

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 MASTER AGREEMENT

On 29 April 2016, the Company entered into the Master Agreement with KTL in relation to the Transactions. The Master Agreement shall commence on 29 April 2016 and shall continue for an initial term of three years subject to compliance with the Listing Rules, unless terminated earlier in accordance with the Master Agreement.

KTL is an indirect subsidiary of King Lun Holdings Limited, which in turn is owned as to 50% by HSBC Trustee (C.I.) Limited. HSBC Trustee (C.I.) Limited, being the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok-King, Victor, is an associate of Dr. Fung, being an independent non-executive Director. Accordingly, as at the date of this announcement, KTL and its subsidiaries are regarded as associates of Dr. Fung Kwok-King, Victor and are therefore connected persons of the Company under Chapter 14A of the Listing Rules. As such, the Master Agreement 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 Annual Caps are more than 0.1% but less than 5%, the Transactions and the 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.

THE MASTER AGREEMENT

Date: 29 April 2016

Parties: (1) the Company

(2) KTL

General terms of the Transactions

The Company entered into the Master Agreement with KTL pursuant to which members of the Group and members of KTL Group may enter into Definitive Agreements from time to time during the term of the Master Agreement in relation to all existing and future transactions and arrangements in respect of the grant of licences, rights or authorisations of, in or associated with intellectual property rights (including without limitation to copyrights, design rights, moral rights, goodwill, trade names, trademarks and logos) by members of KTL Group to members of the Group, and such other types of services and arrangements as the Company and KTL may agree from time to time. For the avoidance of doubt, all existing agreements, if any, between members of the Group and members of KTL Group in respect of the Transactions shall be treated as Definitive Agreements as from the date of the Master Agreement (to the extent which covers Transactions as from such date).

The Transactions shall be conducted:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better for the Group; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the Annual Caps), the applicable laws and regulations, the Master Agreement and the relevant Definitive Agreement(s).

Pricing policy

For the purpose of determining the consideration, royalty or price of or under the Transactions, the following pricing policies shall be adopted and applied by the Group for the relevant type of Transactions, whichever is/are applicable:

- (a) quotation(s) or tender(s) will be obtained by the Group from independent third parties for arrangements or services with similarities to compare the consideration, prices and terms;
- (b) reference will be obtained by the Group of the reasonable costs to develop, provide, effect or implement the arrangements or services under the relevant type of Transactions plus a reasonable profit margin; and
- (c) procedures will be adopted by the Group for reviewing prevailing market prices or consideration in respect of the relevant type of Transactions or similar transactions by the management of the Group from time to time.

Duration

The Master Agreement shall commence on 29 April 2016 and shall continue for an initial term of three years subject to compliance with the Listing Rules, unless terminated earlier in accordance with the Master Agreement. Upon expiration of the initial term as stipulated in the Master Agreement or any subsequent renewal term, the Master Agreement shall be automatically renewed for a successive period of three years thereafter (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 the initial term or any subsequent renewal term by giving KTL not less than two months' prior written notice.

ANNUAL CAPS

The Annual Caps estimated for each of the three financial years ending 31 March 2019 are set out below.

	For financial year ending 31 March		
	2017	2018	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Amount to be paid by the Group to KTL Group for the Transactions	<u>43.9</u>	<u>56.7</u>	<u>73.1</u>

In determining the Annual Caps set out above, the Directors have considered the following factors: (a) the historical transaction amount and volume of previous transactions of a similar nature; (b) the estimated sales volume of the licensed products in respect of which license fees or royalties will be payable to KTL Group; and (c) the level of license fees or royalties as may be agreed between the Group and KTL Group in accordance with the pre-determined pricing policies for the Transactions.

Historical transaction amounts

The table below sets forth the historical amount paid by the Group to the KTL Group in respect of the Transactions for each of the three years ended 31 March 2016.

	For financial year ended 31 March		
	2014	2015	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Amount paid by the Group to KTL Group for the Transactions	<u>13.9</u>	<u>24.4</u>	<u>34.4</u>

As far as the Directors are aware, the historical transactions amounts were below the de minimis threshold under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The Transactions may involve, among other things, the licensing of intellectual property rights in cartoon characters by KTL Group to the Group to be applied or used on the Group's products. The Directors are of the view that licensed products featuring well-known cartoon characters will continue to attract customers and enhance the sales revenue of the Group. Therefore, they believe that it is in the interests of the Company to enter into the Master Agreement so that the Group may regulate the existing and future Definitive Agreement(s) with KTL Group under a common framework agreement. 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.

Save and except for Dr. Fung Kwok-King, Victor, the Directors (including the independent non-executive Directors) consider that the Master Agreement has been entered into on normal commercial terms or better and within the ordinary and usual course of business of the Group, the terms of the Master Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE GROUP AND KTL GROUP

The Group is one of the largest jewellers in Hong Kong, Macau and the Mainland China by market share with an extensive retail network of over 2,300 points of sale spanning more than 500 cities in Greater China, Singapore, Malaysia, South Korea and the United States. The Group is principally engaged in the business of manufacturing and selling mass luxury and high-end luxury jewellery products, including gem-set products, gold products and platinum/karat gold products, and distributing watches of various brands.

To the best knowledge of the Directors, KTL Group is principally engaged in the licensing of cartoon characters.

LISTING RULES IMPLICATIONS

KTL is an indirect subsidiary of King Lun Holdings Limited, which in turn is owned as to 50% by HSBC Trustee (C.I.) Limited. HSBC Trustee (C.I.) Limited, being the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok-King, Victor, is an associate of Dr. Fung, being an independent non-executive Director. Accordingly, as at the date of this announcement, KTL and its subsidiaries are regarded as associates of Dr. Fung Kwok-King, Victor and are therefore connected persons of the Company under Chapter 14A of the Listing Rules. As such, the Master Agreement 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 Annual Caps are more than 0.1% but less than 5%, the Transactions and the 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 at the date of this announcement, except for Dr. Fung Kwok-King, Victor who has abstained from voting at the board meeting of the Company approving the entering into of the Master Agreement, the Transactions and the Annual Caps, all other Directors (including the independent non-executive Directors) have reviewed and approved the Master Agreement, the Transactions and the Annual Caps.

DEFINITIONS

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

“Annual Caps”	the annual caps in respect of the amounts payable by the Group under the Transactions for each of the three financial years ending 31 March 2017, 31 March 2018 and 31 March 2019 respectively
“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 KTL Group from time to time in relation to the Transactions during the term of the Master Agreement
“Directors”	directors of the Company from time to time
“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
“KTL”	KT Licensing Limited, a company incorporated in Hong Kong with limited liability
“KTL Group”	KTL and its subsidiaries from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement entered into between the Company and KTL on 29 April 2016 in relation to the Transactions

“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 KTL Group in respect of the grant of licences, rights or authorisations of, in or associated with intellectual property rights (including without limitation to copyrights, design rights, moral rights, goodwill, trade names, trademarks and logos) by members of KTL Group to members of the Group, and such other types of services and arrangements as the Company and KTL 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, 29 April 2016

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.