



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)

2007 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2007

The board ("Board") of 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 2007, which have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT For the six months ended 31 March 2007

Notes	For the six months ended 31 March	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	283,077	239,243
Cost of sales	(191,395)	(169,512)
Gross profit	91,682	69,731
Other revenue	692	477
Selling and distribution expenses	(26,012)	(17,261)
Administrative expenses	(11,630)	(10,155)
Other operating expenses	-	(204)
Profit from operating activities	54,732	42,588
Finance costs	(4,798)	(4,453)
Profit before tax	49,934	38,135
Tax	(8,689)	(7,069)
Net profit from ordinary activities attributable to shareholders	41,245	31,066
Dividend	2,302	2,054
Earnings per share attributable to shareholders		
Basic	HK5.9 cents	HK4.8 cents
Diluted	N/A	HK4.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET At 31 March 2007

Notes	31 March 2007 (Unaudited) HK\$'000	30 September 2006 (Audited) HK\$'000
Non-current Assets		
Property, plant and equipment	88,343	87,739
Current Assets		
Prepayments, deposits and other receivables	13,901	10,359
Inventories	282,090	214,650
Trade receivables	117,454	114,690
Cash and cash equivalents	89,798	83,426
	503,243	423,125
Current Liabilities		
Trade payables	10,893	11,608
Other payables and accruals	2,507	4,359
Secured interest bearing bank borrowings, due within 1 year	88,654	81,407
Tax payables	70,990	62,301
	173,044	159,675
Net Current Assets	330,199	263,450
Total Assets Less Current Liabilities	418,542	351,189
Non-current Liabilities		
Secured interest bearing bank borrowings, due after 1 year	42,500	42,500
Net Assets	376,042	308,689
EQUITY		
Capital and reserves attributable to the Company's shareholders		
Share capital	7,675	6,975
Reserves	366,065	298,226
Proposed dividend	2,302	3,488
	376,042	308,689

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 March 2007

1. BASIS OF PREPARATION

The condensed interim 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 Hong Kong Accounting Standards No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. 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. 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 2006.

2. 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, other revenue and gains is as follows:

	For the six months ended 31 March	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover - sale of goods	283,077	239,243
Other revenue		
Interest income	627	472
Others	65	5
	692	477
	283,769	239,720

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

The principal activity of the Group is the manufacture and sale of jewellery products, which is managed according to the geographical location of customers.

a) Geographical segments based on the location of customers

The following tables present revenue and results for the Group's geographical segments:

For the six months ended 31 March 2007:

	United States (Unaudited) HK\$'000	Europe (Unaudited) HK\$'000	Middle East and Asia (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	114,871	102,151	66,055	283,077
Segment results	19,558	22,792	17,224	59,574
Unallocated revenue				692
Unallocated expenses				(5,534)
Profit from operating activities				54,732
Finance costs				(4,798)
Profit before tax				49,934
Tax				(8,689)
Net profit from ordinary activities attributable to shareholders				41,245

For the six months ended 31 March 2006:

	United States (Unaudited) HK\$'000	Europe (Unaudited) HK\$'000	Middle East and Asia (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	119,275	89,642	30,326	239,243
Segment results	21,109	18,638	5,090	44,837
Unallocated revenue				477
Unallocated expenses				(2,726)
Profit from operating activities				42,588
Finance costs				(4,453)
Profit before tax				38,135
Tax				(7,069)
Net profit from ordinary activities attributable to shareholders				31,066

b) Business segments

The following tables present revenue and results for the Group's business segments:

For the six months ended 31 March 2007:

	Exports (Unaudited) HK\$'000	Domestic (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	243,681	39,396	283,077
Segment results	47,155	12,419	59,574
Unallocated revenue			692
Unallocated expenses			(5,534)
Profit from operating activities			54,732
Finance costs			(4,798)
Profit before tax			49,934
Tax			(8,689)
Net profit from ordinary activities attributable to shareholders			41,245

For the six months ended 31 March 2006:

	Exports (Unaudited) HK\$'000	Domestic (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	232,596	6,647	239,243
Segment results	43,466	1,371	44,837
Unallocated revenue			477
Unallocated expenses			(2,726)
Profit from operating activities			42,588
Finance costs			(4,453)
Profit before tax			38,135
Tax			(7,069)
Net profit from ordinary activities attributable to shareholders			31,066

4. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 31 March	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cost of inventories sold	191,395	169,512
Depreciation	7,282	7,135
Research and development costs	-	204

5. FINANCE COSTS

	For the six months ended 31 March	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on interest bearing bank overdrafts, trust receipt loans and other interest bearing bank loans wholly repayable within 5 years	4,798	4,453

6. TAX

	For the six months ended 31 March	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current period provision: Hong Kong profits tax Overseas taxation	-	-
	8,689	7,069
Tax charge for the period	8,689	7,069

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 (2006: Nil). Overseas taxation is related to Macau and PRC tax which has been provided at the applicable income tax rate on the assessable profits based on existing legislation, interpretations and practices in respect thereof.

The taxation on the Group's profit before tax for the period differs from the theoretical amount that would arise using the tax rates prevailing in the jurisdiction in which the Group operates as follows:

	For the six months ended 31 March	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Profit before tax	49,934	38,135
Tax at the statutory rate of 17.5%	8,738	6,674
Effect of different tax rates for companies operating in other jurisdictions	(652)	(785)
Tax effect of non-taxable income	(108)	(65)
Tax effect of non-deductible expenses	642	743
Tax effect of tax losses not recognised	69	502
Tax charge for the period	8,689	7,069

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred taxation in respect of the period (2006: Nil).

7. DIVIDEND

The Board has resolved to declare an interim dividend of HK0.3 cent (2006: HK0.3 cent) per share payable on 8 August 2007 to shareholders whose names appear on the register of members of the Company on 20 July 2007.

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

The calculation of basic earnings per share is based on the Group's unaudited net profit from ordinary activities attributable to shareholders for the period of approximately HK\$41,245,000 (2006: HK\$31,066,000) and the weighted average of 704,091,758 (2006: 653,535,714) ordinary shares in issue during the period.

No dilutive earnings per share is presented for the period ended 31 March 2007 as the Group did not have any potential dilutive ordinary shares outstanding.

The calculation of diluted earnings per share for the period ended 31 March 2006 is based on the Group's unaudited net profit from ordinary activities attributable to shareholders for the period of approximately HK\$31,066,000 and the weighted average number of 700,963,605 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 653,535,714 ordinary shares in issue during the period and the weighted average number of 47,427,891 ordinary shares deemed to be issued at no consideration on exercise of all outstanding share options.

9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days. 100% provision is made for outstanding debts aged over 365 days.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	31 March 2007 (Unaudited) HK\$'000	30 September 2006 (Audited) HK\$'000
1 - 30 days	44,851	42,415
31 - 60 days	42,704	44,770
61 - 90 days	29,899	27,505
	117,454	114,690

10. TRADE PAYABLES

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

An aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of goods purchased, is as follows:

	31 March 2007 (Unaudited) HK\$'000	30 September 2006 (Audited) HK\$'000
1 - 30 days	8,152	9,230
31 - 60 days	1,594	774
61 - 90 days	1,104	1,477
Over 91 days	43	127
	10,893	11,608

11. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised ordinary shares of HK\$0.01 each		
At 30 September 2006 and 31 March 2007	2,000,000	20,000
Issued and fully paid ordinary shares of HK\$0.01 each		
At 30 September 2006	697,500	6,975
Issue of shares upon exercise of share options	26,000	260
Issue of new shares	43,950	440
At 31 March 2007	767,450	7,675

12. CONTINGENT LIABILITIES

As at 31 March 2007, the Company had executed corporate guarantees to banks for banking facilities granted to certain subsidiaries of the Company. These banking facilities have been utilized to the extent of approximately HK\$131.2 million as at 31 March 2007 (30 September 2006: HK\$123.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the period, the Group achieved a turnover of approximately HK\$283.1 million, representing a delightful increase of approximately 18.4% as compared to approximately HK\$239.2 million for the six months ended 31 March 2006. Thanks to the successful expansion strategy into the diamond jewellery retail markets in China under our own brand name, SAVANTI, and the continual robust growths in the global consumer demands of fine diamond jewellery products, the Group maintained satisfactory business growths across its various markets worldwide.

Overall, the Group's gross profit margin achieved an outstanding record of approximately 32.4%, which was attributed to the increase in the domestic sales, as well as the persistent improvements in production efficiency. Net profit from ordinary activities attributable to shareholders was approximately HK\$41.2 million in the period, increased by approximately 32.5% when compared to approximately HK\$31.1 million in the previous corresponding period. Comparing the same period as stated above, the net profit margin improved to 14.6% from the prior level of 13.0%.

The higher growth in net profit from ordinary activities was mainly driven by the higher domestic retail store counts and the increasing domestic sales turnover, despite the fact that only 9 out of 15 stores were reflecting entire six-month results for this interim period, while the remaining 6 stores recorded business results from just one month to four months.

During the period, the selling and distribution expenses of the Group amounted to approximately HK\$26.0 million (2006: HK\$17.3 million). The increase in selling and distribution expenses was mainly attributed to the Group's increased efforts being put on sales, marketing, promotion and exhibition activities.

Despite the increasingly diversified business activities, the Group's administrative expenses for the period maintained fairly stable at approximately HK\$11.6 million (2006: HK\$10.2 million), representing only a mild increase of approximately 13.7% as compared with that of the previous corresponding period.

Products manufactured by the Group were sold to well-diversified global markets, including the United States, Europe, Middle East and Asia. The Group gradually trimmed down its proportion of sales growth to the United States. During the period, the United States accounted for only 40.6% of the Group's turnover when compared to 49.9% stake in the same period in the year of 2006. Meanwhile, the sales to the Europe accounted for about 36.1% (2006: 37.5%) of the Group's turnover, and the sales to the Middle East and Asia markets accounted for about 23.3% (2006: 12.6%) of the Group's turnover.

FUTURE PLANS AND PROSPECTS

Over the past year, the expeditious growing success of SAVANTI stores, the Group's wholly-owned retail chain in China, has well-exceeded management's expectations. The Group foresees, SAVANTI will continue to enable the Group to achieve double-digit growth rates in the second half of this financial year and significantly widen both of its gross and net profit margins.

Being the fastest growing part of the Group's business, SAVANTI not only reached its preliminary target of having 15 stores opened by the end of the period, but it has also reached store-level profitability at nearly all of its stores opened across China. As a result, the management of the Group has reasonable expectations to achieve another record year in 2007, in both sales turnover and profits.

Followed by the opening of the first store in JB Cityplaza, Shanghai in 2005, SAVANTI has rapidly and profitably expanded into the high-end retail markets in China. By the end of the period, SAVANTI already had 15 solely-operated stores spread across China's leading metropolitan cities, namely Shanghai, Hangzhou, Tianjin, Dalian, Harbin, Changchun, Chongqing, and Chengdu, as compared to only 4 stores at the corresponding period in the year of 2006. Over the coming future, SAVANTI will continue its triumphal pace in opening additional stores in the new and existing metropolitan cities across China.

The domestic sales of the SAVANTI stores chain provide considerably higher operating profit margins than the export business, notably 31.5% versus 19.4% in the period ending 31 March 2007. Consequently, the Group's profit margins will continue to improve as the number of SAVANTI stores increase while the domestic sales becomes a significant contributor to the Group's sales turnover.

In fact, the Group has already positioned itself to benefit from the blooming luxury retail markets in China through the successful launch of its own brand name, SAVANTI. Meanwhile, the steady growth momentum of the jewellery retail demands worldwide will continue to fuel the Group's business growth. The Group will maintain its presence in the major international Jewellery trade fairs and exhibitions so as to preserve its market shares and premier clientele.

The Group will continue its strong leading role at producing fine diamond jewellery products with elements of contemporary fashion to meet global demands, due to excellent metallurgical knowledge, stylish designs and skilled jewellery craftsmanship, while leveraging on the productive and efficient labor force in Guangdong, China.

LIQUIDITY AND FINANCIAL RESOURCES

An analysis of the Group's current assets and current liabilities as at 31 March 2007 and the comparison figures as at 30 September 2006 is presented in the balance sheet with the relevant notes to financial statements.

Increases in inventories and trade receivables were in line with the increase in the turnover for the period and more inventories have been reserved for new customer orders and new retail/wholesale network. The Group's inventory turnover, trade receivables turnover and trade payables turnover period were 269 days, 76 days and 10 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.

The Group generally finances its operations through a combination of shareholders' equity, internally generated cash flows and bank borrowings. The capital structure of the Company only consists of share capital and 26,000,000 shares were issued upon exercise of share options and another 43,950,000 new shares were issued during the period. As at 31 March 2007, the shareholders' equity of the Group amounted to about HK\$376.0 million (30 September 2006: HK\$308.7 million). The Group's total bank borrowings as at 31 March 2007 amounted to approximately HK\$131.2 million (30 September 2006: HK\$123.9 million) representing an increase of approximately HK\$7.3 million. The bank borrowings were mainly used for working capital purpose and they were not at fixed interest rates. The maturity of bank borrowing comprised approximately HK\$88.7 million (30 September 2006: HK\$81.4 million) and HK\$42.5 million (30 September 2006: HK\$42.5 million) repayable within one year and repayable more than one year as at 31 March 2007 respectively. The Group's gearing ratio, represented by the bank borrowings over the Group's shareholders' equity, was approximately 34.9% (30 September 2006: 40.1%).

The sales and purchases of the Group's products and raw materials are mainly denominated in US dollars, Hong Kong dollars and Renminbi. The cash and bank balances and bank borrowings of the Group are also mainly denominated in US dollars, Hong Kong dollars and Renminbi. The Group's exposure to fluctuations in foreign exchange rates is minimal and the Group does not engage in any hedging contracts.

Apart from those set out above, the current information in other management and discussion analysis has not changed materially from those information disclosed in the last published 2006 annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 July 2007, Wednesday to 20 July 2007, Friday, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the aforesaid interim dividend, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 17 July 2007, Tuesday.

EMPLOYEES AND EMPLOYMENT POLICIES

As at 31 March 2007, the Group had approximately 162 employees with remuneration of approximately HK\$6.0 million for the period under review. The Group's emolument policies are formulated on the performance of individual employee and will be reviewed regularly every 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

During the six months ended 31 March 2007, the Company has complied with the code provisions of the Code on Corporate Governance Practices 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").

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

As at the date of this announcement, the executive directors of the Company are Mr. Wong Chi Ming, Jeffry, Mr. Chung Yuk Lun and Mr. Yu Fei, Philip and the independent non-executive directors of the Company are Mr. Lee Pak Chung, Mr. Chan Man Kiu and Mr. Tam Ping Kuen, Daniel.

Hong Kong, 5 June 2007

* For identification purpose only