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## **CHOW TAI FOOK JEWELLERY GROUP LIMITED**

**周大福珠寶集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1929

### **CONTINUING CONNECTED TRANSACTION**

#### **RENEWAL OF ANNUAL CAPS FOR CTFE TENANCY FRAMEWORK AGREEMENT**

Reference is made to the 2017 Announcement in respect of the CTFE Tenancy Framework Agreement. Pursuant to the Framework Agreement, the Group has entered into various tenancy arrangements with members of CTF Enterprises Group in respect of the lease of certain premises owned by CTF Enterprises Group to the Group for retail shops, residential and office uses.

The Company and CTF Enterprises agreed that the Framework Agreement will be automatically renewed upon the expiry of its renewal term on 31 March 2020 for a further term of three years up to 31 March 2023, subject to compliance with the then applicable provisions of the Listing Rules. The Original Annual Caps will expire on 31 March 2020 and the New Annual Caps for each of the three years ending 31 March 2023 are set forth in this announcement.

CTF Capital is a substantial shareholder of the Company. CTF Enterprises is an indirect subsidiary of CTF Capital through CTF Holding. CTF Enterprises therefore is a connected person of the Company and the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios of the New Annual Caps are, on an annual basis, more than 0.1% but less than 5%, the New Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval and circular requirements under the Listing Rules.

## THE CTFE TENANCY FRAMEWORK AGREEMENT

Reference is made to the 2014 Announcement and the 2017 Announcement in respect of the CTFE Tenancy Framework Agreement. Pursuant to the Framework Agreement, the Group has entered into various tenancy arrangements with members of CTF Enterprises Group, from time to time, in respect of the lease of certain premises owned by CTF Enterprises Group to the Group for retail shops, residential and office uses.

The Company and CTF Enterprises agreed that the Framework Agreement will be automatically renewed upon the expiry of its renewal term on 31 March 2020 for a further term of three years up to 31 March 2023, subject to compliance with the then applicable provisions of the Listing Rules. There has been no change in the terms of the Framework Agreement since it was entered into on 28 November 2011.

### ANNUAL CAPS

For the purpose of the Listing Rules, the New Annual Caps are set for each of the three financial years ending 31 March 2023. Details of the Original Annual Caps and New Annual Caps are set out below.

	For financial year ended/ending 31 March		
	2018 <i>HK\$ million</i>	2019 <i>HK\$ million</i>	2020 <i>HK\$ million</i>
Original Annual Caps	122.0	122.0	122.0
Actual aggregate rental amount paid	67.0	67.0	53.3 (for 9 months ended 31 December 2019)
	2021 <i>HK\$ million</i>	2022 <i>HK\$ million</i>	2023 <i>HK\$ million</i>
New Annual Caps	370.0	70.0	70.0

Pursuant to IFRS 16 adopted by the Group from 1 April 2019, the Group as lessee shall recognise the present value of lease payments for acquisition of the right to use the leased premises as right-of-use assets in the consolidated statement of financial position of the Group. Accordingly, the New Annual Caps reflect the estimated total value of right-of-use assets under the definitive agreements between members of the Group and members of the CTF Enterprises Group to be entered into by the Group in each year under the Framework Agreement.

The New Annual Caps have been estimated with reference to the historical figures, the terms of the underlying leases, the expected market rentals at the time of renewing existing leases, and the estimated rentals of new leases in the future.

## **PRICING POLICY**

Rentals of premises to be renewed or leased will follow the prevailing market rates around the time of entering into or renewing the respective definitive agreements. The Group will obtain relevant market comparable from available sources or independent valuers and make comparison with the rental rates of premises in similar locations leased by the Group, where appropriate.

## **REASONS AND BENEFITS OF THE AUTOMATIC RENEWAL OF THE FRAMEWORK AGREEMENT**

The Group and CTF Enterprises Group may maintain the current leases and may from time to time consider entering into new leases. In order to systematically organise all definitive tenancy agreements between the Group and CTF Enterprises Group for the purpose of Chapter 14A of the Listing Rules, the Company and CTF Enterprises decided to automatically renew the Framework Agreement. The Directors believe that it is in the interest of the Group to renew the Framework Agreement so that the Group may regulate the current and future tenancy agreements with CTF Enterprises Group under a common framework agreement.

## **APPROVAL BY THE BOARD**

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the renewed Framework Agreement and the New Annual Caps are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

None of the Directors have a material interest in the Framework Agreement, but certain Directors, namely Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy, Mr. Cheng Kam-Biu, Wilson and Ms. Cheng Chi-Man, Sonia, voluntarily abstained from voting on the relevant board resolutions. All other Directors (including the independent non-executive Directors) have reviewed and approved the automatic renewal of the Framework Agreement and the New Annual Caps.

## **INFORMATION OF THE GROUP AND CTF ENTERPRISES**

The Group is one of the largest jewellers in the world with an extensive retail network in Greater China, Japan, Korea, Southeast Asia and the United States, in addition to its e-commerce business. The Group is principally engaged in the business of manufacturing and selling of high-end luxury, mass luxury and youth line jewellery products, including gem-set jewellery, gold products and platinum/karat gold products, and distribution of various watch brands.

To the best knowledge of the Directors, CTF Enterprises is principally engaged in investment holding.

## LISTING RULES IMPLICATIONS

CTF Capital is a substantial shareholder of the Company. CTF Enterprises is an indirect subsidiary of CTF Capital through CTF Holding. CTF Enterprises therefore is a connected person of the Company and the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios of the New Annual Caps are, on an annual basis, more than 0.1% but less than 5%, the New Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval and circular requirements under the Listing Rules.

## DEFINITIONS

The following terms have the following meanings in this announcement, unless the context otherwise requires:

“2014 Announcement”	the announcement of the Company dated 6 March 2014 in respect of the CTFE Tenancy Framework Agreement
“2017 Announcement”	the announcement of the Company dated 22 March 2017 in respect of the CTFE Tenancy Framework Agreement
“Company”	Chow Tai Fook Jewellery Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1929)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CTF Capital”	Chow Tai Fook Capital Limited, a company incorporated in the British Virgin Islands with limited liability, the holding company of CTF Holding and a substantial shareholder of the Company
“CTF Enterprises”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability, being an indirect subsidiary of CTF Capital through CTF Holding and a fellow subsidiary of the Company
“CTF Enterprises Group”	CTF Enterprises and its subsidiaries
“CTF Holding”	Chow Tai Fook (Holding) Limited, a company incorporated in the British Virgin Islands with limited liability, the holding company of CTF Enterprises

“CTFE Tenancy Framework Agreement” or “Framework Agreement”	the framework agreement entered into between the Company and CTF Enterprises on 28 November 2011 in respect of the tenancy arrangements between the Group and the CTF Enterprises Group, as disclosed in the Prospectus, the 2014 Announcement and the 2017 Announcement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS 16”	the International Financial Reporting Standard 16 issued by the International Accounting Standards Board, which sets out the principles for the recognition, measurement, presentation and disclosure of leases
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Annual Caps”	the annual caps in respect of the rental amounts payable by the Group under the renewed CTFE Tenancy Framework Agreement for the three financial years ending 31 March 2021, 31 March 2022 and 31 March 2023 respectively
“Original Annual Caps”	the annual caps in respect of the rental amounts paid or payable by the Group under the CTFE Tenancy Framework Agreement for the three financial years ended/ending 31 March 2018, 31 March 2019 and 31 March 2020 respectively
“Prospectus”	the Company’s prospectus dated 5 December 2011 in relation to the initial public offering of its shares, which is available from the Company’s website at <a href="http://www.ctfjewellerygroup.com">www.ctfjewellerygroup.com</a>
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

By order of the Board  
**Chow Tai Fook Jewellery Group Limited**  
**Dr. Cheng Kar-Shun, Henry**  
*Chairman*

Hong Kong, 27 March 2020

*As at the date of this announcement, the executive directors are Dr. Cheng Kar-Shun, Henry, Mr. Wong Siu-Kee, Kent, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy, Mr. Cheng Ping-Hei, Hamilton, Mr. Chan Sai-Cheong, Mr. Suen Chi-Keung, Peter, Mr. Chan Hiu-Sang, Albert, Mr. Liu Chun-Wai, Bobby and Mr. Cheng Kam-Biu, Wilson; the non-executive director is Ms. Cheng Chi-Man, Sonia; and the independent non-executive directors are Dr. Fung Kwok-King, Victor, Dr. Or Ching-Fai, Raymond, Mr. Kwong Che-Keung, Gordon, Mr. Cheng Ming-Fun, Paul, Mr. Lam Kin-Fung, Jeffrey and Ms. Cheng Ka-Lai, Lily.*