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## **MING FUNG JEWELLERY GROUP LIMITED**

**明豐珠寶集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 860)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **THE NEW COOPERATION AGREEMENT**

Reference is made to the announcement and the circular dated 5 October 2012 and 12 November 2012 respectively in relation to the Cooperation Agreement dated 27 September 2012 which was expired on 30 September 2013.

The Company and Hengdeli entered into the New Cooperation Agreement on 30 September 2013.

#### **LISTING RULES IMPLICATIONS**

The transactions contemplated under the New Cooperation Agreement constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Aggregate Annual Cap exceeds 5% but less than 25% and also greater than HK\$10,000,000 on an annual basis, the New Cooperation Agreement and the Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

A circular containing, among other things, details of the New Cooperation Agreement, a letter from the Independent Board Committee to the Independent Shareholders, a letter of advice from an independent financial adviser to the Independent Board Committee and Independent Shareholders and a notice convening the EGM will be dispatched to the Shareholders on or before 31 October 2013.

Reference is made to the announcement and the circular dated 5 October 2012 and 12 November 2012 respectively in relation to the Cooperation Agreement dated 27 September 2012 which was expired on 30 September 2013.

\* *For identification purpose only*

## **THE NEW COOPERATION AGREEMENT**

On 30 September 2013, the Company and Hengdeli entered into the New Cooperation Agreement with the principal terms and conditions as follows:

### **Date**

30 September 2013

### **Parties**

- (1) The Company
- (2) Hengdeli

Hengdeli and its associates hold 666,666,667 shares representing approximately 15.27% of the entire issued share capital of the Company as at the date of this announcement and is a connected person (as defined under the Listing Rules) of the Company.

### **Term**

Subject to the approval by the Independent Shareholders, the New Cooperation Agreement shall take effect retrospectively on 1 October 2013 and will continue thereafter for a term expiring on 30 September 2014.

### **Major Terms of the Arrangements**

- (1) Under the Consignment Arrangement, the Group shall provide the luxury jewellery products for sale on a consignment basis at the special counters of the retail outlets belong to or operated by Hengdeli.

The Group shall pay to Hengdeli the commissions based on a certain percentage of the after tax sale revenue figures to be paid in cash within 10 days from the last day of each month but subject to the Annual Cap under the Consignment Arrangement.

- (2) Under the Supply Arrangement, the Group shall sell to Hengdeli timepieces and accessories of an internationally renowned brand distributed by the Group at the wholesale prices which are a certain percentage discount from the standard retail prices for the Greater China Region as from time to time determined by the brand owner.

Hengdeli shall place purchase orders to the Group from time to time and the Group shall deliver the required models and numbers of the timepieces and accessories to Hengdeli within 7 business days from the date of issuance of the respective purchase order. The Company shall issue monthly sale invoices to Hengdeli which shall be settled in cash by Hengdeli within 30 days of the date of issue of the sale invoices.

The New Cooperation Agreement was negotiated and determined on an arm's length basis based on normal commercial terms and is conditional upon the approval of the Independent Shareholders at the EGM.

## PROPOSED ANNUAL CAPS

The Company proposes that the Annual Caps under the New Cooperation Agreement (in respect of which Independent Shareholders approval is proposed to be sought at the EGM) and the Aggregate Annual Cap for the financial year ending 30 September 2014 be as follows:

<b>Type of Transaction</b>	<b>Proposed Annual Cap for the financial year ended 30 September 2014</b>
Consignment Arrangement	RMB2,440,000.00 (approximately HK\$3,096,360.00)
Supply Arrangement	RMB44,000,000.00 <u>(approximately HK\$55,836,000.00)</u>
<b>Aggregate Annual Cap</b>	RMB46,440,000.00 <u>(approximately HK\$58,932,360.00)</u>

The respective Annual Cap of the Consignment Arrangement and of the Supply Arrangement was determined by reference to the anticipated demand of the transactions and the historical volume of the comparable transactions under the Cooperation Agreement.

The Directors (excluding the Independent Board Committee whose views will be set out in the circular after having received advice from an independent financial adviser to be appointed by the Company) are of the opinion that the Annual Caps are fair and reasonable.

## INFORMATION ON THE PARTIES IN THE TRANSACTIONS

The principal activities of the Company comprise the manufacture, sale, trading, distribution, processing and retailing of jewellery products and luxury consumer goods.

Hengdeli is a major retailer and distributor of imported medium and high-grade watches and jewellery items in the PRC. It operates extensive retail outlets and boutiques of watches, jewellery items and other related accessories in various major cities in the PRC.

## REASONS AND BENEFITS FOR THE TRANSACTIONS UNDER THE NEW COOPERATION AGREEMENT

The New Cooperation Agreement represents good opportunities for the Group to strengthen its collaboration with Hengdeli continuously and make use of its extensive and quality distribution networks and its vast experiences in operating and managing retail outlets for luxury jewellery products in order to promote and distribute the products of the Group.

In light of the above, the Directors (excluding the Independent Board Committee whose views will be set out in the circular after having received advice from an independent financial adviser to be appointed by the Company) are of the opinion that the terms of the

New Cooperation Agreement are the normal commercial terms and are fair and reasonable and that the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios for the Aggregate Annual Cap exceed 5% but less than 25% and also greater than HK\$10,000,000 on an annual basis, the New Cooperation Agreement and the transactions contemplated thereunder and the Annual Caps are subject to reporting, announcement requirements and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

Save for the New Cooperation Agreement, the Company has confirmed with Hengdeli that, Hengdeli and its associates do not have any other transactions with the Group that are subsisting and subject to aggregation pursuant to Rules 14A.25 and 14A.27 of the Listing Rules. Hengdeli and its associates will abstain from voting at the EGM of the Company to approve the New Cooperation Agreement, and the votes of the Independent Shareholders in the EGM will be taken by poll.

None of the Directors is regarded as having a material interest in the transactions under the New Cooperation Agreement and abstained from voting in the board resolutions approving the New Cooperation Agreement, the Annual Caps and the transactions contemplated thereunder in accordance with Rule 13.44 of the Listing Rules.

The Independent Board Committee will be constituted to make recommendations to the Independent Shareholders in respect of the resolutions to approve the New Cooperation Agreement and the Annual Caps. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the New Cooperation Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether the Annual Caps are fair and reasonable.

A circular containing, among other things, details of the New Cooperation Agreement, a letter from the Independent Board Committee to the Independent Shareholders, a letter of advice from an independent financial adviser to be appointed by the Company to the Independent Board Committee and Independent Shareholders and a notice convening the EGM will be dispatched to the Shareholders on or before 31 October 2013.

## **DEFINITIONS**

The following defined terms are used in this announcement:

- |                        |  |
|------------------------|--|
| “Aggregate Annual Cap” | the aggregate of the Annual Caps for the financial year ending 30 September 2014   |
| “Annual Cap(s)”        | for the purpose of Chapter 14A of the Listing Rules, means the maximum annual consideration of the Consignment Arrangement or the Supply Arrangement for the financial year ending 30 September 2014 |

“associates”	as defined in the Listing Rules
“Board”	the board of Directors
“Company”	Ming Fung Jewellery Group Limited, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange (Stock Code: 860)
“Consignment Arrangement”	under which the Group shall provide the luxury jewellery products for sales on a consignment basis at the special counters of the retail outlets belong to or operated by Hengdeli. Operation expenses including rental of the special counters, salary and wages of staff, electricity and water expenses etc. will be borne by Hengdeli. The Group bears the costs of inventory and tax expenses
“Cooperation Agreement”	the agreement dated 27 September 2012 entered into between the Company and Hengdeli in relation to the Consignment Arrangement and the Supply Arrangement for a term commenced on 27 September 2012 until 30 September 2013
“Directors”	directors of the Company
“EGM”	extraordinary general meeting of the Company to be convened to approve, among other things, the New Cooperation Agreement and the transactions contemplated thereunder and each of the Annual Caps
“Greater China Region”	include PRC, Macau and Hong Kong
“Group”	the Company and its subsidiaries
“Hengdeli”	Hengdeli Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 3389)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board committee comprising Ms. Chu Wai Fan, Mr. Tam Ping Kuen, Daniel and Mr. Jiang Chao, the independent non-executive Directors, and which will make recommendations to the Independent Shareholders in respect of the New Cooperation Agreement and the Annual Caps
“Independent Shareholders”	Shareholders other than Hengdeli and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Macau”	the Macau Special Administrative Region of the PRC
“New Cooperation Agreement”	the agreement dated 30 September 2013 entered into between the Company and Hengdeli in relation to the Consignment Arrangement and the Supply Arrangement
“PRC”	the People’s Republic of China
“Shareholders”	Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Arrangement”	under which the Group shall sell to Hengdeli timepieces and accessories as per the purchase orders placed from time to time by Hengdeli at the then wholesale prices which are a certain percentage discount from the standard retail prices for the Greater China Region as determined by the brand owner
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“%”	per cent

For the purpose of this announcement, the exchange rate at HK\$1.00 = RMB0.788 has been used, where applicable, for purpose of illustration only.

By order of the Board  
**Ming Fung Jewellery Group Limited**  
**Wong Chi Ming, Jeffrey**  
*Chairman*

Hong Kong, 9 October 2013

*As at the date hereof, the Board comprises two executive directors, namely, Mr. Wong Chi Ming, Jeffrey and Mr. Yu Fei, Philip; and three independent non-executive directors, namely, Ms. Chu Wai Fan, Mr. Tam Ping Kuen, Daniel and Mr. Jiang Chao.*