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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 THE CTFE TENANCY FRAMEWORK AGREEMENT

THE CTFE TENANCY FRAMEWORK AGREEMENT

Reference is made to the 2014 Announcement, the 2017 Announcement and the 2020 Announcement in respect of the CTFE Tenancy Framework Agreement. Pursuant to the CTFE Tenancy Framework Agreement, members of the Group and members of the CTF Enterprises Group have entered and will, from time to time, enter into various tenancy arrangements in respect of the lease of certain premises owned by the CTF Enterprises Group to the Group for retail shops, residential and office uses.

The Company and CTF Enterprises agreed that the CTFE Tenancy Framework Agreement will be renewed upon the expiry of its renewal term (the last date of such renewal term being 31 March 2023) for a further term of three years from 1 April 2023 to 31 March 2026 (both days inclusive), subject to compliance with the relevant requirements of the Listing Rules. The New Annual Caps for the three financial years ending 31 March 2024, 31 March 2025 and 31 March 2026 respectively are set forth in this announcement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CTF Capital is a substantial shareholder of the Company. CTF Enterprises is an indirect subsidiary of CTF Capital and is therefore a connected person of the Company. As such, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the New Annual Caps is, on an annual basis, more than 0.1% but less than 5%, the renewal of the CTFE Tenancy Framework Agreement and 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, the 2017 Announcement and the 2020 Announcement in respect of the CTFE Tenancy Framework Agreement. Pursuant to the CTFE Tenancy Framework Agreement, members of the Group and members of the CTF Enterprises Group have entered and will, from time to time, enter into various tenancy arrangements in respect of the lease of certain premises owned by the CTF Enterprises Group to the Group for retail shops, residential and office uses.

The Company and CTF Enterprises agreed that the CTFE Tenancy Framework Agreement will be renewed upon the expiry of its renewal term (the last date of such renewal term being 31 March 2023) for a further term of three years from 1 April 2023 to 31 March 2026 (both days inclusive), subject to compliance with the relevant requirements of the Listing Rules. There has been no change in the terms of the CTFE Tenancy Framework Agreement since it was entered into on 28 November 2011.

ANNUAL CAPS

The Previous Annual Caps and the actual transaction amounts paid by the Group to the CTF Enterprises Group for transactions under the CTFE Tenancy Framework Agreement for the three financial years ended/ending 31 March 2021, 31 March 2022 and 31 March 2023 respectively are set out below:

	For the financial year ended/ending 31 March		
	2021	2022	2023
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Previous Annual Caps	370.0	70.0	70.0
Actual transaction amount	162.0	7.0	0.2

The New Annual Caps for the Transactions for the three financial years ending 31 March 2024, 31 March 2025 and 31 March 2026 respectively are set out below:

	For the financial year ending 31 March		
	2024	2025	2026
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
New Annual Caps	188.0	189.0	189.0

Pursuant to IFRS 16 adopted by the Group since 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, and recognise short-term lease payment or variable lease payment linked to sales generated from the leased property(ies) as expenses in the consolidated financial statements of the Group. Accordingly, the New Annual Caps reflect the estimated total value of right-of-use assets and expenses under the Definitive Agreements to be entered into by the Group in each year under the CTFE Tenancy Framework Agreement.

The New Annual Caps have been estimated with reference to the historical transaction amounts under the CTFE Tenancy Framework Agreement, 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 POLICIES

As a general principle, 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.

Subject to the general principle disclosed above, the Group will take into account the following factors when determining the rentals to be paid by the Group contemplated under the CTFE Tenancy Framework Agreement: (i) attributes of the premises; (ii) location of the premises; (iii) size of the premises; and (iv) rental rate of surrounding premises with similar attributes, including those offered to the Group by independent third parties in the market (if any).

INTERNAL CONTROL MEASURES

In order to ensure that the terms of each Definitive Agreement are not less favourable to the Group than those available from independent third parties, the Company has adopted the following measures:

1. the consideration for each Definitive Agreement will be negotiated on arm's length basis and with reference to the forecast letter(s) in relation to the rentals provided by the independent valuer(s);
2. the Company will monitor industry practices and market trends on a regular basis to ensure that the terms of each Definitive Agreement are either equivalent to or better than the prevailing market rates;
3. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions under the CTFE Tenancy Framework Agreement;
4. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions under the CTFE Tenancy Framework Agreement; and

5. the Company's audit committee will review at least once a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company.

REASONS FOR AND BENEFITS OF THE RENEWAL OF THE CTFE TENANCY FRAMEWORK AGREEMENT

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

The Directors (including the independent non-executive Directors) consider that the renewal of the CTFE Tenancy Framework Agreement, the terms of which had been negotiated on an arm's length basis, 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 New Annual Caps are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

INFORMATION OF THE GROUP AND CTF ENTERPRISES

The Group is one of the largest jewellers in the world with an extensive retail network in 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 watch brands.

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

LISTING RULES IMPLICATIONS

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As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the New Annual Caps is, on an annual basis, more than 0.1% but less than 5%, the renewal of the CTFE Tenancy Framework Agreement and 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.

APPROVAL BY THE BOARD OF DIRECTORS

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“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
“2020 Announcement”	the announcement of the Company dated 27 March 2020 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 and a substantial shareholder of the Company
“CTF Enterprises”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability and an indirect subsidiary of CTF Capital
“CTF Enterprises Group”	CTF Enterprises and its subsidiaries from time to time
“CTFE Tenancy 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, details of which have been disclosed in the Prospectus, the 2014 Announcement, the 2017 Announcement and the 2020 Announcement

“Definitive Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the CTF Enterprises Group from time to time in relation to any of the Transactions at any time during the term of and contemplated under the CTFE Tenancy Framework Agreement
“Director(s)”	director(s) 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 cap amounts payable by the Group to the CTF Enterprises Group in respect of the Transactions for the three financial years ending 31 March 2024, 31 March 2025 and 31 March 2026 respectively
“Previous Annual Caps”	the annual cap amounts payable by the Group to the CTF Enterprises Group in respect of the transactions under the CTFE Tenancy Framework Agreement for the three financial years ended/ending 31 March 2021, 31 March 2022 and 31 March 2023 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 www.ctfjewellerygroup.com
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transactions”	all existing and future transactions under the CTFE Tenancy Framework Agreement between any member(s) of the CTF Enterprises Group and any member(s) of the Group arising from the leases or tenancy agreements in respect of premises for retail shops, residential and office uses
“%”	Percentages

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

Hong Kong, 30 March 2023

As at the date of this announcement, the executive directors are Dr. Cheng Kar-Shun, Henry, Mr. Cheng Chi-Heng, Conroy, Ms. Cheng Chi-Man, Sonia, Mr. Wong Siu-Kee, Kent, Mr. Chan Sai-Cheong, Dr. Cheng Chi-Kong, Adrian, 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 Mr. Kwong Che-Keung, Gordon, Mr. Lam Kin-Fung, Jeffrey, Dr. Or Ching-Fai, Raymond, Ms. Cheng Ka-Lai, Lily, Mr. Chia Pun-Kok, Herbert and Ms. Fung Wing-Yee, Sabrina.