MING FUNG JEWELLERY GROUP LIMITED
明豐珠寶集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 860)

2012 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2012

The board ("Board") of directors ("Directors") of Ming Fung Jewellery Group Limited ("Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 March 2012, which have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 31 March	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**348,098**	402,740
Cost of sales		**(251,234)**	(300,657)
Gross profit		**96,864**	102,083
Other revenue	*3*	**706**	615
Selling and distribution expenses		**(22,269)**	(23,868)
Administrative expenses		**(13,280)**	(15,576)
Profit from operating activities	*5*	**62,021**	63,254
Finance costs	*6*	**–**	(108)
Profit before tax		**62,021**	63,146
Tax	*7*	**(13,418)**	(13,795)
Profit for the period		**48,603**	49,351
Other comprehensive income:			
Exchange difference arising on translation of foreign operations		**3,187**	13,865
Total comprehensive income for the period		**51,790**	63,216

	Notes	For the six months ended 31 March **2012** **(Unaudited)** ***HK$'000***	2011 (Unaudited) *HK$'000*
Profit for the period attributable to:			
Equity holders of the Company		**48,837**	49,735
Non-controlling interests		**(234)**	(384)
		48,603	49,351
Total comprehensive income for the period attributable to:			
Equity holders of the Company		**50,958**	63,433
Non-controlling interests		**832**	(217)
		51,790	63,216
Earnings per share attributable to the equity holders of the Company	*10*		
Basic		**HK1.3 cents**	HK1.8 cents
Diluted		**HK1.3 cents**	HK1.7 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 March 2012** *HK$'000*	As at 30 September 2011 *HK$'000* (As restated)	As at 1 October 2010 *HK$'000* (As restated)
Non-current Assets				
Mining rights	*11*	**320,814**	318,000	324,290
Exploration and evaluation assets	*12*	**100,966**	100,013	100,013
Property, plant and equipment		**40,634**	48,123	43,552
Goodwill		**571,453**	571,453	44,496
		1,033,867	1,037,589	512,351
Current Assets				
Inventories		**1,191,255**	980,962	628,876
Trade receivables	*13*	**122,017**	227,334	228,048
Prepayments, deposits and other receivables		**73,514**	70,258	27,517
Cash and cash equivalents		**413,927**	464,758	216,832
		1,800,713	1,743,312	1,101,273
Current Liabilities				
Trade payables	*14*	**81,367**	72,396	11,379
Other payables and accruals		**52,349**	58,533	6,678
Secured interest bearing bank borrowings		**–**	–	3,545
Tax payable		**77,185**	78,247	78,751
		210,901	209,176	100,353
Net Current Assets		**1,589,812**	1,534,136	1,000,920
Total assets less current liabilities		**2,623,679**	2,571,725	1,513,271
Non-current liabilities				
Deferred tax liabilities		**102,553**	102,553	102,553
Net Assets		**2,521,126**	2,469,172	1,410,718
EQUITY				
Equity attributable to the Company's equity holders				
Share capital	*15*	**36,504**	36,490	24,986
Reserves		**2,362,904**	2,311,796	1,273,336
		2,399,408	2,348,286	1,298,322
Non-controlling interests		**121,718**	120,886	112,396
		2,521,126	2,469,172	1,410,718

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

These condensed consolidated financial statements have been prepared under the historical cost convention with the exception of certain assets and liabilities, which (where appropriate) were measured at fair value, as explained in the Group's audited consolidated financial statements for the year ended 30 September 2011. The accounting policies and basis of presentation used in the preparation of these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited consolidated financial statements for the year ended 30 September 2011 except as described below.

2. PRINCIPAL ACCOUNTING POLICIES

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement

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

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

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

3. TURNOVER AND OTHER REVENUE

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

An analysis of turnover and other revenue is as follows:

	For the six months ended 31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover – sale of goods	**348,098**	402,740
Other revenue		
Interest income	**437**	615
Gain on disposal of subsidiaries	**269**	–
	706	615
	348,804	403,355

4. SEGMENT INFORMATION

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

(a) Exports segment is export of manufactured jewellery products on ODM or OEM basis;

(b) Domestic segment is trading of jewellery products for the Group's retail and wholesale business in Mainland China; and

(c) Mining segment comprised the mining, exploration and sale of gold resources.

Operating segments

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

For the six months ended 31 March 2012:

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

For the six months ended 31 March 2011:

	Exports (Unaudited) *HK$'000*	Domestic (Unaudited) *HK$'000*	Mining (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Segment revenue:				
Sales to external customers	145,317	257,423	–	402,740
Segment results	5,193	68,822	(1,048)	72,967
Unallocated revenue				615
Unallocated expenses				(10,328)
Profit from operating activities				63,254
Finance costs				(108)
Profit before tax				63,146
Tax				(13,795)
Profit for the period				49,351

5. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**251,234**	300,657
Depreciation	**4,064**	3,319

6. FINANCE COSTS

	For the six months ended 31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within 5 years	**–**	108

7. TAX

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

	For the six months ended 31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current period provision:		
Hong Kong profits tax (a)	**–**	–
Overseas taxation (b)	**13,418**	13,795
Tax charge for the period	**13,418**	13,795

(a) No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong in respect of the period.

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

The taxation for the period can be reconciled to the profit before tax per the condensed consolidated statement of comprehensive income as follows:

	For the six months ended 31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before tax	**62,021**	63,146
Tax at the statutory rates	**13,490**	10,419
Effect of different tax rates for companies operating in other jurisdictions	**(946)**	2,871
Income not subjected to tax	**–**	(516)
Expenses not deductible for tax	**874**	403
Unutilised tax losses	**–**	618
	13,418	13,795

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

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

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

8. DISPOSAL OF SUBSIDIARIES

On 13 January 2012, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in its subsidiaries, Joymart Enterprises Limited and Megaprofit Enterprises Limited (the "Disposal Group") to an independent third party at a consideration of HK$3,500,000. The principal activity of the Disposal Group is trading of jewellery products. The disposal was completed on 13 January 2012.

Details of the net assets disposed of in respect of the Disposal Group are summarised below:

	HK$'000
Net assets disposed of	
Property, plant and equipment	3,301
Other payables and accruals	(70)
	3,231
Gain on disposal of subsidiaries	269
	3,500
Total consideration satisfied by:	
Cash consideration received	3,500
Net cash inflow arising on disposal:	
Cash consideration received	3,500

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (for the six months ended 31 March 2011: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the Group's unaudited profit for the period of approximately HK$48,837,000 (for the six months ended 31 March 2011: HK$49,735,000) and the weighted average of 3,649,886,309 (for the six months ended 31 March 2011: 2,772,285,901) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the Group's unaudited profit for the period of approximately HK$48,837,000 (for the six months ended 31 March 2011: HK$49,735,000) and the weighted average number of 3,684,099,436 (for the six months ended 31 March 2011: 2,933,976,290) ordinary shares in issue during the period. The weighted average number of ordinary shares used to calculate the diluted earnings per share comprises the weighted average number of 3,649,886,309 (for the six months ended 31 March 2011: 2,772,285,901) ordinary shares in issue during the period and the weighted average number of 34,213,127 (for the six months ended 31 March 2011: 161,690,389) ordinary shares deemed to be issued at no consideration on exercise of all outstanding share options.

11. MINING RIGHTS

	HK$'000
Cost	
At 1 October 2011 (Audited)	318,000
Exchange realignments	2,814
At 31 March 2012 (Unaudited)	**320,814**
Net book value	
At 31 March 2012 (Unaudited)	**320,814**
At 30 September 2011 (Audited)	318,000

(a) The gold mining license is stated at cost less impairment losses.

(b) No amortisation was made during the period as the gold mines are in a development stage and no mining activities are conducted.

12. EXPLORATION AND EVALUATION ASSETS

	Exploration license *HK$'000*
At 1 October 2011 (Audited)	100,013
Exchange realignments	953
At 31 March 2012 (Unaudited)	**100,966**

13. TRADE RECEIVABLES

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

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

	31 March 2012 (Unaudited) *HK$'000*	30 September 2011 (Audited) *HK$'000*
1 – 30 days	**40,134**	121,989
31 – 60 days	**20,187**	89,654
61 – 90 days	**16,132**	15,691
91 – 120 days	**45,564**	–
	122,017	227,334

14. TRADE PAYABLES

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

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

	31 March 2012 (Unaudited) *HK$'000*	30 September 2011 (Audited) *HK$'000*
1 – 30 days	**42,377**	35,364
31 – 60 days	**11,084**	13,920
61 – 90 days	**17,532**	5,658
91 – 180 days	**6,579**	17,067
181 days and above	**3,795**	387
	81,367	72,396

15. SHARE CAPITAL

	Number of shares *'000*	**Nominal Value** *HK$'000*
Authorised ordinary shares of HK$0.01 each		
At 30 September 2011 (Audited) and 31 March 2012 (Unaudited)	10,000,000	100,000
Issued and fully paid:		
At 30 September 2011 (Audited)	3,648,961	36,490
Exercise of share options *(Note i)*	1,400	14
At 31 March 2012 (Unaudited)	**3,650,361**	**36,504**

Note (i): During the period, part of the share options granted were exercised for 1,400,000 shares at exercise price of HK$0.1167 which raised gross proceeds of HK$200,000.

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2012 (30 September 2011: Nil).

No guarantees was given by the Company in favour of certain banks as at 31 March 2012 (30 September 2011: HK$50,000,000) in respect of banking facilities granted to certain subsidiaries of the Company. As at 31 March 2012, none of the banking facilities were utilised by the subsidiaries (30 September 2011: Nil).

17. OPERATING LEASE ARRANGEMENTS

As at 31 March 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 March 2012 (Unaudited) ***HK$'000***	30 September 2011 (Audited) *HK$'000*
Within 1 year	**4,696**	4,891
In 2 to 5 years, inclusive	**1,833**	3,561
	6,529	8,452

18. CAPITAL COMMITMENTS

	31 March 2012 (Unaudited) ***HK$'000***	30 September 2011 (Audited) *HK$'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
a) Exploration works		
– Within 1 year	**8,274**	8,209
– In 2 to 5 years, inclusive	**11,220**	11,133
	19,494	19,342
b) Acquisition of subsidiaries *(Note 19)*	**313,333**	400,000
	332,827	419,342

19. EVENTS AFTER THE REPORTING PERIOD

On 28 September 2011, the Group has entered into a share purchase agreement to acquire 100% interest of Omas International S.A., which directly hold 90.1% interest of Omas SRL, the sole owner and manufacturer of fine writing instruments and accessories which bear the trademark "OMAS". The consideration for the acquisition is HK$400,000,000 and will be satisfied by the Company to allot and issue to the vendor 666,666,667 new shares, credited as fully paid, at the issue price of HK$0.60 per share upon completion of the acquisition. The acquisition has been completed on 13 April 2012. The fair value of the shares to be issued was determined using the published closing price of HK$0.47 at the date of completion, amounting to approximately HK$313,333,000.

20. CORRECTION OF PRIOR PERIOD ERROR

During the six months ended 31 March 2012, the Group has discovered certain errors in its consolidated financial statements for the years ended 30 September 2011 and 2010. The errors were related to the accounting treatments of the two acquisitions made in February 2010 and March 2010, namely the acquisitions of 80% equity interest in Super Charm Holdings Limited and 100% equity interest in Gold Fortune Company Limited respectively.

In connection with the acquisitions, temporary differences arose as the net assets acquired were recognised at their fair values. However, no corresponding adjustment was made for deferred tax purposes. The purchase considerations for the acquisitions were satisfied by issuance of new shares and convertible notes. The purchase considerations should be measured at fair values at the dates of acquisition. However, the convertible notes were stated at the principal amount while consideration shares were determined at the agreed issue prices according to the acquisition agreement. Had the deferred tax been accounted for and the purchase considerations been measured at fair values at the dates of acquisition, the goodwill would be increased by approximately HK$44,496,000, the deferred tax liability would be increased by approximately HK$102,553,000, share premium would be decreased by approximately HK$21,778,000, and the non-controlling interest would be decreased by approximately HK$36,279,000. The effects of correction of errors on the Group's condensed consolidated financial statements for the six months ended 30 September 2011 are summarised as follows:

Consolidated statement of financial position

	As at 30 September 2011			
	(As previously reported)	(Effect on deferred tax adjustment)	(Effect on purchase considerations adjustment)	(As restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Goodwill	526,957	66,274	(21,778)	571,453
Total non-current assets	993,093	66,274	(21,778)	1,037,589
Deferred tax liabilities	–	102,553	–	102,553
Total assets less current liabilities	2,527,229	66,274	(21,778)	2,571,725
Net assets	2,527,229	(36,279)	(21,778)	2,469,172
Reserves	2,333,574	–	(21,778)	2,311,796
Non-controlling interests	157,165	(36,279)	–	120,886
Total equity	2,527,229	(36,279)	(21,778)	2,469,172

The effects of correction of error on the Group's consolidated statement of financial position as at 1 October 2010 are summarised as follows:

Consolidated statement of financial position

	As at 1 October 2010			
	(As previously reported)	(Effect on deferred tax adjustment)	(Effect on purchase considerations adjustment)	(As restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Goodwill	–	66,274	(21,778)	44,496
Total non-current assets	467,855	66,274	(21,778)	512,351
Deferred tax liabilities	–	102,553	–	102,553
Total assets less current liabilities	1,468,775	66,274	(21,778)	1,513,271
Net assets	1,468,775	(36,279)	(21,778)	1,410,718
Reserves	1,295,114	–	(21,778)	1,273,336
Non-controlling interests	148,675	(36,279)	–	112,396
Total equity	1,468,775	(36,279)	(21,778)	1,410,718

21. COMPARATIVE FIGURES

Certain comparative figures have been restated as a result of the correction of prior period error as set out in Note 20 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the six months ended 31 March 2012 decreased by 13.6% from approximately HK$402.7 million last year to approximately HK$348.1 million. Profit attributable to shareholders was approximately HK$48.8 million, representing a 1.8% decline as compared to HK$49.7 million in the corresponding period in 2011. Basic earnings per share was HK1.3 cents (2011: HK1.8 cents).

During the period under review, the Group reported a satisfactory performance in domestic sales. The revenue growth in domestic sales was mainly attributable to the strong domestic market backed by the appreciation of the RMB and persistent strong growth of luxury products consumption in the PRC, despite a slowing economy. During the Period, domestic sales continued to be the key revenue contributor, taking up 87.4% of total sales, while export sales accounted for the balance 12.6%, as compared to 63.9% and 36.1%, respectively, during the same period last year. Revenue from domestic sales further increased by HK$46.7 million, or 18.2%, from HK$257.4 million for the period ended 31 March 2011 to HK$304.2 million for the period ended 31 March 2012. Following the weak economic recovery in the United States, deepening European debt crises and coupled with the austerity policies implemented by various governments across the region, sales to major export markets in the United States and Europe was severely weakened.

During the period, the selling and distribution expenses of the Group decreased 6.7% to approximately HK$22.3 million, as compared to HK$23.9 million from the corresponding period last year, a net result caused primarily by lower export sales and partially counterbalanced by strong growth of domestic sales. The Group's administrative expenses for the period were fairly stable at approximately HK$13.3 million when compared to HK$15.6 million for the six months ended 31 March 2011. Accordingly, the Group recorded an operating profit of approximately HK$62.0 million for the period under review, representing a 1.9% decrease when compared with that of the previous year.

Business Review

Eyeing the lucrative opportunities of continuously rising purchasing power of the expanding middle class in the PRC, the Group strived to enhance its domestic sales network and reinforce its consumer base through several successful strategic acquisitions in 2011, and received satisfactory results during the period.

Despite a moderate economic growth posted in the last quarter of 2011 in the PRC, Ming Fung Jewellery registered a decent increase in demand for the Group's luxury goods which comprised mainly of mid- to high-end jewellery products and refined luxury accessories through the cooperation with retail chain partners such as Hengdeli Holdings Limited ("Hengdeli"). It was mainly due to a consumer confidence rebound in late 2011 and early 2012 in the PRC. The main reasons behind was an overall stable employment environment, an expected income rise and back by the two rounds of rate cut backs. During the period under review, domestic sales revenue in the PRC contributed 87.4% of the Group's turnover and 95.4% of the Group's operating profits.

The strategic partnership with Hengdeli, the world's largest retailer and wholesaler of high prestige global brand watches, that the Group coined in October 2010, has proven to be successful. While some industry counterparts were facing the climbing operating costs namely soaring rental prices, the Group enjoyed the advantages of synergy that lessened the rental as well as the labour costs.

On 13 April 2012, the Group successfully completed the acquisition of OMAS International S.A. ("OMAS"), the sole owner and manufacturer of fine writing instruments and accessories which bear the trademark "OMAS" from Hengdeli, while the remaining 10% stake in OMAS would rest with the global luxury lead, LVMH, one of the Group's major shareholders since July 2011 after the signing of a strategic investment partnership with L Capital Asia, L.L.C. ("L Capital"), the fourth fund from L Capital sponsored by global luxury leader LVMH. Following completion of the acquisition, Hengdeli holds 15.44% of the Group and has become the largest shareholder.

FUTURE PLANS AND PROSPECTS

According to Altagamma Worldwide Markets Monitor, the expanding middle class in the PRC and their indulgence of luxury products are expected to drive the domestic consumption of high-end goods by 18-22% in 2012. The Group is confident that China will continue to fuel luxury market growth with jewellery, watches and accessories to be the most lucrative sectors in the luxury goods industry.

Through the collaboration with Hengdeli and LVMH, the Group is poised to enhance its market position as one of the top leading jewellery manufacturers and distributors in the PRC. While enjoying the extensive retail networks provided by Hengdeli and LVMH's the vast global network and profound expertise in the high-end luxury retail business, Ming Fung Jewellery will continue to increase the presence of its sales outlets and consistently be on the lookout for strategic merger and acquisition opportunities in order to bolster its distribution network and enhance relationships with international brands.

The Group expects export markets will likely continue to weaken in the second half of the financial year given the sluggish economic recovery in the United States and Europe subsequent to the recent French and Greek elections. The Group is in the view that the export business will not bring in considerable contribution in the foreseeable future. Thus, the Group is determined to remain its focus on the domestic market where to be the revenue driver of the Group's core business. Meanwhile, to preserve its market share and premier clientele across the globe, the Group will maintain its presence in major international jewellery trade fairs and exhibitions.

As for the gold mining business, the Group appointed a leading professional mining company in the exploitation of Chi Feng Gold Mine. Preliminary stage works have been carried out, which is expected to generate contribution to the Group in the near future. As for the Chi Zhou Gold Mines, the Group continue to carry out the detailed exploration work and in the process to obtain the exploitation licenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2012, the Group maintained a strong and healthy financial position. Bank balances and cash on hand of the Group as at 31 March 2012 amounted to HK$413.9 million (30 September 2011: HK$464.8 million), which were mainly denominated in US dollars, Hong Kong dollars and RMB. The Group's current assets and current liabilities were approximately HK$1,800.7 million and HK$210.9 million respectively (30 September 2011: current assets HK$1,743.3 million; current liabilities HK$209.2 million).

Increase in inventories was in line with the increase in the turnover in domestic retail and wholesale sales for the period because more inventories were reserved for customer orders. The Group's inventory turnover, trade receivables turnover and trade payables turnover periods were 868 days, 64 days and 59 days, respectively. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

EMPLOYEES AND EMPLOYMENT POLICIES

As at 31 March 2012, the Group had a staff roster of 2011 (2011: 64). The remuneration of employees was in line with market trench and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed each year.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not during the six months ended 31 March 2012 in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except the following deviation (Code Provision A.2.1):

Further information about Chairman and Chief Executive Officer

Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

APPRECIATION

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

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

Hong Kong, 28 May 2012

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

* *For identification purpose only*