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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)

2014 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2014

The board (“Board”) of directors (“Directors”) of Ming Fung Jewellery Group Limited (“Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 March 2014, which have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH 2014

		For the six months ended 31 March	
		2014	2013
		HK\$’000	HK\$’000
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Turnover	3	393,883	465,417
Cost of sales		(315,382)	(338,259)
Gross profit		78,501	127,158
Other revenue and net gains	3	638	1,083
Amortisation of intangible assets		(6,258)	(6,037)
Impairment loss on goodwill	12	(43,014)	–
Selling and distribution expenses		(26,068)	(27,634)
Administrative expenses		(17,149)	(17,624)
(Loss) profit from operating activities	5	(13,350)	76,946
Finance costs	6	(3,276)	(2,147)

		For the six months ended 31 March	
		2014	2013
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
(Loss) profit before taxation		(16,626)	74,799
Income tax expense	7	(4,255)	(17,304)
		<hr/>	<hr/>
(Loss) profit for the period		(20,881)	57,495
Items that may be classified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(7,478)	7,034
		<hr/>	<hr/>
Total comprehensive (expenses) income for the period		(28,359)	64,529
		<hr/> <hr/>	<hr/> <hr/>
(Loss) profit for the period attributable to:			
Owners of the Company		(20,891)	57,402
Non-controlling interests		10	93
		<hr/>	<hr/>
		(20,881)	57,495
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (expenses) income attributable to:			
Owners of the Company		(27,614)	62,271
Non-controlling interests		(745)	2,258
		<hr/>	<hr/>
		(28,359)	64,529
		<hr/> <hr/>	<hr/> <hr/>
(Loss) earnings per share			
— Basic and diluted	9	HK(0.48) cents	HK1.3 cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2014

		At 31 March 2014 <i>HK\$'000</i> <i>(Unaudited)</i>	At 30 September 2013 <i>HK\$'000</i> <i>(Audited)</i>
	<i>Notes</i>		
Non-current assets			
Intangible assets	<i>10</i>	185,988	193,297
Exploration and evaluation assets	<i>11</i>	2,016	2,046
Property, plant and equipment		57,783	59,015
Goodwill	<i>12</i>	40,484	83,498
Contingent consideration receivable		113,507	113,507
		<u>399,778</u>	<u>451,363</u>
Current assets			
Inventories		1,570,931	1,582,785
Trade receivables	<i>13</i>	127,983	102,044
Deposits, prepayments and other receivables		125,243	95,264
Bank balances and cash		112,413	142,872
		<u>1,936,570</u>	<u>1,922,965</u>
Current liabilities			
Trade payables	<i>14</i>	60,098	68,999
Accruals and other payables		65,212	72,143
Borrowings		62,453	55,607
Income tax payable		81,462	80,535
		<u>269,225</u>	<u>277,284</u>
Net Current Assets		<u>1,667,345</u>	<u>1,645,681</u>
Total assets less current liabilities		2,067,123	2,097,044

		At 31 March 2014 <i>HK\$'000</i> <i>(Unaudited)</i>	At 30 September 2013 <i>HK\$'000</i> <i>(Audited)</i>
Non-current liabilities			
Deferred tax liabilities		<u>60,350</u>	<u>61,912</u>
Net assets		<u><u>2,006,773</u></u>	<u><u>2,035,132</u></u>
Capital and reserves			
Share capital	15	43,660	43,660
Reserves		<u>1,915,489</u>	<u>1,943,103</u>
Equity attributable to the owners of the Company		<u>1,959,149</u>	1,986,763
Non-controlling interests		<u>47,624</u>	<u>48,369</u>
		<u><u>2,006,773</u></u>	<u><u>2,035,132</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 31 March 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 September 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of the new and revised HKFRSs in the current interim period had no material impact on the Group’s financial performance, financial position and/or disclosures set out in the condensed consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle ²
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁴
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ²
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC)-Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

³ Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors anticipate the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3. TURNOVER AND OTHER REVENUE AND NET GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of turnover and other revenue is as follows:

	For the six months ended 31 March	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover — sale of goods	<u>393,883</u>	<u>465,417</u>
Other revenue		
Interest income	597	1,083
Sundry income	<u>41</u>	<u>—</u>
	<u>638</u>	<u>1,083</u>
	<u><u>394,521</u></u>	<u><u>466,500</u></u>

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with internal reporting provided to the board of directors of the Company who is responsible for allocating resources and assessing performance of the operating segments.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products they provided. Each of the Group's operating segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

- (a) Exports segment is export of manufactured jewellery products and writing instruments;
- (b) Domestic segment is trading of jewellery products and watches for the Group's retail and wholesale business in the PRC; and
- (c) Mining segment comprised the mining, exploration and sale of gold resources.

Segment information about these reportable segments is presented below:

(a) Segment revenues and results

For the six months ended 31 March

	Exports		Domestic		Mining		Total	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Segment revenue:								
External sales	<u>19,704</u>	<u>16,921</u>	<u>374,179</u>	<u>448,496</u>	<u>-</u>	<u>-</u>	<u>393,883</u>	<u>465,417</u>
Segment results	<u>(20,203)</u>	<u>(1,745)</u>	<u>13,653</u>	<u>86,343</u>	<u>(781)</u>	<u>(621)</u>	<u>(7,331)</u>	<u>83,977</u>
Unallocated corporate income and expenses							<u>(9,295)</u>	<u>(9,178)</u>
(Loss) profit before taxation							<u>(16,626)</u>	<u>74,799</u>

The segment results represent the results earned by each segment without allocation of central administration costs, directors' salaries, interest income and finance costs. This is the measure reported to the chief operating decision makers, being the directors of the Company, for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	Exports		Domestic		Mining		Total	
	At 31 March 2014 HK\$'000 (Unaudited)	At 30 September 2013 HK\$'000 (Audited)	At 31 March 2014 HK\$'000 (Unaudited)	At 30 September 2013 HK\$'000 (Audited)	At 31 March 2014 HK\$'000 (Unaudited)	At 30 September 2013 HK\$'000 (Audited)	At 31 March 2014 HK\$'000 (Unaudited)	At 30 September 2013 HK\$'000 (Audited)
ASSETS								
Segment assets	<u>136,418</u>	<u>142,853</u>	<u>1,841,602</u>	<u>1,837,011</u>	<u>126,586</u>	<u>133,393</u>	<u>2,104,606</u>	<u>2,113,257</u>
Unallocated segment assets							<u>231,742</u>	<u>261,071</u>
Total assets							<u>2,336,348</u>	<u>2,374,328</u>
LIABILITIES								
Segment liabilities	<u>10,052</u>	<u>11,576</u>	<u>105,123</u>	<u>98,728</u>	<u>9,014</u>	<u>9,433</u>	<u>124,189</u>	<u>119,737</u>
Unallocated segment liabilities							<u>205,386</u>	<u>219,459</u>
Total liabilities							<u>329,575</u>	<u>339,196</u>

For the purpose of monitoring segment performances and allocating resources between segment:

- all assets are allocated to operating segments, other than contingent consideration receivables and bank balances and cash which are not able to allocate into reportable segments.
- all liabilities are allocated to operating segments, other than borrowings, deferred tax liabilities and income tax payable which are not able to allocate into reportable segments.

(c) Geographic information

Information about the Group's revenue from external customers and non-current assets is presented based on the location of operations and geographical location of assets respectively.

	Revenue from external customers For the six months ended 31 March		Non-current assets at	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Unaudited)	30 September 2013 HK\$'000 (Audited)
Europe	19,704	16,921	87,618	112,002
Middle East and Asia	374,179	448,496	198,653	225,854
	<u>393,883</u>	<u>465,417</u>	<u>286,271</u>	<u>337,856</u>

Note: Non-current assets excluded contingent consideration receivable.

5. (LOSS) PROFIT FROM OPERATING ACTIVITIES

The Group's (loss) profit from operating activities is arrived at after charging:

	For the six months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	315,382	338,259
Depreciation of property, plant and equipment	2,819	5,017
Minimum lease payments under operating leases on leasehold land and buildings	1,642	2,593
Staff costs (excluding directors' remuneration):		
— wages, salaries and other benefits	10,324	10,680
— retirement benefits scheme contributions	974	874
— directors' remuneration	260	567

6. FINANCE COSTS

	For the six months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	3,276	2,147

7. INCOME TAX EXPENSE

	For the six months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current period provision		
— Hong Kong Profits Tax	949	659
— Overseas taxation	4,978	15,689
Under-provision in previous years	—	956
Deferred taxation	(1,672)	—
Income tax expense	4,255	17,304

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s subsidiaries in the PRC is 25% from 1 January 2008 onwards.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2014 (for the six months ended 31 March 2013: Nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of basis (loss) earnings per share is based on the loss for the six months ended 31 March 2014 attributable to the owners of the Company of approximately HK\$20,891,000 (six months ended 31 March 2013: profit of approximately HK\$57,402,000) and the weighted average number of 4,366,027,293 (2013: 4,366,027,293) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 31 March 2014 is the same as the basic loss per share because the Company had no dilutive potential shares.

The computation of diluted earnings per share for the six months ended 31 March 2013 does not assume the exercise of the Company’s warrants and share options because the exercise price was higher than the average market price.

10. INTANGIBLE ASSETS

	Mining rights <i>HK\$'000</i>	Distribution rights <i>HK\$'000</i>	Trademarks <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amount at 1 October 2013 (Audited)	118,818	26,013	48,466	193,297
Exchange realignment	(1,723)	(273)	945	(1,051)
Amortisation for the period	—	(6,258)	—	(6,258)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount at 31 March 2014 (Unaudited)	<u>117,095</u>	<u>19,482</u>	<u>49,411</u>	<u>185,988</u>
Carrying amount at 1 April 2013 (Unaudited)	349,703	32,046	45,942	427,691
Exchange realignment	647	196	2,524	3,367
Amortisation for the period	—	(6,229)	—	(6,229)
Impairment loss recognised	(231,532)	—	—	(231,532)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount at 30 September 2013 (Audited)	<u>118,818</u>	<u>26,013</u>	<u>48,466</u>	<u>193,297</u>

11. EXPLORATION AND EVALUATION ASSETS

HK\$'000

Exploration license

At 1 October 2013 (Audited)

2,046

Exchange realignment

(30)

At 31 March 2014 (Unaudited)

2,016

At 1 April 2013 (Unaudited)

105,479

Exchange realignment

545

Impairment loss recognised

(103,978)

At 30 September 2013 (Audited)

2,046

12. GOODWILL

HK\$'000

Cost

At 1 April 2013 (Unaudited), 30 September 2013 (Audited)
and 31 March 2014 (Unaudited)

675,520

Accumulated impairment losses

At 1 April 2013 (Unaudited)

20,830

Recognised for the period

571,192

At 30 September 2013 (Audited)

592,022

Recognised for the period

43,014

At 31 March 2014 (Unaudited)

635,036

Carrying amount

At 31 March 2014 (Unaudited)

40,484

At 30 September 2013 (Audited)

83,498

For the purposes of impairment testing, goodwill set out above has been allocated to three (30 September 2013: three) individual cash generating units as at 31 March 2014. The carrying amounts of goodwill (net of accumulated losses) at the end of the reporting period allocated to these are as follows:

	31 March 2014 HK\$'000 (Unaudited)	30 September 2013 HK\$'000 (Audited)
Export	1,975	19,882
Domestic	38,509	63,616
Mining	–	–
	<u>40,484</u>	<u>83,498</u>

Export and domestic

The recoverable amount of these cash-generating units was based on its value in use calculation using cash flow projections based on financial budgets approved by management covering the period of 5 years. Value in use in 31 March 2014 was determined in a similar manner as in 30 September 2013.

Key assumptions used in the calculation of value in use were discount rate, growth rate and budgeted revenue. The discount rate ranged from 21.4% to 23.97% (30 September 2013: 21.3% to 24.3%) was an after-tax measure based on the risk-free rate obtained from the yield on 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect specific risks relating to the cash-generating units. A growth rate ranging from 5% to 25% (30 September 2013: 5.0%–25%) was used. Cash flow, beyond the five-year were projected by using a steady growth rate of 3% (30 September 2013: 3.0%). Budgeted revenue has been based on past experience and future expectations in the light of anticipated economic and market conditions. Based on the valuation report by Grant Sherman Appraisal Limited, an impairment loss of approximately HK\$43,014,000 was recognised for the six months ended 31 March 2014 (year ended 30 September 2013: HK\$545,998,000), which was mainly due to momentous reverse in the luxury market for the period under review.

13. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days.

An aging analysis of the trade receivables as at the end of the reporting period, based on the date of recognition of the sale, is as follows:

	At 31 March 2014 HK\$'000 (Unaudited)	At 30 September 2013 HK\$'000 (Audited)
1–30 days	34,762	58,573
31–60 days	28,893	36,727
61–90 days	20,742	3,841
91–120 days	43,586	2,903
	<u>127,983</u>	<u>102,044</u>

14. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 180 days from its suppliers.

An aging analysis of the trade payables as at the end of the reporting period, based on the date of receipt of goods purchased, is as follows:

	At 31 March 2014 HK\$'000 (Unaudited)	At 30 September 2013 HK\$'000 (Audited)
1–30 days	33,523	53,424
31–60 days	15,594	1,862
61–90 days	2,654	1,126
91–120 days	8,327	12,587
	<u>60,098</u>	<u>68,999</u>

15. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised ordinary shares of HK\$0.01 each At 1 April 2012 (Unaudited) and 30 September 2013 (Audited) and 31 March 2014 (Unaudited)	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid: At 1 April 2012 (Unaudited) and 30 September 2013 (Audited) and 31 March 2014 (Unaudited)	<u>4,366,027</u>	<u>43,660</u>

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2014 (30 September 2013: Nil).

17. OPERATING LEASE ARRANGEMENTS

The Group leases certain premises under operating lease arrangements. Leases are negotiated for a term ranging from three to five years. The Group does not have an option to purchase the leased assets at the expiry of the lease period. At the end of the reporting period, the Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	At 31 March 2014 HK\$'000 (Unaudited)	At 30 September 2013 HK\$'000 (Audited)
Within 1 year	2,635	4,059
In 2 to 5 years, inclusive	<u>245</u>	<u>1,291</u>
	<u>2,880</u>	<u>5,350</u>

18. EVENTS AFTER THE REPORTING PERIOD

On 10 April 2014, the Company completed the open offer on the basis one offer share for every two shares held on the record date and 2,183,013,646 shares were issued. The net proceeds from the open offer was approximately HK\$172,100,000 and would be used as general working capital for the Group. Details of the results of the open offer are set out in the announcement of the Company dated 9 April 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's turnover for the six months ended 31 March 2014 decreased by 15.4% from approximately HK\$465.4 million last year to approximately HK\$393.9 million. The decrease was mainly attributable to the continuous downturn of luxury market in China. The Group's gross profit amounted to HK\$78.5 million, the gross profit margin declined to 19.9% (six months end 31 March 2013: 27.3%), the margin erosion was a result of price markdowns to stimulate the turnover in the challenging climate. Loss attributable to shareholders was approximately HK\$20.9 million, inclusive of impairment on goodwill of HK\$43.0 million. The impairment was mainly due to downward revision of financial projection. Details of the key assumptions used in the calculation of goodwill are set out in Note 12.

During the period under review, revenue from domestic sales decreased by HK\$74.3 million, or 16.6%, from HK\$448.5 million for the six months ended 31 March 2013 to HK\$374.2 million for the six months ended 31 March 2014. The overall demand of the Group's fine jewellery and luxury watch items have continue to drop significantly since the second quarter of 2013 in the domestic market. Export sales increased 16.6% from HK\$16.9 million for the six months ended 31 March 2013 to HK\$19.7 million for the six months ended 31 March 2014, the increase was a result of aggressive price markdowns. Domestic sales continued to be the key revenue contributor, taking up 95% of total sales, while export sales accounted for the balance 5% as compared to 96.4% and 3.6%, respectively, during the same period last year.

During the period, the selling and distribution expenses of the Group decreased by 5.7% to approximately HK\$26.1 million, as compared to HK\$27.6 million from the corresponding period last year, which is in line with the decrease in domestic sales. The Group's administrative expenses maintained fairly stable at approximately HK\$17.1 million as compared to approximately HK\$17.6 million for the same period last year.

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group's turnover for the six months ended 31 March 2014 decreased by 15.4% from approximately HK\$465.4 million last year to approximately HK\$393.9 million. The Group's performance was impacted by decelerated customer spending momentum in Mainland China together with the restrict government spending policy.

The Group recorded a loss of HK\$20.9 million for the six month ended 31 March 2014, which was suffered from the deteriorating luxury goods market environment and the impairment on the valuation of goodwill recognized arising from the momentous reverse in the luxury market in Mainland China.

For the gold mining business, the Group is in progress to reassess the production schedule in Chi Feng, which is due to (i) the Group spent additional time to review and negotiate the cost of the mining construction with the PRC mining company; (ii) Extra time spent in the construction in compliance with the various PRC safety regulations. As for the gold mines located in Chi Zhou City, the group will continue to carry out such work as necessary to obtain the exploitation license.

Going forward, the Group expects the China luxury goods market will continue to be challenging and severe in the coming year. The Group will consolidate current business and look for new opportunity to cope with existing market environment and constantly review the business strategy in a cautious manner.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the bank balances and cash on hand of the Group amounted to HK\$112.4 million (30 September 2013: HK\$142.9 million). The Group's current assets and current liabilities were approximately HK\$1,936.6 million and HK\$269.2 million respectively (30 September 2013: current assets HK\$1,923.0 million; current liabilities HK\$277.3 million).

The Group's non-current assets amounted to approximately HK\$399.8 million (30 September 2013: HK\$451.4 million), representing a decrease of approximately HK\$51.6 million, which was mainly due to the impairment on goodwill and amortisation on the intangible assets.

The Group's inventory turnover, trade receivables turnover and trade payables turnover periods were 912 days, 59 days and 35 days, respectively. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

During the period under review, the Group financed its operations and investing activities through a combination of operating cash inflows and interest bearing borrowings. The capital structure of the Company solely consists of share capital. As at 31 March 2014, shareholder equity in the Group amounted to HK\$1,959.1 million (30 September 2013: HK\$1,986.8 million).

The Group's total interest bearing bank borrowings as at 31 March 2014 amounted to approximately HK\$62.5 million (30 September 2013: HK\$55.6 million). The interest bearing bank borrowing were mainly used for working capital purpose and carried at commercial lending interest rates.

EMPLOYEES AND EMPLOYMENT POLICIES

As at 31 March 2014, the Group had a staff roster of 198 (2013: 224). The remuneration of employees was in line with market trench and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed each year.

The Group has established a share option scheme for its employees and other eligible participants with a view to providing an incentive to or as a reward for their contribution to the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not during the six months ended 31 March 2014 in compliance with the code provisions of the Corporate

Governance Code (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except the following deviations:

CODE PROVISION A.2.1

Mr. Wong Chi Ming, Jeffry (“Mr. Wong”) is the Chairman of the Company and co-founder of the Company. Mr. Wong has extensive experience in the jewellery industry who is responsible for the overall strategic planning and policy making of the Group.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting the operation of the Company.

CODE PROVISION E.1.2

The Chairman attended 2014 annual general meeting (“2014 AGM”) to answer questions and collect views of shareholders. Though other directors were unable to attend 2014 AGM due to other business engagements, their representative, the company secretary and the auditors had attended the meeting to answer questions at the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules regarding securities transactions by its directors. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code. All the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the period.

AUDIT COMMITTEE

The Company has an audit committee which was established, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. Currently the audit committee comprises the three independent non-executive Directors of the Company. The unaudited interim report for the period has been reviewed and approved by the audit committee.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all our management and staff members for their ongoing contribution and hard work. We would also like to thank our shareholders for their continuing support.

On behalf of the Board
Ming Fung Jewellery Group Limited
Wong Chi Ming, Jeffry
Chairman

Hong Kong, 28 May 2014

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

* *For identification purpose only*