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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 COLLABORATION AGREEMENT

On 8 June 2021, the Company and NWD entered into the Master Collaboration Agreement in relation to the Transactions. The Master Collaboration Agreement shall become effective on the Effective Date.

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, 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 Collaboration 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 COLLABORATION AGREEMENT

Background

On 8 June 2021, the Company and NWD entered into the Master Collaboration Agreement in relation to the Transactions. The Master Collaboration Agreement shall become effective on the Effective Date.

The principal terms of the Master Collaboration Agreement are set out below:

Date

8 June 2021

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 Collaboration 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 Collaboration 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 for each of the Group and the NWD Group; 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 Collaboration Agreement and the relevant Definitive Agreement(s).

The consideration for each Definitive Agreement will be determined by the contracting parties with reference to the prevailing market prices charged by independent third parties for similar goods, services, assets and transactions in the similar standards prescribed by the Group in the ordinary course of business on normal commercial terms. If no such prevailing market price is available or if there is no sufficient comparable in the market, the price or consideration will be determined by the contracting parties based on arm's length negotiations with reference to the reasonable costs to develop or provide such goods, services, assets or transactions plus a reasonable profit margin (for this purpose, "reasonable costs" means such costs as confirmed by the contracting parties after arm's length negotiations). The Group will monitor industry practices on a regular basis to ensure the terms offered to the Group are equivalent to the prevailing market prices.

Duration

The Master Collaboration Agreement shall be effective from the Effective Date up to and including 31 March 2024, unless terminated earlier in accordance with the Master Collaboration Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the Master Collaboration Agreement is subject, including without limitation the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term, the Master Collaboration 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 Collaboration Agreement.

Historical transaction amounts

The Directors confirm that the transaction amounts paid by the Group to the NWD Group, and vice versa, for the Transactions for each of the three years ended 31 March 2019, 31 March 2020 and 31 March 2021 and for the period thereafter up to the date of this announcement were “de minimis” under Rule 14A.76 of the Listing Rules.

The Annual Caps

The Annual Caps for each of the three financial years ending 31 March 2022, 31 March 2023 and 31 March 2024 are HK\$320 million, HK\$380 million and HK\$450 million, respectively.

The Annual Caps have been determined with reference to:

- (a) with respect to the Loyalty Programme Transactions: the terms of the underlying agreements or arrangements entered or to be entered into for such Transactions, the anticipated number of the Group’s sales outlets participating in the customer loyalty programme(s), the estimated sales volume of the goods and services at the Group’s sales outlets generating the relevant loyalty points to be distributed to customers, the expected scale of utilization of the relevant loyalty points by customers for purchases at the Group’s sales outlets and the costs expected to be incurred in relation thereto, and other fees and charges payable under the underlying agreements or arrangements;
- (b) with respect to other Transactions: the historical transaction amounts, the terms of the underlying agreements or arrangements entered or to be entered into for such Transactions, the estimated prices of the goods, services and assets to be provided by the Group or the NWD Group (as the case may be) based on the pricing policy, and the estimated volume of goods, services and assets the Group may demand from the NWD Group (and vice versa) in the respective years.

Reasons for and benefits of entering into the Master Collaboration Agreement

The transactions contemplated under the Master Collaboration Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group and the NWD Group. The Master Collaboration Agreement is intended to streamline the continuing connected transactions between members of the Group and members of the NWD Group in respect of the Transactions. The Master Collaboration Agreement provides a single basis on which the Company will comply with the requirements under the Listing Rules and thereby reduce the administrative burden and costs on the Company to comply with such requirements in relation to the execution of the agreements in respect of the Transactions.

The Directors believe that it is in the interests of the Company to enter into the Master Collaboration Agreement so that the Group may regulate the existing and future Loyalty Programme Transactions and other similar or related collaboration transactions 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 Collaboration 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 jewellery products, including gem-set, platinum and k-gold jewellery and gold jewellery and products, as well as the distribution of various watches 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

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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 Collaboration 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 Collaboration Agreement and the transactions contemplated thereunder. Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy 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 Collaboration 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 Collaboration Agreement and the Annual Caps.

DEFINITIONS

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

“Annual Caps”	the annual cap amounts payable by the Group to the NWD Group, and vice versa, in respect of the Transactions for each of the three financial years ending 31 March 2022, 31 March 2023 and 31 March 2024
“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 and a substantial shareholder of the Company
“CTFHK”	Chow Tai Fook Jewellery Company Limited, a subsidiary of the Company
“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 Collaboration Agreement

“Directors”	the directors of the Company
“Effective Date”	8 June 2021
“Group”	the Company and its subsidiaries from time to time
“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
“KLUB 11 Loyalty Programme”	the customer loyalty programme run and administered by K11 LPL covering registration, redemption, credit and application of KLUB Points, K Dollars, and other loyalty credits from time to time issued or provided by K11 LPL for those registered as member through spending at the locations as may be designated by K11 LPL from time to time
“K11 LPL”	K11 Loyalty Program Limited, a subsidiary of NWD
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loyalty Programme Transactions”	the transactions between the Group and the NWD Group in respect of their collaboration on and marketing of customer loyalty programmes, including without limitation the transactions in respect of the KLUB 11 Loyalty Programme involving, among other things, the distribution of designated loyalty points by K11 LPL to certain customers of CTFHK, the acceptance by CTFHK of designated loyalty points from its customers for purchases of goods or services, and the costs and fees incurred in connection therewith
“Master Collaboration Agreement”	the master collaboration agreement in relation to the Transactions entered into between the Company and NWD on 8 June 2021
“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”	(a) all existing and future transactions between members of the Group and members of the NWD Group in respect of (i) the Loyalty Programme Transactions; (ii) the offer or provision of gifts, coupons, vouchers and other special offers or promotions to each other’s customers; (iii) the provision of online and other platforms by members of the NWD Group for the marketing, promotion and sales of products and services of members of the Group; and (b) such other types of transactions between members of the Group and members of the NWD Group as the parties may agree in writing from time to time
“%”	per cent.

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

Hong Kong, 8 June 2021

As at the date of this announcement, the executive directors are Dr. Cheng Kar-Shun, Henry, Mr. Wong Siu-Kee, Kent, Mr. Chan Sai-Cheong, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy, Ms. Cheng Chi-Man, Sonia, Mr. Cheng Kam-Biu, Wilson, Mr. Cheng Ping-Hei, Hamilton, Mr. Suen Chi-Keung, Peter and Mr. Liu Chun-Wai, Bobby; 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, Mr. Chia Pun-Kok, Herbert and Ms. Cheng Ka-Lai, Lily.