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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2013

ANNUAL RESULTS

The board of directors (the "Board") of Ming Fung Jewellery Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 September 2013, together with the comparative figures for the year ended 30 September 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 September 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Revenue	3	**782,551**	919,409
Cost of sales		**(705,683)**	(666,430)
Gross profit		**76,868**	252,979
Other revenue and net gains	5	**3,718**	3,976
Selling and distribution expenses		**(68,308)**	(72,876)
Amortisation of intangible assets		**(12,364)**	(12,075)
Impairment loss on exploration and evaluation assets		**(103,978)**	–
Impairment loss on intangible assets		**(231,532)**	–
Impairment loss on goodwill		**(571,192)**	(20,830)
Change in fair value of contingent consideration receivable		**10,657**	–
Property, plant and equipment written-off		**(23,660)**	–
Administrative expenses		**(41,552)**	(34,395)
(Loss) profit from operating activities	6	**(961,343)**	116,779
Finance costs	7	**(4,549)**	(4,392)
(Loss) profit before taxation		**(965,892)**	112,387
Income tax credit (expense)	8	**63,105**	(35,917)
(Loss) profit for the year		**(902,787)**	76,470
Items that may be classified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**24,577**	24,777
Exchange reserve realised upon deregistration of a subsidiary		**(948)**	–
Total other comprehensive income for the year		**23,629**	24,777
Total comprehensive (expenses) income for the year		**(879,158)**	101,247

	Notes	**2013** **HK$'000**	2012 HK$'000 (Restated)
(Loss) profit for the year attributable to:			
Owners of the Company		**(817,573)**	83,158
Non-controlling interests		**(85,214)**	(6,688)
		(902,787)	76,470
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		**(793,767)**	100,263
Non-controlling interests		**(85,391)**	984
		(879,158)	101,247
(Loss) earnings per share	*10*		
Basic		**HK(18.72) cents**	HK2.09 cents
Diluted		**N/A**	HK2.08 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	Notes	**30 September 2013** *HK$'000*	30 September 2012 *HK$'000* (Restated)	1 October 2011 *HK$'000*
NON-CURRENT ASSETS				
Intangible assets		**193,297**	428,563	367,012
Exploration and evaluation assets		**2,046**	101,294	100,013
Property, plant and equipment		**59,015**	80,501	48,672
Goodwill		**83,498**	654,690	537,387
Contingent consideration receivable		**113,507**	102,850	–
		451,363	1,367,898	1,053,084
CURRENT ASSETS				
Inventories		**1,582,785**	1,302,273	980,962
Trade receivables	*11*	**102,044**	226,555	227,334
Prepayments, deposits and other receivables		**95,264**	103,799	70,258
Bank balances and cash		**142,872**	344,899	464,758
		1,922,965	1,977,526	1,743,312
CURRENT LIABILITIES				
Trade payables	*12*	**68,999**	125,134	72,396
Other payables and accruals		**72,143**	40,434	18,520
Borrowings		**55,607**	39,318	40,013
Income tax payable		**80,535**	87,835	78,247
		277,284	292,721	209,176
NET CURRENT ASSETS		**1,645,681**	1,684,805	1,534,136

	Notes	**30 September 2013** **HK$'000**	30 September 2012 HK$'000 (Restated)	1 October 2011 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,097,044**	3,052,703	2,587,220
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**61,912**	138,413	114,572
NET ASSETS		**2,035,132**	2,914,290	2,472,648
CAPITAL AND RESERVES				
Share capital		**43,660**	43,660	36,490
Reserves		**1,943,103**	2,736,870	2,311,712
Equity attributable to the owners of the Company		**1,986,763**	2,780,530	2,348,202
Non-controlling interests		**48,369**	133,760	124,446
TOTAL EQUITY		**2,035,132**	2,914,290	2,472,648

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The functional currency of the Company and its subsidiaries (collectively referred to as the "Group") is Hong Kong dollars ("HK$") and for those subsidiaries established in the People's Republic of China (the "PRC") and Italy are Renminbi ("RMB") and Euro respectively. The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of users of the consolidated financial statements as the Company is listed in Hong Kong.

The Company is engaged in investment holding and the principal activities of its subsidiaries are exports and domestic trading, retail and wholesale of jewellery products, writing instruments and watches and mining.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group have applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income;
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 1 "Presentation of Financial Statements" (as part of the Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009–2011 Cycle). The effective date of these amendments is annual period beginning on or after 1 January 2013.

In the current year, the Group have applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a consolidated statement of financial position as at the beginning of the preceding period (third consolidated statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third consolidated statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third consolidated statement of financial position and that related notes are not required to accompany the third consolidated statement of financial position.

Except as described above, the adoption of the other new and revised HKFRSs in the current year had no material impact on the Group's financial performance, financial position and/or disclosures set out in consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group have 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 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC)-Int 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.

The directors of the Company anticipate that the adoption of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and are analysed as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales of goods	**782,551**	919,409

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 represents the export of manufactured jewellery products and writing instruments;

(b) Domestic segment represents the 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 year ended 30 September

	Exports		Domestic		Mining		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
External sales	**25,945**	55,936	**756,606**	863,473	**–**	–	**782,551**	919,409
Segment results	**(125,498)**	554	**(479,185)**	154,192	**(362,770)**	(22,996)	**(967,453)**	131,750
Unallocated corporate income and expenses							**1,561**	(19,363)
(Loss) profit before taxation							**(965,892)**	112,387

The segment results represent the results earned by each segment without allocation of central administration costs, directors' salaries, interest income and finance costs. These information are 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

At 30 September

	Exports		Domestic		Mining		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**142,853**	289,033	**1,837,011**	2,116,327	**133,393**	486,904	**2,113,257**	2,892,264
Unallocated segment assets							**261,071**	453,160
Total assets							**2,374,328**	3,345,424
LIABILITIES								
Segment liabilities	**11,576**	16,070	**98,728**	137,109	**9,433**	9,049	**119,737**	162,228
Unallocated segment liabilities							**219,459**	268,906
Total liabilities							**339,196**	431,134

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 could not be allocated 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) Other segment information:

	Exports		Domestic		Mining		Unallocated		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets										
Additions to non-current assets *(Note)*	**939**	47,231	**10,528**	1,796	**–**	–	**–**	–	**11,467**	49,027
Allowances for inventories write-down	**–**	–	**(96,600)**	–	**–**	–	**–**	–	**(96,600)**	–
Amortisation of intangible assets	**–**	–	**(12,364)**	(12,075)	**–**	–	**–**	–	**(12,364)**	(12,075)
Change in fair value of contingent consideration receivable	**–**	–	**–**	–	**–**	–	**10,657**	–	**10,657**	–
Depreciation of property, plant and equipment	**(874)**	(5,565)	**(8,965)**	(3,052)	**–**	–	**(1,070)**	(772)	**(10,909)**	(9,389)
Gain (loss) on disposal of property, plant and equipment	**–**	–	**239**	(105)	**–**	–	**–**	(90)	**239**	(195)
Impairment loss on goodwill	**(118,251)**	–	**(427,747)**	(20,830)	**(25,194)**	–	**–**	–	**(571,192)**	(20,830)
Impairment loss on intangible assets	**–**	–	**–**	–	**(231,532)**	–	**–**	–	**(231,532)**	–
Impairment loss on exploration and evaluation assets	**–**	–	**–**	–	**(103,978)**	–	**–**	–	**(103,978)**	–
Property, plant and equipment written off	**–**	–	**(23,660)**	–	**–**	–	**–**	–	**(23,660)**	–
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets										
Interest income	**–**	157	**560**	1,676	**1**	–	**677**	177	**1,238**	2,010
Interest expenses	**–**	–	**(4,549)**	(4,392)	**–**	–	**–**	–	**(4,549)**	(4,392)

Note: Non-current assets includes property, plant and equipment and intangible assets.

(d) 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 year ended 30 September		Non-current assets At 30 September	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United states	**–**	46,283	**–**	–
Europe	**25,945**	9,653	**112,002**	226,588
Middle East and Asia	**756,606**	863,473	**225,854**	1,038,460
	782,551	919,409	**337,856**	1,265,048

(e) Information about major customers

No revenue was received from customers contributing over 10% of the total sales of the Group for the years ended 30 September 2013 and 2012.

5. OTHER REVENUE AND NET GAINS

	2013	2012
	HK$'000	*HK$'000*
Other Revenue:		
Bank interest income	**1,238**	2,010
Sundry income	**177**	1,695
	1,415	3,705
Other Net Gain:		
Gain on disposal of subsidiaries	**–**	271
Gain on deregistration of a subsidiary	**933**	–
Gain on disposal of property, plant and equipment	**239**	–
Net foreign exchange gain	**1,131**	–
	2,303	271
	3,718	3,976

6. (LOSS) PROFIT FROM OPERATING ACTIVITIES

(Loss) profit from operating activities is arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
Auditor's remuneration	**1,748**	2,673
Cost of inventories sold	**604,908**	661,394
Inventories write-down (included in cost of sales)	**96,600**	–
Depreciation of property, plant and equipment	**10,909**	9,389
Exchange loss	**–**	54
Loss on disposal of property, plant and equipment	**–**	195
Minimum lease payments under operating leases on leasehold land and buildings	**3,193**	2,622
Staff costs (excluding directors' remuneration):		
Wages, salaries and other benefits	**19,967**	17,887
Retirement benefits scheme contributions	**2,043**	1,492
	22,010	19,379

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest expenses on:		
— bank overdrafts and loans wholly repayable within 5 years	**677**	–
— other loans wholly repayable within 5 years	**3,872**	4,392
	4,549	4,392

8. INCOME TAX (CREDIT) EXPENSE

	2013 *HK$'000*	2012 *HK$'000*
Current year:		
Hong Kong Profits Tax	**477**	1,446
Overseas taxation	**22,452**	40,788
	22,929	42,234
(Over) under-provision in previous years:		
Hong Kong Profits Tax	**(1,066)**	1,910
Deferred taxation	**(84,968)**	(8,227)
	(63,105)	35,917

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year. 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.

9. DIVIDENDS

No dividend was paid or proposed for the year ended 30 September 2013 (2012: Nil), nor has any dividend been proposed since the end of the reporting period.

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following information:

	2013	2012
	HK$'000	*HK$'000*
(LOSS) EARNINGS		
(Loss) profit attributable to owners of the Company, used in the basic and diluted (loss) earnings per share calculation	**(817,573)**	83,158

	Number of shares	
	2013	2012
SHARES		
Weighted average number of ordinary shares in issue during the year used in the basic (loss) earnings per share calculation	**4,366,027,293**	3,981,692,320
Effect of dilution — weighted average number of ordinary shares:		
Share options	**–**	11,475,789
Weighted average number of ordinary shares in issue during the year used in the diluted (loss) earnings per share calculation	**4,366,027,293**	3,993,168,109

The computation of diluted loss per share for the year ended 30 September 2013 is the same as the basic loss per share because the Company had no dilutive potential shares.

The computation of diluted earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price of shares for 2012.

11. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

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:

	30 September 2013	30 September 2012	1 October 2011
	HK$'000	*HK$'000*	*HK$'000*
1–30 days	**58,573**	10,065	121,989
31–60 days	**36,727**	111,218	89,654
61–90 days	**3,841**	90,559	15,691
Over 90 days	**2,903**	14,713	–
	102,044	226,555	227,334

At 30 September 2013 and 2012, the analysis of trade receivables that were neither past due nor impaired are as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**1–30 days**	**31–60 days**	**61–90 days**	**Over 90 days**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 September 2013	102,044	89,492	7,804	3,266	632	850
At 30 September 2012	226,555	10,065	111,218	90,559	11,925	2,788
At 1 October 2011	227,334	227,334	–	–	–	–

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 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:

	30 September 2013	30 September 2012	1 October 2011
	HK$'000	*HK$'000*	*HK$'000*
1–30 days	**53,424**	45,027	35,364
31–60 days	**1,862**	30,747	13,920
61–90 days	**1,126**	3,445	5,658
Over 90 days	**12,587**	45,915	17,454
	68,999	125,134	72,396

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2013 (2012: Nil).

14. PRIOR PERIOD ADJUSTMENTS

(i) An impairment loss for the intangible assets — mining rights of approximately HK$20,830,000 was recognised for the year ended 30 September 2012 by error of misallocation. According to HKAS 36 Impairment of Assets, the impairment loss should have been allocated to reduce the carrying amount of any goodwill allocated to the unit first and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Had the impairment loss of approximately HK$20,830,000 been recognised on goodwill — mining rights, the goodwill would have decreased by approximately of HK$20,830,000 and the intangible assets would have increased by this corresponding amount at 30 September 2012.

(ii) In respect of the acquisition of Omas Int'l during the year ended 30 September 2012, the Company has not accounted for the contingent consideration receivable arising from business combination at the acquisition date regarding a profit guarantee made by the former owner of Omas Int'l to the Company. Had the fair value of contingent consideration receivable of approximately HK$102,850,000 at the acquisition date been accounted for, the goodwill would have decreased by this corresponding amount at 30 September 2012.

Effects of the correction of errors on the Group's consolidated statement of financial position at 30 September 2012 and consolidated statement of profit or loss and other comprehensive income for the year ended 30 September 2012 are summarised below:

Summary of the effect of prior period adjustments:

	As previously reported	Effect of correction of errors		As restated
		(i)	(ii)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Consolidated statement of profit or loss and other comprehensive income				
Impairment loss on goodwill	–	20,830	–	20,830
Impairment loss on intangible assets	20,830	(20,830)	–	–

	As previously reported	Effect of correction of errors		As restated
		(i)	(ii)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Consolidated statement of financial position				
Goodwill	778,370	(20,830)	(102,850)	654,690
Intangible assets	407,733	20,830	–	428,563
Contingent consideration receivable	–	–	102,850	102,850

BUSINESS REVIEW AND PROSPECTS

In 2013, the luxury goods market in Mainland China experienced a significant downturn due to the restrict government spending along with the global economy volatility and turmoil. The Group's strategic in the high-end fine jewellery market was seriously affected by all of these unfavorable factors, thus weakening the turnover and the gross profit margin.

For the year ended 30 September 2013, the Group recorded a significant loss of HK$817.6 million, which was mainly attributable to the impairment on the valuation of the mining right, exploration right, and goodwill are recognized during the period under review. The impairment was due to the decrease in gold price and momentous reverse in the luxury market in Mainland China.

The Group reported 12.4% decrease in domestic sales, which was mainly due to the decreased demand for the Group's fine jewellery products. The overall demand for luxury goods in China dropped seriously since the second quarter of 2013. During the year under review, the Group reported total revenue and gross profit of HK$782.6 million and HK$76.9 million, respectively. Domestic sales constituted 96.7% of total sales. Export sales were still dented by strained demand for jewellery products from the United States and Europe, reflecting the impact of sluggish economic performance on consumption of luxury products.

For the gold mining business, the Group cooperated with a PRC based leading professional mining institution which started to produce in the gold mines located in Chi Feng City, Inner Mongolia Autonomous Region, PRC, in September 2012. It is expected that the gold mines will start revenue contribution for the years ahead. As for the gold mines located in Chi Zhou City, Anhui Province, PRC, the group will continue to carry out such work as necessary to obtain the exploitation license.

In the year ahead, we believe the China luxury goods market will continue to be challenging and severe in the coming year. The Group will look for new opportunity to cope with existing market environment and constantly review the business strategy in a cautious manner.

Wong Chi Ming, Jeffry
Chairman
Ming Fung Jewellery Group Limited
Hong Kong
31 December 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 30 September 2013, turnover of the Group decreased by 14.9% year-on-year to approximately HK$782.6 million as compared to HK$919.4 million for the previous year. The decrease was mainly attributable to the downturn of luxury market in China.

Domestic sales further increased their weighting in the Group's revenue mix and constituted 96.7% of total sales, while export sales accounted for the balance 3.3%, as compared to 93.9% and 6.1%, respectively, during the same period last year. Revenue from domestic sales decreased by HK$106.9 million, or 12.4%, from HK$863.5 million for the year ended 30 September 2012 to HK$756.6 million for the year ended 30 September 2013. The overall demand of the Group's fine jewellery and luxury watch items dropped significant since the second quarter of 2013 in the domestic market. Export sales dropped 53.6% from HK$55.9 million for the year ended 30 September 2012 to HK$25.9 million for the year ended 30 September 2013.

The Group's gross profit amounted to HK$76.9 million, representing a decrease of 69.6% year-on-year from HK$253.0 million, the gross profit margin declined to 9.8% (2012: 27.5%), which was suffered from the deteriorating luxury goods market environment and allowances for inventories write-down of HK$96.0 million. Loss attributable to shareholders for the year was HK$817.6 million, inclusive of impairment on exploration and evaluation assets, goodwill and other intangible assets of HK$906.7 million.

For the year ended 30 September 2013, selling and distribution expenses decreased by 6.3% to approximately HK$68.3 million as compared to HK$72.9 million for the year ended 30 September 2012. The decrease was in line with the decline in the turnover. Administrative expenses increased by 20.8% to HK$41.6 million, compared with HK$34.4 million for the corresponding period of last year. The increase was mainly due to the results of full-year consolidation of the accounts of Omas SRL, which was acquired on 13 April 2012.

Liquidity, Financial Resources and Gearing

Finance costs during the year under review amounted to HK$4.5 million as compared to HK$4.4 million for the corresponding period of last year.

For the financial year ended 30 September 2013, non-current assets decreased substantially from HK$1,367.9 million to HK$451.4 million due to the impairment on exploration and evaluation assets, goodwill and other intangible assets.

The Group's net current assets decreased from HK$1,684.8 million to HK$1,645.7 million. The net current assets are comprised of inventories of HK$1,582.8 million (2012: HK$1,302.3 million), trade receivables of about HK$102.0 million (2012: HK$226.6 million) and other receivables of approximately HK$95.3 million (2012: HK$103.8 million). The reduction in trade receivables was related to the fall in turnover.

During the Review Period, the cash and bank balances amounted to approximately HK$142.9 million (2012: HK$344.9 million) and current liabilities of approximately HK$277.3 million (2012: HK$292.7 million).

The Group's inventory turnover, trade receivables turnover and trade payables turnover periods were 819 days, 48 days and 36 days, respectively. Overall the turnover times were consistent and complied with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

During the year, 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 30 September 2013, shareholder equity in the Group amounted to HK$1,986.8 million (2012: HK$2,780.5 million).

The Group's total interest bearing bank borrowings as at 30 September 2013 amounted to approximately HK$25.3 million (2012: Nil). The interest bearing bank borrowings were mainly used for working capital purpose and carried at commercial lending interest rates.

As at 30 September 2013, the Company has no significant contingent liabilities (2012: nil).

Employees and Remuneration Policies

As at 30 September 2013, the Group had a staff roster of 204 (2012: 217). The remuneration of employees was in line with market trends and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed every year.

As disclosed above, the current information in other management and discussion analysis has not changed materially from the information in the last published 2013 interim report.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 5 March 2014 to 7 March 2014 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 4 March 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares, and neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

During the year ended 30 September 2013, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following deviations (Code Provisions A.2.1 and E.1.2):

Mr. Wong Chi Ming, Jeffry is the Chairman of the board of directors. The Company has no such title as the chief executive officer and 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 operations of the Company.

The Chairman attended 2013 annual general meeting ("2013 AGM") to answer questions and collect views of shareholders. Though some of the directors were unable to attend 2013 AGM due to other business engagements, the company secretary and the auditors had attended the meeting to answer questions at the meeting.

The Chairman attended the extraordinary general meeting held on 5 December 2012 while other directors cannot attend due to other business engagements but a representative of Veda Capital Limited, the independent financial adviser, had attended the meeting to answer questions at the meeting.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in the annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry on all directors regarding any non-compliance with the Model Code during the year under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. Currently the audit committee comprises the 3 independent non-executive directors, who have reviewed the financial statements for the year ended 30 September 2013.

Internal Control and Risk Management

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group. The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts. The Board reviews the effectiveness of the Group's material internal controls and is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

PUBLICATION OF ANNUAL REPORT

The 2013 annual report containing all the information required by the Listing Rules will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and on the website of the Company (www.mingfung.com) and dispatched to shareholders in due course.

APPRECIATION

On behalf of all members of the Board, I would like to express my sincere appreciation to all shareholders and staff members for their dedication and commitment over the past twelve months as well as my heartfelt gratitude to our customers and business partners for their enduring support.

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

Hong Kong, 31 December 2013

As at the date of this announcement, the Board consists of Mr. Wong Chi Ming, Jeffry, and Mr. Yu Fei, Philip as executive Directors; and Mr. Jiang Chao, Ms. Chu Wai Fan and Mr. Tam Ping Kuen, Daniel as independent non-executive Directors.

* *For identification purposes only*