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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

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

VEDA | CAPITAL
智略資本

THE NEW COOPERATION AGREEMENT

Reference is made to the announcement and the circular dated 9 October 2013 and 31 October 2013 respectively in relation to the Cooperation Agreement dated 30 September 2013 which is due to expire on 30 September 2014.

The New Cooperation Agreement was entered into between the Company and Hengdeli on 23 July 2014 which, subject to the approval by the Independent Shareholders at the EGM, shall take effect on 1 October 2014.

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.

* *For identification purpose only*

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the New Cooperation Agreement exceeds 5% but less than 25% and the total consideration exceeds HK\$30,000,000, the New Cooperation Agreement, the transactions contemplated therein and the Annual Cap are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A 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 the 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 13 August 2014.

Reference is made to the announcement and the circular dated 9 October 2013 and 31 October 2013 respectively in relation to the Cooperation Agreement dated 30 September 2013 which is due to expire on 30 September 2014.

THE NEW COOPERATION AGREEMENT

On 23 July 2014, the Company and Hengdeli entered into the New Cooperation Agreement with the principal terms and conditions as follows:

Date

23 July 2014

Parties

(1) The Company

(2) Hengdeli

Hengdeli and its associates hold 1,000,000,000 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 on 1 October 2014 and will continue thereafter for a term expiring on 30 September 2015.

Major Terms of the New Cooperation Agreement

Under the New Cooperation Agreement, the Group shall sell to Hengdeli timepieces of an internationally renowned brand distributed by the Group at the wholesale prices which are 40% discount from the standard retail prices of the respective models of the timepieces for sale in 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 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 and on normal commercial terms.

The New Cooperation Agreement is conditional upon the approval of the Independent Shareholders at the EGM.

PROPOSED ANNUAL CAP

The Company proposes that the Annual Cap under the New Cooperation Agreement (in respect of which Independent Shareholders approval is proposed to be sought at the EGM) for the financial year ending 30 September 2015 will be RMB44,000,000.00 (approximately HK\$55,000,000.00).

The Annual Cap 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 the Independent Financial Adviser to be appointed by the Company) are of the opinion that the Annual Cap is 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 the 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 one or more of the applicable percentage ratios in respect of the transactions contemplated under the New Cooperation Agreement exceeds 5% but less than 25% and the total consideration exceeds HK\$30,000,000, the New Cooperation Agreement, the transactions contemplated therein and the Annual Cap are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A 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 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 Cap and the transactions contemplated thereunder in accordance with the Listing Rules.

An 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 Cap. 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 Cap is 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 the 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 13 August 2014.

DEFINITIONS

The following defined terms are used in this announcement:

“Annual Cap”	for the purpose of Chapter 14A of the Listing Rules, means the maximum annual consideration of the transactions contemplated under the New Cooperation Agreement for the financial year ending 30 September 2015
“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)
“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 between the parties of the luxury jewellery products, timepieces and accessories of the Group as detailed in the announcement and the circular of the Company dated 9 October 2013 and 31 October 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, the transactions contemplated thereunder and the Annual Cap
“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 Cap
“Independent Financial Adviser”	Veda Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated under the SFO
“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 22 July 2014 entered into between the Company and Hengdeli in relation to the supply of the timepieces by the Group to Hengdeli as per the terms of the New Cooperation Agreement for the period from 1 October 2014 to 30 September 2015
“PRC”	the People’s Republic of China

“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholders”	Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 = RMB0.800 has been used, where applicable, for purpose of illustration only.

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

Hong Kong, 23 July 2014

As at the date hereof, the Company’s executive directors are Mr. Wong Chi Ming, Jeffry and Mr. Yu Fei, Philip and independent non-executive directors are Ms. Chu Wai Fan, Mr. Tam Ping Kuen, Daniel and Mr. Jiang Chao.