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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

### **VOLUNTARY ANNOUNCEMENT IN RELATION TO THE PROPOSED ACQUISITION OF ALL THE EQUITY INTERESTS IN HEARTS ON FIRE COMPANY, LLC**

**Financial adviser to Chow Tai Fook Jewellery Group Limited**



Chow Tai Fook Jewellery Group Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), is pleased to announce that on 17 June 2014 (U.S. New York time), the Company (through a wholly owned subsidiary) entered into a conditional agreement (the “**Acquisition Agreement**”) with Mr Glenn Rothman, Hearts On Fire Holdings Trust, HOF Executive LLC, HOF Employee LLC and Fine Diamonds S.A. (together the “**Sellers**”) to acquire all the equity interests held by the Sellers in Hearts On Fire Company LLC (“**Hearts On Fire**”) (the “**Proposed Acquisition**”).

The total consideration for the Proposed Acquisition is US\$150.0 million (approximately HK\$1,170.0 million) on a cash-free and debt-free basis, subject to adjustment, and will be payable by the Company in cash upon completion. The Proposed Acquisition will be fully funded by the Company’s internal cash resources. Completion of the Proposed Acquisition shall take place on the third business day following the satisfaction (or waiver) of the conditions to the Proposed Acquisition. Such conditions include, among other things:

- (1) The representations and warranties made by the Sellers and the Company in the Acquisition Agreement being true and correct;
- (2) Each of the Sellers, Hearts On Fire and the Company having performed its respective covenants and agreements as set out in the Acquisition Agreement;

- (3) All statutory requirements, necessary governmental and regulatory consents and certain determination letters and certificates as set out in the Acquisition Agreement having been obtained or provided, as the case may be; and
- (4) Any applicable waiting period under the HSR Act having expired or been terminated.

No shareholder approval for the Proposed Acquisition is required under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## **INFORMATION ON HEARTS ON FIRE**

Hearts On Fire was founded in 1996 by Glenn and Susan Rothman and is a luxury branded diamond company offering premium bridal and fashion jewellery products using The World’s Most Perfectly Cut Diamond®, one of the most widely recognised and best-selling luxury diamond jewellery brands in the world. Hearts On Fire created the category of luxury branded diamonds and maintains a leading market position in the luxury branded diamond segment, featuring its trademarked Hearts On Fire® round diamonds and its patented Dream® square cut diamonds, is unmatched for its rare and unique quality, its superlative craftsmanship and its compelling designs, which combine to create an unparalleled value to customers around the world. Hearts On Fire delivers its offering to a passionate and loyal customer base through its best-in-class, global independent retail partner network of over 500 locations in 31 countries and its rapidly growing direct-to-consumer platform. Hearts On Fire reported audited net sales of about US\$99.3 million and US\$104.8 million for each of the financial years ended 31 December 2012 and 2013 respectively.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each Seller and, where applicable, its ultimate beneficial owner(s) is a third party independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

## **REASONS FOR, AND BENEFITS OF, THE PROPOSED ACQUISITION**

### **Complementary brand and portfolio positioning to the Group’s product offering**

The Hearts On Fire brand and product offerings are complementary to the Group’s existing owned brands and products. The Proposed Acquisition will introduce an exclusive and unique high value luxury diamond jewellery line to the Group’s existing diversified product offerings, particularly in the Group’s retail network in Tier I and II cities in Mainland China and Hong Kong, Macau and other Asian markets.

The Proposed Acquisition is in line with the Group’s strategies to optimise product mix and efforts to promote higher value products to match the spending profiles of consumers and to encourage repeat customer purchases. Hearts On Fire products have diversified price points within each product category, and command a price premium over luxury brands and are priced significantly higher than the unbranded generic diamonds. Approximately 75% of Hearts On Fire’s jewellery sales in 2013 were priced between US\$1,000 and US\$10,000, with most of the remaining sales were priced above US\$10,000.

## **Ready for “plug-and-play” at the Group’s existing distribution network in Greater China**

In addition to its existing sales network, Hearts On Fire products will also be sold through the Group’s existing distribution network in Greater China via “shop-in-shop” and “counter-in-shop” strategies which the Group expects to commence within six months after completion of the Proposed Acquisition.

## **Ownership of a global luxury diamond brand and world-class production and design**

The Proposed Acquisition will allow the Group to own a global luxury diamond brand that has world-class production and design. Hearts On Fire was ranked the third most visible jewellery brand of 2012, behind Tiffany and Pandora by Indesign magazine. It was also one of the most recognised premium branded diamonds in the U.S.A. according to a Consumer Awareness Study conducted by Jewelry Consumer Opinion Council in December 2013. The Group’s vertically integrated business model will potentially benefit from the proprietary cutting and polishing formula, world-class master craftsmanship and technology as well as in-house design capability of Hearts On Fire that comes with the Proposed Acquisition.

## **Positive contribution to the financial and operations of the Group**

Following completion of the Proposed Acquisition, Hearts On Fire is expected to make a positive contribution to financial results and operations of the enlarged Group. There is minimal operational overlap between the Hearts On Fire group and the Group, and the acquisition of Hearts On Fire and transitioning of its operations into the Group can be completed in a relatively short time and at minimal additional cost. Procurement will be centralised and controlled within the Group and the Group is expected to benefit from expanded scale of procurement after the acquisition of Hearts On Fire.

The Group will remain focused on its business in the Greater China region, while Hearts On Fire’s operations will be run as a standalone business within the enlarged Group under the continued leadership of the existing management team of Hearts On Fire. The Hearts On Fire management team comprises experienced individuals who are committed to continue Hearts On Fire’s success.

## **GENERAL**

Rothschild (Hong Kong) Limited acted as the financial adviser to the Company in connection with the Proposed Acquisition.

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

Hong Kong, 18 June 2014

*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. Chan Hiu-Sang, Albert, Mr. Cheng Ping-Hei, Hamilton and Mr. Suen Chi-Keung, Peter, the non-executive directors are Mr. Cheng Kam Biu, Wilson and Mr. Koo Tong-Fat 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 Mr. Or Ching-Fai, Raymond.*