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## **CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **CONNECTED TRANSACTIONS:**

- (1) FINANCIAL ASSISTANCE TO CONNECTED PERSON**
- (2) LEASE OF PROPERTY FROM CONNECTED PERSONS**
- (3) PURCHASE OF RAW MATERIALS AND FINISHED GOODS FROM CONNECTED PERSONS**

#### **Financial Assistance to Connected Person**

Since 31 October 2002, CSSJ(Foshan) (a non-wholly-owned subsidiary of the Company) (as the lender) has entered into six trusted lending agreements and four trusted lending extension agreements with Shunde branch of the Industrial and Commercial Bank of the PRC (as the entrusted agent) and Jinpeng Jewelry (a former substantial shareholder of, and still an associate (within the meaning of the Listing Rules) of a director of, CSSJ(Foshan)) (as the borrower) for the lending by CSSJ(Foshan) to Jinpeng Jewelry of certain moneys for terms of different durations at the interest rate of 6% per annum. The Directors (including the independent non-executive Directors) are of the view that the relevant loan agreements with Jinpeng Jewelry were negotiated on normal commercial terms and entered into on the basis of current market conditions.

#### **Lease of Property from Connected Persons**

Since 1991, CSSJ, a wholly-owned subsidiary of the Company, has entered into the Leases with the Landlord in relation to the Property. The Landlord consists of a former Director of the Company and two persons who are the spouses of respectively two of the current Directors of the Company. The currently effective lease between the Landlord and CSSJ was entered into on 25 May 2003. The Directors (including the independent non-executive Directors) are of the view that the Leases were negotiated on normal commercial terms and entered into on the basis of current market conditions.

#### **Purchase of Raw Materials and Finished Goods from Connected Persons**

Since 8 September 2003, the Relevant CSSJ Subsidiaries have purchased raw materials from Jing Hua, a substantial shareholder of CSSJ(Shandong) (a non-wholly-owned subsidiary of the Company). The total amount of purchase from Jing Hua between 8 September 2003 and 31 December 2003 was HK\$5,202,000, and the total amount of purchase from 1 January 2004 up to 25 March 2004 is HK\$2,778,769.

Since August 2002, the Relevant CSSJ Subsidiaries have purchased gold products from Jinpeng Jewelry. The total amount of purchase from Jinpeng Jewelry between 1 August 2002 and 31 December 2002 was HK\$2,066,000. The total amount of purchase from Jinpeng Jewelry in 2003 was HK\$16,798,000, and the total amount of purchase from 1 January 2004 up to 25 March 2004 is already HK\$752,847.

The Directors (including the independent non-executive Directors) are of the view that the purchase of raw materials from Jing Hua and the purchase of gold products from Jinpeng Jewelry were negotiated on normal commercial terms and carried out on the basis of current market conditions.

### **General**

The delay on the part of the Company to make disclosure of the Transactions in accordance with Rule 14.25(1) of the Listing Rules constituted a breach of the Listing Rules by the Company. The Company will take steps in the future to comply with the new Listing Rules and make further announcement in accordance with the new Listing Rules. The Stock Exchange reserves the rights to take action against the Company and/or Directors in relation to such breaches.

## **CONNECTED TRANSACTIONS:**

### **(1) FINANCIAL ASSISTANCE TO CONNECTED PERSON**

#### ***Loans from CSSJ(Foshan) to Jinpeng Jewelry***

During the period between 31 October 2002 and 13 February 2004, CSSJ(Foshan) (a non-wholly-owned subsidiary of the Company) (as the lender) entered into six trusted lending agreements and four trusted lending extension agreements with Shunde branch of the Industrial and Commercial Bank of the PRC (as the entrusted agent) and Jinpeng Jewelry (as the borrower) for the lending by CSSJ(Foshan) to Jinpeng Jewelry of certain moneys for terms of different durations at the interest rate of 6% per annum. Particulars of the loans to Jinpeng Jewelry are set out in the table below. Loans nos. 1, 3 and 7 as set out in the table below, together with the interests thereon, were settled by cash at their respective due dates. The loans were made to Jinpeng Jewelry to finance its purchase of raw materials for its own operation, and all of such loans were unsecured. As at the date of this announcement, the total outstanding balance of the loans made to Jinpeng Jewelry by CSSJ(Foshan) is RMB10,000,000.

No.	Date of Loan Agreement	Principal Amount of the Loan	Period of the Loan	Interest Rate	Purpose of the Loan	Status
1	31/10/2002	RMB3,000,000	1/11/2002-31/3/2003	6%	to finance the purchase of raw materials	settled
2	21/11/2002	RMB4,000,000	11/12/2002-10/3/2003	6%	to finance the purchase of raw materials	extension by loan no.3
3	10/3/2003	RMB4,000,000	10/3/2003-10/4/2003	6%	extension of term for loan no.2	settled
4	10/4/2003	RMB4,000,000	10/4/2003-19/9/2003	6%	to finance the purchase of raw materials	extension by loan no.7
5	19/5/2003	RMB3,000,000	20/5/2003-14/11/2003	6%	to finance the purchase of raw materials	extension by loan no.8
6	14/8/2003	RMB3,000,000	15/8/2003-13/2/2004	6%	to finance the purchase of raw materials	extension by loan no.10
7	18/9/2003	RMB4,000,000	19/9/2003-1/12/2003	6%	extension of term for loan no.4	settled
8	13/11/2003	RMB3,000,000	14/11/2003-13/5/2004	6%	extension of term for loan no.5	outstanding
9	28/11/2003	RMB4,000,000	1/12/2003-28/5/2004	6%	to finance the purchase of raw materials	outstanding
10	13/2/2004	RMB3,000,000	13/2/2004-12/5/2004	6%	extension of term for loan no.6	outstanding

### ***Connection between the parties***

Before 5 September 2003, the borrower, Jinpeng Jewelry, held 10% of the equity interest in CSSJ(Foshan), while the Company was holding the remaining 90% of the equity interest in CSSJ(Foshan).

On 5 September 2003, the capital of CSSJ(Foshan) was increased and the equity interest in CSSJ(Foshan) held by Jinpeng Jewelry was diluted from 10% to 4.9%, while the Company became the owner of 95.1% of the equity interest in CSSJ(Foshan). Jinpeng Jewelry is still an associate (within the meaning of the Listing Rules) of Mr. Liu Jin Cheng, a director of CSSJ(Foshan).

### ***Reasons for making the loans to Jinpeng Jewelry***

Jinpeng Jewelry is a supplier of gold products to the Relevant CSSJ Subsidiaries (see the section entitled “*Purchase of Raw Materials and Finished Goods from Connected Persons*” below) and it requires finance for the purchase of raw materials. The Directors believe that the provision of loans to Jinpeng Jewelry to finance its purchase of raw materials for production of gold products is beneficial to the Group since it allows Jinpeng Jewelry to manufacture its gold products for supply to the Group in a financially stable environment and without any interruption. The Directors (including the independent non-executive Directors) are of the view that the terms of the loans made to Jinpeng Jewelry are reasonable and the entry into of the relevant loan agreements with Jinpeng Jewelry were negotiated on normal commercial terms and based on current market conditions.

### ***Disclosure requirements***

The total value of the loans made to Jinpeng Jewelry at any time exceeded HK\$1,000,000 but had never exceeded the higher of HK\$10,000,000 and 3% of the book value of the net

tangible assets of the Company for the relevant financial year. Accordingly, no independent shareholders' approval was required for the provision of the loans to Jinpeng Jewelry by CSSJ(Foshan). In accordance with Rule 14.25(1) of the Listing Rules, the loans should have been disclosed by way of a press notice published in the newspapers as soon as possible, which was not done due to an inadvertent oversight and it resulted in a breach of Rule 14.25(1) of the Listing Rules by the Company. However, details of the loans were included in the Company's annual report and accounts for the year ended 31 December 2002 in accordance with Rule 14.25(1) of the Listing Rules. Details of the loans will be included in the Company's annual report and accounts for the year ended 31 December 2003 (which has not yet been published as at the date of this announcement) in accordance with Rule 14.25(1) of the Listing Rules. In the event that any new loans are granted or any existing outstanding loans are extended after their respective expiry dates, the Company will comply with the new Listing Rules.

## **(2) LEASE OF PROPERTY FROM CONNECTED PERSONS**

### *The Leases*

CSSJ, a wholly-owned subsidiary of the Company, entered into the Leases with the Landlord in relation to the Property, particulars of which are stated below.

Landlord : Ms. Yue Bik Lan, Ms. Chow Yuen May Yin and Mr. Chow Kwen Yum

Tenant : CSSJ, a wholly-owned subsidiary of the Company

Property : G/F, M/F, 2/F and the Roof, 87 Castle Peak Road, Yuen Long, New Territories, Hong Kong

The term and the annual rent for each of the Leases are set out in the following table:

<b>Term</b>	<b>Rent (per year)</b>
1 July 1991 — 30 June 1993	HK\$1,189,200
1 July 1993 — 30 June 1995	HK\$1,887,600
1 July 1995 — 30 June 1997	HK\$2,076,000
1 July 1997 — 31 March 1999	HK\$2,256,000
1 April 1999 — 31 March 2001	HK\$1,680,000
1 April 2001 — 31 March 2003	HK\$1,512,000
1 April 2003 — 31 March 2005	HK\$1,356,000

The rent were and will be settled by cash. The currently effective lease between the Landlord and CSSJ was entered into on 25 May 2003.

### *Connection between the parties*

The Landlord consists of:

- (1) Ms. Yue Bik Lan, the spouse of Mr. Chow Kwen Ling, a Director;
- (2) Ms. Chow Yuen May Yin, the spouse of Mr. Chow Kwen Lim, a Director; and

- (3) Mr. Chow Kwen Yum, who was a Director between 2 September 1957 and 19 February 2001.

Both Ms. Yue Bik Lan and Ms. Chow Yuen May Yin do not have any control or influence over the daily management of the Company. Mr. Chow Kwen Yum passed away on 19 February 2001.

***Reasons for the entry into of the Leases***

The Directors believe that the Property is suitably located and it is beneficial to the Group if the Property is used as a retail branch of CSSJ for selling jewellery and gold products. In addition, the Directors (including the independent non-executive Directors) are of the view that the rent payable to the Landlord and the other terms of each of the Leases were and are reasonable and the entry into of each of the Leases were negotiated on normal commercial terms and based on current market conditions.

***Disclosure requirements***

The annual rental under each of the Leases exceeded HK\$1,000,000 but less than the higher of HK\$10,000,000 and 3% of the book value of the net tangible assets of the Company for the relevant financial year. Accordingly, no independent shareholders' approval was required for the entry into of the Leases. In accordance with Rule 14.25(1) of the Listing Rules, the Leases should have been disclosed by way of a press notice published in the newspapers as soon as possible and their details should also have been included in the Company's annual reports and accounts for the relevant financial year, which were not done due to an inadvertent oversight and it resulted in a breach of Rule 14.25(1) of the Listing Rules by the Company. The aggregate rental under the whole term of the current lease does not exceed the higher of HK\$10,000,000 and 3% of the book value of the net tangible assets of the Company.

**(3) PURCHASE OF RAW MATERIALS AND FINISHED GOODS FROM CONNECTED PERSONS**

***Purchase of raw materials and finished goods***

Since 8 September 2003, the Relevant CSSJ Subsidiaries have purchased raw materials from Jing Hua, a substantial shareholder of CSSJ(Shandong) (a non-wholly-owned subsidiary of the Company). The total amount of purchase from Jing Hua between 8 September 2003 and 31 December 2003 was HK\$5,202,000, and the total amount of purchase from 1 January 2004 up to 25 March 2004 is HK\$2,778,769. There was no formal sale and purchase or supply agreement between Jing Hua and the Relevant CSSJ Subsidiaries, and all the transactions between them were conducted on an individual order basis and settled by cash.

Since August 2002, the Relevant CSSJ Subsidiaries have purchased gold products from Jinpeng Jewelry. The total amount of purchase from Jinpeng Jewelry between 1 August 2002 and 31 December 2002 was HK\$2,066,000.

The total amount of purchase in 2003 was HK\$16,798,000, and the total amount of purchase from 1 January 2004 up to 25 March 2004 is already HK\$752,847. There was no formal sale and purchase or supply agreement between Jinpeng Jewelry and the Relevant CSSJ Subsidiaries, and all the transactions between them were conducted on an individual order basis and settled by cash.

### ***Connection between the parties***

Jing Hua holds 21% of the equity interest in CSSJ(Shandong), while the Company is holding 70% of the equity interest in CSSJ(Shandong).

Jinpeng Jewelry was a substantial shareholder of CSSJ(Foshan) when it owned 10% of the equity interest in CSSJ(Foshan) which was reduced to 4.9% on 5 September 2003. Jinpeng Jewelry is still an associate (within the meaning of the Listing Rules) of Mr. Liu Jin Cheng, a director of CSSJ(Foshan).

Save as disclosed above, Jing Hua and Jinpeng Jewelry are not related to each other.

### ***Reasons for the purchase from Jing Hua and Jinpeng Jewelry***

Jing Hua and Jinpeng Jewelry are the suppliers to the Group of raw materials and gold products respectively. The Directors consider that since the raw materials and gold products supplied by Jing Hua and Jinpeng Jewelry respectively are of the quality acceptable by the Group for use in the manufacture of final products or for sale to the Group's customers, it is beneficial to the Group to source its supply of raw materials and gold products from Jing Hua and Jinpeng Jewelry. The Directors (including the independent non-executive Directors) are of the view that the purchases of raw materials and gold products from Jing Hua and Jinpeng Jewelry were negotiated on normal commercial terms and based on current market conditions.

### ***Disclosure requirements***

The total amount of consideration paid to Jing Hua for the purchase of raw materials between 8 September 2003 and 31 December 2003 and the total amount of consideration paid to Jinpeng Jewelry for the purchase of gold products in each of the financial years 2002 and 2003 exceeded HK\$1,000,000 but did not exceed the higher of HK\$10,000,000 and 3% of the book value of the net tangible assets of the Company for the relevant financial year. Accordingly, no independent shareholders' approval is required for such purchases. In accordance with Rule 14.25(1) of the Listing Rules, such purchases should have been disclosed by way of a press notice published in the newspapers as soon as possible, which was not done due to an inadvertent oversight and it resulted in a breach of Rule 14.25(1) of the Listing Rules by the Company. However, details of such purchases were included in the Company's annual report and accounts for the year ended 31 December 2002 in accordance with Rule 14.25(1) of the Listing Rules. Details of such purchases will be included in the Company's annual report and accounts for the year ended 31 December 2003 (which has not yet been published as at the date of this announcement) in accordance with Rule 14.25(1) of the Listing Rules. Such purchases are on-going in nature and the Company will make further announcement in compliance with the requirements for continuing transaction in accordance with the new Listing Rules.

## **BUSINESS AND FINANCIAL POSITION OF THE GROUP**

The principal activities of the Group consist of the manufacture and retail of jewellery, wholesale of precious metals, securities and commodities broking, bullion trading and property investment.

The Company also operates a number of subsidiaries and joint venture companies in the manufacturing and sale of jewellery in the PRC.

The Company had consolidated net tangible assets in the sum of HK\$1,732,572,000 as at 30 June 2003 based on the Company's interim report and accounts for the half year ended 30 June 2003.

## GENERAL

The delay on the part of the Company to make disclosure of the Transactions in accordance with Rule 14.25(1) of the Listing Rules constituted a breach of the Listing Rules by the Company. The Company will take steps in the future to comply with the new Listing Rules and make further announcement in accordance with the new Listing Rules. The Stock Exchange reserves the rights to take action against the Company and/or Directors in relation to such breaches.

## DEFINITIONS

“Company”	Chow Sang Sang Holdings International Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange;
“CSSJ”	Chow Sang Sang Jewellery Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“CSSJ(Foshan)”	周生生珠寶（佛山）有限公司 (Chow Sang Sang Jewellery (Foshan) Co., Ltd.) (formerly known as 周生生珠寶（順德）有限公司 (Chow Sang Sang Jewellery (Shunde) Ltd.)), a sino-foreign equity joint venture established in the PRC and a non-wholly-owned subsidiary of the Company;
“CSSJ(Shaanxi)”	周生生珠寶金行(陝西)有限公司 (Chow Sang Sang Jewellery (Shaanxi) Co., Ltd), a company incorporated in the PRC and a wholly-owned subsidiary of the Company;
“CSSJ(Shandong)”	周生生珠寶（山東）有限公司 (Chow Sang Sang Jewellery (Shandong) Co., Ltd.), a sino-foreign equity joint venture established in the PRC and a non-wholly-owned subsidiary of the Company;
“CSSJ(Shanghai)”	周生生珠寶(上海)有限公司 (Chow Sang Sang Jewellery (Shanghai) Co., Ltd), a sino-foreign equity joint venture established in the PRC and a non-wholly-owned subsidiary of the Company;
“Relevant CSSJ Subsidiaries”	CSSJ, CCSJ(Foshan), CSSJ(Shaanxi), CSSJ(Shandong) and CSSJ(Shanghai);
“Directors”	the directors of the Company;

“Group”	the Company and its subsidiaries;
“Jing Hua”	京華飾品有限公司 (Jing Hua Diamond & Jewellery Co., Ltd.), a company established in the PRC and a substantial shareholder of CSSJ(Shandong);
“Jinpeng Jewelry”	佛山市順德區金鵬珠寶首飾有限責任公司 (Foshan Shunde Jinpeng Jewelry Co. Ltd.) (formerly known as 順德金鵬珠寶首飾有限責任公司 (Shunde Jinpeng Jewelry Co. Ltd.)), a company established in the PRC and a minority shareholder of CSSJ(Foshan);
“Landlord”	(1) Ms. Yue Bik Lan, the spouse of a Director; (2) Ms. Chow Yuen May Yin, the spouse of a Director; and (3) Mr. Chow Kwen Yum, a Director between 2 September 1957 and 19 February 2001, who passed away on 19 February 2001;
“Leases”	the various lease agreements entered into between CSSJ and the Landlord in respect of the Property since 1991;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“PRC”	People’s Republic of China;
“Property”	G/F, M/F, 2/F and the Roof, 87 Castle Peak Road, Yuen Long, New Territories, Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Transactions”	(1) the grant of short term financing to Jinpeng Jewelry by CSSJ(Foshan); (2) the entry into of lease agreements between CSSJ and the Landlord in relation to the Property; (3) the purchase of raw materials by the Relevant CSSJ Subsidiaries from Jing Hua; and (4) the purchase of finished goods by the Relevant CSSJ Subsidiaries from Jinpeng Jewelry.

By Order of the Board  
**Chow Kwen Lim**  
*Chairman*

Hong Kong, 30 March 2004

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