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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 860)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2014

The board of directors (the "Board") of Ming Fung Jewellery Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 September 2014, together with the comparative figures for the year ended 30 September 2013, as follows:

* *For identification purposes only*

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	*3*	**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		**4,739**	10,657
Other revenue and net gains	*5*	**309**	2,785
(Loss) gain on disposal of subsidiaries	*16*	**(17,980)**	933
Selling and distribution expenses		**(54,766)**	(68,308)
Amortisation of intangible assets		**(12,415)**	(12,364)
Impairment loss on goodwill		**(53,943)**	(571,192)
Impairment loss on intangible assets		**(68,920)**	(231,532)
Impairment loss on exploration and evaluation assets		**–**	(103,978)
Impairment loss of trade receivables		**(37,441)**	–
Property, plant and equipment written-off		**(3,457)**	(23,660)
Administrative expenses		**(40,966)**	(41,552)
Loss from operating activities	*6*	**(1,147,330)**	(961,343)
Finance costs	*7*	**(3,117)**	(4,549)
Loss before taxation		**(1,150,447)**	(965,892)
Income tax credit	*8*	**84,353**	63,105
Loss for the year		**(1,066,094)**	(902,787)

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Other comprehensive income			
Items that may be classified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(6,076)**	24,577
Exchange reserve realised upon disposal of subsidiaries		**(4,328)**	(948)
Total other comprehensive (expenses) income for the year		**(10,404)**	23,629
Total comprehensive expenses for the year		**(1,076,498)**	(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		**(1,062,513)**	(793,767)
Non-controlling interests		**(13,985)**	(85,391)
		(1,076,498)	(879,158)
			(Restated)
Loss per share	*10*		
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	*11*	**111,118**	193,297
Exploration and evaluation assets		**–**	2,046
Property, plant and equipment		**47,484**	59,015
Goodwill	*12*	**29,555**	83,498
Contingent consideration receivable		**–**	113,507
		188,157	451,363
CURRENT ASSETS			
Inventories		**134,029**	1,582,785
Trade receivables	*13*	**592,568**	102,044
Contingent consideration receivable		**118,246**	–
Prepayments, deposits and other receivables		**33,383**	95,264
Amount due from a shareholder of a subsidiary		**1,978**	–
Bank balances and cash		**202,042**	142,872
		1,082,246	1,922,965
CURRENT LIABILITIES			
Trade payables	*14*	**26,711**	68,999
Other payables and accruals		**18,089**	72,143
Borrowings		**63,095**	55,607
Income tax payable		**1,713**	80,535
		109,608	277,284
NET CURRENT ASSETS		**972,638**	1,645,681

	Notes	**2014** *HK$'000*	2013 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,160,795**	2,097,044
NON-CURRENT LIABILITY			
Deferred tax liabilities		**37,897**	61,912
NET ASSETS		**1,122,898**	2,035,132
CAPITAL AND RESERVES			
Share capital	*15*	**65,490**	43,660
Reserves		**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

1. CORPORATE INFORMATION

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

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

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

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

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.

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.

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. 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

4. 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)

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.

(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.

(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.

(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.

5. OTHER REVENUE AND NET GAINS

	2014	2013
	HK$'000	*HK$'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

6. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging:

	2014	2013
	HK$'000	*HK$'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

7. FINANCE COSTS

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

8. INCOME TAX CREDIT

	2014	2013
	HK$'000	*HK$'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.

9. DIVIDENDS

No dividend was paid or proposed for the year ended 30 September 2014 (2013: Nil), nor has any dividend been proposed since the end of the reporting period.

10. 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.

11. INTANGIBLE ASSETS

	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

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.

12. GOODWILL

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

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$545,998,000) was recognised for the year, which was mainly due to momentous reverse in the luxury market in the PRC.

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.

13. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'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	2013
	HK$'000	*HK$'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

14. TRADE PAYABLES

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	2013
	HK$'000	*HK$'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

15. SHARE CAPITAL

	Number of shares	Amount
	'000	*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

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.

16. 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

(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

(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 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.

17. CONTINGENT LIABILITIES

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

18. 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

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.

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 16 of this result announcement.

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.

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 11 and 12 of this result announcement.

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.

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.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

During the year ended 30 September 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.

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.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

The Board reviews the effectiveness of the Group's material internal controls and is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

PUBLICATION OF ANNUAL REPORT

The 2014 annual report containing all the information required by the Listing Rules will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and on the website of the Company (www.mingfung.com) and dispatched to shareholders in due course.

APPRECIATION

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

By order of the board
Ming Fung Jewellery Group Limited
Wong Chi Ming, Jeffry
Chairman

Hong Kong, 31 December 2014

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