



*Interim Report 2013*



**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: 0860)

The board ("Board") of directors ("Directors") of Ming Fung Jewellery Group Limited ("Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 March 2013, which have been reviewed by the Company's audit committee.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>For the six months ended 31 March</b>	
		<b>2013</b>	2012
	<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	3	<b>465,417</b>	348,098
Cost of sales		<b>(338,259)</b>	(251,234)
Gross profit		<b>127,158</b>	96,864
Other revenue	3	<b>1,083</b>	706
Selling and distribution expenses		<b>(33,671)</b>	(22,269)
Administrative expenses		<b>(17,624)</b>	(13,280)
Profit from operating activities	5	<b>76,946</b>	62,021
Finance costs	6	<b>(2,147)</b>	-
Profit before tax		<b>74,799</b>	62,021
Tax	7	<b>(17,304)</b>	(13,418)
Profit for the period		<b>57,495</b>	48,603
Other comprehensive income:			
Exchange difference arising on translation of foreign operations		<b>7,034</b>	3,187
Total comprehensive income for the period		<b>64,529</b>	51,790
Profit for the period attributable to:			
Equity holders of the Company		<b>57,402</b>	48,837
Non-controlling interests		<b>93</b>	(234)
		<b>57,495</b>	48,603
Total comprehensive income for the period attributable to:			
Equity holders of the Company		<b>62,271</b>	50,958
Non-controlling interests		<b>2,258</b>	832
		<b>64,529</b>	51,790
Earnings per share attributable to shareholders	9		
Basic		<b>HK1.3 cents</b>	HK1.3 cents
Diluted		<b>HK1.3 cents</b>	HK1.3 cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March 2013 (Unaudited) HK\$'000	As at 30 September 2012 (Audited) HK\$'000
Non-current Assets			
Intangible assets	10	407,291	407,733
Exploration and evaluation assets	11	105,479	101,294
Property, plant and equipment		75,328	80,501
Goodwill		<u>778,370</u>	<u>778,370</u>
		<b>1,366,468</b>	<b>1,367,898</b>
Current Assets			
Inventories		1,360,356	1,302,273
Trade receivables	12	211,875	226,555
Prepayments, deposits and other receivables		98,153	103,799
Cash and cash equivalents		<u>317,864</u>	<u>344,899</u>
		<b>1,988,248</b>	<b>1,977,526</b>
Current Liabilities			
Trade payables	13	92,270	125,134
Other payables and accruals		28,338	40,434
Borrowings		27,522	39,318
Tax payables		<u>89,354</u>	<u>87,835</u>
		<b>237,484</b>	<b>292,721</b>
Net Current Assets		<u>1,750,764</u>	<u>1,684,805</u>
Total assets less current liabilities		<b>3,117,232</b>	<b>3,052,703</b>
Non-current liabilities			
Deferred tax liabilities		<u>138,413</u>	<u>138,413</u>
Net Assets		<b><u>2,978,819</u></b>	<b><u>2,914,290</u></b>
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	14	43,660	43,660
Reserves		<u>2,799,141</u>	<u>2,736,870</u>
		<b>2,842,801</b>	<b>2,780,530</b>
Non-controlling interests		<u>136,018</u>	<u>133,760</u>
		<b><u>2,978,819</u></b>	<b><u>2,914,290</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share premium	Retained earnings	Exchange reserve	Share-based payment reserve	Warrants reserve	Statutory reserve (Note a)	Other reserve	Non-controlling interests	Total
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2012 (Audited)	43,660	1,910,709	752,880	52,267	8,784	11,427	792	11	133,760	2,914,290
Total comprehensive income for the period	-	-	57,402	4,869	-	-	-	-	2,258	64,529
At 31 March 2013 (Unaudited)	<b>43,660</b>	<b>1,910,709</b>	<b>810,282</b>	<b>57,136</b>	<b>8,784</b>	<b>11,427</b>	<b>792</b>	<b>11</b>	<b>136,018</b>	<b>2,978,819</b>
	Share capital	Share premium	Retained earnings	Exchange reserve	Share-based payment reserve	Warrants reserve	Statutory reserve (Note a)	Other reserve	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2011 (Audited)	36,490	1,575,650	659,213	34,228	30,486	11,427	792	-	120,886	2,469,172
Total comprehensive income for the period	-	-	48,837	2,121	-	-	-	-	832	51,790
Issue of shares upon exercise of share options	14	225	-	-	(75)	-	-	-	-	164
At 31 March 2012 (Unaudited)	<b>36,504</b>	<b>1,575,875</b>	<b>708,050</b>	<b>36,349</b>	<b>30,411</b>	<b>11,427</b>	<b>792</b>	<b>-</b>	<b>121,718</b>	<b>2,521,126</b>

*Note:*

- (a) The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 50% of registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>For the six months ended 31 March</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Net cash (used in)/generated from:</b>		
Operating activities	<b>(9,340)</b>	(57,259)
Investing activities	<b>1,083</b>	3,937
Financing activities	<b>(18,128)</b>	163
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(26,385)</b>	(53,159)
<b>Effect of foreign exchange rates changes</b>	<b>(650)</b>	2,328
<b>Cash and cash equivalents at the beginning of the period</b>	<b>344,899</b>	464,758
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>317,864</b>	413,927
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>317,864</b>	375,456
Non-pledged time deposits with original maturity of less than 3 months when acquired	<b>-</b>	38,471
	<hr/>	<hr/>
	<b>317,864</b>	413,927
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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 of Hong Kong Limited and with the Hong Kong Accounting Standard (“HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

These condensed consolidated financial statements have been prepared under the historical cost convention with the exception of certain assets and liabilities, which (where appropriate) were measured at fair value, as explained in the Group’s audited consolidated financial statements for the year ended 30 September 2012. The accounting policies and basis of presentation used in the preparation of these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s audited consolidated financial statements for the year ended 30 September 2012.

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current period, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the new and revised HKFRSs in the current period has had no material effect on the Group’s financial performance and the positions for the current and prior periods and/or disclosures set out in the condensed consolidated financial statements.

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 2009-2011 Cycle <sup>1</sup>
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans <sup>1</sup>
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impacts on the financial statements of the Group.

**3. TURNOVER AND OTHER REVENUE**

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of all significant intra-Group transactions during the period.

An analysis of turnover and other revenue is as follows:

	<b>For the six months ended 31 March 2013 (Unaudited) HK\$'000</b>	2012 (Unaudited) HK\$'000
Turnover – sale of goods	<b>465,417</b>	348,098
Other revenue		
Interest income	<b>1,083</b>	437
Gain on disposal of subsidiaries	–	269
	<b>1,083</b>	706
	<b>466,500</b>	348,804

**4. SEGMENT INFORMATION**

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 for the Group's retail and wholesale business in Mainland China; and
- (c) Mining segment comprised the mining, exploration and sale of gold resources.

#### 4. SEGMENT INFORMATION (CONTINUED)

##### Operating segments

The following table presents revenue and results for the Group's operating segments:

For the six months ended 31 March 2013:

	Exports (Unaudited) HK\$'000	Domestic (Unaudited) HK\$'000	Mining (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	<u>16,921</u>	<u>448,496</u>	<u>-</u>	<u>465,417</u>
Segment results	<u>(1,745)</u>	<u>86,343</u>	<u>(621)</u>	<u>83,977</u>
Unallocated revenue				<u>1,083</u>
Unallocated expenses				<u>(8,114)</u>
Profit from operating activities				<u>76,946</u>
Finance costs				<u>(2,147)</u>
Profit before tax				<u>74,799</u>
Tax				<u>(17,304)</u>
Profit for the period				<u>57,495</u>

For the six months ended 31 March 2012:

	Exports (Unaudited) HK\$'000	Domestic (Unaudited) HK\$'000	Mining (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	<u>43,944</u>	<u>304,154</u>	<u>-</u>	<u>348,098</u>
Segment results	<u>309</u>	<u>71,846</u>	<u>(793)</u>	<u>71,362</u>
Unallocated revenue				<u>706</u>
Unallocated expenses				<u>(10,047)</u>
Profit from operating activities				<u>62,021</u>
Finance costs				<u>-</u>
Profit before tax				<u>62,021</u>
Tax				<u>(13,418)</u>
Profit for the period				<u>48,603</u>



**5. PROFIT FROM OPERATING ACTIVITIES**

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

	<b>For the six months ended 31 March</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>338,259</b>	251,234
Depreciation	<b>5,017</b>	4,064
Minimum lease payments under operating leases on leasehold land and buildings	<b>2,593</b>	2,198
Staff costs (excluding directors' remuneration):		
Wages, salaries and other benefits	<b>10,680</b>	8,139
Retirement benefits scheme contributions	<b>874</b>	672
Directors' remuneration	<b>567</b>	642
	<b>—————</b>	<b>—————</b>

**6. FINANCE COSTS**

	<b>For the six months ended 31 March</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans wholly repayable within 5 years	<b>2,147</b>	—
	<b>—————</b>	<b>—————</b>

**7. TAX**

The amount of tax charged to the condensed consolidated statement of comprehensive income represents:

	<b>For the six months ended 31 March</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current period provision:		
Hong Kong Profits Tax (a)	<b>659</b>	—
Overseas taxation (b)	<b>15,689</b>	13,418
Under-provision in previous years:		
Penalty surcharge and interest	<b>956</b>	—
	<b>—————</b>	<b>—————</b>
Tax charge for the period	<b>17,304</b>	13,418
	<b>—————</b>	<b>—————</b>

(a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 31 March 2013 (for the six months ended 31 March 2012: Nil).

(b) Overseas taxation is related to PRC tax which is calculated at the prevailing tax rate on the assessable profits based on existing legislation, interpretations and practices in respect thereof.

**7. TAX (CONTINUED)**

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.

One of the subsidiaries was subject to PRC Enterprise Income Tax at preferential rates ranging from 22% to 24% for the period.

**8. DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2013 (for the six months ended 31 March 2012: Nil).

**9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS**

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the consolidation of shares during the period.

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary shareholders of the Company adjusted to reflect the interest on the share options, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, as adjusted for the consolidation of shares during the period.

The calculations of basic and diluted earnings per share amounts are based on:

	<b>For the six months ended 31 March</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings		
Profit attributable to ordinary shareholders of the Company, used in the basic and diluted earnings per share calculation	<b>57,402</b>	48,837

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS (CONTINUED)

	Number of shares For the six months ended 31 March	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	4,366,027,293	3,649,886,309
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>Nil</u>	<u>34,213,127</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u>4,366,027,293</u>	<u>3,684,099,436</u>

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

## 10. INTANGIBLE ASSETS

	Mining rights HK\$'000	Distribution rights HK\$'000	Trademarks HK\$'000	Group total HK\$'000
<b>Cost</b>				
At 30 September and at 1 October 2012 (Audited)	344,400	53,535	46,360	444,295
Exchange translation	<u>5,320</u>	<u>827</u>	<u>(418)</u>	<u>5,729</u>
<b>At 31 March 2013 (Unaudited)</b>	<b><u>349,720</u></b>	<b><u>54,362</u></b>	<b><u>45,942</u></b>	<b><u>450,024</u></b>
<b>Accumulated amortisation and impairment loss</b>				
At 30 September and at 1 October 2012 (Audited)	(20,400)	(16,162)	–	(36,562)
Amortisation for the period	–	(6,135)	–	(6,135)
Exchange translation	<u>(17)</u>	<u>(19)</u>	<u>–</u>	<u>(36)</u>
<b>At 31 March 2013 (Unaudited)</b>	<b><u>(20,417)</u></b>	<b><u>(22,316)</u></b>	<b><u>–</u></b>	<b><u>(42,733)</u></b>
<b>Net book value</b>				
<b>At 31 March 2013 (Unaudited)</b>	<b><u>329,303</u></b>	<b><u>32,046</u></b>	<b><u>45,942</u></b>	<b><u>407,291</u></b>
<b>At 30 September 2012 (Audited)</b>	<b><u>324,000</u></b>	<b><u>37,373</u></b>	<b><u>46,360</u></b>	<b><u>407,733</u></b>

**11. EXPLORATION AND EVALUATION ASSETS**

HK\$'000

**Exploration license**

At 1 October 2012 and 30 September 2012 (Audited) 101,294  
Additions 4,185

**At 31 March 2013 (Unaudited) 105,479**

**12. TRADE RECEIVABLES**

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

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

	<b>31 March 2013 (Unaudited) HK\$'000</b>	30 September 2012 (Audited) HK\$'000
1 – 30 days	73,891	10,065
31 – 60 days	63,756	111,218
61 – 90 days	50,477	90,559
91 – 120 days	23,751	14,713
	<b>211,875</b>	<b>226,555</b>

**13. TRADE PAYABLES**

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

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

	<b>31 March 2013 (Unaudited) HK\$'000</b>	30 September 2012 (Audited) HK\$'000
1 – 30 days	20,314	15,560
31 – 60 days	13,151	25,535
61 – 90 days	11,089	25,716
91 – 180 days	47,716	58,323
	<b>92,270</b>	<b>125,134</b>

**14. SHARE CAPITAL**

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

**15. CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 March 2013 (30 September 2012: Nil).

**16. OPERATING LEASE ARRANGEMENTS**

As at 31 March 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>31 March 2013 (Unaudited) HK\$'000</b>	30 September 2012 (Audited) HK\$'000
Within 1 year	4,840	5,221
In 2 to 5 years, inclusive	<u>1,562</u>	<u>718</u>
	<b><u>6,402</u></b>	<b><u>5,939</u></b>

**17. CAPITAL COMMITMENTS**

	<b>31 March 2013 (Unaudited) HK\$'000</b>	30 September 2012 (Audited) HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of: Leasehold improvement	<u>-</u>	<u>3,158</u>

**18. RELATED PARTY TRANSACTIONS****(a) Key management personnel compensation**

Remuneration for the directors of the Company (being the key management personnel) as disclosed in Note 5.

**(b) Transactions with related parties**

Details of the transactions with related parties during the period:

	<b>31 March 2013 (Unaudited) HK\$'000</b>	30 September 2012 (Audited) HK\$'000
Sales of goods to the subsidiaries of Hengdeli Holdings Limited ( <i>Note</i> )	18,524	-
Rental expenses paid to the subsidiaries of Hengdeli Holdings Limited ( <i>Note</i> )	<u>717</u>	<u>-</u>

*Note:* Hengdeli Holdings Limited is the substantial shareholder of the Company. Such transactions constituted as connected transactions under the listing rules.

The above transactions were made based on normal commercial terms agreed between the relevant parties.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group's turnover for the six months ended 31 March 2013 increased by 33.7% from approximately HK\$348.1 million last year to approximately HK\$465.4 million. The increase was mainly attributable to the growth of domestic sales. Profit attributable to shareholders was approximately HK\$57.4 million, representing a 17.5% increase as compared to HK\$48.8 million in the corresponding period in 2012. Basic earnings per share was HK1.3 cents (2012: HK1.3 cents).

During the period under review, domestic sales reached another record high of approximately HK\$448.5 million, representing an increase of 47.5% as compared to approximately HK\$304.2 million for the six months ended 31 March 2012. Export sales dropped 61.5% from HK\$43.9 million for the six months ended 31 March 2012 to HK\$16.9 million for the six months ended 31 March 2013. Domestic sales continued to be the key revenue contributor, taking up 96.4% of total sales, while export sales accounted for the balance 3.6% as compared to 87.4% and 12.6%, respectively, during the same period last year.

During the period, the selling and distribution expenses of the Group increased 51.2% to approximately HK\$33.7 million, as compared to HK\$22.3 million from the corresponding period last year, which is in line with the increase in domestic sales. The Group's administrative expenses thus increased 32.7% to approximately HK\$17.6 million as compared to approximately HK\$13.3 million for the same period last year. Accordingly, the Group recorded an operating profit of approximately HK\$76.9 million for the period under review, representing a 24.1% increase when compared with that of the previous year.

### Business Review

During the period under review, the global economy was volatile and unstable. The pace of economic recovery in the United States remained slow while Europe continued to face the issue of sovereign debt crisis. On the other hand, the emerging economies had to cope with the threat of economic downturn. In particular, the pace of economic growth in PRC continued to slow down. In spite of the slower growth momentum of China's economy, the Group recorded a satisfactory growth in domestic sales, which was mainly driven by the successful strategic acquisitions in the past couple years and the continuous enhancement of PRC retail network.

Follow the completion of the acquisition of OMAS International S.A. in 2012, the Group dedicated to develop the new "OMAS" jewellery and luxury accessories line through the Group's world class designer with the impression of "OMAS = A world of Colours and Diamonds". In December 2012, OMAS has successfully held "Special Olympics 2012 Partnership Announcement Ceremony", Special Olympics Global Ambassador Yao Ming and his wife Ye Li attended the signing ceremony of the partnership announcement between OMAS and the Special Olympics. The ceremony attracted over 50 reporters to join in, and made it one of the most eye-catching events in Hangzhou in recent year. The Group also made use of this special occasion to launch its first multiple-brands fine jewellery flagship store in Hangzhou Dragon Hotel. In addition to "OMAS", the store also offered products from a range of luxury brands such as "Gucci", "Damiani", "Pomellato", "Pasquale Bruni" and "Salvini" in dedicated zones.

## **FUTURE PLANS AND PROSPECTS**

Supported by the rising wealth of growth middle class in China, the Group maintains a cautiously optimistic outlook on the luxury retail market, and confident that China will continue to fuel luxury market growth with jewellery, watches and accessories to be the most lucrative sectors in the luxury goods industry. While enjoying the extensive retail networks provided by Hengdeli, and LVMH's the vast global network and profound expertise in the high-end luxury retail business, The Group will continue to expand its sales outlets and consistently be on the lookout for strategic merger and acquisition opportunities in order to strengthen its distribution network and enhance relationships with international brands.

As 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. It is expected that the gold mines will start revenue contribution in the near future. As for the Chi Zhou Gold Mines, the Group continue to carry out the detailed exploration work and in the process to obtain the exploitation licenses.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2013, the Group maintained a strong and healthy financial position. Bank balances and cash on hand of the Group as at 31 March 2013 amounted to HK\$317.9 million (30 September 2012: HK\$344.9 million), which were mainly denominated in US dollars, Hong Kong dollars and RMB. The Group's current assets and current liabilities were approximately HK\$1,988.2 million and HK\$237.5 million respectively (30 September 2012: current assets HK\$1,977.5 million; current liabilities HK\$292.7 million).

Increase in inventories was in line with the increase in the turnover in domestic retail and wholesale sales for the period because more inventories were reserved for customer orders. The Group's inventory turnover, trade receivables turnover and trade payables turnover periods were 736 days, 83 days and 50 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.

## **FOREIGN EXCHANGE EXPOSURE**

The sales and purchases of the Group were mostly denominated in the US dollars, Hong Kong dollars and Renminbi. The cash and cash equivalents and interest bearing borrowings of the Group were also denominated in Hong Kong dollars, the US dollars and Renminbi. Since the Group's exposure to fluctuations in foreign exchange rates was minimal, the Group did not use any hedging instruments.

## **CAPITAL STRUCTURE**

As at 31 March 2013, the total number of shares of HK\$0.01 each in the capital of the Company in issue was 4,366,027,293 and the capital and reserves attributable to the Company's equity holders amounted to HK\$2,978.8 million (30 September 2012: HK\$2,914.3 million).

Apart from those set out above, the current information in other management and discussion analysis has not changed materially from those information disclosed in the last published 2012 annual report.

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS**

As at 31 March 2013, the interests of the Directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Director	Type of interests	Number of issued ordinary shares held	Number of underlying shares held	Total interests	Percentage of interest
Mr. Wong Chi Ming, Jeffrey	Corporate (Notes)	295,025,799	-	295,025,799	6.76%

*Notes:*

- The interest disclosed represents the 295,025,799 shares held by Equity Base Holdings Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Wong Chi Ming, Jeffrey by virtue of Section 344(3) of the SFO.
- All the interests disclosed above represent long positions in the shares of the Company.
- Ms. Lui Ching Han, Magda, the spouse of Mr. Wong Chi Ming, Jeffrey is deemed to be interested in these shares under the SFO.

Mr. Wong Chi Ming, Jeffrey is the sole shareholder of Equity Base Holdings Limited.

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries of the Company held in trust for the Company solely for the purpose of complying with the statutory minimum number of shareholders required for Hong Kong incorporated companies which was in force prior to 13 February 2004.

Save as disclosed above, as at 31 March 2013, none of the Directors, or their associate(s) had any interests or short positions in the shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the period were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company or any other body corporate.



**SHARE OPTION SCHEME**

The Company operates a share option scheme ("Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme was adopted at an annual general meeting held on 1 March 2013 and unless otherwise cancelled or amended, will remain in force for 10 years from its date of adoption on 1 March 2013.

Salient details of the Scheme are:

- (a) The maximum number of shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;
- (b) The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or other expiry date(s) stipulated in the Scheme, whichever is the earlier;
- (c) The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee; and
- (d) The exercise price of the share options is determinable by the directors but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

No share options were granted, cancelled or lapsed during the period.

Details of the specific categories of options are as follows:

<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b> <i>HK\$</i>
17 June 2010	17 June 2010 to 16 June 2013	0.4786

**SHARE OPTION SCHEME (CONTINUED)**

Eligible participants	Date of grant	Exercise price	Exercise period	Vesting period	Number of shares issuable under share options			
					As at 1 October 2012	Granted during the period	Exercised during the period	As at 31 March 2013
Other Eligible Participants	17 June 2010	HK\$0.4786*	17 June 2010 to 16 June 2013	Nil	109,400,000	-	-	109,400,000
				Total	109,400,000	-	-	109,400,000

Exercisable at the end of the period 109,400,000.

- \* Upon passing of the resolution for the bonus issue on the basis of 4 bonus shares for every 10 existing shares on the record date ("Bonus Issue") by the shareholders at the extraordinary general meeting held on 12 July 2010 and pursuant to the Scheme, the exercise price of the share options granted under the Scheme and the number of shares to be allotted and issued upon full exercise of the subscription right attaching to the outstanding share options were adjusted in accordance with the terms of the Scheme and the Listing Rules.

Since adoption of the Scheme, no share options have been offered and/or granted to the directors of the Group under the Scheme.

These fair values were calculated using Black-Scholes Option Pricing Model. This model is commonly used model to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variable of certain assumption. The inputs into the model were as follows:

	<b>17 June 2010</b>
Fair value per option	HK\$0.08029
Share price at the grant date	HK\$0.4790#
Exercise price	HK\$0.4786#
Expected volatility	53.551%
Expected life	0.75 years
Risk free rate	0.515%
Expected dividend yield	-

# Share price adjusted for Bonus Issue.

Expected volatility was determined by using historical volatility of the Company's share price over the past years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

**SUBSTANTIAL SHAREHOLDERS**

As at 31 March 2013, the following persons (other than the information disclosed in the section of Directors' Interests) had interest in the shares and the underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Number of issued ordinary shares and underlying shares held	Percentage of total issued
Equity Base Holdings Limited	295,025,799 <i>(Notes (a) and (e))</i>	6.76%
Mr. Choy Shiu Tim	280,000,000 <i>(Note (e))</i>	6.41%
Atlantis Capital Holdings Limited	428,000,000 <i>(Notes (b) and (e))</i>	9.80%
Ms. Liu Yang	428,000,000 <i>(Notes (b) and (e))</i>	9.80%
L Capital Asia, L.L.C.	310,000,000 <i>(Notes (c) and (e))</i>	7.10%
L Capital MF Limited	310,000,000 <i>(Notes (c) and (e))</i>	7.10%
Hengdeli Holdings Limited	666,666,667 <i>(Notes (d) and (e))</i>	15.27%
Alpha Key Investments Limited	666,666,667 <i>(Notes (d) and (e))</i>	15.27%

*Notes:*

- (a) These interests are also included as corporate interests of Mr. Wong Chi Ming, Jeffrey, as disclosed under the heading "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations". Ms. Lui Ching Han, Magda, the spouse of Mr. Wong Chi Ming, Jeffrey is deemed to be interested in these shares under the SFO.
- (b) Atlantis Capital Holdings Limited is a controlled corporation of Ms. Liu. Thus, she is deemed to be interested in the same parcel of shares.
- (c) L Capital MF Limited is a controlled corporation of L Capital Asia, L.L.C. which is deemed to be interested in the same parcel of shares.
- (d) Alpha Key Investments Limited is a controlled corporation of Hengdeli Holdings Limited which is deemed to be interested in the same parcel of shares.
- (e) All the interests stated above represent long positions in the shares of the Company.

Save as disclosed above, as at 31 March 2013, there was no person who (i) had an interest or short position in the shares and underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

## **EMPLOYEES AND EMPLOYMENT POLICIES**

As at 31 March 2013, the Group had a staff roster of 224 (2012: 201). 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 2013 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, Jeffrey ("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 2013 annual general meeting ("2013 AGM") to answer questions and collect views of shareholders. Though some directors were unable to attend 2013 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, 31 May 2013

*As at the date of this report, the Company's executive directors are Mr. Wong Chi Ming, Jeffry, Mr. Chung Yuk Lun and Mr. Yu Fei, Philip and the independent non-executive directors are Mr. Jiang Chao, Mr. Chan Man Kiu and Mr. Tam Ping Kuen, Daniel.*

\* *For identification purpose only*