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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 TRANSACTIONS THE MASTER LEASING AND LICENSING AGREEMENT**

On 28 April 2020, the Company and NWD entered into the Master Leasing and Licensing Agreement in relation to the Transactions. The Master Leasing and Licensing Agreement shall become effective on the Effective Date whereupon the Former Master Leasing Agreement shall be terminated.

As at the date of this announcement, CTF Capital is a substantial shareholder of the Company. NWD, being a 30%-controlled company (as defined in the Listing Rules) held indirectly by CTF Capital through CTFH, is an associate of CTF Capital. Accordingly, NWD and its subsidiaries are connected persons of the Company. The Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Annual Caps is more than 0.1% but less than 5%, the entering into of the Master Leasing and Licensing Agreement and the Annual Caps are subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under the Listing Rules for the Company.

### **THE MASTER LEASING AND LICENSING AGREEMENT**

#### **Background**

Reference is made to the 2014 Joint Announcement and the 2017 Announcement in respect of the Former Master Leasing Agreement.

On 11 April 2014, the Company and NWD entered into the Former Master Leasing Agreement in relation to the transactions arising from the leasing or tenancy agreements between relevant members of the Group and relevant members of the NWD Group. The initial term of the Former Master Leasing Agreement expired on 30 June 2017. The Company and NWD agreed to renew the Former Master Leasing Agreement upon the expiry of its initial term on 30 June 2017 for a further term of three years up to and including 30 June 2020.

On 28 April 2020, the Company and NWD entered into the Master Leasing and Licensing Agreement in relation to the Transactions. The Master Leasing and Licensing Agreement shall become effective on the Effective Date whereupon the Former Master Leasing Agreement shall be terminated.

The principal terms of the Master Leasing and Licensing Agreement are set out below:

**Date**

28 April 2020

**Parties**

- (a) the Company; and
- (b) NWD

**General terms for the Transactions**

The relevant members of the Group and the relevant members of the NWD Group may from time to time enter into Definitive Agreement(s) in relation to any Transaction(s) upon, and subject to, the terms and conditions in compliance with the Master Leasing and Licensing Agreement as may be agreed between the relevant members of the Group and the relevant members of the NWD Group. All existing agreements between the relevant members of the Group and the relevant members of the NWD Group in respect of the Transactions (to the extent which covers the Transactions on and after the Effective Date) shall be treated as Definitive Agreements made pursuant to the Master Leasing and Licensing Agreement as from the Effective Date.

With effect from the Effective Date, the Transactions shall be conducted:

- (a) in the ordinary and usual course of business of the Group and the NWD Group;
- (b) on normal commercial terms or better for each of the Group and the NWD Group and based on the then prevailing market rates; and
- (c) in compliance with all applicable provisions of the Listing Rules (including but not limited to the Annual Caps), the applicable laws, the Master Leasing and Licensing Agreement and the relevant Definitive Agreement.

The consideration for each Definitive Agreement will be determined in the following manner:

- (a) for lessor, the lessor will provide the lessee with a quote after it has, at its best endeavour, obtained at least one market comparable for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or reviewed at least one comparable transaction with independent third parties; and

- (b) for lessee, the lessee will, at its best endeavour, obtain at least one market comparable for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or review at least one comparable transaction with independent third parties before deciding whether to accept the quote provided by the lessor and proceed further.

## **Duration**

The Master Leasing and Licensing Agreement shall be effective from the Effective Date up to and including 30 June 2023, unless terminated earlier in accordance with the Master Leasing and Licensing Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the Master Leasing and Licensing Agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term, the Master Leasing and Licensing Agreement will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the Master Leasing and Licensing Agreement.

## **Termination of the Former Master Leasing Agreement**

The Master Leasing and Licensing Agreement provides that the Former Master Leasing Agreement shall be terminated immediately upon the Master Leasing and Licensing Agreement becoming effective on the Effective Date. None of the parties has to pay to the other party any penalty and/or compensation in relation to the termination of the Former Master Leasing Agreement.

## **Historical figures**

The aggregate transaction amounts paid by the Group to the NWD Group under the Former Master Leasing Agreement for each of the two years ended 31 March 2018 and 2019 and the nine months ended 31 December 2019 were approximately HK\$103.0 million, HK\$92.0 million and HK\$69.0 million, respectively. The Directors confirm that the transactions under the Former Master Leasing Agreement since 1 April 2020 up to the date of this announcement constituted de minimis transactions under Rule 14A.76 of the Listing Rules.

## **The Annual Caps**

Pursuant to IFRS 16, the Group as lessee shall recognise the Fixed Lease Payments and Variable Lease Payments as right-of-use assets and expenses respectively.

As it is expected that the Variable Lease Payments for each of the three years ending 31 March 2023 are “de minimis” after considering all of the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules), the Annual Caps are set on the estimated total value of right-of-use assets relating to leases to be entered into by the Group as lessee for each of the three years ending 31 March 2023.

The Annual Caps for each of the three years ending 31 March 2023 are HK\$146.0 million, HK\$174.0 million and HK\$203.0 million, respectively. The Annual Cap for the year ending 31 March 2021 comprises transactions under the Former Master Leasing Agreement for the period from 1 April 2020 to the date immediately before the Effective Date, and those under the Master Leasing and Licensing Agreement for the period from the Effective Date to 31 March 2021.

The Annual Caps have been determined based on historical transaction amounts, the number and the respective terms of the leases to be entered into by the Group for each of the three years ending 31 March 2023, prevailing market rates and the expected growth in the amount of transactions under the Master Leasing and Licensing Agreement.

Taking into account that all leasing and tenancy services under the Former Master Leasing Agreement were provided by the NWD Group to the Group and the Group has no imminent plan to provide leasing, tenancy, licensing, concession or other similar services to the NWD Group, the Annual Caps are determined in respect of the contemplated provision of leasing, tenancy, licensing, concession or other similar services by the NWD Group to the Group for each of the three financial years ending 31 March 2023.

In the event that the Group provides any leasing, tenancy, licensing, concession or other similar services to the NWD Group pursuant to the Master Leasing and Licensing Agreement in the three financial years ending 31 March 2023, the Company will closely monitor the aggregate transaction amounts thereunder to ensure compliance with the reporting, announcement, independent shareholders' approval and circular requirements, if applicable, under Chapter 14A of the Listing Rules.

### **Reasons for and benefits of entering into the Master Leasing and Licensing Agreement**

Members of the Group and members of the NWD Group may maintain the current leasing or tenancy arrangement. Also, the Group and the NWD Group may from time to time consider entering into new licensing, concession or other similar collaboration arrangements in respect of real property (including without limitation retail shops, shops-in-shops and counters) in addition to new leasing or tenancy arrangements. In order to systematically organise all the said arrangements between the Group and the NWD Group for the purposes of Chapter 14A of the Listing Rules, the Company and NWD decided to enter into the Master Leasing and Licensing Agreement.

The Directors believe that it is in the interests of the Company to enter into the Master Leasing and Licensing Agreement for an initial term of three years so that the Group may regulate the existing and future leasing, tenancy, licensing, concession and other similar collaboration agreements with the NWD Group under a common framework agreement.

## **DIRECTOR'S CONFIRMATION**

The Directors (including the independent non-executive Directors) consider that the entering into of the Master Leasing and Licensing Agreement and its terms are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and are in the interests of the Group and the shareholders of the Company as a whole, and that the Annual Caps are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

## **INFORMATION ON THE GROUP AND NWD GROUP**

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, the NWD Group is principally engaged in property development, property investment and investment in and/or operation of roads, commercial aircraft leasing, construction, insurance, hotels and other strategic businesses.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CTF Capital is a substantial shareholder of the Company. NWD, being a 30%-controlled company (as defined in the Listing Rules) held indirectly by CTF Capital through CTFH, is an associate of CTF Capital. Accordingly, NWD and its subsidiaries are connected persons of the Company. The Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Annual Caps is more than 0.1% but less than 5%, the entering into of the Master Leasing and Licensing Agreement and the Annual Caps are subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under the Listing Rules for the Company.

## **APPROVAL BY THE BOARD OF DIRECTORS**

None of the Directors has a material interest in the entering into of the Master Leasing and Licensing Agreement and the transactions contemplated thereunder. Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia are common directors of the Company and NWD. Accordingly, they and their associate, being Mr. Cheng Kam-Biu, Wilson, had voluntarily abstained from voting on the resolutions approving the entering into of the Master Leasing and Licensing Agreement and the Annual Caps at a board meeting of the Company. All other Directors (including the independent non-executive Directors) have reviewed and approved the entering into of the Master Leasing and Licensing Agreement and the Annual Caps.

## DEFINITIONS

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

“2014 Joint Announcement”	the joint announcement of the Company and NWD dated 11 April 2014 in respect of the Former Master Leasing Agreement
“2017 Announcement”	the announcement of the Company dated 31 March 2017 in respect of the renewal of the Former Master Leasing Agreement
“Annual Caps”	the annual cap amounts payable by the Group to the NWD Group in respect of the Transactions for each of the three financial years ending 31 March 2023
“associate”	has the meaning ascribed to it under the Listing Rules
“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
“connected person”	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 CTFH and a substantial shareholder of the Company
“CTFH”	Chow Tai Fook (Holding) Limited, a company incorporated in the British Virgin Islands with limited liability, a subsidiary of CTF Capital
“Definitive Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the NWD Group from time to time in relation to any of the Transactions at any time during the term of the Master Leasing and Licensing Agreement
“Directors”	the directors of the Company
“Effective Date”	1 July 2020
“Fixed Lease Payment”	a fixed dollar amount of periodic rental fee in respect of a Definitive Agreement

“Former Master Leasing Agreement”	the master leasing agreement entered into between the Company and NWD on 11 April 2014 and renewed on 1 July 2017 in relation to the transactions arising from the leasing or tenancy agreements between members of the Group and members of the NWD Group
“Group”	the Company and its subsidiaries from time to time
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Mainland China”	the mainland of the People’s Republic of China
“Master Leasing and Licensing Agreement”	the master leasing and licensing agreement in relation to the Transactions entered into between the Company and NWD on 28 April 2020
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“NWD Group”	NWD and its subsidiaries from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules



“Transactions”	all existing and future transactions between members of the Group and members of the NWD Group arising from the leases or tenancy agreements, licensing agreements, concession agreements, other similar collaboration agreements or any other agreements in relation to any real properties (including without limitation retail shops, shops-in-shops and counters) between members of the Group and members of the NWD Group, as contemplated under the Master Leasing and Licensing Agreement
“Variable Lease Payment”	a variable amount of payment linked to sales generated from the leased property(ies) in respect of a Definitive Agreement
“%”	per cent.

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

Hong Kong, 28 April 2020

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