arrive at that figure of \$HK17.15 million.

One assumes that none of that money went to members of the Tse Sui Luen Family because, otherwise, other nagging questions would have to be asked.

But that may be just a small issue, considering other matters which appear to be much more pressing.

Under the **BUSINESS REVIEW** part of the announcement of July 14, 2000, it is stated, inter alia, that matters in respect of the PRC operations are performing well.

The exact sentence, contained in the announcement, reads as follows: *'Following the PRC's accession to the World Trade Organisation, it is expected that the Group's jewellery operations in the PRC will continue to perform well ...'.*

Exactly, 8 days later, with regard to this matter of the Company's operations in the PRC, TSL put out another announcement.

It said, inter alia:

'... The jewellery trading operations of TSL in the PRC are primarily undertaken by Infinite Assets Corporation ("Infinite Assets"), which is held as to 77.5% by the Company, 15% by Mr. Qi Jian Hong, a PRC national (the "Intermediary") and 7.5% by a company controlled by the President (a director) of Tse Sui Luen Jewellery (China) Limited, who is, other than the employment, not connected with any director, chief executive or substantial shareholder of TSL and their associates (as defined in the Listing Rules) (of The Stock Exchange of Hongkong Ltd).

Tse Sui Luen Jewellery Trading & Distribution Limited ("TSL Trading"), which is a wholly-owned subsidiary of Infinite Assets, has experienced significant delays in collection of accounts receivable, primarily from a PRC trading company of which the Intermediary is the legal representative and has beneficial interest (the "PRC Trading Company"). The PRC Trading Company owns a number of retail outlets on the mainland (meaning the PRC) which distribute, amongst other things, the jewellery products of the Company. Following an assignment of the

personal loan referred to below, the Intermediary has instructed the PRC Trading Company to withhold accounts receivable due to TSL Trading. As at 26th April, 2000, the amount of accounts receivable being withheld by the PRC Trading Company was about HK\$34,844,033 ...'.

Stopping at this point for a minute, these 2 paragraphs conflict, materially, with the statements in the announcement of July 14, statements which relate to the Company's operations in the PRC.

The TSL pronouncement of July 14 was that, with the PRC joining the World Trade Organisation, TSL's PRC operations '*will continue to perform well.*'

In fact, the TSL announcement of July 22 states that TSL is having trouble in getting paid from the PRC Trading Company which, clearly, must be completely controlled by Mr Qi Jian Hong.

This TARGET assumption, that Mr Qi Jian Hong must be completely controlling the PRC Trading Company, must be completely correct because the July 22 TSL announcement uses the term, '*... the Intermediary (Mr Qi Jian Hong) has instructed the PRC Trading Company to withhold accounts receivable due to TSL Trading.*'

The only way that Mr Qi Jian Hong could exercise such power is if he had control of the PRC entity.

Undoubtedly, there will be those who will accuse TARGET of trying to pick hairs out of eggs in harping on legalese with regard to TSL's official announcements of July 14 and July 22.

But TARGET would like to point out that both of these announcements are supposed to be materially correct in all respects, and legally correct in all respects, complying with The Laws of the HKSAR and The Listing Rules of The Stock Exchange of Hongkong Ltd.

The Personal Loan of Mr TSL

Continuing with the July 22 announcement, it is stated:

'In June 1998, an unrelated third party lent approximately HK\$100 million under two loan agreements (the "Loans") to Ms Tse Wing Yee, Winnie (Ms Tse), a former director of TSL, the repayment of which was guaranteed by Mr. Tse Sui Luen (Mr 'Tse'), the Chairman of TSL, under two deeds of guarantee (the "Deeds of Guarantee") dated 13th June, 1998. The beneficial interest in the Loans was subsequently assigned to the Intermediary on 26th October, 1999. On 26th April, 2000, the Intermediary issued a statutory demand to Mr. Tse and presented a petition from bankruptcy against Ms. Tse and is seeking repayment of the sum of RMB (renminbi) 30,929,969, which is equivalent to about HK\$28,231,078 converted at HK\$100:RMB109.56 (the conversion rate agreed in the Settlement Agreement (defined below), said to be the remaining amount under the Loans.'

The question, which has to be asked, at this juncture, is the reason that Mr Qi Jian Hong (the Intermediary) came to have a '*beneficial interest in the Loans*' of Ms Winnie Tse.

It stands to reason that the answer has to be that the '*unrelated third party*' that lent the money may have been unrelated to TSL, from a strictly legal point of view, but, obviously, not unrelated to Mr Qi Jian Hong and/or the PRC Trading Company.

In which case, one has to ponder whether or not there has been a material misstatement in the July 22 announcement of TSL.

Mr Qi Jian Hong appears to have an extremely close business relationship with Mr Tse Sui Luen and Ms Winnie Tse, Ms Tse, being the former Managing Director of TSL, even though it is claimed that Mr Qi Jian Hong only

has a 15-percent interest in Infinite Assets Corporation, a 77.50-percent-owned subsidiary of TSL, the company that is, allegedly, continuing to perform well in the PRC.

The \$HK51.15-Million Deposit

Continuing, again, with the TSL July 22 announcement, under the ... [CLICK TO ORDER FULL ARTICLE](#)

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