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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**

#### **AMENDMENTS TO AND RENEWAL OF THE MASTER AGREEMENT AND RENEWAL OF ANNUAL CAPS**

Reference is made to the 2016 Announcement in respect of the Master Agreement. Pursuant to the Master Agreement, the Group may enter into definitive agreements with the NCE Group from time to time during the term of the Master Agreement in respect of the services, goods and related assets provided by members of the NCE Group to members of the Group.

The initial term of the Master Agreement is due to expire on 28 January 2019. To tally the term of the Master Agreement with the periods of the New Annual Caps, the Company and NCE entered into a supplemental agreement on 27 March 2018 to amend the Master Agreement such that the initial term thereof shall expire on 31 March 2018. Upon expiration of the initial term on 31 March 2018, the Master Agreement will be automatically renewed for a further term of three years up to 31 March 2021 subject to compliance with the Listing Rules, provided that the Company shall have the right to unilaterally terminate the Master Agreement at any time during any renewal term by giving NCE not less than two months' prior written notice. For the purpose of compliance with the Listing Rules, the New Annual Caps for each of the three financial years ending 31 March 2019, 31 March 2020 and 31 March 2021 respectively are set forth in this announcement.

Mr. Cheng Kam Chiu, Stewart is a family member (within the meaning of Rule 14A.12(2) (a) of the Listing Rules) of certain Directors. By virtue of his indirect shareholding in NCE and its subsidiaries, Mr. Cheng Kam Chiu, Stewart can exercise or control the exercise of more than 50% of the voting power at general meetings of NCE and its subsidiaries. Accordingly, as at the date of this announcement, NCE and its subsidiaries are majority-controlled companies (within the meaning of the Listing Rules) indirectly held by Mr. Cheng Kam Chiu, Stewart and are therefore associates of certain Directors under Rule 14A.12(2)(b) of the Listing Rules. Therefore, NCE and its subsidiaries are connected persons of the Company and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Transactions and the New Annual Caps are more than 0.1% but less than 5%, the Transactions and the New Annual Caps are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **AMENDMENTS TO AND RENEWAL OF THE MASTER AGREEMENT**

Reference is made to the 2016 Announcement in respect of the Master Agreement. Pursuant to the Master Agreement, the Group may enter into definitive agreements with the NCE Group from time to time during the term of the Master Agreement in respect of the services, goods and related assets to be provided by members of the NCE Group to members of the Group, the initial scope of which includes the polishing, processing and handling of gemstones, the provision, supply or offer of related technology, technological processes, systems, methods and skills and other ancillary services, products, materials, machinery, equipment, tools and devices, and such other types of services, goods, related assets and arrangements as the Company and NCE may agree from time to time.

The initial term of the Master Agreement commenced on 29 January 2016 and is due to expire on 28 January 2019. The Original Annual Caps were set for the three financial years ended/ending 31 March 2016, 31 March 2017 and 31 March 2018 respectively. To tally the term of the Master Agreement with the periods of the New Annual Caps, the Company and NCE entered into a supplemental agreement on 27 March 2018 to amend the Master Agreement such that the initial term thereof shall expire on 31 March 2018. Upon expiration of the initial term on 31 March 2018, the Master Agreement will be automatically renewed for a further term of three years up to 31 March 2021 (or such other period permitted under the Listing Rules) subject to compliance with the Listing Rules, provided that the Company shall have the right to unilaterally terminate the Master Agreement at any time during any renewal term by giving NCE not less than two months' prior written notice.

Save for the amendments mentioned above, all other terms and conditions of the Master Agreement shall remain in full force and effect.

## PRICING POLICY

The price or consideration for the Transactions and the Definitive Agreements will be determined by the contracting parties by reference to the prevailing market rates charged by independent third parties for similar services, goods, assets and transactions in the similar standards prescribed by the Group (including but not limited to the quality, quantity and delivery schedule) in the ordinary course of business on normal commercial terms. 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 by reference to the reasonable costs to develop or provide such services, goods, 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 either equivalent to or better than the prevailing market prices.

## ANNUAL CAPS

For the purpose of compliance with the Listing Rules, the New Annual Caps have been set for each of the three financial years ending 31 March 2019, 31 March 2020 and 31 March 2021 respectively. Details of the Original Annual Caps and the New Annual Caps are set out below.

|                              | For financial year ended/ending 31 March |                             |  |
|------------------------------|--|-----------------------------|--|
|                              | 2016<br><i>HK\$ million</i>              | 2017<br><i>HK\$ million</i> | 2018<br><i>HK\$ million</i>                          |
| Original Annual Caps         | 90                                       | 130                         | 240  |
| Actual aggregate amount paid | 68                                       | 25                          | 61<br>(for 9 months<br>ended<br>31 December<br>2017) |
|                              | 2019<br><i>HK\$ million</i>              | 2020<br><i>HK\$ million</i> | 2021<br><i>HK\$ million</i>                          |
| New Annual Caps              | 208                                      | 236                         | 245  |

The New Annual Caps have been estimated with reference to (a) the historical figures and the expected applications of the services, goods and related assets to be provided by the NCE Group for the Group's production as well as research and development; (b) the estimated prices of the services, goods and related assets to be provided by the NCE Group based on the pricing policy; and (c) the estimated volume of services, goods and related assets the Group may demand from the NCE Group in the respective years.

## **REASONS FOR AND BENEFITS OF THE AMENDMENTS TO AND RENEWAL OF THE MASTER AGREEMENT**

Having considered the Group's needs for technical applications in its production as well as research and development, it is contemplated that members of the Group may from time to time continue to place purchase orders with members of the NCE Group for services, products, equipment or assets to cater for such needs, or enter into transactions or arrangements with members of the NCE Group for acquiring related technology, processes, systems or materials for the purpose of meeting such needs.

The amendments to the Master Agreement serve to bring the term of the Master Agreement in line with the periods for which the annual caps are to be set, thereby streamlining the compliance process under the Listing Rules.

The Directors believe that it is in the interests of the Company to amend and renew the Master Agreement so that the Group will comply with the relevant requirements under the Listing Rules and may regulate the existing and future Definitive Agreement(s) with the NCE Group under a common framework agreement on a more streamlined basis. The Transactions 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.

The Directors (including the independent non-executive Directors) consider that the amended and renewed Master Agreement and the Transactions are on normal commercial terms or better and within the ordinary and usual course of business of the Group, and the terms of the amended and renewed Master Agreement and the Transactions as well as the New Annual Caps are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE GROUP AND NCE GROUP**

The Group is one of the largest jewellers in Mainland China, Hong Kong and Macau by market share with an extensive retail network of over 2,500 points of sale in Greater China, Korea, Japan, Singapore, Malaysia and the United States. 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 products, gold products and platinum/karat gold products, and distribution of various watch brands.

To the best knowledge of the Directors, the NCE Group is principally engaged in the technology field including without limitation the development and provision of nano-fabrication technology, material analysis technology, production automation, retail automation and data analytics, and advanced technology for jewellery and gemstone industry.

## **LISTING RULES IMPLICATIONS**

Mr. Cheng Kam Chiu, Stewart is a family member (within the meaning of Rule 14A.12(2)(a) of the Listing Rules) of certain Directors. By virtue of his indirect shareholding in NCE and its subsidiaries, Mr. Cheng Kam Chiu, Stewart can exercise or control the exercise of more than 50% of the voting power at general meetings of NCE and its subsidiaries. Accordingly, as at the date of this announcement, NCE and its subsidiaries are majority-controlled companies (within the meaning of the Listing Rules) indirectly held by Mr. Cheng Kam Chiu, Stewart and are therefore associates of certain Directors under Rule 14A.12(2)(b) of the Listing Rules. Therefore, NCE and its subsidiaries are connected persons of the Company and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Transactions and the New Annual Caps are more than 0.1% but less than 5%, the Transactions and the New Annual Caps are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BOARD APPROVAL**

As of the date of this announcement, none of the Directors have a material interest in the amended and renewed Master Agreement or the Transactions. Except for Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy and Mr. Cheng Kam-Biu, Wilson who voluntarily abstained from voting at the board meeting of the Company approving the relevant board resolutions, all other Directors (including the independent non-executive Directors) have reviewed and approved the amendments to and renewal of the Master Agreement, the Transactions and the New Annual Caps.

## **DEFINITIONS**

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

|                       |   |
|-----------------------|---|
| “2016 Announcement”   | the announcement of the Company dated 29 January 2016 in respect of the Master Agreement  |
| “associate(s)”        | 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 (Stock Code: 1929) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules  |

|                           |  |
|---------------------------|--|
| “Definitive Agreement(s)” | definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the NCE Group from time to time in relation to the Transactions  |
| “Directors”               | directors 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  |
| “Listing Rules”           | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Master Agreement”        | the master agreement entered into between the Company and NCE on 29 January 2016 in relation to the Transactions   |
| “NCE”                     | New Cutting Edge Limited, a company incorporated in the British Virgin Islands with limited liability  |
| “NCE Group”               | NCE and its subsidiaries from time to time   |
| “New Annual Caps”         | the annual caps in respect of the amounts payable by the Group under the amended and renewed Master Agreement for the three financial years ending 31 March 2019, 31 March 2020 and 31 March 2021 respectively   |
| “Original Annual Caps”    | the annual caps in respect of the amounts paid or payable by the Group under the Master Agreement for the three financial years ended/ending 31 March 2016, 31 March 2017 and 31 March 2018 respectively   |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited  |
| “subsidiary(ies)”         | has the meaning ascribed to it under the Listing Rules   |
| “Transactions”            | all existing and future transactions and arrangements between members of the Group and members of the NCE Group in respect of the services, goods and related assets to be provided by members of the NCE Group to members of the Group as contemplated under the amended and renewed Master Agreement, the initial scope of which includes the polishing, processing and handling of gemstones, the provision, supply or offer of related technology, technological processes, systems, methods and skills and other ancillary services, products, materials, machinery, equipment, tools and devices, and such other types of services, goods and related assets and arrangements as the Company and NCE may agree from time to time |

“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 2018

*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. Chan Sai-Cheong, Mr. Suen Chi-Keung, Peter, Mr. Chan Hiu-Sang, Albert, Mr. Cheng Ping-Hei, Hamilton, and Mr. Liu Chun Wai, Bobby, the non-executive director is Mr. Cheng Kam-Biu, Wilson 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 and Dr. Or Ching-Fai, Raymond.*