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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 Company and Hengdeli entered into the Cooperation Agreement for joint development of luxury jewellery retail business.

Upon completion of the Acquisition, Hengdeli indirectly owns 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. The Cooperation Agreement and the transactions contemplated therein thus have become the continuing connected transactions of the Company.

In anticipation of the future demands of the Group, the Company has recently reviewed its cooperation with Hengdeli. The parties entered into the New Cooperation Agreement on 27 September 2012 which would replace the Cooperation Agreement when approved by the Independent Shareholders at the EGM. Shenzhen Qijingda also entered into the Licence Agreement with Hangzhou Longyun on 1 July 2012.

The New Cooperation Agreement and the Licence Agreement also provide for the Annual Caps of the transactions contemplated under the Agreements.

As the applicable percentage ratios for the Aggregate Annual Cap exceeds 5% but less than 25% and the Aggregate Annual Cap is 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, the Licence 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 as soon as practicable.

Reference is made to the announcements of the Company dated 28 September 2011, 4 November 2011, 7 February 2012 and 13 April 2012 and the circular of the Company dated 2 November 2011 in relation to, inter alia, the Acquisition.

Upon the completion of Acquisition, Alpha Key becomes a substantial shareholder of the Company, holding approximately 15.27% of the entire issued share capital of the Company as at the date of this announcement. As Alpha Key is a wholly-owned subsidiary of Hengdeli, Hengdeli is therefore a connected person (as defined under the Listing Rules) of the Company.

Reference is also made to the joint announcements of the Company and Hengdeli dated 25 October 2010 and 1 November 2010 in relation to, inter alia, the Cooperation Agreement.

The Cooperation Agreement and the transactions contemplated therein have, upon completion of the Acquisition, become continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. The transactions contemplated under the Cooperation Agreement have been carried out on a small scale only and the total considerations do not exceed 0.1% of the applicable percentage ratios of the Listing Rules and are therefore exempt from the reporting, announcement and independent shareholders' approval requirements.

In anticipation of the future demands of the Group, the Company has recently reviewed its cooperation with Hengdeli and the following new arrangements have been agreed by the parties.

THE NEW COOPERATION AGREEMENT

On 27 September 2012, the Company and Hengdeli entered into the New Cooperation Agreement with the principal terms and conditions as follows:

Date

27 September 2012

Parties

- (1) The Company
- (2) Hengdeli

Term

For the period from 27 September 2012 to 30 September 2013

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 Gucci timepieces and accessories 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 Gucci Group.

Hengdeli shall place purchase orders to the Group from time to time and the Group shall deliver the required models and numbers of Gucci 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.

The New Cooperation Agreement is conditional upon the approval of the Independent Shareholders at the EGM. The Cooperation Agreement will also be terminated and ceased to have any effect when the New Cooperation Agreement is approved by the Independent Shareholders at the EGM.

THE LICENCE AGREEMENT

On 1 July 2012, Shenzhen Qijingda and Hangzhou Longyun entered into the Licence Agreement with the following principal terms and conditions:

Date

1 July 2012

Parties

- (1) Shenzhen Qijingda
- (2) Hangzhou Longyun

Premises

A sale corner on the first floor of Longyun Court

Area

Around 763 square meters

Term

For the period from 1 July 2012 to 31 December 2012

Licence Fee

Shenzhen Qijingda shall pay to Hangzhou Longyun a certain percentage of the monthly sale made at the sale corner in cash as the licence fee within 60 days from the date of issuance of the tax receipts for a particular month by Hangzhou Longyun. The licence fee was determined with reference to the size and location of the sale corner within the Longyun Court and also the licence fees of the comparable sale corners in the nearby area, the prestige of the relevant brands and the products and the prevailing as well as the expected market conditions.

The Licence Agreement is governed by PRC laws.

PROPOSED ANNUAL CAPS

The Company proposes that the Annual Caps under the New Cooperation Agreement and the Licence 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 2013 be as follows:

Type of Transaction	Proposed Annual Cap for the financial year ended 30 September 2013
Consignment Arrangement	RMB2,440,000 (approximately HK\$2,979,000)
Supply Arrangement	RMB44,000,000 (approximately HK\$53,724,000)
Licence Agreement	RMB378,000 (approximately HK\$462,000) (up to 31 December 2012 only)
Aggregate Annual Cap	RMB46,818,000 (approximately HK\$57,165,000)

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

The Annual Cap receivable by Hangzhou Longyun for the licensing of the sale corner under the Licence Agreement was determined with reference to the size and location of the sale corner within Longyun Court and also to the licence fees of the comparable sale corners in the nearby area, the prestige of the relevant brands and the products and the prevailing as well as the expected market conditions.

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.

Shenzhen Qijingda is engaged in the business of distributing, advertising, promoting and sale of jewellery and watch items through its distributors and also via its own retail stores. It is the exclusive distributor of Gucci timepieces and accessories in the Greater China Region.

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.

Hangzhou Longyuan is engaged in the business of management and operations of Longyun Court.

REASONS AND BENEFITS FOR THE TRANSACTIONS UNDER THE NEW COOPERATION AGREEMENT

The New Cooperation Agreement and the Licence Agreement represent good opportunities for the Group to strengthen its collaboration with Hengdeli 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 each of the New Cooperation Agreement and the Licence Agreement are the normal commercial terms and are fair and reasonable and that the transactions contemplated under the Agreements 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 the Aggregate Annual Cap is 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 and the Licence 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 Annual Caps and the votes of the Independent Shareholders in the EGM will be taken by poll.

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 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 as soon as practicable.

DEFINITIONS

The following defined terms are used in this announcement:

“Acquisition”	the acquisition of the entire interests in and the shareholders loan of Omas International S.A. by the Company as detailed in its announcements dated 28 September 2011, 4 November 2011, 7 February 2012 and 13 April 2012 and its circular dated 2 November 2011
“Agreements”	the New Cooperation Agreement and the Licence Agreement
“Alpha Key”	Alpha Key Investments Limited, a company incorporated under the laws of British Virgin Islands
“Aggregate Annual Cap”	the aggregate of the Annual Caps for the financial year ending 30 September 2013
“Annual Cap(s)”	for the purpose of Chapter 14A of the Listing Rules, means the maximum annual consideration of the Consignment Arrangement, the Supply Arrangement or the Licence Agreement for the financial year ending 30 September 2013
“associates”	as defined in the Listing Rules
“Board”	the board of Directors
“Cooperation Agreement”	the agreement dated 25 October 2010 as supplemented by the supplemental agreement dated 1 November 2010 entered into between the Company and Hengdeli in relation to the joint development of luxury jewellery retail business as detailed in the announcements of the Company dated 25 October 2010 and 1 November 2010
“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 sale 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
“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 the Annual Caps

“Greater China Region”	include PRC, Macau and Hong Kong
“Group”	the Company and its subsidiaries
“Gucci Group”	Guccio Gucci S.p.A., the owner of the Gucci trademarks, together with its subsidiaries
“Hangzhou Longyun”	Hangzhou Longyun Watch Ltd Co (杭州龍韻鐘錶有限公司), a limited company established in PRC and indirectly wholly-owned by Hengdeli
“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 Mr. Chan Man Kiu, 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
“Licence Agreement”	the agreement dated 1 July 2012 entered into between Shenzhen Qijingda as licensee and Hangzhou Longyun as licensor in relation to the licensing of a sale corner on the first floor of Longyun Court
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longyun Court”	a store located at Huanglong Hotel, No. 120 Shuguan Road, Hangzhou, PRC
“Macau”	the Macau Special Administrative Region of the PRC
“New 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
“PRC”	the People’s Republic of China
“Shareholders”	Shareholders of the Company
“Shenzhen Qijingda”	Shenzhen Qijingda Trade Co. Ltd (深圳市琪晶達貿易有限公司), a limited liability company established in PRC and owns indirectly as to 90% by the Company.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supply Arrangement”	under which the Group shall sell to Hengdeli Gucci timepieces and accessories as per the purchase orders placed from time to time by Hengdeli at the wholesale prices which are a certain percentage discount from the standard retail prices for the Greater China Region as determined by Gucci Group
“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 = RMB0.819 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, 5 October 2012

As at the date hereof, the Board comprises three executive directors, namely, Mr. Wong Chi Ming, Jeffry, Mr. Chung Yuk Lun and Mr. Yu Fei, Philip; and three independent non-executive directors, namely, Mr. Chan Man Kiu, Mr. Tam Ping Kuen, Daniel and Mr. Jiang Chao.

* *for identification purpose only*