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)

2014
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Chi Ming, Jeffry *(Chairman)*
Mr. Yu Fei, Philip

Independent Non-Executive Directors

Mr. Jiang Chao
Ms. Chu Wai Fan
Mr. Tam Ping Kuen, Daniel

AUDIT COMMITTEE

Mr. Tam Ping Kuen, Daniel *(Chairman)*
Ms. Chu Wai Fan
Mr. Jiang Chao

REMUNERATION COMMITTEE

Ms. Chu Wai Fan *(Chairman)*
Mr. Jiang Chao
Mr. Tam Ping Kuen, Daniel

NOMINATION COMMITTEE

Mr. Tam Ping Kuen, Daniel *(Chairman)*
Ms. Chu Wai Fan
Mr. Jiang Chao

COMPANY SECRETARY

Mr. Lau Chun Pong

LEGAL ADVISORS

Stevenson, Wong & Co.

AUTHORISED REPRESENTATIVES

Mr. Wong Chi Ming, Jeffry
Mr. Lau Chun Pong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1825, 18th Floor
Hutchison House
10 Harcourt Road, Central
Hong Kong

REGISTRARS

Principal Share Registrar and Transfer Office
Royal Bank of Canada Trust company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

KTC Partners CPA Limited

HOME PAGE

http://www.mingfung.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Ming Fung Jewellery Group Limited ("Ming Fung" or the "Company" and together with its subsidiaries, the "Group"), I am pleased to present the annual results of Ming Fung for the year ended 30 September 2014.

BUSINESS REVIEW AND PROSPECTS

During the year under review, the luxury goods market in PRC continuously impacted by the decelerated customer spending momentum due to the frugality campaign in PRC government. Consequently, some of our PRC jewellery chain store partners have either downsized their retail networks or even ceased to operate in the second half of the year, which in turn has seriously affected the business of the Group's jewellery products. To avoid further slowdown of the inventory turnover, the management decided to sell the slow moving inventories by block with discount. For the year ended 30 September 2014, the Group recorded a gross loss of HK$862.5 million, which was mainly attributable to the discount block sale of slow moving inventories in September 2014. In response to the severe market condition, the Group started to consolidate the business by disposing underperforming retail and gold mining business in Liaoning and Anhui Province during the year. Details of the gain or loss from the disposal of subsidiaries are disclosed in note 32 to the financial statements.

For the gold mining business, the production schedule of the Chi Feng gold mines has been delayed due to an extensive time has been spent on (i) reviewing and negotiating the construction cost of the infrastructure of the mining facilities with the PRC mining institution, and (ii) revision of production plan in compliance with the PRC safety regulation. The Group will continue to carry out such work as necessary to generate revenue contribution in the near future.

The Group has taken further steps to enhance the distributor business, on 6 October 2014, the Group entered into the sale and purchase agreement to acquire the entire interest in Sinoforce Group Limited, which indirectly hold the exclusive distribution right of the products of "GIRARD-PERREGAUX" and "JEANRICHARD" in the territories of the mainland China, Macau, Hong Kong and Taiwan. The acquisition was completed on 18 December 2014. The Group's strategy managed to weather the downturn in the luxury goods market by focusing on the distributor business. Looking forward, the challenging environment in PRC luxury goods market is expected to persist, the Group will continue to adopt stringent cost control measures and look for new opportunity to cope with existing market environment and constantly review the business strategy in a cautious manner.

ACKNOWLEDGEMENTS

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.

Wong Chi Ming, Jeffry
Chairman
Ming Fung Jewellery Group Limited
Hong Kong
31 December 2014

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 30 September 2014, turnover of the Group increased by 54.3% year-on-year to approximately HK$1,207.1 million as compared to HK$782.6 million for the previous year. The increase was mainly attributable to the discounted block sale of slow moving inventories due to the continuous downturn of luxury goods market in China.

The Group's gross loss amounted to HK$862.5 million, as compared to the gross profit of HK$76.9 million for the previous year, the gross loss was attributable to the discounted block sale of slow moving inventories. Loss attributable to shareholders for the year was HK$1,052 million as compared to HK$817.6 million for the previous year. The loss was inclusive of impairment on trade receivable, goodwill and other intangible assets of HK$160.3 million.

The impairment on the mining right was amounted to approximately HK$27,359,000 for the year ended 30 September 2014, which was attributable to the change in valuation method from income approach to market based approach. The Group believes that it was more appropriate and conservative to value the mining right in market based approach due to the continuous delay in the production of Chi Feng Gold Mine. The impairment on goodwill and trademarks amounted to HK$53,943,000 and HK$41,561,000 respectively, which were attributable to the change of valuation method and the further downward revision of financial projection of the business valuation for the year under review as compared with the year ended 30 September 2013. Details of the change of valuation method and the key assumptions used are set out in notes 18 and 21 to the financial statements.

The impairment of trade receivables of approximately HK$37.4 million was recorded during the year, which was due to a PRC chain store partner with an outstanding trade receivable due to the Group, has ceased to operate in the second half of the year, full provision for bad debt was made accordingly.

For the year ended 30 September 2014, selling and distribution expenses decreased by 19.8% to approximately HK$54.8 million as compared to HK$68.3 million for the year ended 30 September 2013. The decrease was mainly due to the disposal of 遼寧時全飾美投資管理有限公司. Administrative expenses decreased by 1.4% to HK$41.0 million, compared with HK$41.6 million for the corresponding period of last year.

Liquidity, Financial Resources and Gearing

Finance costs during the year under review amounted to HK$3.1 million as compared to HK$4.5 million for the corresponding period of last year.

As at 30 September 2014, the contingent consideration receivable amounted to approximately HK$118.2 million (2013: HK$113.5 million), which is in relation to the profits guarantee of HK$120.0 million given by the vendor in the acquisition of Omas International S.A. As the guarantee period is ending at 31 December 2014, the Group has already given a notice of request for payment to the vendor in accordance with the relevant share purchase agreement entered into between the parties on 28 September 2011. The Company will make further announcements in this regard in accordance with the Listing Rules.

The Group's net current assets decreased from HK$1,645.7 million to HK$972.6 million. The net current assets are comprised of inventories of HK$134.0 million (2013: HK$1,582.8 million), trade receivables of approximately HK$592.6 million (2013: HK$102.0 million), contingent consideration receivable of HK$118.2 million (2013: HK$113.5 million included in non-current assets) and other receivables of approximately HK$33.4 million (2013: HK$95.3 million). The reduction in inventories and increase in trade receivables was related to block sale of slow moving inventories with a credit term of 120 days.

MANAGEMENT DISCUSSION AND ANALYSIS

At 30 September 2014, the cash and bank balances amounted to approximately HK$202.0 million (2013: HK$142.9 million) and current liabilities of approximately HK$109.6 million (2013: HK$277.3 million).

The Group's inventory turnover, trade receivables turnover and trade payables turnover periods were 24 days, 179 days and 5 days, respectively. The trade receivable turnover day was increased from 48 days for the previous year to 179 days, which is due to a credit term of 120 days have been given in the discount block sale. 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, 2,183,013,646 ordinary shares of HK$0.01 each were issued at issue price of HK$0.08 per share under the open offer of the Company on the basis of one offer share for every two shares held on the record date, in which the Company received net proceeds from the open offer of approximately HK$172,100,000.

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 2014, shareholder equity in the Group amounted to HK$1,094.2 million (2013: HK$1,986.8 million).

The Group's total interest bearing bank borrowings as at 30 September 2014 amounted to approximately HK$63.1 million (2013: HK$25.3 million). The interest bearing bank borrowings were mainly used for working capital purpose and carried at commercial lending interest rates.

As at 30 September 2014, the Company has no significant contingent liabilities (2013: Nil).

Foreign Exchange Exposure

The Group's sales and purchases during the year were mostly denominated in Hong Kong dollars, Renminbi, US dollars and Euro. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing products from overseas suppliers.

Employees and Remuneration Policies

As at 30 September 2014, the Group had a staff roster of 93 (2013: 204). 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.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wong Chi Ming, Jeffry, aged 57, is the Chairman of the Company and the Co-founder of the Group. Mr. Wong, with extensive experience in the jewellery industry in Hong Kong and extensive knowledge in the jewellery industry of the United States and Europe, is responsible for the overall strategic planning and policy making of the Group. He was appointed as a director on 28 February 2002.

Mr. Yu Fei, Philip, aged 57, is a Director of the Company. He obtained a Bachelor of Science degree from California State University, Los Angeles. Mr. Yu is responsible for the sales and marketing of the Group's products and has over 29 years of experience in trading businesses. He was appointed as a Director on 2 April 2004.

Independent Non-Executive Directors

Mr. Jiang Chao, aged 43, was appointed as Independent Non-executive Director in April 2010. He is an Executive Director, the Chief Financial Officer, Vice President of Coolpad Group Limited (Stock Code: 2369) (the "Coolpad") and its subsidiaries (the "Coolpad Group"), and the Qualified Accountant and Company Secretary of Coolpad. He is an associate member of the Association of Chartered Certified Accountants and a Certified Public Accountant in the PRC. Mr. Jiang has about 20 years of experience in accounting and finance. Mr. Jiang had also worked for Qiaoxing Electronic Company Limited (僑興電子有限公司, NASDAQ: XING) and Shenzhen Zhong Xing Telecom Equipment Company Limited (深圳市中興通訊設備有限公司, 00763.HK), where he was responsible for financial and accounting functions. Mr. Jiang obtained a Bachelor's Degree in economics from SUN Yat-Sen University (中山大學) in 1991.

Mr. Tam Ping Kuen, Daniel, aged 51, joined the Company as an Independent Non-executive Director in May 2006. He is the Founder of Daniel Tam & Co., Certified Public Accountants (Practising). Mr. Tam holds a Master of Financial Economics degree from the University of London and is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

Ms. Chu Wai Fan, aged 42, was appointed as an Independent Non-executive Director in June 2013. She graduated from University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants. She has over 15 years of experience in the in the field of tax, finance, accounting and auditing.

SENIOR MANAGEMENT

Mr. Lau Chun Pong, aged 41, is the Financial Controller of the Group. He joined the Group in 2008 and is responsible for the financial and accounting matters of the Group. Mr. Lau holds a Bachelor of Arts degree from University of California, Los Angeles and is an associate member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He has over 15 years of experience in the field of finance, accounting and auditing.

Mr. Wong Kang Bor, Alex, aged 41, is the Assistant Financial Controller of the Group. He joined the Group in 2008 and is responsible for the financial matters of the Group. Mr. Wong holds a Bachelor of Arts degree from San Francisco State University. He has over 15 years of experience in the field of finance and accounting.

Mr. Gao Qiang, aged 50, is the Senior Finance Manager of the Group. He joined the Group in 2008 and is responsible for the financial and accounting matters of the Group. He has over 20 years of experience in the field of finance and accounting.

REPORT OF THE DIRECTORS

The directors ("Directors") of Ming Fung Jewellery Group Limited ("Company") have pleasure in submitting their annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 September 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 23 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by geographical segments based on the location of customers and business segments for the year ended 30 September 2014 is set out in note 8 to the financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 30 September 2014 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 27 to 88.

The Board does not recommend the payment of final dividend to shareholders for the year ended 30 September 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 4 March 2015 to 6 March 2015 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 3 March 2015.

SUMMARY OF 5 YEARS' FINANCIAL INFORMATION

The following is a summary of the published consolidated results and of the assets and liabilities of the Group for each of the 5 years ended 30 September 2014, prepared on the bases set out in the note below:

Results

	Year ended 30 September				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000 (As restated)	HK$'000	HK$'000
Turnover	**1,207,105**	782,551	919,409	890,367	730,410
(Loss) profit from operating activities	**(1,147,330)**	(961,343)	116,779	167,395	114,013
Finance costs	**(3,117)**	(4,549)	(4,392)	(492)	(2,672)
(Loss) profit before taxation	**(1,150,447)**	(965,892)	112,387	166,903	111,341
Income tax credit (expense)	**84,353**	63,105	(35,917)	(38,372)	(22,662)
(Loss) profit for the year	**(1,066,094)**	(902,787)	76,470	128,531	88,679
Attributable to:					
Owners of the Company	**(1,052,066)**	(817,573)	83,158	128,662	88,979
Non-controlling interests	**(14,028)**	(85,214)	(6,688)	(131)	(300)
	(1,066,094)	(902,787)	76,470	128,531	88,679

REPORT OF THE DIRECTORS

Assets and Liabilities

	At 30 September				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(As restated)	(As restated)	
Non-current assets	**188,157**	451,363	1,367,898	1,053,084	513,879
Current assets	**1,082,246**	1,922,965	1,977,526	1,743,312	1,101,273
Total assets	**1,270,403**	2,374,328	3,345,424	2,796,396	1,615,152
Current liabilities	**109,608**	277,284	292,721	209,176	100,353
Non-current liabilities	**37,897**	61,912	138,413	114,572	102,553
Total liabilities	**147,505**	339,196	431,134	323,748	202,906
Net assets	**1,122,898**	2,035,132	2,914,290	2,472,648	1,412,246

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 20 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

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.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 30 September 2014, the Company had distributable reserves of approximately HK$1,093,945,000 (2013: HK$938,542,000) calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. This includes the Company's share premium account of approximately HK$2,138,514,000 (2013: HK$1,988,246,000) which is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's 5 largest customers accounted for approximately 52% of the total sales for the year and the sales to the largest customer included therein amounted to approximately 12%.

Purchases from the Group's 5 largest suppliers accounted for approximately 78% of the total purchases for the year and the purchases from the largest supplier included therein amounted to approximately 24%.

None of the Directors, or any of their associate(s) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's 5 largest customers or 5 largest suppliers.

DIRECTORS

The Directors during the year were as follows:

Executive Directors

Mr. Wong Chi Ming, Jeffry *(Chairman)*
Mr. Yu Fei, Philip

Independent Non-Executive Directors

Mr. Tam Ping Kuen, Daniel
Mr. Jiang Chao
Ms. Chu Wai Fan

In accordance with Article 108(A) of the Company's articles of association, Mr. Yu Fei, Philip and Mr. Tam Ping Kuen, Daniel will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on page 6 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Chi Ming, Jeffry, as executive director has entered into a service contract with the Company, his term of service commenced from 1 August 2002 for an initial period of 36 months and expired on 31 July 2005 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment.

Mr. Yu Fei, Philip as executive director has entered into a service contract with the Company, his term of service commenced from 2 April 2004 for an initial period of 24 months and expired on 1 April 2006 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment.

The existing service contracts of the executive directors will continue thereafter until terminated by either party giving not less than 3 months' notice in writing to the other party.

Same as disclosed above, no Director proposed to have a service contract with the Company which is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year under review.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

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

As at 30 September 2014, 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, Jeffry	Corporate (Notes)	43,537,276	–	43,537,276	0.66%

Notes:

(a) The interest disclosed represents the 43,537,276 shares held by Equity Base Holdings Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Wong Chi Ming, Jeffry by virtue of Section 344(3) of the SFO.

(b) All the interests disclosed above represent long positions in the shares of the Company.

(c) Ms. Lui Ching Han, Magda, the spouse of Mr. Wong Chi Ming, Jeffry is deemed to be interested in these shares under the SFO.

Mr. Wong Chi Ming, Jeffry 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 30 September 2014, 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

Apart from the share option scheme disclosures in note 33 to the financial statements, at no time during the year 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.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year under review and up to date of this report, no Director of the Company or any of its subsidiaries is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), other than those business of which the Directors of the Company were appointed as Directors to represent the interest of the Company and/or the Group.

SHARE OPTION SCHEME

Detailed disclosures relating to the Company's share option scheme are set out in note 33 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2014, the following persons (other than the Directors) 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
Mr. Choy Shiu Tim	406,500,000 (Note (c))	6.20%
Hengdeli Holdings Limited	1,000,000,000 (Notes (a) and (c))	15.27%
Alpha Key Investments Limited	1,000,000,000 (Notes (a) and (c))	15.27%
Prestige Rich Holdings Limited	621,878,316 (Notes (b) and (c))	9.5%
Zhang Jinbing	621,878,316 (Notes (b) and (c))	9.5%

Notes:

(a) Alpha Key Investments Limited is a controlled corporation of Hengdeli Holdings Limited which is deemed to be interested in the same parcel of shares.

(b) Prestige Rich Holdings Limited is a controlled corporation of Mr. Zhang. Thus, he is deemed to be interested in the same parcel of shares.

(c) All the interests stated above represent long positions in the shares of the Company.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 30 September 2014, 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.

INTEREST BEARING BANK LOANS AND OTHER BORROWINGS

Particulars of interest bearing bank loans and other borrowings of the Company and the Group as at 30 September 2014 are set out in note 29 to the financial statements.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group are set out in note 15 to the financial statements under "Staff costs" on pages 62 and 63.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the ordinary shares in public hands exceed 25% as at 31 December 2014, the latest practicable date to ascertain such information prior to the issue of this annual report.

CONTINUING CONNECTED TRANSACTIONS

During the year, the connected transactions and continuing connected transactions undertaken by the Group are included in the transactions set out in note 36 to the financial statements, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions in note 36 to the financial statements and have confirmed that the connected transactions and continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transactions during the year as set out in note 36 to the financial statements and confirmed that these transactions:

(i) were approved by the Board of Directors of the Company;

(ii) where applicable, were in accordance with the pricing policies of the Company;

(iii) had been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have not exceeded the caps stated in the relevant announcement.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

During the year ended 30 September 2014, the Company has complied with the code provisions set out in the Corporate Governance Code (the "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 who meet from time to time to discuss issues affecting the operations of the Company.

The Chairman attended the 2014 annual general meeting ("2014 AGM") to answer questions and collect views of shareholders. Though some of the directors were unable to attend 2014 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 meetings held on 29 November 2013 and 5 September 2014 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 standards set out in the Model Code.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed 3 independent non-executive directors. The Company confirms that it has received a confirmation from each of the independent non-executive directors regarding his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers all the existing independent non- executive directors to be independent.

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 2014.

REPORT OF THE DIRECTORS

AUDITOR

Jonten Hopkins CPA Limited resigned as auditors of the Company on 8 August 2013 and KTC Partners CPA Limited was appointed by the directors to fill the casual vacancy in 2013. Save as disclosed above, there have been no changes of auditors in the past three years.

During the year, the consolidated financial statements of the Company have been audited by KTC Partners CPA Limited who will retire and, being eligible, offer themselves for re-appointment at a fee to be agreed by the Board.

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

Hong Kong
31 December 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 30 September 2014, except where otherwise stated.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors	:	Mr. Wong Chi Ming, Jeffry *(Chairman)* Mr. Yu Fei, Philip
Independent Non-executive Directors	:	Mr. Tam Ping Kuen, Daniel Mr. Jiang Chao Ms. Chu Wai Fan

Each independent non-executive director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

During the financial year ended 30 September 2014, a total of 12 Board meetings, one annual general meeting ("2014 AGM") and two extraordinary general meetings ("EGMs") were held and the attendance of each director is set out as follows:

Name of director	Number of meetings attended in the year ended 30 September 2014 regular Board meetings	2014 AGM	EGM
Mr. Wong Chi Ming, Jeffry *(Chairman)*	7/7	1/1	2/2
Mr. Yu Fei, Philip	7/7	0/1	0/2
Mr. Tam Ping Kuen, Daniel	7/7	0/1	0/2
Mr. Jiang Chao	7/7	0/1	0/2
Ms. Chu Wai Fan	7/7	0/1	0/2

The Chairman attended 2014 AGM to answer questions and collect views of shareholders. Though one executive director and the independent non-executive directors were unable to attend 2014 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 meetings held on 29 November 2013 and 5 September 2014 while other directors cannot attend due to other business engagements but a representative of Veda Capital Limited, the independent financial adviser, had attended the meetings to answer questions at the meeting.

Some of the Board meetings for day-to-day operations of the Group were attended by executive directors and the attendance of executive directors is set out as follows:

Name of director	Number of other Board meetings attended in the year ended 30 September 2014
Mr. Wong Chi Ming, Jeffry *(Chairman)*	5/5
Mr. Yu Fei, Philip	5/5

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 and 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 operation of the Company.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All independent non-executive directors are appointed for a specific term which may be extended as each and the Company may agree.

The current articles of association of the Company provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the company secretary of the Company.

The individual training record of each director received for the year ended 30 September 2014 is summarized below:

	Attending seminar(s)/ programme(s)/ conference(s) relevant to the business or directors' duties
Mr. Wong Chi Ming, Jeffry	✓
Mr. Yu Fei, Philip	✓
Mr. Tam Ping Kuen, Daniel	✓
Mr. Jiang Chao	✓
Ms. Chu Wai Fan	✓

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy effective on 1 September 2013. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

BOARD DIVERSITY POLICY *(continued)*

As at the date of this report, the Board comprises 5 directors. One of them is a woman. Three of them are independent non-executive directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, nationality, professional background and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises 3 independent non-executive directors, who have reviewed the financial statements for the year ended 30 September 2014. All of them have appropriate professional qualifications and accounting and/or related financial management expertise. Mr. Tam Ping Kuen, Daniel is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

Our Audit Committee has primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on, receiving and reviewing reports from management and the auditors relating to the annual and interim accounts, and monitoring the accounting and internal control system in use throughout the Group.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year. Two meetings were held for the year ended 30 September 2014. The attendance of each member is set out as follows:

Name of members of Audit Committee	Number of meetings attended in the financial year ended 30 September 2014
Mr. Tam Ping Kuen, Daniel	2/2
Mr. Jiang Chao	2/2
Ms. Chu Wai Fan	2/2

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

(a) review and supervise the financial reporting process and internal control system of the Company and its subsidiaries;

(b) recommendation to the Board, for the approval by shareholders, of the re-appointment of the auditor as the external Auditor and approval of their remuneration; and

(c) review the financial statements for the relevant periods.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 31 March 2006 comprising the 3 independent non-executive directors. Ms. Chu Wai Fan is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company's remuneration policy and structure for all directors' and senior management and the Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Meeting of the Remuneration Committee shall be held at least once a year. One meeting was held during the year ended 30 September 2014. During the meeting, remuneration of the directors have been discussed and no change has been proposed to the remuneration policy and the directors' remuneration.

The attendance of each member is set out as follows:

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 30 September 2014
Mr. Tam Ping Kuen, Daniel	1/1
Mr. Jiang Chao	1/1
Ms. Chu Wai Fan	1/1

A share option scheme, which serves as an incentive to attract, retain and motivate staff, has been adopted in the annual general meeting held on 1 March 2013. Details of the share option scheme are set out in the circular dated 17 January 2013. The emolument payable to directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the directors' emolument are set out in note 17 to the financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 31 March 2006 comprising the 3 independent non-executive directors. Mr. Tam Ping Kuen, Daniel is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non- executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive officer. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the jewellery industry and/or other professional areas.

Meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the year ended 30 September 2014. Issues concerning the structure, size and composition of the board of directors, the board diversity policy, were discussed and no change has been proposed to the structure, size and composition.

The attendance of each member is set out as follows:

Name of members of Nomination Committee	Number of meetings attended in the financial year ended 30 September 2014
Mr. Tam Ping Kuen, Daniel	1/1
Mr. Jiang Chao	1/1
Ms. Chu Wai Fan	1/1

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

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.

AUDITORS' REMUNERATION

During the financial year ended 30 September 2014, the fees paid to the Company's auditors is set out as follows:

Services rendered	**Fees paid/payable (HK$'000)**
Audit services	1,700

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Lau Chun Pong ("Mr. Lau") was appointed as the company secretary of the Company on 12 November 2008. The biographical details of Mr. Lau are set out under the section headed "Directors and Senior Management".

According to Rule 3.29 of the Listing Rules, Mr. Lau has taken no less than 15 hours of relevant professional training during the financial year ended 30 September 2014.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

— Right to convene extraordinary general meeting

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Room 1825, 18/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty- one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(continued)*

— **Right to put enquiries to the Board**

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to info@mingfung.com for the attention of the company secretary.

— **Right to put forward proposals at general meetings**

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 64 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 113 of the Company's Articles of Association, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless there shall have been lodged at the head office or at the registration office notice in writing signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose that person for election as a director and also notice in writing signed by that person of his willingness to be elected as a director. Unless otherwise determined by the directors and notified by the Company to the shareholders, the period for lodgment of the said notices shall be a seven day period commencing on the day after the dispatch of the notice of the general meeting for such election of director(s) and ending on the date falling seven days after the dispatch of the said notice of the general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.mingfung.com.

During the year ended 30 September 2014, there had been no significant change in the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

Tel 電話: (852) 2770 8232 Fax 傳真: (852) 2770 8378
E-mail 電子郵箱: info@ktccpa.com.hk
Room 801 & 802A, 8/F., Tower 2, South Seas Centre
75 Mody Road, Tsimshatsui East, Kowloon, HKSAR
香港九龍尖沙咀東部麼地道75號南洋中心第2座8樓801及802A室

To the Members of
Ming Fung Jewellery Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ming Fung Jewellery Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 88, which comprise the consolidated and Company's statements of financial position as at 30 September 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
Chow Yiu Wah, Joseph
Practising Certificate Number: P04686

Hong Kong
31 December 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	9	**1,207,105**	782,551
Cost of sales		**(2,069,595)**	(705,683)
Gross (loss) profit		**(862,490)**	76,868
Change in fair value of contingent consideration receivable	22	**4,739**	10,657
Other revenue and net gains	10	**309**	2,785
(Loss) gain on disposal of subsidiaries	32	**(17,980)**	933
Selling and distribution expenses		**(54,766)**	(68,308)
Amortisation of intangible assets	18	**(12,415)**	(12,364)
Impairment loss on goodwill	21	**(53,943)**	(571,192)
Impairment loss on intangible assets	18	**(68,920)**	(231,532)
Impairment loss on exploration and evaluation assets	19	**–**	(103,978)
Impairment loss of trade receivables	25	**(37,441)**	–
Property, plant and equipment written-off	20	**(3,457)**	(23,660)
Administrative expenses		**(40,966)**	(41,552)
Loss from operating activities	11	**(1,147,330)**	(961,343)
Finance costs	12	**(3,117)**	(4,549)
Loss before taxation		**(1,150,447)**	(965,892)
Income tax credit	13	**84,353**	63,105
Loss for the year		**(1,066,094)**	(902,787)
Other comprehensive income			
Items that may be classified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(8,260)**	24,577
Exchange reserve realised upon disposal of subsidiaries	32	**(4,328)**	(948)
Total other comprehensive (expenses) income for the year		**(12,588)**	23,629
Total comprehensive expenses for the year		**(1,078,682)**	(879,158)
Loss for the year attributable to:			
Owners of the Company		**(1,052,066)**	(817,573)
Non-controlling interests		**(14,028)**	(85,214)
		(1,066,094)	(902,787)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(1,064,697)**	(793,767)
Non-controlling interests		**(13,985)**	(85,391)
		(1,078,682)	(879,158)
			(Restated)
Loss per share	14		
Basic		**HK19.14 cents**	HK17.98 cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Intangible assets	18	**111,118**	193,297
Exploration and evaluation assets	19	**–**	2,046
Property, plant and equipment	20	**47,484**	59,015
Goodwill	21	**29,555**	83,498
Contingent consideration receivable	22	**–**	113,507
		188,157	451,363
CURRENT ASSETS			
Inventories	24	**134,029**	1,582,785
Trade receivables	25	**592,568**	102,044
Contingent consideration receivable	22	**118,246**	–
Prepayments, deposits and other receivables		**33,383**	95,264
Amount due from a shareholder of a subsidiary	26	**1,978**	–
Bank balances and cash	27	**202,042**	142,872
		1,082,246	1,922,965
CURRENT LIABILITIES			
Trade payables	28	**26,711**	68,999
Other payables and accruals		**18,089**	72,143
Borrowings	29	**63,095**	55,607
Income tax payable		**1,713**	80,535
		109,608	277,284
NET CURRENT ASSETS		**972,638**	1,645,681
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,160,795**	2,097,044
NON-CURRENT LIABILITY			
Deferred tax liabilities	30	**37,897**	61,912
NET ASSETS		**1,122,898**	2,035,132
CAPITAL AND RESERVES			
Share capital	31	**65,490**	43,660
Reserves	34(a)	**1,028,674**	1,943,103
Equity attributable to the owners of the Company		**1,094,164**	1,986,763
Non-controlling interests		**28,734**	48,369
TOTAL EQUITY		**1,122,898**	2,035,132

The consolidated financial statements on pages 27 to 88 were approved and authorised for issue by the board of directors on 31 December 2014, and signed on its behalf by:

Wong Chi Ming, Jeffry	**Yu Fei, Philip**
Director	*Director*

STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSET			
Investments in subsidiaries	23	**77,737**	77,737
CURRENT ASSETS			
Prepayments, deposits and other receivables		**905**	1
Amounts due from subsidiaries	23	**1,569,390**	1,429,643
Bank balances and cash	27	**10**	10
		1,570,305	1,429,654
CURRENT LIABILITIES			
Amounts due to subsidiaries	23	**551,109**	552,175
Other payables and accruals		**2,978**	16,567
Income tax payables		**10**	107
		554,097	568,849
NET CURRENT ASSETS		**1,016,208**	860,805
NET ASSETS		**1,093,945**	938,542
CAPITAL AND RESERVES			
Share capital	31	**65,490**	43,660
Reserves	34(b)	**1,028,455**	894,882
TOTAL EQUITY		**1,093,945**	938,542

The consolidated financial statements on pages 27 to 88 were approved and authorised for issue by the board of directors on 31 December 2014, and signed on its behalf by:

Wong Chi Ming, Jeffry
Director

Yu Fei, Philip
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2014

	Attributable to the Company										
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Share–based payment reserve HK$'000	Warrants reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total HK$'000
At 1 October 2012	43,660	1,910,709	52,267	8,784	11,427	792	11	752,880	2,780,530	133,760	2,914,290
Total comprehensive income (expenses) for the year	–	–	23,806	–	–	–	–	(817,573)	(793,767)	(85,391)	(879,158)
Transfer to reserve for value of warrants lapsed	–	–	–	–	(11,427)	–	–	11,427	–	–	–
Transfer to reserve for value of share options lapsed	–	–	–	(8,784)	–	–	–	8,784	–	–	–
At 30 September 2013	43,660	1,910,709	76,073	–	–	792	11	(44,482)	1,986,763	48,369	2,035,132
Total comprehensive expenses for the year	**–**	**–**	**(12,631)**	**–**	**–**	**–**	**–**	**(1,052,066)**	**(1,064,697)**	**(13,985)**	**(1,078,682)**
Eliminated on disposal of a subsidiary (Note 32)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,650)**	**(5,650)**
Issue of shares upon open offer	**21,830**	**150,268**	**–**	**–**	**–**	**–**	**–**	**–**	**172,098**	**–**	**172,098**
At 30 September 2014	**65,490**	**2,060,977**	**63,442**	**–**	**–**	**792**	**11**	**(1,096,548)**	**1,094,164**	**28,734**	**1,122,898**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(1,150,447)**	(965,892)
Adjustments for:		
Allowances for inventories write-down	**–**	96,600
Amortisation of intangible assets	**12,415**	12,364
Change in fair value of contingent consideration receivable	**(4,739)**	(10,657)
Depreciation of property, plant and equipment	**8,719**	10,909
Finance costs	**3,117**	4,549
Gain on disposal of property, plant and equipment	**–**	(239)
Loss (gain) on disposal of subsidiaries	**17,980**	(933)
Impairment loss on exploration and evaluation assets	**–**	103,978
Impairment loss on goodwill	**53,943**	571,192
Impairment loss on trade receivable	**37,441**	–
Impairment loss on intangible assets	**68,920**	231,532
Interest income	**(92)**	(1,238)
Property, plant and equipment written-off	**3,457**	23,660
Operating cash flows before movements in working capital	**(949,286)**	75,825
Decrease (increase) in inventories	**1,406,715**	(372,212)
(Increase) decrease in trade receivables	**(558,268)**	130,802
Decrease in prepayments, deposits and other receivables	**60,625**	11,852
Decrease in trade payables	**(30,200)**	(58,671)
(Decrease) increase in other payables and accruals	**(46,349)**	30,167
Cash used in operating activities	**(116,763)**	(182,237)
Income tax paid	**(12,677)**	(32,661)
Net cash used in operating activities	**(129,440)**	(214,898)
INVESTING ACTIVITIES		
Advance to a shareholder of a subsidiary	**(1,972)**	–
Interest received	**92**	1,238
Payments for exploration and evaluation asset	**–**	(3,889)
Proceeds from disposal of property, plant and equipment	**–**	620
Proceeds from disposal of subsidiaries (Note 32)	**21,828**	–
Purchases of property, plant and equipment	**(7,398)**	(11,467)
Net cash from (used in) investing activities	**12,550**	(13,498)
FINANCING ACTIVITIES		
Interest paid	**(3,117)**	(4,549)
Repayment of borrowings	**(55,379)**	(16,472)
New borrowings obtained	**63,095**	31,575
Proceeds from issue of open offer shares	**172,098**	–
Net cash generated from financing activities	**176,697**	10,554
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**59,807**	(217,842)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**142,872**	344,899
Effect of foreign exchange rate changes	**(637)**	15,815
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**202,042**	142,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

1. CORPORATE INFORMATION

Ming Fung Jewellery Group Limited (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 addresses of its registered office and principal place of business are disclosed in the corporate information section to the annual report.

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")

The Group has applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial 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
HKFRS 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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements, and it has not had any material impact on the Company's statement of financial position.

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements. The application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKFRS 7 "Disclosures — Offsetting Financial Assets and Financial Liabilities"

The Group has applied the amendments to HKFRS 7 "Disclosures — Offsetting Financial Assets and Financial Liabilities" for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with HKAS 32 "Financial Instruments: Presentation"; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported or disclosures made in the Group's consolidated financial statements and the Company's statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
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]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]
HKFRS 9	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[6]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Effective for annual periods beginning on or after 1 January 2018.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for annual periods beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 January 2017.

The Directors anticipate that the application of the new and revised HKFRSs, amendments to HKFRSs and interpretation will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 — inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 — inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 — inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment losses, if any.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for external customers' returns, rebates and other similar allowances.

(i) Revenue from the sale of products is recognised when the goods are delivered and title have passed, at which point the customer has accepted the products and collectability of the related receivable is reasonably assured.

(ii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share- based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share- based payment reserve.

For share options that vest immediately at the date of grant, the fair value of the share options immediately to profit or loss. When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables or financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

A financial asset at FVTPL may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in Note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from a shareholder of a subsidiary and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment on financial assets

Financial assets, other than those of FVTPL, at are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment on financial assets *(continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade payables, other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses, being their value at the date of the valuation less subsequent amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Mining rights

The cost of mining rights acquired in a business combination is the fair value at the date of acquisition. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any impairment.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost less any identified impairment losses, if any. Exploration and evaluation assets include expenditure incurred for topographical and geological surveys, exploratory drilling, sampling, trenching activities in relation to commercial and technical feasibility studies, expenditure incurred to secure further mineralization in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written-off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining rights and are amortised based on the accounting policy as stated in "Mining rights" above. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written-off.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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For the year ended 30 September 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method and reducing-balance method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The principal annual rates used for this purpose are as follows:

Reducing-balance method:	
Leasehold improvement	20% or at a percentage equals to the reciprocal of the unexpired lease period of the leasehold land, whichever is larger
Plant and machinery	15%
Furniture, fixtures and office equipment	15%–20%
Motor vehicles	15%–20%
Straight-line method:	
Leasehold improvement	50% or at a percentage equals to the reciprocal of the unexpired lease period of the leasehold land, whichever is larger
Furniture, fixtures and office equipment	20%–32%
Leasehold land and buildings	5% or over the remaining period of respective leases where shorter
Motor vehicles	15%–24%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings related to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and classified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Bank balances and cash

Bank balances and cash comprise cash at bank and on hand with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash as defined above.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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For the year ended 30 September 2014

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Groups overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Group monitors its capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares, raise new debt financing or sell assets to reduce debts.

The gearing ratio at the end of the reporting period was as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Debts (Note i)	**63,095**	55,607
Bank balances and cash (Note 27)	**(202,042)**	(142,872)
Net cash	**(138,947)**	(87,265)
Equity (Note ii)	**1,094,164**	1,986,763
Net debt to equity ratio (Note iii)	**N/A**	N/A

Notes:

(i) Debts comprise short-term borrowings as detailed in Note 29.

(ii) Equity includes all capital and reserves attributable to owners of the Company.

(iii) As the Group had a net cash position at 30 September 2014 and 2013, the Group's gearing ratio as at that date were not applicable.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets:				
Contingent consideration receivable	**118,246**	113,507	**–**	–
Loan and receivables (including bank balances and cash)	**800,501**	275,549	**1,569,400**	1,429,653
	918,747	389,056	**1,569,400**	1,429,653
Financial liabilities:				
Financial liabilities at amortised cost	**100,135**	171,851	**551,109**	554,030

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include contingent consideration receivable, trade receivables, other receivables, amount due from a shareholder of a subsidiary, bank balances and cash, trade payables, other payables and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign exchange risk

The Group's sales and purchases during the year were mostly denominated in Hong Kong dollars, Renminbi and Euro. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing products from overseas suppliers.

At 30 September 2014 and 2013, the Group entities have no significant assets or liabilities denominated in currency other than Hong Kong dollars, Renminbi and Euro.

(ii) Interest rate risk

The Group's interest rate risk arises primarily from borrowings and bank deposits. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The exposure to interest rates for the Group's short term bank deposits is considered immaterial.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk *(continued)*

(ii) Interest rate risk *(continued)*

The Group will review whether bank loans bearing floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of borrowings and bank balances and cash of the Group are disclosed in Notes 29 and 27 respectively. The Group currently does not have an interest rate hedging policy.

However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arises. The policies to management interest rate risk have been followed by the Group since prior year and are considered to be effective.

Sensitivity analysis

As of 30 September 2014, it is estimated that a general 100 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Company's loss for the year ended 30 September 2014 and accumulated losses by approximately HK$631,000 (2013: HK$253,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period until the next reporting period. The analysis was performed on the same basis for the year ended 30 September 2013.

(iii) Other price risk

The Group is engaged in the sale of jewellery including gold products. The Group's exposure to commodity risk relates to the market price fluctuation in gold which is minimum for this year since the gold mines have not yet started production.

In addition, the management will closely monitor the price risk and will consider hedging the risk exposure should the need arise.

Credit risk

The Group has no concentration of credit risk and has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluation of its customers.

Retail sales are usually made in cash, credit cards or through reputable and dispersed department stores. Majority of trade receivables are with wholesale customers having an appropriate credit history and at credit terms of 30 to 120 days. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables, if any, has been made.

The management of the Group has reviewed the recoverable amount of contingent consideration receivables at the end of the reporting period to ensure that adequate impairment losses are made to irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

The Group's concentration of credit risk by geographical locations is mainly in the Middle East and Asia (including PRC), which accounted for 99% (2013: 94%) of the total trade receivables as at 30 September 2014.

At 30 September 2014, the Group has concentration of credit risk as 21% (2013: 6%) and 93% (2013: 18%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and authorised banks in the Hong Kong, PRC and Italy with high-credit rating.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowings (Note 29) and bank balance and cash (Note 27) on the basis of expected cash flow.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time based regardless of the probability of the choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

Group

	At 30 September 2014		At 30 September 2013	
	On demand or less than 1 year and total undiscounted cash flow HK$'000	**Carrying amount HK$'000**	On demand or less than 1 year and total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade payables	**26,711**	**26,711**	68,999	68,999
Other payables	**10,329**	**10,329**	47,245	47,245
Borrowings	**67,637**	**63,095**	59,544	55,607
	104,677	**100,135**	175,788	171,851

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6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*
Company

	At 30 September 2014		At 30 September 2013	
	On demand or less than 1 year and total undiscounted cash flows HK$'000	Carrying amount HK$'000	On demand or less than 1 year and total undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables	–	–	1,855	1,855
Amounts due to subsidiaries	551,109	551,109	552,175	552,175
	551,109	551,109	554,030	554,030

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;

- the fair value of other financial assets and financial liabilities (excluding derivate instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

- the fair value if non-optional derivative instrument is calculated using quoted prices where such prices are not available, the fair value is estimated using discounted cash flow analysis and the applicable curve for the duration of the instruments. For option based derivative, the fair value is estimated using option pricing model (for example, the Binomial model).

Except for the contingent consideration receivable, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their short-term maturities.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Fair value *(continued)*

Disclosures of level in fair value hierarchy at 30 September:

Group

	Level 1		Level 2		Level 3		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Contingent consideration receivable	**–**	–	**–**	–	**118,246**	113,507	**118,246**	113,507

During the two years ended 30 September 2013 and 2014, there were no transfer between Level 1, 2 and 3.

The recoverable amount of contingent consideration receivable was determined based on the probability model.

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Renewal of exploration and mining right permits

The Group owns a mining right permit that will be expired in years 2015 to 2016, the renewal is subject to the approval by the relevant PRC authorities. In the opinion of the directors, the Group will be entitled to renew its mining right permits upon the expiration at minimal costs.

If the Group is unable to obtain approval for renewal upon their expiry, the carrying amount of the mining rights of approximately HK$90,925,000 (2013: HK$118,818,000) may be significant reduced, or it will write-off or write-down the carrying amounts of the mining rights, and significant impairment loss might be recognised.

Income taxes

There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

Followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of receivables

The Group's management determines impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the end of the reporting period. An impairment loss of approximately HK$37,441,000 was recognised in respect of trade receivables for the year ended 30 September 2014 (2013: Nil).

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates. No impairment was recognised for the two years 30 September 2013 and 2014.

(d) Useful lives of intangible assets (other than goodwill)

The Group determines the estimated useful lives and related amortisation charges for the Group's intangible assets based on the historical experience of the actual useful lives of intangible assets of similar nature and functions as well as the contractual terms of intangible assets being purchased by the Group.

(e) Estimated impairment of intangible assets (other than goodwill)

The Group evaluates whether items of intangible assets have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates. An impairment loss of approximately HK$68,920,000 (2013: HK$231,532,000) was recognised for the year.

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventories are shown at the lower of cost and net realisable value. No allowance for inventory write-down was provided for the year (2013: HK$96,600,000).

(g) Impairment review of goodwill

The Group tests annually for impairment review of goodwill in accordance with accounting policy as stated in Note 21. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value less costs to sell and value in use calculation of the underlying assets, mainly properties. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. An impairment loss of approximately HK$53,943,000 (2013: HK$571,192,000) was recognised for the year.

(h) Impairment of exploration and evaluation assets

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Group considers all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount (i.e. impaired). Management reassesses the impairment of exploration and evaluation assets at the end of the reporting period. No impairment loss was recognised for the year (2013: HK$103,978,000).

(i) Fair value of contingent consideration receivable

The directors of the Company use their judgment in selecting appropriate valuation techniques for contingent consideration receivable. A probability model, which is commonly used by market practitioners, has been applied for estimating the fair value of contingent consideration receivable. The estimation of fair values of the contingent consideration receivable are derived after taking into account the input and parameters, such as the probabilities, discount rate and settlement date etc. Change in fair value of approximately HK$4,739,000 (2013: HK$10,657,000) was recognised for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

8. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision marker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

(a) Segment revenues and results

The following is an analysis of the Group's revenue and result by reportable and operating segments.

For the year ended 30 September

	Exports		Domestic		Mining		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
External sales	**19,489**	25,945	**1,187,616**	756,606	**–**	–	**1,207,105**	782,551
Segment results	**(67,243)**	(125,498)	**(1,034,249)**	(479,185)	**(31,665)**	(362,770)	**(1,133,157)**	(967,453)
Unallocated corporate income and expenses							**(17,290)**	1,561
Loss before taxation							**(1,150,447)**	(965,892)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the results earned by each segment without allocation of change in fair value of contingent consideration receivable, loss on disposal of subsidiaries, 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.

8. SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

At 30 September

	Exports		Domestic		Mining		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**77,707**	142,853	**775,495**	1,837,011	**93,781**	133,393	**946,983**	2,113,257
Unallocated segment assets							**323,420**	261,071
Total assets							**1,270,403**	2,374,328
LIABILITIES								
Segment liabilities	**10,170**	11,576	**30,646**	98,728	**1,002**	9,433	**41,818**	119,737
Unallocated segment liabilities							**105,687**	219,459
Total liabilities							**147,505**	339,196

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments, other than contingent consideration receivables, amount due from a shareholder of a subsidiary and bank balances and cash.
- all liabilities are allocated to operating segments, other than borrowings, deferred tax liabilities and income tax payable.

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For the year ended 30 September 2014

8. SEGMENT INFORMATION *(continued)*

(c) Other segment information:

	Exports		Domestic		Mining		Unallocated		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	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)	**2,697**	939	**4,701**	10,528	**–**	–	**–**	–	**7,398**	11,467
Allowances for inventories write-down	**–**	–	**–**	(96,600)	**–**	–	**–**	–	**–**	(96,600)
Amortisation of intangible assets	**–**	–	**(12,415)**	(12,364)	**–**	–	**–**	–	**(12,415)**	(12,364)
Change in fair value of contingent consideration receivable	**–**	–	**–**	–	**–**	–	**4,739**	10,657	**4,739**	10,657
Depreciation of property, plant and equipment	**(1,732)**	(874)	**(6,838)**	(8,965)	**–**	–	**(149)**	(1,070)	**(8,719)**	(10,909)
Gain on disposal of property, plant and equipment	**–**	–	**–**	239	**–**	–	**–**	–	**–**	239
Impairment loss on goodwill	**(19,882)**	(118,251)	**(34,061)**	(427,747)	**–**	(25,194)	**–**	–	**(53,943)**	(571,192)
Impairment loss on intangible assets	**(41,561)**	–	**–**	–	**(27,359)**	(231,532)	**–**	–	**(68,920)**	(231,532)
Impairment loss on exploration and evaluation assets	**–**	–	**–**	–	**–**	(103,978)	**–**	–	**–**	(103,978)
Impairment loss of trade receivables	**–**	–	**(37,441)**	–	**–**	–	**–**	–	**(37,441)**	–
Property, plant and equipment written off	**–**	–	**(3,457)**	(23,660)	**–**	–	**–**	–	**(3,457)**	(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	**–**	–	**92**	560	**–**	1	**–**	677	**92**	1,238
Interest expenses	**–**	–	**(3,117)**	(4,549)	**–**	–	**–**	–	**(3,117)**	(4,549)

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

8. SEGMENT INFORMATION *(continued)*

(d) Geographic information

The Group is domicile in PRC and the operations are principally located in the PRC and Hong Kong.

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 (Note) At 30 September	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Europe	**19,489**	25,945	**48,781**	112,002
Middle East and Asia (including the PRC)	**1,187,616**	756,606	**139,376**	225,854
	1,207,105	782,551	**188,157**	337,856

Note: Non-current assets excluded contingent consideration receivable.

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group as follows:

		2014	2013
		HK$'000	HK$'000
Customer A	Revenue generated from the domestic segment	**143,751**	N/A*
Customer B	Revenue generated from the domestic segment	**141,909**	N/A*

* The corresponding revenue does not contribute over 10% of the total revenue of the Group for the year ended 30 September 2013.

9. REVENUE

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

	2014	2013
	HK$'000	HK$'000
Sales of goods	**1,207,105**	782,551

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For the year ended 30 September 2014

10. OTHER REVENUE AND NET GAINS

	2014 HK$'000	2013 HK$'000
Other revenue:		
Bank interest income	**92**	1,238
Sundry income	**217**	177
	309	1,415
Other net gain:		
Gain on disposal of property, plant and equipment	**–**	239
Net foreign exchange gain	**–**	1,131
	–	1,370
	309	2,785

11. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging:

	2014 HK$'000	2013 HK$'000
Staff costs (excluding directors' remuneration):		
Wages, salaries and other benefits	**17,779**	19,967
Retirement benefits scheme contributions	**2,163**	2,043
	19,942	22,010
Auditor's remuneration	**1,748**	1,748
Cost of inventories sold	**2,069,595**	604,908
Inventories write-down (included in cost of sales)	**–**	96,600
Depreciation of property, plant and equipment	**8,719**	10,909
Minimum lease payments under operating leases on leasehold land and buildings	**3,676**	3,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

12. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest expenses on:		
— bank overdrafts and loans wholly repayable within 5 years	–	677
— other loans wholly repayable within 5 years	3,117	3,872
	3,117	4,549

13. INCOME TAX CREDIT

	2014 HK$'000	2013 HK$'000
The income tax (credit) charge comprises:		
Current year		
— Hong Kong Profits Tax	1,679	477
— Overseas taxation	121	–
— PRC Enterprise Income Tax	10,314	22,452
	12,114	22,929
(Over) under-provision in previous years:		
— Hong Kong Profits Tax	–	(1,108)
— Overseas taxation	(73,117)	–
— PRC Enterprise Income Tax	69	42
Deferred taxation	(23,419)	(84,968)
Income tax credit for the year	(84,353)	(63,105)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the two years ended 30 September 2014 and 2013.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

13. INCOME TAX CREDIT *(continued)*

The income tax credit for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 **HK$'000**	2013 HK$'000
Loss before taxation	**(1,150,447)**	(965,892)
Tax at the domestic income tax rate of 16.5%	**(189,824)**	(159,372)
Effect of different rates of subsidiaries operating in other jurisdictions	**(12,733)**	5,321
Tax effect of expenses not deductible for tax purpose	**198,274**	97,652
Tax effect of income not subject to tax purpose	**(7,022)**	(5,640)
Over-provision in previous years	**(73,048)**	(1,066)
Income tax credit for the year	**(84,353)**	(63,105)

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$1,052,066,000 (2013: HK$817,573,000) divided by the weighted average number of ordinary shares of 5,496,409,701 (2013: 4,547,945,097) in issue during the year.

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share in 2013 has been adjusted for the open offer as completed and disclosed in the announcement of the Company dated 9 April 2014.

The computation of diluted loss per share for the year ended 30 September 2014 and 2013 is the same as the basic loss per share because the Company had no dilutive potential shares.

15. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**18,299**	21,346
Retirement benefit scheme contributions	**2,163**	2,062
	20,462	23,408

15. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION) *(continued)*

Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000 (2013: HK$25,000). Apart from the mandatory contributions, the employer would make monthly voluntary contributions. The aggregate of the mandatory and voluntary contributions made by the employer represents 5% of the basic salary of the employees. Mandatory contributions to the plan vest immediately. Where there are employees who leave the Group prior to vesting fully in the voluntary contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. During the year ended 30 September 2014, a total contribution of approximately HK$135,000 (2013: HK$138,000) was made by the Group in respect of this scheme.

PRC

The employees employed in PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the China government. The PRC subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes. During the year ended 30 September 2014, a total contribution of approximately HK$2,028,000 (2013: HK$1,924,000) was made by the Group in respect of this scheme.

The Group has no other material obligation for payment of retirement benefits beyond the annual contributions as described above.

16. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company dealt with in the financial statements of the Company was approximately HK$16,695,000 (2013: HK$1,064,457,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

17. DIRECTORS', CHAIRMAN AND SENIOR MANAGEMENT'S REMUNERATION

The emoluments paid or payable to each of the 5 (2013: 7) directors were as follows:

	2014			
	Fee HK$'000	**Salaries, allowances and benefits in kind HK$'000**	**Retirement benefits scheme contributions HK$'000**	**Total HK$'000**
Executive director				
Mr. Wong Chi Ming, Jeffry *(Chairman)*	**120**	**–**	**–**	**120**
Mr. Yu Fei, Philip	**100**	**–**	**–**	**100**
Non-executive directors				
Mr. Tam Ping Kuen, Daniel	**100**	**–**	**–**	**100**
Mr. Jiang Chao	**100**	**–**	**–**	**100**
Ms. Chu Wai Fan	**100**	**–**	**–**	**100**
	520	**–**	**–**	**520**

	2013			
	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive director				
Mr. Wong Chi Ming, Jeffry *(Chairman)*	–	120	–	120
Mr. Chung Yuk Lun (Resigned on 28 September 2013)	–	859	19	878
Mr. Yu Fei, Philip	100	–	–	100
Non-executive directors				
Mr. Tam Ping Kuen, Daniel	100	–	–	100
Mr. Jiang Chao	100	–	–	100
Ms. Chu Wai Fan (Appointed on 30 June 2013)	25	–	–	25
Mr. Chan Man Kiu (Resigned on 30 June 2013)	75	–	–	75
	400	979	19	1,398

17. DIRECTORS', CHAIRMAN AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

Mr. Wong Chi Ming, Jeffry is also the Chairman of the Company and his emoluments disclosed above include those rendered by him as Chairman.

The Company does not have a title such as chief executive officer.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

During the year, no emoluments were paid by the Group to the directors or any of the 5 highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2013: Nil).

Of the five individuals with the highest emoluments in the Group, none (2013: one) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining five (2013: four) individuals are as follows:

	2014	2013
	HK$'000	HK$'000
Salaries, allowance and benefit in kind	**2,089**	1,467
Retirement benefits scheme contributions	**77**	55
	2,166	1,522

Their emoluments were within the following band:

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**5**	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

18. INTANGIBLE ASSETS

Group

	Mining rights HK$'000 (Note i)	Distribution rights HK$'000 (Note ii)	Trademarks HK$'000 (Note iii)	Total HK$'000
Cost				
At 1 October 2012	344,830	53,535	46,360	444,725
Exchange realignment	7,790	1,615	2,106	11,511
At 30 September 2013	352,620	55,150	48,466	456,236
Exchange realignment	(1,447)	(226)	(2,859)	(4,532)
At 30 September 2014	351,173	54,924	45,607	451,704
Accumulated amortisation and impairment losses				
At 1 October 2012	–	16,162	–	16,162
Exchange realignment	2,270	611	–	2,881
Provided for the year	–	12,364	–	12,364
Impairment loss recognised	231,532	–	–	231,532
At 30 September 2013	233,802	29,137	–	262,939
Exchange realignment	(913)	(92)	(2,683)	(3,688)
Provided for the year	–	12,415	–	12,415
Impairment loss recognised	27,359	–	41,561	68,920
At 30 September 2014	260,248	41,460	38,878	340,586
Carrying amount				
At 30 September 2014	90,925	13,464	6,729	111,118
At 30 September 2013	118,818	26,013	48,466	193,297

18. INTANGIBLE ASSETS *(continued)*

Notes:

i. The Group obtained the mining rights granted by 赤峰市國土資源局 for the exploration of gold mine in certain area in Inner Mongolia in the PRC as part of a business combination in prior years. No amortisation was provided for the years ended 30 September 2014 and 2013 as the gold mines are still in a development stage and no mining activities are conducted.

At 30 September 2014, the management has engaged an independent professional valuer, Grant Sherman Appraisal Limited ("Grant Sherman"), to carry out valuations on the mining rights for the purposes of an impairment review on the mining rights. As the future income stream was still uncertain, Grant Sherman changed the valuation method from income approach to market based approach for the year, and hence the recoverable amount was determined based on the fair value less cost to sell. Based on the valuation report, an impairment loss of approximately HK$27,359,000 (2013: HK$231,532,000) was recognised for the year ended 30 September 2014.

ii. The distribution rights were acquired as part of a business combination in prior years in which the Group become an exclusive distributor to use the Gucci Marks in connection with the marketing, distribution, advertising, promoting and sale of the products in Hong Kong, Macau and the PRC in accordance with the distribution agreement signed between Luxury Timepieces (HK) Limited and Shenzhen Qijingda. The distribution agreement was for a five year period commencing from 1 January 2011. Amortisation is provided by using the straight line method over its remaining useful life.

iii. The trademarks were acquired as part of a business combination in prior years and are registered in Europe for selling various types of consumer goods, mainly luxury products under the trademark "Omas". The remaining useful life of the trademark ranged from six to eight years, and are entitled for renewal after expiry.

At 30 September 2014, the management has engaged Grant Sherman to carry out valuations on the trademark for the purposes of an impairment review on the trademark using discounted cash flow method under an income based approach. Based on the valuation report, an impairment loss of approximately HK$41,561,000 (2013: Nil) was recognised for the year ended 30 September 2014, which was mainly due to the downward revision of financial projection.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

19. EXPLORATION AND EVALUATION ASSETS

Cost

	HK$'000
At 1 October 2012	101,294
Additions	3,889
Exchange realignment	841
At 30 September 2013	106,024
Exchange realignment	(57)
Disposal of a subsidiary (Note 32(c))	(105,967)
At 30 September 2014	–
Accumulated impairment losses	
At 1 October 2012 and 30 September 2013	103,978
Eliminated on disposal of a subsidiary (Note 32(c))	(103,978)
At 30 September 2014	–
Carrying amount:	
At 30 September 2014	–
At 30 September 2013	2,046

On 19 September 2014, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in the subsidiary which held the exploration and evaluation assets. Detail of disposal of subsidiary are set of in Note 32(c).

20. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings (note i) HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 October 2012	41,262	1,725	108,050	3,751	10,323	165,111
Exchange realignment	1,853	30	33	111	144	2,171
Additions	–	9,606	241	1,397	223	11,467
Disposals	–	–	–	–	(976)	(976)
Written off (note ii)	–	–	(106,471)	–	–	(106,471)
At 30 September 2013	43,115	11,361	1,853	5,259	9,714	71,302
Exchange realignment	(2,457)	(32)	(152)	(179)	(50)	(2,870)
Additions	–	4,172	2,663	563	–	7,398
Disposal of subsidiaries (Note 32)	(1,389)	(1,666)	–	(1,875)	(4,140)	(9,070)
Written off (note ii)	–	(5,915)	–	–	–	(5,915)
At 30 September 2014	39,269	7,920	4,364	3,768	5,524	60,845
Accumulated depreciation and impairment						
At 1 October 2012	319	1,125	79,580	1,405	2,181	84,610
Exchange realignment	29	52	9	46	38	174
Provided for the year	619	3,376	4,394	745	1,775	10,909
Eliminated on disposals	–	–	–	–	(595)	(595)
Eliminated on written off	–	–	(82,811)	–	–	(82,811)
At 30 September 2013	967	4,553	1,172	2,196	3,399	12,287
Exchange realignment	(87)	(9)	(59)	(57)	(50)	(262)
Provided for the year	610	5,200	974	535	1,400	8,719
Eliminated on disposal of subsidiaries	(137)	(1,189)	–	(1,135)	(2,464)	(4,925)
Eliminated on written off	–	(2,458)	–	–	–	(2,458)
At 30 September 2014	1,353	6,097	2,087	1,539	2,285	13,361
Carrying amount						
At 30 September 2014	37,916	1,823	2,277	2,229	3,239	47,484
At 30 September 2013	42,148	6,808	681	3,063	6,315	59,015

Note i: The leasehold land and buildings with a carrying amount of HK$37,916,000 (2013: HK$42,148,000) is situated outside of Hong Kong and held under a long lease (2013: long lease).

Note ii: During the year ended 30 September 2014, the net carrying values of the Group's leasehold improvement amounting to approximately HK$3,457,000 was written off, which was mainly due to the termination of a rental agreement with the landlord in respect of a leased property.

During the year ended 30 September 2013, the net carrying values of the Group's plant and machinery amounting to approximately HK$23,660,000 were written off due to obsolescence.

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For the year ended 30 September 2014

21. GOODWILL

Group

	HK$'000
Cost	
At 1 October 2012 and 30 September 2013	675,520
Disposals	(11,569)
At 30 September 2014	663,951
Accumulated impairment losses	
At 1 October 2012	20,830
Recognised for the year	571,192
At 30 September 2013	592,022
Recognised for the year	53,943
Eliminated on disposals	(11,569)
At 30 September 2014	634,396
Carrying amount	
At 30 September 2014	29,555
At 30 September 2013	83,498

Impairment test:

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

	2014 HK$'000	2013 HK$'000
Export	**–**	19,882
Domestic	**29,555**	63,616
Mining	**–**	–
	29,555	83,498

21. GOODWILL *(continued)*

Export

The recoverable amount of the export CGU is the higher of the fair value less cost to sell or value-in-use. At 30 September 2014, the recoverable amount of this CGU was determined based on the fair value less costs to sell instead of value-in-use adopted in 2013, which was considered not appropriate for this year's valuation due to continued losses are expected in the projection. Based on the valuation report produced by Grant Sherman, an impairment of approximately HK$19,882,000 was recognised for the year ended 30 September 2014.

At 30 September 2013, the recoverable amount of this CGU was determined based on its value-in-use calculation using cash flow projections based on financial budgets approved by management covering a period of 5 years.

Key assumptions used in the calculation of value-in-use were discount rate, growth rate and budgeted revenue. The discount rate used 27.6% was pre-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 CGUs. A growth rate ranging from 10% to 25% and gross profit margin at 37.6% to 50% were used. Cash flows beyond the five-year were projected by using a steady growth rate of 3%. 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 prepared by Grant Sherman, an impairment loss of approximately HK$118,251,000 was recognised for the year ended 30 September 2013.

Domestic

The recoverable amount of the domestic CGU 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 2014 was determined in a similar manner as in 2013.

Key assumptions used in the calculation of value-in-use were discount rate, growth rate and budgeted revenue. The discount rate used 28.5% (2013: 26.7%) was an pre-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 CGUs. A growth rate ranging from 5% to 10% (2013: 5% to 25%) and gross margin at 24.5% (2013: 22.1% to 27.2%) were used. Cash flow, beyond the five-year were projected by using a steady growth rate of 3% (2013: 3%). 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 prepared by Grant Sherman, an impairment loss of approximately HK$34,061,000 (2013: HK$427,747,000) was recognised for the year, which was mainly due to momentous reverse in the luxury market in the PRC.

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For the year ended 30 September 2014

21. GOODWILL *(continued)*

Mining

Goodwill allocated to this CGU was contributed by Chi Zhou Donghai Mining Development Company Limited (池州東海礦業發展有限公司) ("Chi Zhou") and Chi Feng Guo Jin Mining Company Limited (赤峰國金礦業有限公司) ("Chi Feng") that owns the exploration rights and mining rights in certain area in the PRC respectively. Chi Zhou was disposed during the year ended 30 September 2014.

The recoverable amount of this CGU at 30 September 2013 was based on its value-in-use calculation using cash flow projections based on financial budgets approved by management covering the period of 7 years, except that the recoverable amount of Chi Zhou which belongs to this CGU was based on its fair value less cost to sell as it was in development stage without any physical operation, and no cash flow projections could be made.

Key assumptions used in 2013 in the calculation of value-in-use were discount rate, growth rate and budgeted revenue. The discount rate of 30% was 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 mining industry and to the company that owns the mining rights. Budgeted revenue represented the functions of annual ore production, gold price, mining cost and general and administrative expenses. A growth rate ranging from –9.3% to 2.9% in gold price and gross margin at 86% to 89% were expected over the projection period by reference to the historical trend of gold price and estimated future demand of gold; while a standard growth rate of 3% was expected for the mining cost and general and administrative expenses covering the projection period based on historical inflation rate of China and future expectations in light of anticipated economic and market conditions.

The carrying amount of all CGU was determined to be lower than its recoverable amount, and an impairment loss of approximately HK$25,194,000 was recognised for the year ended 30 September 2013 and the goodwill allocated was fully impaired during that year. The reasons for the impairment were mainly due to the drop in gold price, and Grant Sherman only took into account the 87,730 grams gold resources classified as 333 category or above in the calculation, which was much lower than the 15,830,000 grams performed in 2012, which included the gold resources classified as 334 category and the potential gold reserves performed by APIET.

22. CONTINGENT CONSIDERATION RECEIVABLE

	Group	
	2014	2013
At fair value	**HK$'000**	HK$'000
At the beginning of the year	**113,507**	102,850
Change in fair value	**4,739**	10,657
At the end of the year	**118,246**	113,507

The fair value of contingent consideration receivable is related to the acquisition of Omas Int'l and its former owner's profit guarantee for Omas Int'l's total net profits of HK$120,000,000 for the financial years ended 31 December 2012, 2013 and 2014.

The receivable is unsecured, interest free and repayable within 12 months of the end of the profit guarantee period.

The fair value of the contingent consideration receivable at 30 September 2013 and 2014 are based on the valuations performed by Grant Sherman, using a probability model.

23. INVESTMENTS IN SUBSIDIARIES

		Company	
		2014	2013
	Notes	**HK$'000**	HK$'000
Unlisted shares, at cost		**77,737**	77,737
Amounts due from subsidiaries	(i)	**2,569,588**	2,503,035
Less: Accumulated impairment	(ii)	**(1,000,198)**	(1,073,392)
		1,569,390	1,429,643
Amounts due to subsidiaries	(i)	**(551,109)**	(552,175)
		1,018,281	877,468

Notes:

(i) Amounts due from (to) subsidiaries are unsecured, interest free and repayable on demand.

(ii) At 30 September 2014, an accumulated impairment loss of approximately HK$1,000,198,000 (2013: HK$1,073,392,000) was recognised because the recoverable amount of the amounts due was estimated to be less than their carrying amounts and the possibility of the recovery was too remote.

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23. INVESTMENTS IN SUBSIDIARIES *(continued)*

(iii) Particulars of the Company's principal subsidiaries as at 30 September 2014 and 2013 are as follows:

Name	Place of incorporation/ establishment and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company 2014	2013	Principal activities
Directly held					
Ming Fung Investment Holdings Limited	British Virgin Islands ("BVI")	Ordinary US$1,000	100%	100%	Investment holding
Indirectly held					
Master Will Limited	Hong Kong	Ordinary HK$2	100%	100%	Provision of administrative services
Perfect Glory International Limited	BVI	Ordinary US$1,000	100%	100%	Trading of jewellery products
Shenzhen Qijingda Trading (HK) Company Limited	Hong Kong	Ordinary HK$1,000,000	90%	90%	Wholesale of watches
Omas SRL	Italy	Ordinary EUR1,000,000	90.10%	90.10%	Manufacturing and trading of writing instruments
Savanti Jewellery (Shanghai) Co. Ltd. (莎梵蒂珠寶貿易（上海）有限公司)	PRC	US$140,000^^	100%	100%	Retailing of jewellery products
Chi Zhou Donghai Mining Development Company Limited (池州東海礦業發展有限公司)	PRC	HK$10,000,000#	–	80%	Exploration of gold mine in the PRC
Chi Feng Guo Jin Mining Company (赤峰國金礦業有限公司)	PRC	RMB5,000,000##	60%	60%	Mining
Shenzhen Qijingda Trading Company Limited (深圳市琪晶達貿易有限公司)	PRC	RMB50,000,000@	95%	95%	Retail and wholesale of watches
Liaoning Shi Quan Shi Mei Investment Management Company Limited (遼寧時全飾美投資管理有限公司)	PRC	RMB10,000,000@@	–	90%	Retail of watches

23. INVESTMENTS IN SUBSIDIARIES *(continued)*

(iii) (continued)

Note: The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

^^ Savanti Jewellery (Shanghai) Co. Ltd.(莎梵蒂珠寶貿易（上海）有限公司) is a wholly-owned foreign enterprise established in the PRC for an operating period of 20 years commencing from its date of establishment on 22 May 2006. The registered capital of Savanti Jewellery (Shanghai) Co. Ltd. (莎梵蒂珠寶貿易（上海）有限公司) of US$140,000 has been fully paid up by the Group.

Chi Zhou Donghai Mining Development Company Limited (池州東海礦業發展有限公司) is a wholly-owned foreign enterprise established in the PRC for an operation period of 20 years commencing from its date of establishment on 21 September 2006. The registered capital of Chi Zhou Donghai Mining Development Company Limited (池州東海礦業發展有限公司) of HK$10,000,000 has been fully paid up. This subsidiary was disposed on 19 September 2014.

Chi Feng Guo Jin Mining Company (赤峰國金礦業有限公司) is a wholly-owned foreign enterprise established in the PRC for an operation period of 30 years commencing from its date of establishment on 18 October 2005. The registered capital of Chi Feng Guo Jin Mining Company (赤峰國金礦業有限公司) of RMB5,000,000 has been fully paid up.

@ Shenzhen Qijingda Trading Company Limited (深圳市琪晶達貿易有限公司) is a limited liability company enterprise established in the PRC for an operating period of 31 years commencing from its date of establishment on 9 June, 2010. The registered capital of Shenzhen Qijingda Trading Company Limited (深圳市琪晶達貿易有限公司) of RMB50,000,000 has been fully paid up.

@@ Liaoning Shi Quan Shi Mei Investment Management Company Limited (遼寧時全飾美投資管理有限公司) is a limited liability company established in the PRC for an operating period of 5 years commencing from its date of establishment on 12 February, 2009. The registered capital of Liaoning Shi Quan Shi Mei Investment Management Company Limited(遼寧時全飾美投資管理有限公司) of RMB50,000,000 has been fully paid up. This subsidiary was disposed on 30 June 2014.

24. INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**–**	405,234
Finished goods	**134,029**	1,177,551
	134,029	1,582,785

The cost of inventories recognised as an expense includes Nil (2013: HK$96,600,000) in respect of write-downs of inventory to net realisable value. The business strategy was changed and some inventories sold at less than net realizable value which included in cost of sales for the year to state.

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25. TRADE RECEIVABLES

Group

	2014 HK$'000	2013 HK$'000
Trade receivables	630,009	102,044
Less: Impairment loss recognised	(37,441)	–
	592,568	102,044

The Group normally allows credit terms to established customers ranging from 30 to 120 days. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	2014 HK$'000	2013 HK$'000
1–30 days	574,340	58,573
31–60 days	6,300	36,727
61–90 days	3,410	3,841
Over 90 days	8,518	2,903
	592,568	102,044

Movements in impairment losses recognised in respect of trade receivables are as follows:

	2014 HK$'000	2013 HK$'000
At the beginning of the year	–	–
Recognised for the year	37,441	–
At the end of the year	37,441	–

25. TRADE RECEIVABLES *(continued)*

Group *(continued)*

At 30 September 2014 and 2013, the analysis of trade receivables that were neither past due nor impaired are as follows:

	Total	Neither past due nor impaired	Past due but not 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 2014	592,568	574,340	6,300	3,410	3,003	5,515
At 30 September 2013	102,044	89,492	7,804	3,266	632	850

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.

26. AMOUNT DUE FROM A SHAREHOLDER OF A SUBSIDIARY

The amount due from a shareholder of a subsidiary is unsecured, interest free and repayable on demand.

27. BANK BALANCES AND CASH

Group and Company

For the two years ended 30 September 2014 and 2013, bank balances represented short-term deposits with a maturity of three months or less. The interest rates ranged from 0.01% to 6% per annum (2013: 0.01% to 6% per annum).

At 30 September 2014, the Group's bank balances and cash denominated in RMB amounted to approximately RMB145,824,000, equivalent to approximately HK$184,015,000 (2013: RMB102,408,000, equivalent to approximately HK$129,761,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

28. TRADE PAYABLES

Group

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers.

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

	2014 HK$'000	2013 HK$'000
1–30 days	26,188	53,424
31–60 days	23	1,862
61–90 days	51	1,126
Over 90 days	449	12,587
	26,711	68,999

29. BORROWINGS

Group

	2014 HK$'000	2013 HK$'000
Unsecured bank loans (Note i)	63,095	25,342
Unsecured — other loans (Note ii)	–	30,265
	63,095	55,607

At 30 September 2014 and 2013, total current bank loans and other borrowings were repayable as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Carrying amounts repayable:		
On demand or within one year	63,095	55,607

Notes:

(i) Bank loans bear interest at variable rates by reference to the People's Bank of China's lending rate, ranging from 7% to 8% per annum (2013: 6% to 7% per annum).

(ii) The unsecured other loans were loaned from independent third parties. These loans are repayable within one year and carried interest ranging from 8% to 10% per annum and was fully settled during the year.

30. DEFERRED TAX LIABILITIES

Group

The movements in deferred tax liabilities during the year are as follows:

	Exploration and evaluation assets HK$'000	Intangible assets HK$'000	Leasehold buildings HK$'000	Total HK$'000
At 1 October 2012	23,211	104,601	10,601	138,413
Exchange realignment	–	8,192	275	8,467
Credit to profit and loss	(23,211)	(61,541)	(216)	(84,968)
At 30 September 2013	–	51,252	10,660	61,912
Exchange realignment	–	(223)	(373)	(596)
Credit to profit and loss	–	(22,994)	(425)	(23,419)
At 30 September 2014	–	28,035	9,862	37,897

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidation financial statements in respect of temporary difference attributable to the "Post-2008 Earnings" as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 October 2012, 30 September 2013 and 30 September 2014	10,000,000	100,000
Issued and fully paid:		
At 1 October 2012 and 30 September 2013	4,366,027	43,660
Issues of shares by open offer (Note i)	2,183,014	21,830
At 30 September 2014	6,549,041	65,490

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For the year ended 30 September 2014

31. SHARE CAPITAL *(continued)*

Notes:

(i) 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.

(ii) All shares issued during the year rank pari passu with the existing shares in all respects.

32. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

(a) On 26 June 2014, Shenzhen Qijingda Trading Company Limited (深圳市琪晶達貿易有限公司), entered into a conditional sale and purchase agreement to dispose of its entire equity interest in its subsidiary, Liaoning Shi Quan Shi Mei Investment Management Company Limited ("Shi Quan Shi Mei") (遼寧時全飾美投資管理有限公司 ("時全飾美")) to an independent third party at a consideration of RMB20,000,000 (equivalent to HK$24,820,000). The principal activity of Shi Quan Shi Mei is retail of watches. The disposal was completed on 30 June 2014. The net assets of the subsidiary were as follows:

	HK$'000
Net assets disposed of	
Property, plant and equipment	4,145
Inventories	44,661
Trade receivables	22,115
Prepayments, deposits and other receivables	2,314
Bank balances and cash	5,041
Trade payables	(13,625)
Other payables and accruals	(7,966)
Other loan	(3,988)
	52,697
Non-controlling interest	(5,214)
Release of exchange reserves	(1,408)
Loss on disposal of subsidiary	(21,255)
Total consideration satisfied by:	
Cash consideration received	24,820
Net cash inflow arising on disposal:	
Cash consideration received	19,779

32. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES *(continued)*

(b) On 22 August 2014, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in its subsidiaries, Bolton Limited and Foshan Shunde Jeda Jewellery Co. Ltd. (佛山市順德區即達珠寶金行有限公司) (the "Disposal Group I") to an independent third party at a consideration of HK$100,000. The principal activity of the Disposal Group I is processing of jewellery products. The disposal was completed on 22 August 2014. The net assets of the Disposal Group I were as follows:

	HK$'000
Net assets disposed of	
Bank balances and cash	1
	1
Release of exchange reserves	(1,727)
Gain on disposal of subsidiary	1,826
Total consideration satisfied by:	
Cash consideration received	100
Net cash inflow arising on disposal:	
Cash consideration received	99

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For the year ended 30 September 2014

32. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES *(continued)*

(c) On 19 September 2014, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in its subsidiaries, Trismart Group Limited, Super Charm Holdings Limited, East Ocean Worldwide Limited and Chi Zhou Donghai Mining Development Company Limited (池州東海礦業發展有限公司) (the "Disposal Group II") to an independent third party at a consideration of HK$2,000,000. The principal activity of the Disposal Group II is mining. The disposal was completed on 19 September 2014. The net assets of the Disposal Group II were as follows:

	HK$'000
Net assets disposed of	
Exploration and evaluation assets	1,989
Prepayments, deposits and other receivables	259
Bank balances and cash	50
Other payables and accruals	(118)
	2,180
Non-controlling interest	(436)
Release of exchange reserves	(1,193)
Gain on disposal of subsidiary	1,449
Total consideration satisfied by:	
Cash consideration received	2,000
Net cash inflow arising on disposal:	
Cash consideration received	1,950

(d) During the year ended 30 September 2013, the Group deregistered Dongguan Jeda Jewellery Company Limited (東莞即達珠寶首飾有限公司), a wholly-owned subsidiary in the PRC which was inactive.

	HK$'000
Deposit and prepayments	15
Exchange reserve realised	(948)
Gain on deregistration	(933)

The subsidiary deregistered during the year ended 30 September 2013 had no significant impact on the turnover and results of the Group.

33. SHARE OPTIONS

The Company operates a share option scheme ("Scheme") for the purpose of providing incentives and rewards to eligible participants (including, inter alia, employees, directors, advisors and consultants) who contribute to the success of the Group's operations. The Scheme became effective on 3 September 2002 ("Old Scheme") for a ten year period and was adopted on 12 August 2002. The Old Scheme expired on 11 August 2012 and a new share option scheme was adopted by the shareholders on 1 March 2013 ("New Scheme") and unless otherwise cancelled or amended, will remain in force for 10 years from the date of adoption.

Details of the New Scheme are:

(a) The maximum number of shares issuable upon exercise of the options which may be granted under the New 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 New 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; or (iii) the nominal value of the Company's shares.

Since adoption of the New Scheme, no share options have been offered and/or granted to the eligible persons of the Group under the New Scheme during the year ended 30 September 2014.

Details of the specific categories of options are as follows:

Date of grant	Exercise period	Exercise price HK$
17 June 2010	17 June 2010 to 16 June 2013	0.4786

Share options do not confer rights on the holders to receive dividends or to vote at shareholders' meetings.

	Date of grant	Exercisable period	Exercise price per share*	Outstanding at 1 October 2012	Lapsed during the year	Outstanding at 30 September 2013 and 2014
Other eligible participants	17 June 2010	17 June 2010 to 16 June 2013	0.4786	109,400,000	(109,400,000)	–
Total				109,400,000	(109,400,000)	–
Exercisable at the end of the year				109,400,000		–

All outstanding share options lapsed during the year ended 30 September 2013.

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34. RESERVES

(a) Group

	Share premium HK$'000 (Note i)	Exchange reserve HK$'000 (Note ii)	Share-based payment reserve HK$'000 (Note iii)	Warrants reserve HK$'000 (Note iv)	Statutory reserve HK$'000 (Note v)	Other reserve HK$'000	Retained earnings (accumulated losses) HK$'000	Total HK$'000
At 1 October 2012	1,910,709	52,267	8,784	11,427	792	11	752,880	2,736,870
Total comprehensive income (expenses) for the year	–	23,806	–	–	–	–	(817,573)	(793,767)
Transfer to reserve for value of warrants lapsed	–	–	–	(11,427)	–	–	11,427	–
Transfer to reserve for value of share options lapsed	–	–	(8,784)	–	–	–	8,784	–
At 30 September 2013	1,910,709	76,073	–	–	792	11	(44,482)	1,943,103
Total comprehensive expenses for the year	–	(12,631)	–	–	–	–	(1,052,066)	(1,064,697)
Issue of share upon offer	150,268	–	–	–	–	–	–	150,268
At 30 September 2014	2,060,977	63,442	–	–	792	11	(1,096,548)	(1,028,674)

Notes:

(i) The share premium account of the Group includes: (i) the difference between the combined net asset value of the subsidiaries acquired pursuant to the group reorganisation on 12 August 2002 over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium arising from the new issue; (iii) the premium arising from the capitalisation issue; and (iv) the premium arising from issue of shares upon exercise of share options scheme.

(ii) Exchange reserve is arising from the translation of foreign currencies in overseas subsidiaries from its functional currency to the Group's presentation currency.

(iii) The share-based payment option reserve represents the fair value at the respective grant dates in respect of the outstanding share options of the Company.

(iv) Warrants reserve arises from the issue of warrants less the expenses incurred on warrants issue. Upon exercise of warrant, warrant reserve would be transferred to share premium.

(v) 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.

34. RESERVES *(continued)*

(b) Company

	Shares premium HK$'000 (Note i)	Share-based payment reserve HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2012	1,988,246	8,784	11,427	(49,118)	1,959,339
Total comprehensive expenses for the year	–	–	–	(1,064,457)	(1,064,457)
Transfer to reserve for value of warrants lapsed	–	–	(11,427)	11,427	–
Transfer to reserve for value of share options lapsed	–	(8,784)	–	8,784	–
At 30 September 2013	1,988,246	–	–	(1,093,364)	894,882
Total comprehensive expenses for the year	–	–	–	(16,695)	(16,695)
Issue of share upon open offer	150,268	–	–	–	150,268
At 30 September 2014	2,138,514	–	–	(1,110,059)	1,028,455

Note:

(i) In accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

The share premium account of the Company includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on 12 August 2002 over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium arising from the new issue; (iii) the premium arising from the capitalisation issue; and (iv) the premium arising from issue of shares upon exercise of share options scheme.

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35. MAJOR NON-CASH TRANSACTIONS

There were no significant major non-cash transactions during the two years ended 30 September 2014.

36. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

(a) In addition to a related party balances detailed in the consolidated financial statements and respective notes, the Group entered into the following significant transactions with related parties during the year, some of which are also deemed to be connected parties pursuant to the Listing Rules:

	2014 **HK$'000**	2013 HK$'000
Sales of goods to Hengdeli Group	**23,543**	22,959
License fee to Hengdeli Group	–	288
Consignment commission to Hengdeli Group	–	1,577

Note:

On 30 September 2013, the Group and Hengdeli Holdings Limited and its associates ("Hengdeli Group") entered a new cooperation agreement for the consignment and sale of goods in Hengdeli Group's stores. Hengdeli Group is the major shareholder of the Company. The new cooperation agreement allows the Group to make use of Hengdeli's extensive and quality distribution networks and its vast experiences in operating and managing retail outlets for luxury jewellery products in order to promote and distribute the products of the Group. Operation expenses of the retail stores are borne by Hengdeli while the Group bears the costs of inventory. Details of the cooperation agreement are set out in the announcement of the Company dated 9 October 2013 and the circular dated 31 October 2013.

The above transactions with the subsidiaries of Hengdeli Holdings Limited were in accordance with the terms of the cooperation agreement.

(b) Key management compensation

The key management personnel of the Group comprises the directors of the Company only. Details of compensation of directors are included in Note 17.

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 1 year	**5,528**	4,059
In 2 to 5 years, inclusive	**6,295**	1,291
	11,823	5,350

38. CONTINGENT LIABILITIES

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

39. EVENT AFTER THE REPORTING PERIOD

Acquisition of Sinoforce Group Limited

Subsequent to 30 September 2014, the Group completed its negotiations with Prestige Rich Holdings Limited (the "Vendor"), a company incorporated the British Virgin Islands for the acquisition of the entire issued share capital of Sinoforce Group Limited. The transaction was completed on 18 December 2014 and the acquisition cost of HK$138,000,000 was satisfied by the issue and allotment of 1,623,529,411 consideration shares in the Company. Details of the acquisition are set out in the Group's circular dated 7 November 2014. The Directors considered that the acquisition represented a good opportunity for the Company to expand its retail business which could create a platform for business cooperation with international reputable brands of timepieces and accessories, jewellery items and other luxury goods, and help broaden the source of income of the Company. The Board is of the view that the Project Company, being the exclusive distributor of the products bearing the trademarks of GIRARD-PERREGAUX and JEANRICHARD in the territories of the mainland China, Macau, Hong Kong and Taiwan, has much potential for the Company's business expansion in these regions.

	HK$'000
Consideration transferred	
Equity instruments	141,247

39. EVENT AFTER THE REPORTING PERIOD *(continued)*

Acquisition of Sinoforce Group Limited *(continued)*

Unaudited assets and liabilities at the date of acquisition are as follows:

	HK$'000
Net assets (liabilities) acquired:	
Plant and equipment	1,876
Inventory	114,153
Trade and other receivables	5,556
Bank balances and cash	3,393
Trade payables	(134,900)
	(9,922)

	HK$'000
Goodwill arising on acquisition:	
Consideration transferred	141,247
Add: Unaudited amounts of net liabilities acquired	9,922
Goodwill arising on acquisition	151,169

The above information is for illustrative purposes only and is subject to being audit and fair value adjustments, if any.

In accordance with the sales and purchase agreement dated 6 October 2014 and the supplemental agreement dated 23 October 2014, the Vendor and Zhang Jinbing (張金兵), the guarantor jointly and severally warrant and guarantee to the Group that the total net profits of Sinoforce Group Limited shall not be less than HK$69,000,000 for the three financial years ending 31 December 2015, 2016 and 2017 and to compensate the Company for any shortfall.