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 2012

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 2012, together with the comparative figures for the year ended 30 September 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 30 September 2012

	Notes	**2012** **HK$'000**	2011 HK$'000 (As restated)
REVENUE	3	**919,409**	890,367
COST OF SALES		**(666,430)**	(645,223)
GROSS PROFIT		**252,979**	245,144
OTHER INCOME	5	**3,976**	4,641
SELLING AND DISTRIBUTION EXPENSES		**(72,876)**	(53,483)
AMORTISATION OF DISTRIBUTION RIGHTS		**(12,075)**	(3,922)
IMPAIRMENT LOSS ON MINING RIGHTS		**(20,830)**	–
ADMINISTRATIVE EXPENSES		**(34,395)**	(24,985)
PROFIT FROM OPERATING ACTIVITIES	6	**116,779**	167,395
FINANCE COSTS	7	**(4,392)**	(492)
PROFIT BEFORE TAX		**112,387**	166,903
TAX	8	**(35,917)**	(38,372)
PROFIT FOR THE YEAR		**76,470**	128,531
OTHER COMPREHENSIVE INCOME:			
Exchange difference arising on translation of foreign operations		**24,777**	11,982
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**101,247**	140,513

	Notes	**2012**	2011
		HK$'000	*HK$'000*
			(As restated)
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**83,158**	128,662
Non-controlling interests		**(6,688)**	(131)
		76,470	128,531
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**100,263**	142,994
Non-controlling interests		**984**	(2,481)
		101,247	140,513
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS	*10*		
Basic		**HK1.92 cents**	HK4.21 cents
Diluted		**HK1.92 cents**	HK4.02 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	Notes	**30 September 2012** *HK$'000*	30 September 2011 *HK$'000* (As restated)	1 October 2010 *HK$'000* (As restated)
NON-CURRENT ASSETS				
Intangible assets		**407,733**	367,012	324,290
Exploration and evaluation assets		**101,294**	100,013	100,013
Property, plant and equipment		**80,501**	48,672	43,552
Goodwill		**778,370**	537,387	46,024
		1,367,898	1,053,084	513,879
CURRENT ASSETS				
Inventories		**1,302,273**	980,962	628,876
Trade receivables	*11*	**226,555**	227,334	228,048
Prepayments, deposits and other receivables		**103,799**	70,258	27,517
Cash and cash equivalents		**344,899**	464,758	216,832
		1,977,526	1,743,312	1,101,273
CURRENT LIABILITIES				
Trade payables	*12*	**125,134**	72,396	11,379
Other payables and accruals		**40,434**	18,520	6,678
Borrowings		**39,318**	40,013	3,545
Tax payables		**87,835**	78,247	78,751
		292,721	209,176	100,353
NET CURRENT ASSETS		**1,684,805**	1,534,136	1,000,920
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,052,703**	2,587,220	1,514,799
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**138,413**	114,572	102,553
NET ASSETS		**2,914,290**	2,472,648	1,412,246
EQUITY				
Equity attributable to the Company's equity holders				
Share capital		**43,660**	36,490	24,986
Reserves		**2,736,870**	2,311,712	1,274,965
		2,780,530	2,348,202	1,299,951
NON-CONTROLLING INTERESTS		**133,760**	124,446	112,295
		2,914,290	2,472,648	1,412,246

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 Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010 that are effective for annual periods beginning on or after 1 January 2011
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HKAS 24 (as revised in 2009)	Related Party Disclosures

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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[4]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[5]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

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 2015, with earlier application permitted.

The directors of the Company anticipate that the application of other new and revised standards and 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

Operating segments are reported in a manner consistent with internal reporting provided to the board of directors of the Company who is responsible for allocating resources and assessing performance of the operating segments.

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 and writing instruments;

(b) Domestic segment is trading of jewellery products and watches 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 2012:

	Exports *HK$'000*	**Domestic** *HK$'000*	**Mining** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:				
Sales to external customers	**55,936**	**863,473**	**–**	**919,409**
Segment results	**554**	**152,500**	**(22,996)**	**130,058**
Unallocated revenue				**4,016**
Unallocated expenses				**(17,295)**
Profit from operating activities				**116,779**
Finance costs				**(4,392)**
Profit before tax				**112,387**
Tax				**(35,917)**
Profit for the year				**76,470**
Segment assets	**393,607**	**2,138,598**	**488,488**	**3,020,693**
Unallocated assets	**–**	**–**	**–**	**324,731**
Total assets	**393,607**	**2,138,598**	**488,488**	**3,345,424**
Segment liabilities	**41,429**	**185,428**	**113,102**	**339,959**
Unallocated liabilities	**–**	**–**	**–**	**91,175**
Total liabilities	**41,429**	**185,428**	**113,102**	**431,134**
Other segment information:				
Depreciation	**5,563**	**2,389**	**–**	**7,952**
Capital expenditure	**231**	**1,796**	**–**	**2,027**

For the year ended 30 September 2011:

	Exports (As restated) *HK$'000*	Domestic (As restated) *HK$'000*	Mining (As restated) *HK$'000*	Consolidated (As restated) *HK$'000*
Segment revenue:				
Sales to external customers	203,027	687,340	–	890,367
Segment results	4,328	175,454	(1,827)	177,955
Unallocated revenue				3,531
Unallocated expenses				(14,091)
Profit from operating activities				167,395
Finance costs				(492)
Profit before tax				166,903
Tax				(38,372)
Profit for the year				128,531
Segment assets	1,058,807	1,138,154	480,926	2,677,887
Unallocated assets	–	–	–	118,509
Total assets	1,058,807	1,138,154	480,926	2,796,396
Segment liabilities	5,984	124,681	111,253	241,918
Unallocated liabilities	–	–	–	81,830
Total liabilities	5,984	124,681	111,253	323,748
Other segment information:				
Depreciation	6,384	211	–	6,595
Capital expenditure	–	2,865	–	2,865

(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**	
	2012	2011	**2012**	2011	**2012**	2011 (As restated)	**2012**	2011 (As restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**46,283**	75,119	**9,653**	69,264	**863,473**	745,984	**919,409**	890,367
Specified non-current assets	**–**	4,060	**329,438**	3,745	**1,038,460**	1,045,279	**1,367,898**	1,053,084

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 2012 and 2011.

5. OTHER REVENUE AND NET INCOME

	Group 2012 HK$'000	2011 HK$'000
Other Revenue:		
Bank interest income	**2,010**	2,164
Sundry income	**1,695**	1,367
	3,705	3,531
Other Net Income:		
Gain on disposal of subsidiaries	**271**	–
Net foreign exchange gain	**–**	1,110
	271	1,110
	3,976	4,641

6. PROFIT FROM OPERATING ACTIVITIES

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

	Group 2012 HK$'000	2011 HK$'000
Cost of inventories sold	**661,394**	638,863
Depreciation	**9,389**	7,037
Exchange loss	**54**	–
Loss on disposal of property, plant and equipment	**195**	92
Minimum lease payments under operating leases on leasehold land and buildings	**4,606**	3,467
Staff costs (excluding directors' remuneration):		
Wages, salaries and other benefits	**17,887**	10,732
Retirement benefits scheme contributions	**1,492**	757
	19,379	11,489
Auditor's remuneration	**2,673**	2,840

7. FINANCE COSTS

	Group 2012 HK$'000	2011 HK$'000
Interest on bank overdrafts, trust receipt loans and other bank loans wholly repayable within 5 years	**–**	492
Interest on other loans wholly repayable within 5 years	**4,392**	–
	4,392	492

8. TAX

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
		(As restated)
Current year provision:		
Hong Kong profits tax at 16.5% *(Note a)*	**279**	–
Overseas taxation	**41,955**	37,391
	42,234	37,391
Under-provision in previous years:		
Hong Kong profits tax	**1,910**	–
Deferred tax	**(8,227)**	981
	35,917	38,372

(a) No provision for Hong Kong profits tax has been made for year 2011 as the Group did not generate any assessable profits arising in Hong Kong.

(b) Overseas taxation is related to 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 for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
		(As restated)
Profit before tax	**112,387**	166,903
Tax at the applicable statutory rate	**18,544**	27,539
Effect of different rates for companies operating in other jurisdictions	**11,077**	11,608
Expenses not deductible for tax	**13,135**	2,783
Income not subjected to tax	**(8,749)**	(3,558)
Under-provision in previous years	**1,910**	–
Tax charge for the year	**35,917**	38,372

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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 ("EIT") at a preferential rate of 24% tax rate for the period up to 31 December 2011. In previous year, the subsidiary was subject to PRC EIT at preferential rates of 22% and 24%.

In early 2012, the Hong Kong Inland Revenue Department ("the HK IRD") initiated a tax audit on certain companies within the Group for the years of assessment from 2005/2006 (financial year ended 30 September 2005) to 2011/12 (financial year ended 30 September 2011). The HK IRD has issued protective assessments to some of these companies amounted to HK$89,250 for the year of assessment 2005/2006 in view of the statutory time bar. During the course of the tax audit, further protective assessments for subsequent years may be raised by the HK IRD with respect to these companies. Since the tax audit is ongoing, its outcome cannot be readily ascertained. Management has reviewed the situation and after seeking necessary professional advice, considers that sufficient tax related provisions amounted to HK$1,910,000 have been made in the consolidated financial statements.

9. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 30 September 2012 (2011: 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, 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 share options, 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:

	2012 ***HK$'000***	2011 *HK$'000* (As restated)
Earnings		
Profit attributable to ordinary shareholders of the Company, used in the basic and diluted earnings per share calculation	**76,470**	128,531

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,981,692,320**	3,049,689,666
Effect of dilution – weighted average number of ordinary shares:		
Share options	**11,475,789**	147,516,472
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**3,993,168,109**	3,197,206,138

The computation of diluted earnings 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 2012.

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:

	Group	
	2012	2011
	HK$'000	*HK$'000*
1 – 30 days	**10,065**	121,989
31 – 60 days	**111,218**	89,654
61 – 90 days	**90,559**	15,691
Over 90 days	**14,713**	–
	226,555	227,334

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**10,065**	227,334
Past due but not impaired:		
1 – 30 days past due	**111,218**	–
31 – 60 days past due	**90,559**	–
61 – 90 days past due	**11,925**	–
Over 90 days past due	**2,788**	–
	226,555	227,334

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.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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:

	Group	
	2012	2011
	HK$'000	*HK$'000*
1 – 30 days	**15,560**	35,364
31 – 60 days	**25,535**	13,920
61 – 90 days	**25,716**	5,658
Over 90 days	**58,323**	17,454
	125,134	72,396

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period (2011: Nil).

As at 30 September 2011, the Company has given guarantees in favour of certain banks to the extent of approximately HK$50,000,000 in respect of banking facilities granted to certain subsidiaries of the Company. No such guarantees are given as at 30 September 2012.

CHAIRMAN'S STATEMENT

Complete Product Range in Fine Jewellery

In April 2012, the Group completed the acquisition of 90% of OMAS International S.A. ("OMAS Int'l"), a business venture partnership with LVMH. OMAS Int'l owns and manufactures fine writing instruments and accessories bearing the trademark "OMAS," which is an Italian brand established in 1925 famous for its fabulous designs. The acquisition of OMAS Int'l enabled the Group to establish a brand new OMAS Jewellery line with related luxury accessories (leather, etc). The new OMAS branded luxury products will continue upon 87 years of proud Italian heritage for OMAS, tracing back to its origins with founder Armando Simoni. The addition of the self-owned OMAS brand further strengthens the Group's fine jewellery product range offered in China. The Group will strive hand-in-hand with LVMH to establish the OMAS as one of world's influential fine jewellery brands.

The Group is now the distributor for several European prestige fine jewellery and watch brands in China, and is the exclusive distributor of jewellery and watches of "Damiani", "Bliss Gioielli", "Calderoni", "Salvini", "Rocca 1794", "Pomellato", "Pasquale Bruni" and "Alfieri & St John" in Mainland China, Macau, Taiwan and Hong Kong. The Group is also the exclusive distributor of fine jewellery and watch items of "Gucci timepieces" in Mainland China, Macau and Hong Kong. Our strategic investment partnership with L Capital Asia, L.L.C. ("L Capital"), the fourth fund from L Capital sponsored by global luxury leader LVMH, will also facilitate brand collection enrichment for the Group. We believe our full spectrum of high-end fine jewellery and watch products will meet the growing demand in pursuit of exquisite tastes in the Greater China market.

Steady Performance Despite Weak Global Economy

For the year ended 30 September 2012, the Group withstood the effects of the global economic slowdown and maintained stable operating performance in its jewellery business. The new wholesale and retail distribution business of branded jewellery and watches also gathered momentum. The Group's strategy managed to weather the downturn in the global economy by continuously focusing on the steadily growing fine jewellery and watches market in the Greater China region by acquisition of new wholesale distribution rights of world-famous brands and ongoing retail network expansion.

The Group reported decent 25.6% growth in domestic sales, which was mainly driven by increased demand for the Group's fine jewellery and luxury watches products, followed by the Group's dynamic expansion strategy. The overall demand for luxury goods in China remained robust in 2012. During the year under review, the Group reported total revenue and gross profit of HK$919.4 million and HK$253.0 million, respectively. Domestic sales constituted 93.9% of total sales. Export sales were dented by strained demand for jewellery products from the United States and Europe, reflecting the impact of sluggish economic performance on consumption of luxury products. The reduction of export sales also indicated the gradual change in the Group's business orientation towards domestic sales through its wholesale and retail distribution channels. The Group is currently distributing fine jewellery and watch items through the Group and Hengdeli retail network.

For the gold mining business, the Group cooperated with a PRC based leading professional mining institution which started to produce in the gold mines located in Chi Feng City, Inner Mongolia Autonomous Region, PRC, in September 2012. It is expected that the gold mines will start revenue contribution for the years ahead. 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.

Marching Towards a Cautiously Optimistic Future

In the year ahead, we believe the China luxury market will register positive growth. Our strategy of focusing on fine jewellery and luxury watch items is delicately positioned to capture business opportunities arising from a change in the demand structure within China's jewellery market which is being slightly tilted towards fine jewellery, luxury watches and lifestyle products. In 2012, gold jewellery consumption growth was stagnant but overall jewellery demand was still resilient. The impact of overseas markets including the United States and Europe will be mitigated after a deepening of business transformation to put more emphasis on wholesale and retail operations in the Greater China region. To capture business opportunities from the lucrative luxury market in China, we will continue to expand our sales network and proactively look out for strategic partnerships with national chain-store operators in order to establish our national brand name in fine jewellery and luxury watch distribution.

Wong Chi Ming, Jeffry
Chairman
Ming Fung Jewellery Group Limited
Hong Kong
28 December 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the year under review, the Group's revenue hit a new record despite the global economic slowdown. The key growth driver was wholesale and retail sales business in China which registered steadily faster growth in sales turnover. Our strategy of continuous acquisitions of leading global luxury brands and tightening of business collaboration with top domestic luxury goods distributors yielded satisfactory results. The new offerings of a variety of branded fine jewellery and luxury watch items have boosted overall sales in our expanding sales distribution channels.

Financial Review

For the year ended 30 September 2012, turnover of the Group increased by 3.3% year-on-year to approximately HK$919.4 million as compared to HK$890.4 million for the previous year. The increase was mainly attributable to accelerated revenue growth from domestic sales, which offset a decline in export sales. For the year under review, the Group continued its business strategy of transforming into a key retail and wholesale distributor in the Greater China Region, with a business focus on offering new fine jewellery and luxury watch items under various world famous brands and the buildup of distribution networks in the domestic market.

Domestic sales further increased their weighting in the Group's revenue mix and constituted 93.9% of total sales, while export sales accounted for the balance 6.1%, as compared to 77.2% and 22.8%, respectively, during the same period last year. Revenue from domestic sales increased by HK$176.2 million, or 25.6%, from HK$687.3 million for the year ended 30 September 2011 to HK$863.5 million for the year ended 30 September 2012. The upbeat sales performance was the result of an encouraging market response to the new product offerings in our sales outlets and the revenue contribution from newly added sales outlets during the year under review. The overall demand of the Group's fine jewellery and luxury watch items was enduringly strong in the domestic market. Export sales dropped 72.4% from HK$203.0 million for the year ended 30 September 2011 to HK$55.9 million for the year ended 30 September 2012. While the global economic slowdown originating from Europe and United States exerted some influences on the Group's export sales performance, the Group also has plans to scale down these business operations and put more emphasis on the lucrative domestic markets.

The Group's gross profit amounted to HK$253.0 million, representing an increase of 3.1% year-on-year from HK$245.1 million, our gross margin remained at about 27.5%. Profit attributable to shareholders for the year was HK$76.5 million, inclusive of a one-off impairment on mining rights assets of HK$20.8 million. An exchange gain of HK$26.4 million has been recorded in the exchange reserve on the mining rights due to the appreciate of RMB, which increased the cost of the mining rights to HK$344.4 million while the fair value slightly increased to HK$324 million from HK$318 million for year ended 30 September 2011. Therefore, an impairment of HK$20.8 million on the mining rights is recorded in the consolidated statement of comprehensive income.

For the year ended 30 September 2012, selling and distribution expenses increased by 36.3% to approximately HK$72.9 million as compared to HK$53.5 million for the year ended 30 September 2011. The increase in selling and distribution expenses largely reflected the results of full-year consolidation of the accounts of Shenzhen Qijingda Trading Company Limited ("Shenzhen Qijingda"), the exclusive distributor of Gucci timepieces in China, Hong Kong and Macau, which was acquired on 8 June 2011. Administrative expenses thus also increased by 37.7% to HK$34.4 million, compared with HK$25.0 million for the corresponding period of last year.

Liquidity, Financial Resources and Gearing

Finance costs during the year under review amounted to HK$4.4 million as compared to HK$0.5 million for the corresponding period of last year.

For the financial year ended 30 September 2012, non-current assets increased from HK$1,053.1 million to HK$1,367.9 million subsequent to the completion of the acquisition of OMAS International S.A.

The Group's net current assets further increased from HK$1,534.1 million to HK$1,684.8 million, primarily due to increased inventory related to operating needs resulting from expanded domestic sales turnover and an increased number of retail outlets. The net current assets are comprised of inventories of HK$1,302.3 million (2011: HK$981.0 million), trade receivables of about HK$226.6 million (2011: HK$227.3 million) and other receivables of approximately HK$103.8 million (2011: HK$70.3 million). The reduction in trade receivables was related to the fall in export sales and the change in sales mix towards domestic sales.

During the Review Period, the Group maintained a healthy financial position with cash and bank balances of approximately HK$344.9 million and current liabilities of approximately HK$292.7 million (2011: HK$209.2 million).

The Group's inventory turnover, trade receivables turnover and trade payables turnover periods were 713 days, 90 days and 69 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 operating cash inflows and issuance of consideration shares. The capital structure of the Company solely consists of share capital. As at 30 September 2012, shareholder equity in the Group amounted to HK$2,780.5 million (2011: HK$2,348.2 million).

The Group had no interest-bearing bank borrowings as at 30 September 2012 (2011: nil).

Employees and Remuneration Policies

As at 30 September 2012, the Group had a staff roster of 217 (2011: 184). The remuneration of employees was in line with market trends and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed every year.

As disclosed above, the current information in other management and discussion analysis has not changed materially from the information in the last published 2012 interim report.

Closure of Register of Members

The register of members will be closed from 27th February 2013 to 1st March 2013 (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 26th February 2013.

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.

Continuing Connected Transactions

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Pursuant to an extraordinary general meeting held on 5 December 2012, an ordinary resolution was passed by the independent shareholders which approved the consignment and supply arrangement by the Company and its subsidiaries to Hengdeli Holdings Limited and its subsidiaries and also the annual caps and the aggregate annual cap of the transactions. According to the resolution, the aggregate values of the transactions shall not exceed RMB46,818,000 (approximately HK$57,165,000) for the year ended 30 September 2013.

The directors (including the independent non-executive directors) have confirmed that the above transactions were conducted (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms and (3) in accordance with the relevant agreement governing them that terms are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

Corporate Governance

During the year ended 30 September, 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March, 2012) and Corporate Governance Code (effective from 1 April, 2012) as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following deviations (Code Provisions A.2.1 and E.1.2):

Mr. Wong Chi Ming, Jeffry is the Chairman of the board of directors. The Company has no such title as the chief executive officer and the daily operation and management of the Company is monitored by the executive directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting the operations of the Company.

The Chairman attended 2012 annual general meeting ("2012 AGM") to answer questions and collect views of shareholders. Though other directors were unable to attend 2012 AGM due to other business engagements, the company secretary and the auditors had attended the meeting to answer questions at the meeting.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in the 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 2012.

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 2012 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, 28 December 2012

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*