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 2011

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 2011, together with the comparative figures for the year ended 30 September 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	3	**890,367**	730,410
COST OF SALES		**(645,223)**	(518,660)
GROSS PROFIT		**245,144**	211,750
OTHER INCOME	5	**3,531**	1,011
SELLING AND DISTRIBUTION EXPENSES		**(53,483)**	(47,181)
ADMINISTRATIVE EXPENSES		**(23,875)**	(51,567)
PROFIT FROM OPERATING ACTIVITIES	6	**171,317**	114,013
FINANCE COSTS	7	**(492)**	(2,672)
PROFIT BEFORE TAX		**170,825**	111,341
TAX	8	**(39,353)**	(22,662)
PROFIT FOR THE YEAR		**131,472**	88,679
OTHER COMPREHENSIVE INCOME:			
Exchange difference arising on translation of foreign operations		**11,048**	13,127
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**142,520**	101,806

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 30 September 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**131,308**	88,979
Non-controlling interests		**164**	(300)
		131,472	88,679
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**144,706**	99,799
Non-controlling interests		**(2,186)**	2,007
		142,520	101,806
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS	*10*		
Basic		**HK4.31 cents**	HK4.53 cents
Diluted		**HK4.11 cents**	HK4.16 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Mining rights		**318,000**	324,290
Exploration and evaluation assets		**100,013**	100,013
Property, plant and equipment		**48,123**	43,552
Goodwill		**526,957**	–
		993,093	467,855
CURRENT ASSETS			
Inventories		**980,962**	628,876
Trade receivables	*11*	**227,334**	228,048
Prepayments, deposits and other receivables		**70,258**	27,517
Cash and cash equivalents		**464,758**	216,832
		1,743,312	1,101,273
CURRENT LIABILITIES			
Trade payables	*12*	**72,396**	11,379
Other payables and accruals		**58,533**	6,678
Secured interest bearing bank borrowings		**–**	3,545
Tax payables		**78,247**	78,751
		209,176	100,353
NET CURRENT ASSETS		**1,534,136**	1,000,920
NET ASSETS		**2,527,229**	1,468,775
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**36,490**	24,986
Reserves		**2,333,574**	1,295,114
		2,370,064	1,320,100
NON-CONTROLLING INTERESTS		**157,165**	148,675
		2,527,229	1,468,775

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

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 with the exception of certain assets and liabilities, which (where appropriate) were measured at fair value, as explained in the accounting policies set out below. 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

In the current year, the Group has applied, for the first time, the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs in 2009
HKFRSs (Amendments)	Amendments to HKAS 27 and HKFRS 3 as Part of Improvements to HKFRSs issued in 2010
HKAS 17	Leases
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 36 (Amendments)	Impairment of Assets
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HK Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[5]
HKFRSs (Amendments)	Improvements to HKFRSs in 2010[1]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[5]
HKFRS 11	Joint Arrangements[5]
HKFRS 12	Disclosure of Interests in Other Entities[5]
HKFRS 13	Fair Value Measurement[5]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine[5]

1 Effective for annual periods beginning on or after 1 January 2011.
2 Effective for annual periods beginning on or after 1 July 2011.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements of the Group.

3. REVENUE

Revenue 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. SEGMENT INFORMATION

HKFRS 8 "Operating Segments" replaces HKAS 14 "Segment Reporting" with effect from 1 October 2009, HKFRS 8 is a disclosure standard that requires that disclosure of information about the Group's operating segments. It replaces the requirements under HKAS 14 to determine the primary (business) and secondary (geographical) reporting operating segments of the Group. Adoption of this standard did not have any effect on the Group's results of operations or financial position. The Group has determined that the operating segments are substantially the same as the business segments previously identified under HKAS 14.

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

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

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

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

(i) **Operating segments**

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

For the year ended 30 September 2011:

	Exports *HK$'000*	**Domestic** *HK$'000*	**Mining** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:				
Sales to external customers	203,027	687,340	–	890,367
Segment results	4,328	179,376	(1,827)	181,877
Unallocated revenue				3,531
Unallocated expenses				(14,091)
Profit from operating activities				171,317
Finance costs				(492)
Profit before tax				170,825
Tax				(39,353)
Profit for the year				131,472
Segment assets	316,998	1,516,674	432,958	2,266,630
Unallocated assets	–	–	–	469,775
Total assets	316,998	1,516,674	432,958	2,736,405
Segment liabilities	5,936	112,663	8,700	127,299
Unallocated liabilities	–	–	–	81,877
Total liabilities	5,936	112,663	8,700	209,176
Other segment information:				
Depreciation	6,826	211	–	7,037
Capital expenditure	–	534,031	–	534,031

(i) Operating segments

For the year ended 30 September 2010:

	Exports *HK$'000*	Domestic *HK$'000*	Mining *HK$'000*	Consolidated *HK$'000*
Segment revenue:				
Sales to external customers	293,124	437,286	–	730,410
Segment results	45,134	102,169	(2,160)	145,143
Unallocated revenue				1,011
Unallocated expenses				(32,141)
Profit from operating activities				114,013
Finance costs				(2,672)
Profit before tax				111,341
Tax				(22,662)
Profit for the year				88,679
Segment assets	771,892	153,528	425,614	1,351,034
Unallocated assets	–	–	–	218,094
Total assets	771,892	153,528	425,614	1,569,128
Segment liabilities	4,921	9,181	901	15,003
Unallocated liabilities	–	–	–	85,350
Total liabilities	4,921	9,181	901	100,353
Other segment information:				
Depreciation	7,630	269	–	7,899
Capital expenditure	–	–	417,763	417,763

(ii) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, mining rights and exploration and evaluation assets ("specified non-current assets"). The Group's revenue from external customers by geographical markets and information about its specified non-current assets by geographical location of the assets are detailed below:

	United States		**Europe**		**Middle East and Asia**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**75,119**	106,155	**69,264**	116,198	**745,984**	508,057	**890,367**	730,410
Specified non-current assets	**4,060**	6,330	**3,745**	6,928	**985,288**	454,597	**993,093**	467,855

There are no revenue from any single external customers that contributed over 10% on the total sales of the Group during the years ended 30 September 2011 and 2010.

5. OTHER INCOME

	2011 *HK$'000*	2010 *HK$'000*
Bank interest income	**2,164**	932
Others	**1,367**	79
	3,531	1,011

6. PROFIT FROM OPERATING ACTIVITIES

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

	2011 *HK$'000*	2010 *HK$'000*
Cost of inventories sold	**645,523**	518,660
Depreciation	**7,037**	7,899
Loss on disposal of property, plant and equipment	**92**	9,170
Net foreign exchange gain	**(1,110)**	(418)
Share-based payment expenses	**–**	20,009
Minimum lease payments under operating leases on leasehold land and buildings	**3,467**	647
Staff costs (excluding directors' remuneration):		
Wages and salaries	**10,732**	8,939
Retirement benefits scheme contributions	**757**	409
	11,489	9,348
Auditor's remuneration	**2,840**	2,200

7. FINANCE COSTS

	2011 *HK$'000*	2010 *HK$'000*
Interest on interest bearing bank overdrafts, trust receipt loans and other interest bearing bank loans wholly repayable within 5 years	**492**	2,672

8. TAX

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

	2011	2010
	HK$'000	*HK$'000*
Current year provision:		
Hong Kong profits tax	**–**	–
Overseas taxation	**39,353**	22,662
Tax charge for the year	**39,353**	22,662

(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 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 (2010: Nil).

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

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

One of the subsidiaries was subject to PRC Enterprise Income Tax at a preferential rate of 22% and 24% tax rate for the year ended 30 September 2011 (2010: 22%).

9. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 30 September 2011 (2010: Nil).

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.

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.

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

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary shareholders of the Company, used in the basic and diluted earnings per share calculation	**131,472**	88,679

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,049,689,666**	1,957,978,829
Effect of dilution – weighted average number of ordinary shares:		
Share options	**147,516,472**	171,523,262
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**3,197,206,138**	2,129,502,091

The computation of diluted earning per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price of shares for 2011.

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 end of the reporting period, based on the date of recognition of the sale, is as follows:

	2011	2010
	HK$'000	*HK$'000*
1 – 30 days	**121,989**	86,367
31 – 60 days	**89,654**	76,864
61 – 90 days	**15,691**	64,817
	227,334	228,048

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

	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**227,334**	228,048

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 end of the reporting period, based on the date of receipt of goods purchased, is as follows:

	2011	2010
	HK$'000	*HK$'000*
1 – 30 days	**35,364**	11,379
31 – 60 days	**13,920**	–
61 – 90 days	**5,658**	–
91 – 180 days	**17,067**	–
181 days and above	**387**	–
	72,396	11,379

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period (2010: Nil).

The Company has given guarantees in favour of certain banks to the extent of approximately HK$50,000,000 (2010: HK$50,000,000) in respect of banking facilities granted to certain subsidiaries of the Company. As at 30 September 2011, none of the banking facilities were utilised by these subsidiaries (2010: HK$3,545,000).

CHAIRMAN'S STATEMENT

Set for Record Sales Spike in China

2011 was another flourishing year for the Group. With strong domestic sales, our revenue hit another record high despite global economic uncertainties and our strong performance has once again fully demonstrated our ability to deliver substantial and sustainable value to our shareholders. In recent years, the Group has continued to benefit from a luxury consumption boom in China -- the world's second largest economy. Despite China's GDP growth rising a more moderate 9.1 per cent in the third quarter of 2011 from 9.5 per cent in the prior quarter; the country's annual per capita urban disposable income reached RMB16,301, up 13.7 per cent year-on-year. Backed by rising household incomes, accelerating urbanisation and hence an emerging affluent middle class, the Group is confident about the market potential of its luxury jewellery business given the appreciation of the RMB and the anticipated favourable tariff policy on luxury goods, -- and the capacity of both developments to boost domestic consumption. According to the 10th Edition of Bain & Company's "Luxury Goods Worldwide Market Survey" released in October 2011, China already makes up over 20 per cent of global luxury goods sales and may be the world's No. 1 luxury goods market if overseas luxury purchases are included, overtaking the United States. Furthermore, China will officially surpass Japan as the second largest luxury market by the end of 2011. Thus, domestic sales will continue to serve as a strong growth driver for the Group's sales.

Stellar Performance Complemented by Forward-Looking Strategies

The Group is committed to providing high-end jewellery products of exquisite taste to our global clientele. To further bolster our well established market share and sales network to withstand market turbulence, we have completed several successful strategic partnerships and acquisitions during the year under review. In October 2010, the Group forged a strategic partnership with Hengdeli Holdings Limited ("Hengdeli"), the world's largest retailer and wholesaler of high prestige global brand watches, which enabled us to develop and supply jewellery products for sale in Hengdeli's over 300 retail outlets in China. In response to the growing appetite for such refined items, the Group inked a memorandum of understanding (MOU) in March 2011 with Damiani, a leading and well-established Italian luxury jewellery brand since 1924, for the exclusive distribution and sale of jewellery and watches bearing the "Damiani" trademark in the Greater China region. In July 2011, we announced a strategic investment partnership with L Capital Asia, L.L.C. ("L Capital"), the fourth fund from L Capital sponsored by global luxury leader LVMH Italia S.P.A. ("LVMH"), to become one of our major shareholders, providing a synergistic blend of possessing a vast global network and having expertise in the high-end consumer and retail business.

Export sales were restrained by the intensifying debt crisis taking place in Europe and the United States. However, by pursuing complementary shrewd and strategic moves and offering diverse ranges of luxury jewellery products, the Group has successfully maintained its stellar performance by posting another record high annual revenue via sustainable year after year domestic sales growth. During the year under review, the Group reported total revenue and gross profit of HK$890.4 million and HK$245.1 million, respectively. Our income for the year was mainly derived from strong domestic sales which constituted 77.2 per cent of total sales. Undoubtedly, market sentiment affected demand for luxury jewellery products in the United States and Europe, but the Group managed to steer clear from peril by capitalizing on a successful retail network expansion to fortify our growing market share in luxury jewellery markets.

On 8 June 2011, the Group successfully acquired Shenzhen Qijingda Trade Company Limited ("Shenzhen Qijingda"), the exclusive distributor of Gucci timepieces in China, Hong Kong and Macau, which is poised to become another dominant revenue driver of the Group in the near future. In September 2011, we also signed a sale and purchase agreement to acquire 90 per cent of OMAS International S.A. ("OMAS"), the sole owner and manufacturer of fine writing instruments and accessories which bear the trademark "OMAS" from Hengdeli, while the remaining 10 per cent stake in OMAS would remain with LVMH. The Group will join hand-in-hand with LVMH together with Hengdeli to further expand OMAS' well-established international presence as a first tier Italian luxury jewellery brand – in particular regarding its domestic sales business in China. Such moves will allow the Group to further enhance its market position as one of the top leading jewellery manufacturers and distributors in China, providing diverse ranges of high-end jewellery products to tap into the booming retail market in China.

As for the gold mining business, the Group signed a cooperation agreement with a leading professional mining company to engage in the exploitation of gold mines located in Chi Feng City, Inner Mongolia Autonomous Region, PRC, which is expected to generate revenue and profitability for the Group in the coming financial year. As for the gold mines located in Chi Zhou City, Anhui Province, PRC, the detailed exploration work has been successfully launched during the year under review and we will continue to carry out such work as necessary to prepare for the exploitation of these mines in the future.

A Mixed but Positive Outlook

In the year ahead, we believe the markets remain highly volatile and uncertainty abounds, especially among the major developed economies including the United States and Europe. However, we continue to eye the vast Chinese market, currently the world's second largest consumer market for luxury goods, and expect continuous rapid double-digit growth in luxury consumption supported by the increasingly affluent Chinese. Looking ahead, we will strengthen our collaboration with Hengdeli and LVMH, making the best use of their extensive retail networks and profound experience of luxury goods retail markets on one hand, while also broadening our product portfolio with a focus ranging from mid-to-high-end luxury jewellery businesses on the other. Meanwhile, to capture the lucrative luxury market in China, we will continue to increase the presence of our sales outlets and we have consistently been on the lookout for strategic merger and acquisition opportunities in order to bolster our distribution network and enhance relationships with international brands. We strongly believe that the positive recent steps we have taken, coupled with the favourable industry outlook in Greater China, will allow us to continue to achieve fruitful results.

The Group holds a bearish view on export sales amid the dark clouds hanging over Europe and the United States resulting in negative market sentiment. We remain prudent on our continuous shrinking export sales business and plan to shift our resources to concentrate on our domestic sales business development in order to further enhance our presence in the retail luxury jewellery market in China.

Wong Chi Ming, Jeffry
Chairman
Ming Fung Jewellery Group Limited
Hong Kong
30 December 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 30 September 2011, turnover of the Group increased by 21.9 per cent to approximately HK$890.4 million as compared to HK$730.4 million for the previous year. The increase was mainly due to revenue growth generated from strong domestic sales, plus contributions from the broadened and extensive sales outlets of the Group in China via successful strategic acquisitions during the year, all of which further bolstered our sales performance.

Domestic sales continued to be the key revenue driver and constituted 77.2 per cent of total sales, while export sales accounted for the balance of 22.8 per cent, as compared to 59.9 per cent and 40.1 per cent, respectively, during the same period last year. Revenue from domestic sales increased by HK$250.0 million, or 57.2 per cent, from HK$437.3 million for the year ended 30 September 2010 to HK$687.3 million for the year ended 30 September 2011. The promising results were primarily attributable to a strong and enduring domestic demand of the Group's products and an increase in the number of sales outlets across China. Export sales dropped 30.7 per cent from HK$293.1 million for the year ended 30 September 2010 to HK$203.0 million for the year ended 30 September 2011, primarily due to the change in global market sentiment which was severely affected by the European debt crises as well as the stagnant economy in the United States.

The Group's gross profit amounted to HK$245.1 million, up 15.7 per cent year-on-year from HK$211.8 million. Our gross margin decreased by 150 basis points to 27.5 per cent. Profit attributable to shareholders for the year was HK$131.5 million, a significant increase of 48.3 per cent from HK$88.7 million achieved over the same period last year, which allowed our net profit margin for fiscal year 2011 to improve to 14.8 per cent from 12.1 per cent in the corresponding period of last year.

For the year ended 30 September 2011, selling and distribution expenses were approximately HK$53.5 million, an increase of 13.4 per cent compared to HK$47.2 million over the same period last year, the increased portion is mainly due to the acquisition of Shenzhen Qijingda. In addition, administrative expenses declined 53.7% to approximately HK$23.9 million from approximately HK$51.6 million due to the share-based payment expenses of HK$20.0 million booked in the administrative expenses in the previous year.

Due to increased turnover and gross profit margin, the Group recorded an operating profit of approximately HK$171.3 million for the year under review, representing a 50.3 per cent increase when compared with that of the previous year.

Liquidity and Financial Resources

Finance costs during the year under review decreased further to HK$0.5 million, representing a significant improvement from approximately HK$2.7 million for the previous year, resulting from a significant decrease in bank borrowings.

For the financial year ended 30 September 2011, non-current assets increased from HK$467.9 million to HK$993.1 million subsequent to the completion of the acquisition of Shenzhen Qijingda.

The Group's net current assets further increased from HK$1,001.0 million to HK$1,534.1 million, primarily due to the acquisition of Shenzhen Qijingda. The net current assets are comprised of inventories of HK$981.0 million (2010: HK$628.9 million), trade receivables of about HK$227.3 million (2010: HK$228.0 million) and other receivables of approximately HK$70.3 million (2010: HK$27.5 million).

The Group has ended the 2011 business year with a very strong balance sheet. As at 30 September 2011, the Group's cash and bank balances amounted to approximately HK$464.8 million which doubled that of approximately HK$216.8 million in 2010. As at 30 September 2011, the Group's current liabilities increased by approximately HK$108.8 million from HK$100.4 million as at 30 September 2010 to HK$209.2 million as at 30 September 2011.

The Group's inventory turnover, trade receivables turnover and trade payables turnover periods were 555 days, 93 days and 41 days, respectively. 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, 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 Group solely consists of share capital. As at 30 September 2011, the shareholders' equity of the Group amounted to HK$2,370.1 million (2010: HK$1,320.1 million).

The Group had no interest-bearing bank borrowings as at 30 September 2011 when compared to HK$3.5 million in the previous financial year.

Employees and Remuneration Policies

As at 30 September 2011, the Group had a staff roster of 184 (2010: 61). 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 each year.

Same as disclosed above, the current information in other management and discussion analysis has not changed materially from the information disclosed in the last published 2011 interim report.

Closure of Register of Members

The register of members will be closed from 24 February 2012 to 28 February 2012 (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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 23 February 2012.

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 2011 with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except deviations as follows:

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.

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 2011.

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 2011 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 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

Hong Kong, 30 December 2011

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

* *For identification purpose only*