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 2009

ANNUAL RESULTS

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 2009, together with the comparative figures for the year ended 30 September 2008, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 30 September 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
TURNOVER	*3*	**679,342**	649,970
COST OF SALES		**(459,574)**	(407,062)
GROSS PROFIT		**219,768**	242,908
OTHER REVENUE	*4*	**927**	1,743
SELLING AND DISTRIBUTION EXPENSES		**(96,852)**	(105,649)
ADMINISTRATIVE EXPENSES		**(88,228)**	(27,460)
PROFIT FROM OPERATING ACTIVITIES	*6*	**35,615**	111,542
FINANCE COSTS	*7*	**(7,329)**	(11,675)
PROFIT BEFORE TAX		**28,286**	99,867
TAX	*8*	**(14,445)**	(14,580)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**13,841**	85,287
DIVIDENDS	*9*		
Interim		**–**	2,302
Proposed final		**–**	3,837
		–	6,139
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS	*10*		
– Basic		**HK1.7 cents**	HK11.1 cents
– Diluted		**HK1.5 cents**	Nil

CONSOLIDATED BALANCE SHEET
At 30 September 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**60,284**	81,846
CURRENT ASSETS			
Inventories		**494,570**	488,922
Trade receivables	*11*	**194,293**	129,999
Prepayments, deposits and other receivables		**27,186**	20,494
Cash and cash equivalents		**211,144**	167,588
		927,193	807,003
CURRENT LIABILITIES			
Trade payables	*12*	**10,177**	21,448
Other payables and accruals		**6,369**	7,925
Secured interest bearing bank borrowings, due within 1 year		**214,890**	112,423
Tax payables		**77,274**	75,719
		308,710	217,515
NET CURRENT ASSETS		**618,483**	589,488
TOTAL ASSETS LESS CURRENT LIABILITIES		**678,767**	671,334
NON-CURRENT LIABILITIES			
Secured interest bearing bank borrowings, due after 1 year		**–**	153,000
NET ASSETS		**678,767**	518,334
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**9,578**	7,675
Reserves		**669,189**	506,822
Proposed final dividend	*9*	**–**	3,837
		678,767	518,334

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standard ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

The adoption of the new HKFRSs had no material effect on how the consolidated financial statements for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKAS 32 (Amendment)	Classification of Rights Issues[6]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]

HKAS 39 (Amendment)	Eligible Hedged Items[5]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[7]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[7]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[5]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 July 2009
6 Effective for annual periods beginning on or after 1 February 2010
7 Effective for annual periods beginning on or after 1 January 2010
8 Effective for annual periods beginning on or after 1 January 2013

3. TURNOVER

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 year.

4. OTHER REVENUE

	2009	2008
	HK$'000	*HK$'000*
Interest income	**906**	1,466
Others	**21**	277
	927	1,743

5. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, segment information is presented by way of 2 segment formats: (a) on a primary segment reporting basis, by geographical segment; and (b) on a secondary segment reporting basis, by business segment.

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

Each of the Group's geographical segments, based on the location of customers, represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of other geographical segments. The Group's geographical segments are as follows:

(a) United States;

(b) Europe; and

(c) Middle East and Asia.

In determining the Group's geographical segments, revenue is attributed to the segments based on the location of customers and assets are attributed to the segments based on the location of assets.

(a) (i) Geographical segments based on the location of customers

The following tables present revenue, results and certain asset, liability and expenditure information of the Group's geographical segments for the years ended 30 September 2009 and 2008.

	United States		**Europe**		**Middle East and Asia**		**Consolidated**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**127,205**	142,355	**143,855**	182,307	**408,282**	325,308	**679,342**	649,970
Segment results	**10,293**	18,424	**17,530**	24,700	**71,980**	85,552	**99,803**	128,676
Unallocated revenue							**928**	1,743
Unallocated expenses							**(65,116)**	(18,877)
Profit from operating activities							**35,615**	111,542
Finance costs							**(7,329)**	(11,675)
Profit before tax							**28,286**	99,867
Tax							**(14,445)**	(14,580)
Net profit from ordinary activities attributable to shareholders							**13,841**	85,287
Segment assets	**145,254**	157,878	**164,266**	202,184	**466,211**	360,777	**775,731**	720,839
Unallocated assets	**–**	–	**–**	–	**–**	–	**211,746**	168,010
Total assets	**145,254**	157,878	**164,266**	202,184	**466,211**	360,777	**987,477**	888,849
Segment liabilities	**2,311**	5,633	**2,613**	7,214	**7,416**	12,872	**12,340**	25,719
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**296,370**	344,796
Total liabilities	**2,311**	5,633	**2,613**	7,214	**7,416**	12,872	**308,710**	370,515
Other segment information:								
Depreciation	**2,313**	3,319	**2,616**	4,251	**7,426**	7,585	**12,355**	15,155
Capital expenditure	**2**	1,640	**3**	2,100	**7**	3,747	**12**	7,487

(ii) Geographical segments based on the location of assets

	Hong Kong		Macau		PRC		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**93,628**	73,213	**25**	145	**893,824**	815,491	**987,477**	888,849
Capital expenditure	**12**	49	**–**	–	**–**	7,438	**12**	7,487

(b) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information of the Group's business segments for the years ended 30 September 2009 and 2008.

	Exports		Domestic		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**332,997**	393,549	**346,345**	256,421	**679,342**	649,970
Segments results	**31,986**	45,375	**67,817**	83,301	**99,803**	128,676
Unallocated revenue					**928**	1,743
Unallocated expenses					**(65,116)**	(18,877)
Profit from operating activities					**35,615**	111,542
Finance costs					**(7,329)**	(11,675)
Profit before tax					**28,286**	99,867
Tax					**(14,445)**	(14,580)
Net profit from ordinary activities attributable to shareholders					**13,841**	85,287
Segment assets	**384,765**	303,179	**390,966**	417,660	**775,731**	720,839
Unallocated assets	**–**	–	**–**	–	**211,746**	168,010
Total assets	**384,765**	303,179	**390,966**	417,660	**987,477**	888,849
Segment liabilities	**5,578**	10,016	**6,762**	15,703	**12,340**	25,719
Unallocated liabilities	**–**	–	**–**	–	**296,370**	344,796
Total liabilities	**5,578**	10,016	**6,762**	15,703	**308,710**	370,515
Other segment information:						
Depreciation	**7,559**	9,853	**4,796**	5,302	**12,355**	15,155
Capital expenditure	**12**	532	**–**	6,955	**12**	7,487

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2009 *HK$'000*	2008 *HK$'000*
Cost of inventories sold	**459,574**	407,062
Depreciation	**12,355**	15,155
Loss on disposal of property, plant and equipment	**9,291**	2,284
Net foreign exchange loss/(gain)	**48**	(42)
Share-based payment expenses	**51,366**	–
Minimum lease payments under operating leases on leasehold land and buildings	**34,807**	40,490
Staff costs (excluding directors' remuneration):		
Wages and salaries	**18,714**	20,690
Retirement benefits scheme contributions	**874**	804
	19,588	21,494
Auditor's remuneration	**2,050**	1,950

7. FINANCE COSTS

	2009 *HK$'000*	2008 *HK$'000*
Interest on interest bearing bank overdrafts, trust receipt loans and other interest bearing bank loans wholly repayable within 5 years	**7,329**	11,675

8. TAX

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

	2009 *HK$'000*	2008 *HK$'000*
Current year provision:		
Hong Kong profits tax	**–**	–
Overseas taxation	**14,445**	14,580
Tax charge for the year	**14,445**	14,580

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

(b) 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.

No provision for deferred taxation has been made as the Group did not have any significant unprovided deferred taxation in respect of the year (2008: Nil).

9. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 30 September 2009 (2008 interim dividend: HK0.3 cent per share and 2008 proposed final dividend: HK0.5 cent per share in scrip).

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

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

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

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary shareholders of the Company, used in the basic and diluted earnings per share calculation	**13,841**	85,287

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**810,066,731**	767,450,000
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**50,814,649**	–
Share options	**45,691,385**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**906,572,765**	767,450,000

11. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

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:

	2009	2008
	HK$'000	*HK$'000*
1 – 30 days	**73,148**	45,956
31 – 60 days	**62,853**	43,961
61 – 90 days	**38,748**	40,082
91 – 120 days	**19,544**	–
	194,293	129,999

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**194,293**	129,999

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

12. 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:

	2009	2008
	HK$'000	*HK$'000*
1 – 30 days	**9,703**	20,453
31 – 60 days	**186**	31
61 – 90 days	**282**	338
91 – 180 days	**6**	417
181 – 360 days	**–**	209
	10,177	21,448

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date (2008: Nil).

The Company has given guarantees in favour of certain banks to the extent of approximately HK$236,250,000 (2008: HK$404,250,000) in respect of banking facilities granted to certain subsidiaries of the Company. As at 30 September 2009, the banking facilities utilised by these subsidiaries amounted to approximately HK$214,890,000 (2008: HK$265,423,000).

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Ming Fung Jewellery Group Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual result of the Group for the year ended 30 September 2009.

Financial Performance

For the year ended 30 September 2009, the Group achieved another record-high turnover of approximately HK$679.3 million, representing a moderate increase of approximately 4.5% as compared to approximately HK$650.0 million in the previous financial year. For the year ended 30 September 2009, due to the fact that the company had granted shares options under the share option scheme of the company, non-cash item of HK$51.4 million was incurred in the administration expenses. As affected by this accounting item, net profit attributable to the shareholders dropped to approximately HK$13.8 million, representing a decrease of 83.8% over the previous year, while net profit margin was reduced by 84.7% to approximately 2.0% as compared to 13.1% over the previous year. If this non-cash item were not accounted for, the Group's net profit should be maintained at approximately HK$65.2 million, while net profit margin should also be maintained at approximately 9.6% instead.

Business Review

With the effect of the slowing down of the economies in United States and Europe caused by the worldwide financial crisis, the Group encountered difficulties in exploring its export business for the year ended 30 September 2009. The entire export sales slid down by approximately 15.4% to HK$333.0 million as compared to HK$393.5 million in the previous year. The drop was mainly attributed to the continued slow down of jewellery demand and product orders from the major markets in United States and Europe. However, the situation started to turnaround and showed slight improvements after September 2009. Besides the sales decline, the gross profit margins on export sales to United States and Europe were under pressure as pricing competition had increased while the demand remained weak. Despite the challenges in the export markets, the Group was still able to maintain an overall business growth. The growth in business turnover was mainly attributable to the increase of retail and wholesale businesses in the domestic market in PRC. Overall, the negative impact in export sales during the year was offset by the Group's successful strategies in its continuous expansion of the domestic jewellery markets in PRC, and in its continuous reduction of its reliance on the export jewellery markets in United States and Europe.

For the year ended 30 September 2009, domestic sales revenue in PRC contributed 51.0% of the Group's turnover and 67.9% of the Group's operating profits, and became the Group's largest contribution to total sales revenue as well as operating profits. Meanwhile, the Group's gross profit margin was maintained at a level of approximately 32.4% because of the persistent increase of the Group's domestic sales which provided higher gross profit margins than the export business, in the financial period under review.

During the year, the selling and distribution expenses of the Group amounted to approximately HK$96.9 million. The successful reduction in selling and distribution expenses was mainly attributed to improved efficiency in sales operation. At the same time, the Group's administrative expenses for the year had risen to approximately HK$88.2 million, an increase by 220.7% as compared to HK$27.5 million in the previous financial year, due to the accounting treatment of a non-cash item of HK$51.4 million related to the granting of share options under the share option scheme of the company during the financial year.

In 2009, the Group launched its first store-in-store venture with an experienced local jewellery retail chain in Southern China in some of its most profitable stores to sell SAVANTI-branded jewellery items and shared the revenue generated. This co-operation helped SAVANTI expand into the Southern cities in PRC at lower costs and minimized risks and build up its image and reputation.

During the period under review, the Group decided to expand its business into gold minerals exploration and exploitation, so as to strengthen its income streams, to diversify the overall market risks in jewellery manufacturing and sales and to enhance the Group's further revenue and profit growths in the future.

In consideration of the fact that the Group is a heavy end user of gold and gold-related materials in the manufacturing of jewellery products, and that the global demand for gold and gold-related materials had started to rally as a result of the weak United States dollars, the Group entered into three sales and purchase agreements during the second half of the financial period in 2009 to acquire a number of gold exploration and exploitation properties in the provinces of Inner Mongolia, Anhui Province, and Shandong Province in PRC. The Group had appointed SRK China Consulting Ltd. ("SRK"), a globally-renowned gold-ore review, exploration and exploitation expert, as our Technical Adviser for the gold exploration and exploitation properties acquired.

Future Plans and Prospects

Utilizing its established network and resources in PRC as well as in Asia, the Group is actively looking for more investment opportunities in gold exploration and exploitation. With a diverse income stream of gold resources, jewellery manufacturing, and jewellery sales, the Group is confident to continue its success and growth.

Meanwhile, the Group continues its efforts in exploring the opportunities which may arise in the jewellery sales markets in PRC. Regarding the Group's export business, in view of the recovery of the global economy, the Group foresees gradual improvement in the overall demand for jewellery products in United States and Europe.

Overall, the Group will continue to expand the market in PRC whereas the contribution of sales revenue and operating profits from the export sales segment to the Group is expected to be maintained in the coming year, despite increased material costs, shipping and operation expenses. At the same time, the Group will preserve its present worldwide clientele and market position by maintaining its presence in major international jewellery fairs.

Wong Chi Ming, Jeffry
Chairman
Hong Kong
15 January 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the financial year ended 30 September 2009, the turnover of the Group was about HK$679.3 million, representing an increase of about 4.5% as compared to the previous financial year. The increase in turnover of the Group for the year was mainly attributable to our continuous expansion in the domestic jewellery markets in PRC.

The net profit from ordinary activities attributable to shareholders was about HK$13.8 million, representing a decrease of 83.8% when compared that of the previous financial year. The drop in net profit was mainly due to a non-cash item related the issuance of share options under the share option scheme of the company of HK$51.4 million which was included in the administration expenses. The gross profit margin of the Group was about 32.4%, 13.4% lower as compared to 37.4% in the previous financial year. The net profit margin of the Group for the year was approximately 2.0%, 84.7% lower as compared to 13.1% in the previous financial year. If the non-cash item were not accounted for, the Group's net profit should be maintained at HK$65.2 million, while net profit margin should be maintained at 9.6% instead.

The operating expenses net of other revenue amounted to approximately HK$184.1 million (2008: HK$131.4 million). The percentage of these expenses to turnover was approximately 27.1% (2008: 20.2%), which was increased by 34.2% when compared to the previous financial year.

For the financial year ended 30 September 2009, the Group invested approximately HK$0.01 million in property, plant and equipment (2008: HK$7.5 million).

Operations Review

Products manufactured by the Group were sold to a well-diversified global market, including United States, Europe, Middle East and Asia. When compared to the results in the previous financial year, the Group continued to achieve higher growths in the sales to Middle East and Asia with a decline in the sales to United States, and Europe. Overall, turnover of the Group increased to approximately HK$679.3 million, representing an increase of 4.5% when compared to that of last year. The increase in turnover was attributed to the Group's successful efforts to continue its focus on the domestic jewellery markets in PRC while largely reduced its reliance on the export markets to United States and Europe. For the financial year ended 30 September 2009, export sales to United States accounted for only 18.7% of the Group's turnover, while export sales to Europe accounted for only 21.2% of the Group's turnover. Meanwhile, the export sales to Middle East and Asia accounted for more than 60.1% of the Group's turnover in the previous financial year.

For the financial year ended 30 September 2009, the Group improved its net current assets position from HK$589.5 million to HK$618.5 million. The net current assets comprise of inventories of HK$494.6 million (2008: HK$488.9 million), trade receivables of about HK$194.3 million (2008: HK$130.0 million), other receivables of about HK$27.2 million (2008: HK$20.5 million), cash and bank balances of about HK$211.1 million (2008: HK$167.6 million) and current liabilities of about HK$308.7 million (2008: HK$217.5 million).

The Group's inventory turnover, trade receivables turnover and trade payables turnover periods were 392 days, 104 days and 8 days respectively. The inventory turnover period was slightly shortened as the Group improved on its sales operations. Overall, these turnover periods were consistent and complied with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

Liquidity and Financial Resources

During the year, the Group financed its operations and investing activities through a combination of operating cash inflows and interest bearing bank borrowings. The capital structure of the Company solely consists of share capital. As at 30 September 2009, the shareholders' equity of the Group amounted to HK$678.8 million (2008: HK$518.3 million).

The Group's total interest bearing bank borrowings as at 30 September 2009 amounted to approximately HK$214.9 million, representing a decrease of approximately HK$50.5 million when compared to HK$265.4 million in the previous financial year. The interest bearing bank borrowings were mainly used for working capital in the expansion of the domestic sales network in PRC and carried at commercial lending interest rates. The maturity of interest bearing bank borrowings comprised of approximately HK$214.9 million (2008: HK$112.4 million) and Nil (2008: HK$153.0 million) repayable within 1 year and repayable more than 1 year respectively.

For the HK$214.9 million interest bearing bank borrowings repayable within 1 year, it comprised of HK$153.0 million syndicated bank borrowing and HK$61.9 million trust receipt loan and bank overdraft. The Group had reserved cash for the repayment of the HK$153 million syndicated bank borrowing. The Group's net gearing ratio for the year was 1.0% (2008: 19.0%) and was kept at a comfortable level. On the whole, the Group kept a strong and adequate financial position during the year under review and is well prepared for cashflow budget in the coming year.

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

As at 30 September 2009, the Group did not have any capital commitments (2008: Nil). The Group did not have any significant contingent liabilities as at 30 September 2009 (2008: Nil).

As at 30 September 2009, the Company has given guarantees in favour of certain banks to the extent of approximately HK$236.3 million (2008: HK$404.3 million) in respect of banking facilities granted to certain subsidiaries of the Company. As at 30 September 2009, the banking facilities utilised by these subsidiaries amounted to approximately HK$214.9 million (2008: HK$265.4 million).

Employee and Remuneration Policies

As at 30 September 2009, the Group had approximately 204 employees with remuneration of approximately HK$18.7 million. The Group's emolument policies are formulated according to the performance of individual employee and will be reviewed regularly every year.

Save as disclosed above, the current information in other management and discussion analysis has not changed materially from the information disclosed in the last published 2009 interim report.

Closure of Register of Members

The register of members will be closed from 24 March 2010 to 26 March 2010 (both dates 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 23 March 2010.

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

The Company has complied throughout the year ended 30 September 2009 with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules with deviation on role segregation of chairman and chief executive officer.

Code Provision A.2.1

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 and meet from time to time to discuss issues affecting the operations of the Company.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in the Company's 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 standard set out in the Model Code.

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.

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 2009.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2009 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 dispatched to shareholders in due course.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to the management and staff members for their continued dedication and contribution. I would also like to express our gratitude to our shareholders for their support to the Group.

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, 15 January 2010

* *For identification purpose only*