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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 MASTER LEASING AND LICENSING AGREEMENT

THE MASTER LEASING AND LICENSING AGREEMENT

Reference is made to the announcement of the Company dated 28 April 2020 in respect of the Master Leasing and Licensing Agreement. Pursuant to the Master Leasing and Licensing Agreement, members of the NWD Group and members of the Group have entered and will, from time to time, enter into 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 retails shops, shops-in-shops and counters).

The Master Leasing and Licensing Agreement between the Company and NWD would be renewed upon the expiry of its initial term (the last date of such initial term being 30 June 2023) for a further term of three years from the Renewal Date to 30 June 2026 (both days inclusive), subject to compliance with the relevant requirements of the Listing Rules and either party's right to terminate the Master Leasing and Licensing Agreement during its term in accordance with its provisions. On such basis, 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. 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 all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the New Annual Caps are, on an annual basis, more than 0.1% but less than 5%, the renewal of the Master Leasing and Licensing 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 MASTER LEASING AND LICENSING AGREEMENT

Reference is made to the announcement of the Company dated 28 April 2020 in respect of the Master Leasing and Licensing Agreement. Pursuant to the Master Leasing and Licensing Agreement, members of the NWD Group and members of the Group have entered and will, from time to time, enter into 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).

The Master Leasing and Licensing Agreement between the Company and NWD would be renewed upon the expiry of its initial term (the last date of such initial term being 30 June 2023) for a further term of three years from the Renewal Date to 30 June 2026 (both dates inclusive), subject to compliance with the relevant requirements of the Listing Rules and either party's right to terminate the Master Leasing and Licensing Agreement during its term in accordance with its provisions. There has been no change in the terms of the Master Leasing and Licensing Agreement since it was entered into on 28 April 2020.

ANNUAL CAPS

The Previous Annual Caps and the actual transaction amounts paid by the Group to the NWD Group for transactions under the Master Leasing and Licensing 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	146.0	174.0	203.0
Actual transaction amount	18.0	72.0	37.0

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	217.0 ^(Note)	217.0	217.0

Note: This amount comprises transactions under the Master Leasing and Licensing Agreement for the period from 1 April 2023 to the date immediately before the Renewal Date and those for the period from the Renewal Date to 31 March 2024.

Pursuant to IFRS 16, 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 Master Leasing and Licensing Agreement.

The New Annual Caps have been estimated with reference to the historical transaction amounts under the Master Leasing and Licensing Agreement, the terms of the underlying leases, the expected market rentals at the time of renewing existing leases, the estimated rentals of new leases in the future, prevailing market rates and the expected growth in the amount of transactions under the Master Leasing and Licensing Agreement.

PRICING POLICIES

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, using its best endeavours, 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, using its best endeavours, 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.

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 valuation certificate(s) issued by the independent valuer(s) in relation to the rentals of the real properties concerned;
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 Master Leasing and Licensing 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 Master Leasing and Licensing 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 MASTER LEASING AND LICENSING AGREEMENT

Members of the Group and members of the NWD Group may maintain the current leasing or tenancy arrangement and 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 renew the Master Leasing and Licensing Agreement 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.

The Directors (including the independent non-executive Directors) consider that the renewal of the Master Leasing and Licensing 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 ON THE GROUP AND THE NWD GROUP

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 distribution of various watch brands.

To the best knowledge of the Directors, the NWD Group is principally engaged in property development and investment and development of, investment in and/or operation of roads, aviation construction, insurance, hotels and other businesses.

LISTING RULES IMPLICATIONS

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Company. The Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the New Annual Caps are, on an annual basis, more than 0.1% but less than 5%, the renewal of the Master Leasing and Licensing 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 has a material interest in the renewal of the Master Leasing and Licensing Agreement and the transactions contemplated thereunder. Dr. Cheng Kar-Shun, Henry, Mr. Cheng Chi-Heng, Conroy, Ms. Cheng Chi-Man, Sonia and Dr. Cheng Chi-Kong, Adrian are common directors of the Company and NWD. The said Directors and their associate, Mr. Cheng Kam-Biu, Wilson, voluntarily abstained from voting on the resolutions approving the renewal of the Master Leasing and Licensing Agreement and the New Annual Caps. All other Directors (including the independent non-executive Directors) have reviewed and approved the renewal of the Master Leasing and Licensing Agreement and the New Annual Caps.

DEFINITIONS

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

“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 (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
“Definitive Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the NWD Group and any member(s) of the Group from time to time in relation to any of the Transactions at any time during the term of and contemplated under the Master Leasing and Licensing 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
“Master Leasing and Licensing Agreement”	the agreement in relation to the Transactions entered into between NWD and the Company on 28 April 2020
“New Annual Caps”	the annual cap amounts payable by the Group to the NWD Group in respect of the Transactions for the three financial years ending 31 March 2024, 31 March 2025 and 31 March 2026 respectively
“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 (Stock Code: 0017)
“NWD Group”	NWD and its subsidiaries from time to time
“Previous Annual Caps”	the annual cap amounts payable by the Group to the NWD Group in respect of the transactions under the Master Leasing and Licensing Agreement for the three financial years ended/ending 31 March 2021, 31 March 2022 and 31 March 2023 respectively
“Renewal Date”	1 July 2023
“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 Master Leasing and Licensing Agreement between any member(s) of the NWD Group and any member(s) of the 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)

“0%”

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.