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: 0860)

Annual Report 2011

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Chi Ming, Jeffry *(Chairman)*
Mr. Chung Yuk Lun
Mr. Yu Fei, Philip

Independent Non-Executive Directors

Mr. Jiang Chao
Mr. Chan Man Kiu
Mr. Tam Ping Kuen, Daniel

AUDIT COMMITTEE

Mr. Tam Ping Kuen, Daniel *(Chairman)*
Mr. Chan Man Kiu
Mr. Jiang Chao

REMUNERATION COMMITTEE

Mr. Chan Man Kiu *(Chairman)*
Mr. Jiang Chao
Mr. Tam Ping Kuen, Daniel

NOMINATION COMMITTEE

Mr. Tam Ping Kuen, Daniel *(Chairman)*
Mr. Chan Man Kiu
Mr. Jiang Chao

COMPANY SECRETARY

Mr. Lau Chun Pong

LEGAL ADVISORS

Stevenson, Wong & Co.

AUTHORISED REPRESENTATIVES

Mr. Wong Chi Ming, Jeffry
Mr. Chung Yuk Lun

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1825, 18th Floor
Hutchison House
10 Harcourt Road, Central
Hong Kong

REGISTRARS

Principal Share Registrar and Transfer Office
Bank of Butterfield International (Cayman) Ltd.
Butterfield House, 68 Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

AUDITOR

Hopkins CPA Limited
3rd Floor, Sun Hung Kai Centre
30 Harbour Road
Hong Kong

HOME PAGE

http://www.mingfung.com

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Ming Fung Jewellery Group Limited ("Ming Fung Jewellery" or the "Company" and together with its subsidiaries, the "Group"), I am pleased to present the annual results of the Group for the year ended 30 September 2011.

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.

Chairman's Statement

On 8 June 2011, the Group successfully acquired Shenzhen Qijingda Trading 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.

Chairman's Statement

ACKNOWLEDGEMENTS

On top of the duties of supervision and accountability to the Board, the Group's management also plays an important role in implementing the strategies and core values of the Group, working hand-in-hand with our staff members to strive to deliver the best returns to our shareholders. On behalf of all members of the Board, I would like to express my sincere appreciation to all shareholders and staff members for their dedication and commitment over the past twelve months as well as my heartfelt gratitude to our customers and business partners for their enduring support. I look forward to delivering another record results performance through concerted efforts in the years to come.

Wong Chi Ming, Jeffry
Chairman
Hong Kong
30 December 2011

Management Discussion and Analysis

OVERVIEW

During the year under review, the Group's revenue reached another record despite global market instability, largely attributable to strong growth of sales in China, backed by accelerating urbanisation coupled with an emerging affluent middle class thanks to rising local household incomes. Meanwhile, shrewd strategic acquisitions completed during the year served to enrich our product portfolio with a focus ranging from mid- to high-end luxury business and hence fortified the consumer base and strengthened the lucrative luxury market share of the Group in China.

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.

Management Discussion and Analysis

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.

Directors and Senior Management

Directors

Executive Directors

Mr. Wong Chi Ming, Jeffry, aged 54, is the Chairman of the Company and the co-founder of the Group. Mr. Wong, with extensive experience in the jewellery industry in Hong Kong and extensive knowledge in the jewellery industry of the United States and Europe, is responsible for the overall strategic planning and policy making of the Group. He was appointed as a director on 28 February 2002.

Mr. Chung Yuk Lun, aged 51, is a Director of the Company. He is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and an Associate Chartered Accountant (England and Wales). Mr. Chung is responsible for the finance and accounting matters of the Group. He was appointed as a director on 28 February 2002. He is also an executive director of Radford Capital Investment Limited and an independent non-executive director of Heritage International Holdings Limited, Forefront Group Limited and Dragonite International Limited, all are companies listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Yu Fei, Philip, aged 54, is a Director of the Company. He obtained a Bachelor of Science degree from California State University, Los Angeles. Mr. Yu is responsible for the sales and marketing of the Group's products and has over 21 years of experience in trading businesses. He was appointed as a director on 2 April 2004.

Independent Non-Executive Directors

Mr. Jiang Chao, aged 40, is an executive Director, the chief financial officer, vice president of China Wireless Technologies Limited (Stock Code: 2369) (the "China Wireless") and its subsidiaries (the "China Wireless Group"), and the qualified accountant and company secretary of China Wireless. Mr. Jiang is responsible primarily for the finance and administrative functions of the China Wireless Group. He is an associate member of the Association of Chartered Certified Accountants and a certified public accountant in the PRC. Mr. Jiang joined the China Wireless Group in June 2002. Mr. Jiang has about 16 years of experience in accounting and finance. Prior to joining the China Wireless Group, he had worked for the State Audit Bureau. Mr. Jiang had also worked for Qiaoxing Electronic Company Limited (僑興電子有限公司, NASDAQ: XING) and Shenzhen Zhong Xing Telecom Equipment Company Limited (深圳市中興通訊設備有限公司, 00763.HK), where he was responsible for financial and accounting functions. Mr. Jiang obtained a bachelor's degree in economics from SUN Yat-Sen University (中山大學) in 1991.

Mr. Chan Man Kiu, aged 50, was appointed as an Independent Non-Executive Director in March 2004. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan possesses over 21 years of experience in the financial services sector, excelling in development and management of internal operations, business integration and financial controls.

Mr. Tam Ping Kuen, Daniel, aged 48, joined the Company as an Independent Non-Executive Director in May 2006. He is the founder of Daniel Tam & Co., Certified Public Accountants (Practising). Mr. Tam holds a Master of Financial Economics degree from the University of London and is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He is also an independent non-executive director of Warderly International Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (resigned on 1 September 2010).

Directors and Senior Management

Senior Management

Mr. Werner Schuppisser, aged 49, is the Vice President of the Group. He joined the Group in 2011 and is responsible for marketing and business development matters of the Group. Mr. Werner Schuppisser graduated from School of Economics and Business Administration (蘇黎世經濟商業管理學院) in Zurich, Switzerland. He is also a Deputy President of Hengdeli Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Lau Chun Pong, aged 38, is the Financial Controller of the Group. He joined the Group in 2008 and is responsible for the financial and accounting matters of the Group. Mr. Lau holds a Bachelor of Arts degree from University of California, Los Angeles and is an associate member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He has over 11 years of experience in the field of finance, accounting and auditing.

Mr. Zhou Zhen Bing, aged 42, is the Production Manager of the Group. He joined the Group in 2002 and is responsible for organising and coordination of jewellery production of the Group. He has over 10 years of experience in production and operational management.

Mr. Gao Qiang, aged 47, is the Senior Finance Manager of the Group. He joined the Group in 2008 and is responsible for the finance and accounting matters of the Group. He has over 20 years of experience in the field of finance and accounting.

Mr. Liang Jing Xiong, aged 48, is the Finance and Accounting Manager of the Group. He joined the Group in 2000 and is responsible for the finance and accounting matters of the Group. He has over 20 years of experience in the field of finance and accounting.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ming Fung Jewellery Group Limited (the "Company") will be held at 9:00 a.m. on Tuesday, 28 February 2012 at Novotel Century Hong Kong, Plaza 1-2, No. 238 Jaffe Road, Wanchai, Hong Kong for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditor of the Company for the year ended 30 September 2011;

2. To re-elect Mr. Wong Chi Ming, Jeffry and Mr. Tam Ping Kuen, Daniel as directors and to authorise the board of directors to fix the directors' remuneration;

3. To re-appoint Hopkins CPA Limited as auditor and to authorise the board of directors to fix their remuneration;

4. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   "THAT

   (a) subject to paragraph (c) of this resolution, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company ("Directors") during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and otherwise deal with additional shares ("Shares") in the capital of the Company or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make, grant, sign or execute offers, agreements or options, deeds and other documents which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and it is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make, grant, sign or execute offers, agreements or options, deeds and other documents which would or might require the exercise of such powers after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in this resolution, otherwise than pursuant to:

      (i) a rights issue (as defined below); or

      (ii) the exercise of rights of subscription or conversion attaching to any warrants of the Company or any securities which are convertible into Shares; or

      (iii) the exercise of any option under the share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other eligible persons of Shares or rights to acquire Shares of the Company; or

(iv) scrip dividends or under similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; and

(v) a specific authority granted by the shareholders of the Company,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval pursuant to paragraph (a) of this resolution shall be limited accordingly;

(d) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable laws of the Cayman Islands to be held; or

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means the allotment, issue or grant of Shares pursuant to an offer of shares open for a period fixed by the Directors to the holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

Notice of Annual General Meeting

5. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT

(a) subject to paragraph (b) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all powers of the Company to purchase shares ("Shares") in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose ("Recognised Stock Exchange"), subject to and in accordance with the applicable laws of the Cayman Islands and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or those of any other Recognised Stock Exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution (on the basis that no Shares are issued or repurchased by the Company before and up to the date of passing this resolution, the Company will be allowed to repurchase fully paid Shares up to a maximum of 365,036,062 Shares) and the approval pursuant to paragraph (a) of this resolution shall be limited accordingly;

(c) for the purpose of this resolution, "Relevant Period" means the period from the date of passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable laws of the Cayman Islands to be held; or

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of shareholders of the Company in general meeting."

Notice of Annual General Meeting

6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   "THAT subject to the passing of the resolutions numbered 4 and 5 as set out in the notice (the "Notice") convening this meeting, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with Shares in the capital of the Company pursuant to the resolution numbered 4 as set out in the Notice be and the same is hereby extended by the addition to the aggregate nominal amount of share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company purchased by the Company under the authority granted pursuant to the resolution numbered 5 as set out in the Notice provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution."

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

Hong Kong
11 January 2012

Registered office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 1825, 18th Floor
Hutchison House
10 Harcourt Road, Central
Hong Kong

As at the date hereof, the Company's executive directors are Mr. Wong Chi Ming, Jeffry, Mr. Chung Yuk Lun and Mr. Yu Fei, Philip and independent non-executive directors are Mr. Chan Man Kiu, Mr. Tam Ping Kuen, Daniel and Mr. Jiang Chao.

Notes:

(1) A member of the Company entitled to attend and vote at the aforesaid meeting is entitled to appoint one or (if he holds 2 or more shares) more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited 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 not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

(3) Completion and return of the form of proxy will not preclude members from attending and voting at the aforesaid meeting.

(4) 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 aforesaid 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.

Report of the Directors

The directors ("Directors") of Ming Fung Jewellery Group Limited ("Company") have pleasure in submitting their annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 September 2011.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 21 to the financial statements.

Segment Information

An analysis of the Group's turnover and results by geographical segments based on the location of customers and business segments for the year ended 30 September 2011 is set out in note 7 to the financial statements.

Results and Dividends

The Group's results for the year ended 30 September 2011 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 31 to 88.

The Board does not recommend the payment of final dividend to shareholders for the year ended 30 September 2011 (2010: Nil).

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.

Summary of 5 Years' Financial Information

The following is a summary of the published consolidated results and of the assets and liabilities of the Group for each of the 5 years ended 30 September 2011, prepared on the bases set out in the note below:

Results

	Year ended 30 September				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**890,367**	730,410	679,342	649,970	610,257
Profit from operating activities	**171,317**	114,013	35,615	111,542	125,377
Finance costs	**(492)**	(2,672)	(7,329)	(11,675)	(10,945)
Profit before tax	**170,825**	111,341	28,286	99,867	114,432
Tax	**(39,353)**	(22,662)	(14,445)	(14,580)	(17,258)
Profit for the year	**131,472**	88,679	13,841	85,287	97,174
Attributable to:					
Equity holders of the Company	**131,308**	88,979	13,841	85,287	97,174
Non-controlling interests	**164**	(300)	–	–	–
	131,472	88,679	13,841	85,287	97,174

Assets and Liabilities

	At 30 September				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**993,093**	467,855	60,284	81,846	90,192
Current assets	**1,743,312**	1,101,273	927,193	807,003	657,240
Total assets	**2,736,405**	1,569,128	987,477	888,849	747,432
Current liabilities	**209,176**	100,353	308,710	217,515	134,933
Non-current liabilities	**–**	–	–	153,000	180,000
Total liabilities	**209,176**	100,353	308,710	370,515	314,933
Net assets	**2,527,229**	1,468,775	678,767	518,334	432,499

Note: The results of the Group for the years ended 30 September 2007, 2008, 2009 and 2010 and the assets and liabilities of the Group as at 30 September 2007, 2008, 2009 and 2010 are extracted from the audited financial statements. The results of the Group for the year ended 30 September 2011 and the assets and liabilities of the Group as at 30 September 2011 are those set out in the financial statements on pages 31 and 32 respectively.

Report of the Directors

Property, Plant and Equipment

Details of movements in the Group's property, plant and equipment during the year are set out in note 19 to the financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

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.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

As at 30 September 2011, the Company had distributable reserves of approximately HK$1,694,884,000 (2010: HK$797,371,000) calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. This includes the Company's share premium account of approximately HK$1,674,965,000 (2010: HK$772,184,000) which is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the year under review, sales to the Group's 5 largest customers accounted for approximately 8.4% of the total sales for the year and the sales to the largest customer included therein amounted to approximately 2.3%.

Purchases from the Group's 5 largest suppliers accounted for approximately 28.2%% of the total purchases for the year and the purchases from the largest supplier included therein amounted to approximately 14.0%.

None of the Directors, or any of their associate(s) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's 5 largest customers or 5 largest suppliers.

Report of the Directors

Directors

The Directors during the year were as follows:

Executive Directors

Mr. Wong Chi Ming, Jeffry *(Chairman)*
Mr. Chung Yuk Lun
Mr. Yu Fei, Philip

Independent Non-Executive Directors

Mr. Chan Man Kiu
Mr. Tam Ping Kuen, Daniel
Mr. Jiang Chao

In accordance with Article 108(A) of the Company's articles of association, Mr. Wong Chi Ming, Jeffry and Mr. Tam Ping Kuen, Daniel will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management of the Group are set out on pages 8 and 9 of the annual report.

Directors' Service Contracts

Mr. Wong Chi Ming, Jeffry, as executive director has entered into a service contract with the Company, his term of service commenced from 1 August 2002 for an initial period of 36 months and expired on 31 July 2005 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment.

Mr. Chung Yuk Lun as executive director has entered into a service contract with the Company, his term of service commenced from 1 August 2002 for an initial period of 12 months and expired on 31 July 2003 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment.

Mr. Yu Fei, Philip as executive director has entered into a service contract with the Company, his term of service commenced from 2 April 2004 for an initial period of 24 months and expired on 1 April 2006 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment.

The existing service contracts of the executive directors will continue thereafter until terminated by either party giving not less than 3 months' notice in writing to the other party.

Same as disclosed above, no Director proposed to have a service contract with the Company which is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year under review.

Report of the Directors

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

Directors' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporations

As at 30 September 2011, the interests of the Directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Director	Type of interests	Number of issued ordinary shares held	Number of underlying shares held	Total interests	Percentage of interest
Mr. Wong Chi Ming, Jeffry	Corporate (Notes)	295,025,799	–	295,025,799	8.09%

Notes:

(a) The interest disclosed represents the 295,025,799 shares held by Equity Base Holdings Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Wong Chi Ming, Jeffry by virtue of Section 344(3) of the SFO.

(b) All the interests disclosed above represent long positions in the shares of the Company.

(c) Ms. Lui Ching Han, Magda, the spouse of Mr. Wong Chi Ming, Jeffry is deemed to be interested in these shares under the SFO.

Mr. Wong Chi Ming, Jeffry is the sole shareholder of Equity Base Holdings Limited.

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries of the Company held in trust for the Company solely for the purpose of complying with the statutory minimum number of shareholders required for Hong Kong incorporated companies which was in force prior to 13 February 2004.

Same as disclosed above, as at 30 September 2011, none of the Directors, or their associate(s) had any interests or short positions in the shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Apart from the share option scheme disclosures in note 31 to the financial statements, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company or any other body corporate.

Report of the Directors

Directors' Interests in a Competing Business

During the year under review and up to date of this report, no Director of the Company or any of its subsidiaries is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), other than those business of which the Directors of the Company were appointed as Directors to represent the interest of the Company and/or the Group.

Share Option Scheme

Detailed disclosures relating to the Company's share option scheme are set out in note 31 to the financial statements.

Substantial Shareholders

As at 30 September 2011, the following persons (other than the Directors) had interest in the shares and the underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Number of issued ordinary shares and underlying shares held	Percentage of total issued
Equity Base Holdings Limited	295,025,799 (Notes (a) and (e))	8.09%
Mr. Choy Shiu Tim	280,000,000 (Note (e))	7.67%
Atlantis Capital Holdings Limited	293,800,000 (Notes (b) and (e))	8.05%
Ms. Liu Yang	293,800,000 (Notes (b) and (e))	8.05%
L Capital Asia, L.L.C.	310,000,000 (Notes (c) and (e))	8.50%
L Capital MF Limited	310,000,000 (Notes (c) and (e))	8.50%
Hengdeli Holdings Limited	666,666,667 (Notes (d) and (e))	18.27%
Hengdeli International Company Limited	666,666,667 (Notes (d) and (e))	18.27%

Report of the Directors

Substantial Shareholders *(continued)*

Notes:

(a) These interests are also included as corporate interests of Mr. Wong Chi Ming, Jeffry, as disclosed under the heading "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations". Ms. Lui Ching Han, Magda, the spouse of Mr. Wong Chi Ming, Jeffry is deemed to be interested in these shares under the SFO.

(b) Atlantis Capital Holdings Limited is a controlled corporation of Ms. Liu. Thus, she is deemed to be interested in the same parcel of shares.

(c) L Capital MF Limited is a controlled corporation of L Capital Asia, L.L.C. which is deemed to be interested in the same parcel of shares.

(d) On 28 September 2011, Hengdeli International Company Limited ("Hengdeli International") and a wholly-owned subsidiary of the Company entered into an agreement pursuant to which Hengdeli International will sell shares of a Luxembourg company at a total consideration of HK$400,000,000, which will be satisfied in full by the issue and allotment by the Company to Hengdeli International 666,666,667 shares at completion. Details of which have been disclosed in an announcement dated 28 September 2011 and a circular dated 2 November 2011.

    Hengdeli International Company Limited is a controlled corporation of Hengdeli Holdings Limited which is deemed to be interested in the same parcel of shares.

(e) All the interests stated above represent long positions in the shares of the Company.

Same as disclosed above, as at 30 September 2011, there was no person who (i) had an interest or short position in the shares and underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

Interest Bearing Bank Loans and Other Borrowings

Particulars of interest bearing bank loans and other borrowings of the Company and the Group as at 30 September 2011 are set out in notes 27 and 28 to the financial statements.

Retirement Benefits Scheme

Details of the retirement benefits scheme of the Group are set out in note 3 to the financial statements under "Employee benefits: (a) Pension obligations" on page 43.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the ordinary shares in public hands exceed 25% as at 30 December 2011, the latest practicable date to ascertain such information prior to the issue of this annual report.

Report of the Directors

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.

Independent Non-Executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed 3 independent non-executive directors. The Company confirms that it has received from each of the independent non-executive directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers all the existing independent non-executive directors to be independent.

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.

Auditor

Hopkins CPA Limited has audited the financial statements for the year. Hopkins CPA Limited has expressed its willingness to continue in office and the Board recommends that it be reappointed. A resolution proposing the reappointment of Hopkins CPA Limited as auditor of the Company and giving authority to the directors to determine its remuneration will be submitted to the forthcoming annual general meeting.

On behalf of the Board
Ming Fung Jewellery Group Limited
Wong Chi Ming, Jeffry
Chairman

Hong Kong
30 December 2011

Corporate Governance Report

Corporate Governance Practices

The board of directors of the Company (the "Board") is of the view that corporate governance is vital to the continued success of the Company and has therefore adopted various measures to ensure that a high standard of corporate governance is upheld. The Company has applied the principal and complied with the requirements of the Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "SEHK") save and except deviation as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

Directors

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, they all have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

Board of Directors

The Board comprises:

Executive Directors	:	Mr. Wong Chi Ming, Jeffry *(Chairman)* Mr. Chung Yuk Lun Mr. Yu Fei, Philip
Independent Non-Executive Directors	:	Mr. Chan Man Kiu Mr. Tam Ping Kuen, Daniel Mr. Jiang Chao

Each independent non-executive director gives an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

During the financial year ended 30 September 2011, a total of 20 Board meetings were held and the attendance of directors is set out as follows:

Name of director	Number of regular Board meetings attended in the financial year ended 30 September 2011	Attendance rate
Mr. Wong Chi Ming, Jeffry	4	100%
Mr. Chung Yuk Lun	4	100%
Mr. Yu Fei, Philip	4	100%
Mr. Chan Man Kiu	4	100%
Mr. Tam Ping Kuen, Daniel	4	100%
Mr. Jiang Chao	4	100%

Corporate Governance Report

Directors *(continued)*

Board of Directors *(continued)*

Some of the Board meetings for day-to-day operations of the Group were attended by executive directors and the attendance of executive directors is set out as follows:

Name of director	Number of other Board meetings attended in the financial year ended 30 September 2011	Attendance rate
Mr. Wong Chi Ming, Jeffry	16	100%
Mr. Chung Yuk Lun	2	12.5%
Mr. Yu Fei, Philip	16	100%

The Board is responsible for following types of decisions:

(a) formulation of operational and strategic direction of the Group;

(b) monitoring the financial performance of the Group;

(c) overseeing the performance of the management;

(d) ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed; and

(e) setting the Group's values and standards

while daily operation and administration are delegated to the management.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Corporate Governance Report

Chairman and Chief Executive Officer

Mr. Wong Chi Ming, Jeffry ("Mr. Wong") is the chairman of the Company and co-founder of the Company. Mr. Wong has extensive experience in the jewellery industry who is responsible for the overall strategic planning and policy making of the Group.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the Company.

Appointment and Re-election of Directors

Each executive director is appointed for a specific term which is renewable automatically. All independent non-executive directors are appointed for a specific term which may be extended as each and the Company may agree but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the articles of association of the Company.

The current articles of association, which was adopted in the annual general meeting on 3 March 2006, provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

Accountability and Audit

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

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.

Internal Control and Risk Management *(continued)*

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 audit committee of the Company (the "Audit Committee") comprises 3 independent non-executive directors, who have reviewed the financial statements for the year ended 30 September 2011. All of them have appropriate professional qualifications or accounting and/or related financial management expertise. Mr. Tam Ping Kuen, Daniel is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company.

According to the existing terms of reference of the Audit Committee, its major roles and functions are as follows:

(a) to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(c) to develop and implement policy on the engagement of the external auditor to provide non-audit services;

(d) to monitor integrity of the interim and annual financial statements and interim and annual report and accounts, and to review significant financial reporting judgments contained in them;

(e) to review the Company's financial controls, internal control and risk management systems;

(f) to discuss with the management the system of internal control system;

(g) to consider any findings or major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(h) to review the Group's financial and accounting policies and practices;

(i) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(j) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(k) to report to the Board on the matters raised in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules;

(l) to consider other topics within the duties mentioned above as requested from time to time by the Board;

Corporate Governance Report

Audit Committee *(continued)*

(m) to review arrangements by which employees of the Company may raise concerns about possible improprieties in financial reporting, internal control or other matters; and

(n) to act as the key representatives body for overseeing the Company's relation with the external auditor.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year. 2 meetings were held for the year ended 30 September 2011. The attendance of each member is set out as follows:

Name of director	Number of meetings attended in the financial year ended 30 September 2011	Attendance rate
Mr. Tam Ping Kuen, Daniel	2	100%
Mr. Chan Man Kiu	2	100%
Mr. Jiang Chao	2	100%

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

(a) review and supervise the financial reporting process and internal control system of the Company and its subsidiaries; and

(b) review the financial statements for the year ended 30 September 2010 and 6 months ended 31 March 2011 respectively with reference to the scope of the terms of reference.

Auditor's Remuneration

During the financial year ended 30 September 2011, the fees charged by the Company's auditor in respect of audit and non-audit services amounted to approximately HK$2,840,000 and HK$300,000 respectively.

Remuneration of Directors and Senior Management

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 31 March 2006 comprising the 3 independent non-executive directors. Mr. Chan Man Kiu is the chairman of the Remuneration Committee.

According to the terms of reference of the Remuneration Committee, its major roles and functions are as follows:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

Remuneration of Directors and Senior Management *(continued)*

Remuneration Committee *(continued)*

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors;

(c) to consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

(d) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(e) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(f) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

(g) to ensure that no director or any of his associates is involved in deciding his own remuneration.

Meeting of the Remuneration Committee shall be held at least once a year. One meeting was held during the year ended 30 September 2011. During the meeting, remuneration policy of the Company have been discussed and no change has been proposed to the remuneration policy.

The attendance of each member is set out as follows:

Name of director	Number of meetings attended in the financial year ended 30 September 2011	Attendance rate
Mr. Chan Man Kiu	1	100%
Mr. Tam Ping Kuen, Daniel	1	100%
Mr. Jiang Chao	1	100%

The Company has adopted a share option scheme which became effective on 3 September 2002, which serves as an incentive to attract, retain and motivate staff. Details of the share option scheme are set out in note 31 to the financial statements. The emolument payable to directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the directors' emolument are set out in note 10 to the financial statements.

Corporate Governance Report

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 31 March 2006 comprising the 3 independent non-executive directors. Mr. Tam Ping Kuen, Daniel is currently the chairman of the Nomination Committee.

According to the terms of reference of the Nomination Committee, its major roles and functions are as follows:

(a) review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(b) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individual nominated for directorships;

(c) assess the independence of independent non-executive directors;

(d) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman; and

(e) other matters as may be delegated by the Board.

Meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the year ended 30 September 2011. Issues concerning the structure, size and composition of the board of directors were discussed and no change has been proposed to the structure, size and composition.

The attendance of each member is set out as follows:

Name of director	Number of meetings attended in the financial year ended 30 September 2011	Attendance rate
Mr. Tam Ping Kuen, Daniel	1	100%
Mr. Chan Man Kiu	1	100%
Mr. Jiang Chao	1	100%

Independent Auditor's Report

HOPKINS CPA LIMITED
3/F, Sun Hung Kai Centre
30 Harbour Road
Hong Kong

Independent Auditor's Report to the Members of:–
Ming Fung Jewellery Group Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ming Fung Jewellery Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 88, which comprise the consolidated and Company's statements of financial position as at 30 September 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2011 and of the Group's profit and cash flows for the year ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Hopkins CPA Limited
Lo Shung Chi
Practising Certificate Number P04668

Hong Kong
30 December 2011

Consolidated Statement of Comprehensive Income

Year ended 30 September 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	6	**890,367**	730,410
COST OF SALES	12	**(645,223)**	(518,660)
GROSS PROFIT		**245,144**	211,750
OTHER INCOME	8	**3,531**	1,011
SELLING AND DISTRIBUTION EXPENSES		**(53,483)**	(47,181)
ADMINISTRATIVE EXPENSES		**(23,875)**	(51,567)
PROFIT FROM OPERATING ACTIVITIES	9	**171,317**	114,013
FINANCE COSTS	11	**(492)**	(2,672)
PROFIT BEFORE TAX		**170,825**	111,341
TAX	13	**(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
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	16		
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	17	**318,000**	324,290
Exploration and evaluation assets	18	**100,013**	100,013
Property, plant and equipment	19	**48,123**	43,552
Goodwill	20	**526,957**	–
		993,093	467,855
CURRENT ASSETS			
Inventories	23	**980,962**	628,876
Trade receivables	24	**227,334**	228,048
Prepayments, deposits and other receivables		**70,258**	27,517
Cash and cash equivalents	25	**464,758**	216,832
		1,743,312	1,101,273
CURRENT LIABILITIES			
Trade payables	26	**72,396**	11,379
Other payables and accruals		**58,533**	6,678
Secured interest bearing bank borrowings	27	**–**	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	29	**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

Wong Chi Ming, Jeffry
Director

Yu Fei, Philip
Director

Consolidated Statement of Changes in Equity

Year ended 30 September 2011

	Notes	Share capital	Share premium	Retained earnings	Exchange reserve	Share-based Payment reserve	Warrants reserve	Statutory reserve (Note a)	Non-controlling interests	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 September 2009 and 1 October 2009		9,578	175,251	438,926	10,010	43,482	728	792	–	678,767
Total comprehensive income for the year		–	–	88,979	10,820	–	–	–	2,007	101,806
Issuance of warrants	22	1,500	33,728	–	–	–	(728)	–	–	34,500
Placement of new shares	29	2,970	190,280	–	–	–	–	–	–	193,250
Recognition of equity-settled share-based payment		–	–	–	–	20,009	–	–	–	20,009
Issue of shares upon exercise of share options	29	688	35,638	–	–	(12,551)	–	–	–	23,775
Issue of shares upon conversion of convertible notes	30(b)(ii)	2,111	187,889	–	–	–	–	–	–	190,000
Issue of shares on acquisition of a subsidiary	30(b)(i)	1,000	79,000	–	–	–	–	–	–	80,000
Issue of shares in respect of bonus issue	29	7,139	(7,139)	–	–	–	–	–	–	–
Arising on acquisition of subsidiaries	30(b)(i)&(ii)	–	–	–	–	–	–	–	146,668	146,668
At 30 September 2010		24,986	694,647	527,905	20,830	50,940	–	792	148,675	1,468,775
At 30 September 2010 and 1 October 2010		24,986	694,647	527,905	20,830	50,940	–	792	148,675	1,468,775
Total comprehensive income for the year		–	–	131,308	13,398	–	–	–	(2,186)	142,520
Issuance of warrants	22	–	–	–	–	–	11,427	–	–	11,427
Placement of new shares	29	3,560	266,183	–	–	–	–	–	–	269,743
Issue of shares upon exercise of share options	31	1,944	102,598	–	–	(20,454)	–	–	–	84,088
Issue of shares on acquisition of a subsidiary	30(a)	6,000	534,000	–	–	–	–	–	–	540,000
Arising on acquisition of subsidiaries	30(a)	–	–	–	–	–	–	–	10,676	10,676
At 30 September 2011		36,490	1,597,428	659,213	34,228	30,486	11,427	792	157,165	2,527,229

Notes:

(a) The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 50% of registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.

Consolidated Statement of Cash Flows

Year ended 30 September 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Net cash used in operating activities	33	**(104,049)**	(38,723)
INVESTING ACTIVITIES			
Interest received		**2,164**	932
Exploration and evaluation asset additions		**–**	(3)
Net cash (outflow)/inflow from acquisition of subsidiaries	30(a)	**(20,939)**	65
Proceeds from disposal of property, plant and equipment		**120**	–
Purchases of property, plant and equipment	19	**(7,860)**	–
Net cash (used in)/generated from investing activities		**(26,515)**	994
FINANCING ACTIVITIES			
Interest paid		**(492)**	(3,016)
Decrease in trust receipt loans, secured		**(3,545)**	(55,729)
Repayment of interest bearing bank loans, secured		**–**	(153,000)
Issuance of shares upon exercise of share options		**84,088**	23,775
Issuance of warrants, net of expenses		**11,427**	–
Issuance of shares upon exercise of warrants		**–**	34,500
Placement of shares, net of expenses		**269,743**	193,250
Net cash generated from financing activities		**361,221**	39,780
NET INCREASE IN CASH AND CASH EQUIVALENTS		**230,657**	2,051
Effect of foreign exchange rates		**17,269**	6,253
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**216,832**	208,528
CASH AND CASH EQUIVALENTS AT END OF YEAR		**464,758**	216,832
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**395,765**	189,667
Non-pledged time deposits with original maturity of less than 3 months when acquired	25	**68,993**	27,165
		464,758	216,832

Statement of Financial Position

At 30 September 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	21	**77,737**	77,737
CURRENT ASSETS			
Amounts due from subsidiaries		**2,184,326**	1,286,795
Cash and cash equivalents	25	**521**	4
		2,184,847	1,286,799
CURRENT LIABILITIES			
Amounts due to subsidiaries		**564,423**	564,423
Other payables and accruals		**3,277**	2,742
		567,700	567,165
NET CURRENT ASSETS		**1,617,147**	719,634
NET ASSETS		**1,694,884**	797,371
EQUITY			
Share capital	29	**36,490**	24,986
Reserves	32	**1,658,394**	772,385
		1,694,884	797,371

Wong Chi Ming, Jeffry
Director

Yu Fei, Philip
Director

Notes to the Financial Statements

Year ended 30 September 2011

1. Corporate Information

Ming Fung Jewellery Group Limited ("Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 30 January 2002 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 3 September 2002.

The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 1825, 18th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (which together with the Company are collectively referred to as the "Group") are set out in note 21 to the financial statements.

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").

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.

Notes to the Financial Statements

Year ended 30 September 2011

2. Application of New and Revised Hong Kong Financial Reporting Standards *(continued)*

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.

Notes to the Financial Statements
Year ended 30 September 2011

2. Application of New and Revised Hong Kong Financial Reporting Standards *(continued)*

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 and interpretations will have no material impact on the consolidated financial statements of the Group.

3. 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 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.

3. Significant Accounting Policies *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 October 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary’s equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Business combinations

Business combinations that took place on or after 1 October 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree’s share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 “Share-based Payment” at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that Standard.

Notes to the Financial Statements

Year ended 30 September 2011

3. Significant Accounting Policies *(continued)*

Business combinations *(continued)*

Business combinations that took place on or after 1 October 2010 (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. Significant Accounting Policies *(continued)*

Business combinations *(continued)*

Business combinations that took place on or after 1 October 2010 (continued)

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 October 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognized amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

Notes to the Financial Statements

Year ended 30 September 2011

3. Significant Accounting Policies *(continued)*

Goodwill *(continued)*

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income.

An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Subsidiaries

A subsidiary is an entity that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such entity so as to obtain benefits from its activities.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined the geographical segment be presented as the primary reporting format and business segment as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are based on where the assets are located.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

3. Significant Accounting Policies *(continued)*

Employee benefits

(a) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefit scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share-based payment reserve.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained earnings.

Share options granted to other participants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based payment reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Notes to the Financial Statements

Year ended 30 September 2011

3. Significant Accounting Policies *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the statement of comprehensive income.

Financial assets

The Group's financial assets are classified as financial assets at loans and receivable. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each end of the reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries, bank deposits and balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at each end of the reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial asset with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities (continued)

Effective interest method *(continued)*

Interest expense is recognised on an effective interest basis other than those financial liability designated as at FVTPL.

Financial liabilities including trade and other payables, bills payable, amounts due to subsidiaries and bank borrowings are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Mining rights

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortization and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the mines.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any identified impairment loss.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either intangible assets or property, plant and equipment. These assets are assessed for impairment before reclassification, and any impairment loss is recognised in profit or loss.

3. **Significant Accounting Policies** *(continued)*

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment of tangible assets other than goodwill and exploration and evaluation assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Notes to the Financial Statements

Year ended 30 September 2011

3. Significant Accounting Policies *(continued)*

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on the reducing-balance method or the straight-line balance method to write off the cost of each asset, less accumulated impairment losses, over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Reducing-balance method:	
Leasehold improvement	20%
Plant and machinery	15%
Furniture, fixtures and office equipment	15% – 20%
Motor vehicles	15% – 20%
Straight-line method:	
Leasehold improvement	50%
Furniture, fixtures and office equipment	20% – 32%
Leasehold land and buildings	5% or over the remaining period of respective leases where shorter
Motor vehicles	32%

The gains or losses on disposal or retirement of property, plant and equipment recognised in the statement of comprehensive income are the difference between the net sales proceeds and the carrying amount of the relevant assets.

Inventories

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. Significant Accounting Policies *(continued)*

Taxation

Income tax charge represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets should be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and also should be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Foreign currencies translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's functional currencies are Renminbi ("RMB") and United States dollars ("USD") while the consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the presentation currency of the Group and the Company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Notes to the Financial Statements

Year ended 30 September 2011

3. **Significant Accounting Policies** *(continued)*

Foreign currencies translation *(continued)*

(c) Group companies (continued)

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Related parties

Parties are considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the Group:

(i) controls, is controlled by, or is under common control with, the entity;

(ii) has an interest in the entity that gives it significant influence over the entity;

(iii) has joint control over the entity;

(b) the party is a jointly-controlled entity;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family or any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within 3 months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. Significant Accounting Policies *(continued)*

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the proceeds (net of any related income tax benefits), to the extent they are incidental costs directly attributable to the equity transaction.

4. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

(i) Foreign exchange risk

The Group operates mainly in Hong Kong and PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group has not entered into any forward foreign exchange contracts to hedge its foreign exchange exposure as the directors are of the view that the potential foreign exchange exposures are not significant.

As Hong Kong dollars ("HKD") is pegged with USD, foreign exchange risk in relation to USD denominated monetary assets/liabilities is expected to be minimal.

As at 30 September 2011 and 30 September 2010, the Group's entities with functional currency of RMB had net monetary assets denominated in HKD of HK$58 million (2010: HK$52 million). If RMB had strengthened/weakened by 5% against HKD with all other variables unchanged, the Group's profit before taxation would have been HK$2.9 million (2010: HK$2.6 million) higher/lower.

Notes to the Financial Statements

Year ended 30 September 2011

4. Financial Risk Management *(continued)*

(a) Financial risk factors *(continued)*

(i) Foreign exchange risk (continued)

The sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents next annual end of the reporting period. There are no other significant monetary balances held by Group at 30 September 2011 that are denominated in a non-functional currency. Foreign exchange risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(ii) Price risk

The Group's exposure to commodity risk relates to the market price fluctuation in gold is minimum for this year since the gold mines have not yet started in production.

In addition, the management will closely monitor the price risk and will consider hedging the risk exposure should the need arise.

(iii) Credit risk

The Group has no concentrations of credit risk. It has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluation of its customers.

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. Majority of trade receivables are with wholesales customers having an appropriate credit history and at credit terms of 30 to 120 days. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables, if any, has been made.

As at 30 September 2011 and 2010, substantially all the bank balances as detailed in Note 25 are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any losses arising from non-performance by these counterparties.

4. Financial Risk Management *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facility (Note 28) and cash and cash equivalents (Note 25) on the basis of expected cash flow.

Financial liabilities of the Group and of the Company are primarily due within one year, except for long-term bank borrowings.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
Group				
At 30 September 2011				
Bank borrowings and interest payment	**–**	**–**	**–**	**–**
Trade payables	**72,396**	**–**	**–**	**72,396**
Other payables and accruals	**46,387**	**–**	**–**	**46,387**
Interest bearing payables (Note)	**13,023**	**–**	**–**	**13,023**
	131,806	**–**	**–**	**131,806**
At 30 September 2010				
Bank borrowings and interest payment	3,545	–	–	3,545
Trade payables	11,379	–	–	11,379
Other payables and accruals	6,678	–	–	6,678
	21,602	–	–	21,602

Note: All interest bearing payables were denominated in Renminbi. The effective annual interest rate of the Group's other payable for the year 2011 is 10% (2010: Nil).

Notes to the Financial Statements

Year ended 30 September 2011

4. Financial Risk Management *(continued)*

(a) Financial risk factors *(continued)*

(v) Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's bank balances which generate interest income for the Group, the Group's floating interest rates borrowings and the fixed interest rate payable. The Group does not actively engaged in derivative financial instruments to hedge its interest rate risk.

As at 30 September 2011 and 30 September 2010, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK$44,000 (2010: HK$15,000).

Assuming that the change in interest rates had occurred at the end of 30 September 2011 and had been applied to the exposure to interest rate risk for financial instruments at the end of the reporting period. The 50 basis points increase or decrease represents management's assessment of reasonably possible change in interest rates over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2010.

(vi) Fair value

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from prior years. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 27, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with the share capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

5. Critical Accounting Estimates and Judgements

Critical judgement in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Renewal of exploration and mining right permits

The Group owns certain exploration permits and a mining right permit with initial licence period of 2 years and 6 years at date of issue respectively which will be expired in year 2012 and 2015 respectively, the renewal is subject to the approval by the relevant PRC authorities. In the opinion of the directors, after obtaining opinion from its legal counsel, the Group will be entitled to renew its exploration and mining right permits upon the expiration at minimal costs.

If the Group is not able to obtain approval for renewal upon their expiry, the carrying amount of the exploration and evaluation assets and mining rights of approximately HK$100,013,000 (2010: HK$100,013,000) and HK$318,000,000 (2010: HK$324,290,000) respectively might be significant reduced, or it will write off or write down the carrying amounts of the exploration and evaluation assets and the mining rights, which significant impairment loss might be recognised.

Carrying value of mining rights

The Group tests whether the mining rights have been impaired due to events or changes in circumstances indicate that the carrying amount of the mining rights exceeds its recoverable amount, in accordance with accounting policies stated in note 3 to the consolidated financial statements.

As at 30 September 2011 and 30 September 2010, there was no impairment indication noted for the mining rights. Had impairment test been performed, the recoverable amounts of the cash generating unit to which the mining rights belong, would have been determined based on value in use calculations using cash flow projections, which would have been compiled based on financial budgets approved by senior management and management's assumptions and estimates including forecast of selling price, discount rate and inflation rate.

Impairment of exploration and evaluation assets

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Group considers all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount (i.e. impaired). Based on the judgment of the directors, there was no impairment on the exploration and evaluation assets and no impairment loss is recognised for the years ended 30 September 2011 and 2010. Management reassesses the impairment of exploration and evaluation assets at the end of the reporting period.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the end of the reporting period.

Notes to the Financial Statements

Year ended 30 September 2011

5. Critical Accounting Estimates and Judgements *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(e) Impairment review of goodwill

The Group tests annually for impairment review of goodwill in accordance with accounting policy as stated in note 20. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value less costs to sell and value in use calculation of the underlying assets, mainly properties. These calculations require the use of estimates, such as discount rates, future profitability and growth rates,

6. 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.

7. 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 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.

7. Segment Information *(continued)*

(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

Notes to the Financial Statements
Year ended 30 September 2011

7. Segment Information *(continued)*

(i) Operating segments *(continued)*

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

7. Segment Information *(continued)*

(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.

8. Other Income

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

Notes to the Financial Statements

Year ended 30 September 2011

9. Profit from Operating Activities

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

		Group	
		2011	2010
	Note	**HK$'000**	HK$'000
Cost of inventories sold	12	**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

10. Directors' Remuneration and 5 Highest Paid Employees

Details of the remuneration of the directors of the Company for the year disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance are as follows:

	2011				2010
	Fees	**Salaries, allowances and benefits in kind**	**Retirement benefits scheme contributions**	**Total**	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Mr. Wong Chi Ming, Jeffry	**–**	**780**	**–**	**780**	780
Mr. Chung Yuk Lun	**–**	**600**	**12**	**612**	692
Mr. Yu Fei, Philip	**–**	**100**	**–**	**100**	100
Mr. Lee Pak Chung	**–**	**–**	**–**	**–**	218
Mr. Chan Man Kiu	**100**	**–**	**–**	**100**	100
Mr. Tam Ping Kuen, Daniel	**100**	**–**	**–**	**100**	100
Mr. Jiang Chao	**100**	**–**	**–**	**100**	44
	300	**1,480**	**12**	**1,792**	2,034

10. Directors' Remuneration and 5 Highest Paid Employees *(continued)*

Fees include approximately HK$300,000 (2010: HK$462,000) payable to the independent non-executive directors of the Company. There were no other emoluments payable to the independent non-executive directors of the Company during the year (2010: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

During the year, no emoluments were paid by the Group to the directors or any of the 5 highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2010: Nil).

During the year, there were no options granted to the directors in respect of their services to the Group (2010: Nil).

Of the five highest paid employees in the Group, two directors of the Company whose emoluments are set out above (2010: Nil). The emoluments of the highest paid employees are as follows:

	2011	2010
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**1,501**	1,526
Retirement benefits scheme contributions	**12**	–
Share-based compensation	**–**	–
	1,513	1,526

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	2010
Over HK$2,500,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
Nil to HK$1,000,000	**3**	3
	3	3

Notes to the Financial Statements

Year ended 30 September 2011

11. Finance Costs

	Group 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

12. Cost of Sales

	Group 2011 HK$'000	2010 HK$'000
Cost of inventories sold	**645,523**	518,660
Purchase rebate	**(300)**	–
	645,223	518,660

13. Tax

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

	Group 2011 HK$'000	2010 HK$'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.

13. Tax *(continued)*

The taxation for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Profit before tax	**170,825**	111,341
Tax at the statutory rates	**40,261**	18,371
Effect of different rates for companies operating in other jurisdictions	**(2,553)**	2,774
Expenses not deductible for tax	**1,645**	489
Income not subjected to tax	**–**	(5)
Unutilised tax losses	**–**	1,033
Tax charge for the year	**39,353**	22,662

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%).

14. Net Loss from Ordinary Activities Attributable to Shareholders

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year was approximately HK$7,745,000 (2010: HK$26,226,000).

15. Dividends

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

Notes to the Financial Statements

Year ended 30 September 2011

16. 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:

	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 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 2011.

17. Mining Rights

	Group HK$'000
At 30 September 2011	
Cost	
As at 1 October 2010	**324,290**
Exchange adjustments	**(6,290)**
At 30 September 2011	**318,000**
At 30 September 2010	
Cost	
As at 1 October 2009	–
Arising from acquisition of subsidiaries (Note 30(b)(ii))	317,750
Exchange adjustments	6,540
At 30 September 2010	324,290

(a) During the year ended 30 September 2010, the group acquired 60% interest of the subsidiaries which hold the mining rights granted by 赤峰市國土資源局 for the exploitation of gold mine in certain area in Inner Mongolia in the PRC.

(b) The mining rights are stated at cost less accumulated amortisation and any impairment losses. No amortisation was made during the year ended 30 September 2011 and 30 September 2010 as the gold mines are in a development stage and no mining activities are conducted.

(c) As at 30 September 2011, the management has engaged an independent professional valuer, Roma Appraisals Limited, to carry out valuations on the mining rights for the purposes of an impairment review on the mining rights using discounted cash flow method under an income based approach. Based on the valuation report, the estimated recoverable amounts of mining rights exceed the carrying amount. There is no impairment loss was necessary for the year ended 30 September 2011.

Notes to the Financial Statements

Year ended 30 September 2011

18. Exploration and Evaluation Assets

	Group Exploration license HK$'000
At 1 October 2009	–
Arising from acquisition of subsidiaries (Note 30(b)(i))	100,010
Additions	3
At 30 September 2010 and 30 September 2011	100,013

(a) During the year ended 30 September 2010, the group acquired 80% interest of the subsidiaries which hold the exploration right granted by 安徽省國土資源廳 for the exploration of gold mines in certain area in Anhui Province in the PRC.

(b) As at 30 September 2011, the management has engaged an independent professional valuer, Roma Appraisals Limited, to carry out a valuation on the exploration rights for the purposes of an impairment review on the exploration rights using comparable transaction method under a market based approach. Based on the valuation report, the estimated recoverable amount of exploration and evaluation assets exceeds the carrying amount. There is no impairment loss was necessary for the year ended 30 September 2011.

19. Property, Plant and Equipment

Group

At 30 September 2011

	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1 October 2010	–	–	126,941	1,508	1,461	129,910
Additions	–	–	–	31	7,829	7,860
Exchange translation	12	14	–	20	38	84
Acquired on acquisition of subsidiaries	833	962	–	725	1,371	3,891
Disposals	–	–	–	–	(508)	(508)
At 30 September 2011	845	976	126,941	2,284	10,191	141,237
Accumulated depreciation:						
At 1 October 2010	–	–	84,541	993	824	86,358
Exchange translation	–	–	–	4	11	15
Provided during the year	–	–	6,360	119	558	7,037
Disposals	–	–	–	–	(296)	(296)
At 30 September 2011	–	–	90,901	1,116	1,097	93,114
Net book value:						
At 30 September 2011	845	976	36,040	1,168	9,094	48,123

The leasehold land and buildings with a net book value of HK$845,000 is situated outside of Hong Kong and held under a long lease as at 30 September 2011.

Notes to the Financial Statements

Year ended 30 September 2011

19. Property, Plant and Equipment *(continued)*

Group

Reconciliation of opening balance:

At 30 September 2010

	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 October 2009	14,369	126,941	1,821	1,451	144,582
Exchange translation	354	–	13	10	377
Acquired on acquisition of subsidiaries	–	–	3	–	3
Disposals	(14,723)	–	(329)	–	(15,052)
At 30 September 2010	–	126,941	1,508	1,461	129,910
Accumulated depreciation:					
At 1 October 2009	5,486	77,058	1,061	693	84,298
Exchange translation	36	–	3	4	43
Provided during the year	186	7,483	103	127	7,899
Disposals	(5,708)	–	(174)	–	(5,882)
At 30 September 2010	–	84,541	993	824	86,358
Net book value:					
At 30 September 2010	–	42,400	515	637	43,552

20. Goodwill

	HK$'000
Arising on acquisition of subsidiaries (Note 30(a))	526,957
At 30 September 2011	526,957

The goodwill arose from the acquisition of subsidiaries during the year ended 30 September 2011 and amounting to HK$526,957,000. Details of the acquisition of subsidiaries during the year are set out in note 30(a). In the opinion of the directors of the Company, the goodwill represents the future economic benefits arising from the potential growth in these business acquired.

Impairment test on goodwill

For the purposes of impairment testing, goodwill has been allocated to the cash generating unit ("CGU"), is subsidiaries in the trading of watches in domestic segment.

The recoverable amount of the CGU has been determined based on a value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rate, growth rate and budgeted revenue. The discount rate used is after-tax and reflects specific risks relating to trading business in watches. The growth rate is determined based on the management's expectation on the relevant industry growth forecast and does not exceed the average long term growth rate for the relevant industry. The budgeted revenues are estimated based on past performance of different projects and management's expectations for project and market development.

The value in use calculation as at 30 September 2011 primarily used cash flow projections based on financial budgets covering a 5-year period approved by management of the Group. The discount rate applied to the cash flow projections was 16% and cash flows beyond the 5-year period were extrapolated using a steady growth rate of 3%.

Based on the valuation, the recoverable amount of goodwill exceeds the aggregate carrying amount and no impairment is made. The directors of the Company believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

Notes to the Financial Statements
Year ended 30 September 2011

21. Interests in Subsidiaries

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**77,737**	77,737

The balances with subsidiaries included in the Company's current assets and liabilities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations*	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Ming Fung Investment Holdings Limited	British Virgin Islands ("BVI")	Ordinary US$1,000	100%	Investment holding
Indirectly held				
Brilliant (Macao Commercial Offshore) Company Limited	Macau	Ordinary MOP$100,000	100%	Distribution of jewellery products
Jeda International Services Limited	BVI/Israel, India and Belgium	Ordinary US$1,000	100%	Dormant#
Master Will Limited	Hong Kong	Ordinary HK$2	100%	Provision of administrative services
On Line Pacific Services Limited	BVI	Ordinary US$1,000	100%	Dormant
Pacific Worldwide Marketing Services Limited	BVI/United States, Europe, Middle East and South East Asia	Ordinary US$1,000	100%	Dormant#
佛山市順德區即達珠寶金行有限公司	PRC	HK$2,000,000**	100%	Processing of jewellery products
Maxbonus Investments Limited	Hong Kong/PRC	Ordinary HK$1	100%	Investment holding

21. Interests in Subsidiaries *(continued)*

Name	Place of incorporation/ establishment and operations*	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Ascent Hill Investments Limited	Hong Kong	Ordinary HK$1	100%	Investment holding
Bolton Limited	Hong Kong	Ordinary HK$1	100%	Investment holding
Joymart Enterprises Limited	BVI	Ordinary US$1,000	100%	Trading of jewellery products
Megaprofit Enterprises Limited	BVI	Ordinary US$1,000	100%	Trading of jewellery products
莎梵蒂珠寶貿易（上海）有限公司	PRC	US$140,000^^	100%	Retailing of jewellery products
東莞即達珠寶首飾有限公司	PRC	HK$10,000,000***	100%	Dormant
Trismart Group Limited	BVI	Ordinary US$1,000	100%	Investment holding
Marvel Bloom Limited	BVI	Ordinary US$1,000	100%	Investment holding
Bright Ever Holdings Limited	BVI	Ordinary US$1,000	100%	Investment holding
Super Charm Holdings Limited	BVI	Ordinary US$100	80%	Investment holding
East Ocean Worldwide Limited	Hong Kong	Ordinary HK$10,000,000	80%	Investment holding
池州東海礦業發展有限公司	PRC	HK$10,000,000##	80%	Exploration of gold mine in the PRC
Gold Fortune Company Limited	Anguilla	Ordinary US$100	100%	Investment holding
Prime East International Company Limited	Anguilla	Ordinary US$50,000	90.9%	Investment holding

Notes to the Financial Statements

Year ended 30 September 2011

21. Interests in Subsidiaries *(continued)*

Name	Place of incorporation/ establishment and operations*	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Success Gold Limited	Hong Kong	Ordinary HK$10,000	90.9%	Investment holding
Sanxin Mining Company Limited	Hong Kong	Ordinary HK$1,000,000	60%	Investment holding
Goldluxe Limited	Hong Kong	Ordinary HK$1,000,000	60%	Investment holding
赤峰國金礦業有限公司	PRC	RMB5,000,000###	60%	Mining
Euro Synergy Ltd	BVI	Ordinary US$1,000	100%	Investment holding
Magic Crown Investment Ltd	BVI/Hong Kong	Ordinary US$1,000	100%	Investment holding
Joy Charm Holdings Ltd	BVI	Ordinary US$1	100%	Investment holding
Century Dragon Holdings Ltd	Hong Kong	Ordinary HK$1	100%	Investment holding
深圳市琪晶達貿易有限公司	PRC	RMB10,000,000@	90%	Retail and wholesale of watches
遼寧時全飾美投資管理有限公司	PRC	RMB10,000,000@@	90%	Retail of watches
Shenzhen Qijingda Trading (HK) Company Limited	Hong Kong	Ordinary HK$1,000,000	90%	Wholesale of watches
Eternal Top Investment Limited	Hong Kong	Ordinary HK$1,000	100%	Investment holding
Ming Fung Watch & Jewellery Limited	Hong Kong	Ordinary HK$10,000	100%	Retail and wholesale of watches

* Where the place of operations is different from its place of incorporation/establishment.

** 佛山市順德區即達珠寶金行有限公司 is a wholly foreign-owned enterprise established in PRC for an operating period of 11 years commencing from its date of establishment on 23 September 2002. The registered capital of 佛山市順德區即達珠寶金行有限公司 of HK$2,000,000 has been fully paid up by the Group.

*** 東莞即達珠寶首飾有限公司 is a wholly foreign-owned enterprise established in PRC for an operating period of 15 years commencing from its date of establishment on 25 October 2006. The registered capital of 東莞即達珠寶首飾有限公司 of HK$10,000,000 has been fully paid up by the Group.

21. Interests in Subsidiaries *(continued)*

^^ 莎梵蒂珠寶貿易（上海）有限公司 is a wholly foreign-owned enterprise established in PRC for an operating period of 20 years commencing from its date of establishment on 22 May 2006. The registered capital of 莎梵蒂珠寶貿易（上海）有限公司 of US$140,000 has been fully paid up by the Group.

These two companies have been struck off from the BVI Government Register with effect from 1 November 2007.

池州東海礦業發展有限公司 is a wholly foreign-owned enterprise established in PRC for an operation period of 20 years commencing from its date of establishment on 21 September 2006. The registered capital of 池州東海礦業發展有限公司 of HK$10,000,000 has been fully paid up.

赤峰國金礦業有限公司 is a wholly foreign-owned enterprise established in PRC for an operation period of 30 years commencing from its date of establishment on 18 October 2005. The registered capital of 赤峰國金礦業有限公司 of RMB5,000,000 has been fully paid up.

@ 深圳市琪晶達貿易有限公司 is a wholly foreign-owned enterprise established in PRC for an operating period of 31 year commencing from its date of establishment on 9 June, 2010. The registered capital of 深圳市琪晶達貿易有限公司 of RMB10,000,000 has been fully paid up.

@@ 遼寧時全飾美投資管理有限公司 is a limited liability company established in PRC for an operating period of 5 year commencing from its date of establishment on 12 February, 2009. The registered capital of 遼寧時全飾美投資管理有限公司 of RMB10,000,000 has been fully paid up.

22. Warrants

On 17 March 2009, the Company entered into a placing agreement with CTW Securities Limited in relation to the private placing of 150,000,000 non-listed warrants at the placing price of HK$0.005 per warrant. The warrants entitled the holders thereof to subscribe for new shares of the Company at an initial exercise price of HK$0.23 per new share (subject to adjustment) at any time during a period of twelve months commencing from the date of issue of the warrants. Each warrant carries right to subscribe for one new share. The warrants were issued on 17 March 2009 and the Company received proceeds of approximately HK$750,000 in respect of the placing of the warrants. The placing commission was 3% of the aggregate placing price of the warrants being placed. The proceeds from the placing of the warrants were used as general working capital of the Group.

During the year ended 30 September 2010, 150,000,000 warrants were exercised to subscribe for 150,000,000 new ordinary shares in the Company at a consideration of HK$34,500,000 of which HK$1,500,000 was credited to share capital and the balance of HK$33,000,000 was credited to share premium account. HK$728,000 has been transferred from the warrants reserve to share premium account.

On 15 June 2011, the Company entered into a placing agreement with CTW Securities Limited in relation to the private placing of 580,000,000 non-listed warrants at the placing price of HK$0.02 per warrant. The warrants entitled the holders thereof to subscribe for new shares of the Company at an initial exercise price of HK$0.97 per new share (subject to adjustment) at any time during a period 24 months commencing from the date of issue of the warrants. Each warrant carries right to subscribe for one new share. The warrants were issued on 15 June 2011 and the Company received proceeds of approximately HK$11,600,000 in respect of the placing of the warrants. The placing commission was 1.5% of the aggregate placing price of the warrants being placed. The proceeds from the placing of the warrants were used as general working capital of the Group.

Notes to the Financial Statements

Year ended 30 September 2011

23. Inventories

	Group 2011 HK$'000	2010 HK$'000
Raw materials	**140,440**	145,466
Finished goods	**840,522**	483,410
	980,962	628,876

24. 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 2011 HK$'000	2010 HK$'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:

	Group 2011 HK$'000	2010 HK$'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.

25. Cash and Cash Equivalents

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Cash and bank balances	**395,765**	189,667	**521**	4
Non-pledged time deposits	**68,993**	27,165	**–**	–
Cash and cash equivalents	**464,758**	216,832	**521**	4

The effective interest rate on non-pledged time deposits was 1.1% (2010: 1.71%) per annum and the deposit had maturity of 1 month (2010: 1 month).

26. 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	
	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

27. Secured Interest Bearing Bank Borrowings

	Group	
	2011	2010
	HK$'000	HK$'000
Trust receipt loans, secured	**–**	3,545
Secured interest bearing bank borrowings are repayable as follows:		
Within 1 year	**–**	3,545
In the 2nd year	**–**	–
	–	3,545

All trust receipt loans and overdraft bear interest at floating interest rate.

All secured interest bearing bank borrowings were denominated in Hong Kong dollars. The effective annual interest rates of the Group's bank borrowings for the year 2011 ranges from 1.5% to 5.3% (2010: 1.5% to 5.0%).

Notes to the Financial Statements

Year ended 30 September 2011

28. Banking Facilities

As at 30 September 2011 and 30 September 2010, the Group's banking facilities were secured by the corporate guarantees of the Company and certain subsidiaries of the Company.

29. Share Capital

	Notes	Number of shares '000	Nominal value HK$'000
Authorised ordinary shares of HK$0.01 each			
At 30 September 2010 and 30 September 2011		10,000,000	100,000
Issued and fully paid			
At 1 October 2009		957,750	9,578
Issue of new shares	(i)	297,000	2,970
Arising from acquisition of subsidiaries		100,000	1,000
Converted from convertible notes		211,111	2,111
Exercise of warrant		150,000	1,500
Issue of shares under share option scheme		68,825	688
Issue of bonus shares	(ii)	713,875	7,139
At 1 October 2010		2,498,561	24,986
Issue of new shares	(iii)	356,000	3,560
Arising from acquisition of subsidiaries	30(a)	600,000	6,000
Issue of shares under share option scheme	31	194,400	1,944
At 30 September 2011		3,648,961	36,490

Notes:

(i) On 14 April 2010, the Company entered into a placing agreement with Kingston Securities Limited to place 297,000,000 shares at the subscription price of HK$0.67 per share. The proceeds are used for mining business and/or general working capital of the Group.

(ii) By the ordinary resolution passed at the extraordinary general meeting held on 12 July 2010, an aggregate of 713,874,464 bonus shares of HK$0.01 each were issued in proportion of four bonus shares for every ten existing issued ordinary shares.

(iii) On 14 December 2010, the Company entered into a placing agreement with Kingston Securities Limited to place 356,000,000 shares at the subscription price of HK$0.78 per share. The proceeds are used for jewellery retail business and/or general working capital of the Group. Details of the placing was disclosed in the announcement dated 15 December 2010.

30. Acquisition of Subsidiaries

(a) For the year ended 30 September 2011

On 12 November 2010, the Group entered into Joy Charm Holdings Limited ("Joy Charm") Share Purchase Agreement (the "Agreement") with an independent third party, Starry Rise Investments Limited, for the acquisition of the entire interest in Joy Charm at a consideration of HK$336.0 million. Joy Charm owns 90% indirect interest in Shenzhen Qijingda Trading Company Limited (深圳市琪晶達貿易有限公司) ("Shenzhen Qijingda") and Shenzhen Qijingda is a trading company in Shenzhen. The completion date of the Agreement was on 8 June 2011, which is also the acquisition date for accounting purpose.

Of the total consideration of HK$336.0 million was satisfied by the issue of 600,000,000 new ordinary shares at an issue price of HK$0.5 each in the share capital of the Company ("Consideration Shares"). The fair value of the shares to be issued was determined using the published closing price of HK$0.9 at the date of completion, amounting to approximately HK$540 million, and HK$36 million of cash consideration. Joy Charm is an investment holding company incorporated in the British Virgin Islands.

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis):

	HK$'000
Non-current assets	
Property, plant and equipment (Note 19)	3,891
Current assets	
Inventories	52,146
Trade receivables	19,004
Prepayment, deposit and other receivables	11,185
Cash and cash equivalents	15,061
Current liabilities	
Trade payables	(39,735)
Other payables and accruals	(1,833)
Net assets	59,719
Non-controlling interests	(10,676)
Goodwill arising on acquisition (Note 20)	526,957
Total consideration	576,000
Total purchase consideration satisfied by:	
Cash	36,000
Issuance of new shares	540,000
	576,000
Net cash outflow arising on acquisition:	
Cash consideration paid	36,000
Bank balances and cash acquired	(15,061)
	20,939

Note: The business combination is determined on a provisional basis as the Group is in the process of identifying and obtaining independent valuation to assess the fair value of the identifiable assets acquired. The goodwill may be adjusted upon completion of the initial accounting.

Notes to the Financial Statements

Year ended 30 September 2011

30. Acquisition of Subsidiaries *(continued)*

(b) For the year ended 30 September 2010

(i) On 10 June 2009, the Group entered into Chi Zhou Share Purchase Agreement (the "Agreement") with an independent third party, Pretty Sweet, for the acquisition of 80% of the entire interest in Super Charm at a consideration of HK$80.0 million. Super Charm owns 100% indirect interest in Chi Zhou Donghai Mining Development Company Limited (池州東海礦業發展有限公司) ("Chi Zhou Donghai") and Chi Zhou Donghai is the holder of the exploration license located in Chi Zhou City of An Hui Province. The completion date of the Agreement was 12 February 2010, which is also the acquisition date for accounting purpose.

Of the total consideration of HK$80.0 million was satisfied by the issue of 100,000,000 new ordinary shares at an issue price of HK$0.80 each in the share capital of the Company ("Consideration Shares"). Super Charm is an investment holding company incorporated in the British Virgin Islands and owns a 100% indirect interest in Chi Zhou Donghai.

Details of the fair value of the identifiable assets and liabilities of the above Super Charm as at the date of acquisition were as follows:

Net assets acquired

	Fair value recognised on acquisition HK$'000
Cash and cash equivalents	62
Exploration license (Note 18)	100,010
Other payables and accrued expenses	(72)
Net assets	100,000
Less: Non-controlling interests	(20,000)
	80,000
Satisfied by	
Issuance of Consideration Shares	80,000
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	62

30. Acquisition of Subsidiaries *(continued)*

(b) For the year ended 30 September 2010 *(continued)*

(ii) On 20 August 2009, the Group entered into Chi Feng Share Purchase Agreement ("the Agreement") with an independent third party, Prime Fortune, for the acquisition of entire interest in Gold Fortune at a consideration of HK$190.0 million. Gold Fortune owns 60% indirect interest in Chi Feng Guo Jin Mining Company Limited (赤峰國金礦業有限公司) ("Chi Feng") and it is the holder of the gold mining license located in Chi Feng City of Inner Mongolia Autonomous Region. The completion date of the Agreement was 22 March 2010, which is also the acquisition date of accounting purpose.

Of the total consideration of HK$190.0 million was satisfied by the issue of convertible notes of the Company. Gold Fortune is an investment holding company incorporated under the laws of Anguilla and owns a 60% indirect interest in Chi Feng.

Details of the fair value of the identifiable assets and liabilities of the above Gold Fortune as at the date of acquisition were as follows:

Net assets acquired

	HK$'000
Property, plant and equipment (Note 19)	3
Cash and cash equivalents	3
Gold mining license (Note 17)	317,750
Other receivables, deposits and prepayments	361
Other payables and accrued expenses	(1,449)
Net assets	316,668
Less: Non-controlling interests	(126,668)
	190,000
Satisfied by	
Issuance of convertible notes (Note i)	190,000
Net cash inflow arising on acquisition:	
Bank balance and cash acquired	3

Note i: During the year, all convertible notes were converted into 211,111,111 number of the Company's shares. Accordingly, HK$2,111,111 was transferred to share capital account while HK$187,888,889 was transferred to share premium account.

Notes to the Financial Statements

Year ended 30 September 2011

31. Share Options

The Company operates a share option scheme ("Scheme") for the purpose of providing incentives and rewards to eligible participants (including, inter alia, employees, directors, advisors and consultants) who contribute to the success of the Group's operations. The Scheme became effective on 3 September 2002 and unless otherwise cancelled or amended, will remain in force for 10 years from its date of adoption on 12 August 2002.

Salient details of the Scheme are:

(a) The maximum number of shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;

(b) The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or other expiry date(s) stipulated in the Scheme, whichever is the earlier;

(c) The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee; and

(d) The exercise price of the share options is determinable by the directors but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

Since adoption of the Scheme, no share options have been offered and/or granted to the directors of the Group under the Scheme.

31. Share Options *(continued)*

Details of the specific categories of options are as follows:

Date of grant	Number of options granted	Exercise period	Exercise price (Note) HK$
10 Dec 2008	65,000,000	10 December 2008 to 9 December 2011	0.1167
11 May 2009	76,700,000	11 May 2009 to 10 May 2012	0.3107
7 July 2009	80,625,000	7 July 2009 to 6 July 2012	0.4500
17 June 2010	178,000,000	17 June 2010 to 16 June 2013	0.4786

Share options do not confer rights on the holders to receive dividends or to vote at shareholders' meetings.

Note: The exercise price and the number of share options outstanding at 30 September 2010 have been adjusted to reflect the effect of the bonus issue as detailed in note 29(ii).

Notes to the Financial Statements
Year ended 30 September 2011

31. Share Options *(continued)*

					Number of underlying shares in respect of which share options were granted				Number of underlying shares in respect of which share options were granted		
	Date of grant	Exercisable period	Exercise price per share* HK$	Outstanding at 01.10.2009	Granted during the year	Exercised during the year	Before adjusted upon capitalisation issue	Adjusted*	Outstanding at 01.10.2010	Exercised during the year	Outstanding at 30.9.2011
Employees	11 May 2009	11 May 2009 to 10 May 2012	0.435	10,700,000	–	(10,700,000)	–	–	–	–	–
Other Eligible Participants	10 Dec 2008	10 Dec 2008 to 9 Dec 2011	0.1167	53,500,000	–	(37,500,000)	16,000,000	6,400,000	22,400,000	(21,000,000)	1,400,000
	11 May 2009	11 May 2009 to 10 May 2012	0.3107	37,000,000	–	–	37,000,000	14,800,000	51,800,000	(2,800,000)	49,000,000
	7 July 2009	7 July 2009 to 6 July 2012	0.4500	80,625,000	–	(20,625,000)	60,000,000	24,000,000	84,000,000	(30,800,000)	53,200,000
	17 June 2010	17 June 2010 to 16 June 2013	0.4786	–	178,000,000	–	178,000,000	71,200,000	249,200,000	(139,800,000)	109,400,000
Total				181,825,000	178,000,000	68,825,000	291,000,000	116,400,000	407,400,000	(194,400,000)	213,000,000
Exercisable at the end of the year									407,400,000		213,000,000

During the year, no share options were granted, cancelled or lapsed.

* Upon passing of the resolution for the bonus issue by the shareholders at the extraordinary general meeting held on 12 July 2010 and pursuant to the Scheme, the exercise price of the share options granted under the Scheme and the number of shares to be allotted and issued upon full exercise of the subscription right attaching to the outstanding share options were adjusted in accordance with the terms of the Scheme and the Listing Rules.

31. Share Options *(continued)*

The number and weighted average exercise price of the share options are as follows:

	2011 Number of share options	2011 Weighted average exercise price HK$	2010 Number of share options	2010 Weighted average exercise price HK$
Outstanding at the beginning of the year	**407,400,000**	**0.418**	227,025,000#	0.330#
Granted during the year	**–**	**–**	249,200,000#	0.479#
Exercised during the year	**(194,400,000)**	**0.433**	(68,825,000)	0.345
Exercisable at the end of the year	**213,000,000**	**0.404**	407,400,000	0.418

The number of share options and exercise prices have been adjusted to reflect the bonus issue during the financial year 2010.

The weighted average share price at the date of exercise during the year was HK$0.900 (2010: HK$0.706). As at the date of this annual report, 211,600,000 (2010: 407,400,000) shares were available for issue under the Scheme, representing approximately 5.80% (2010: 14.02%) of the issued share capital of the Company at that date.

Note: The share options granted are in exchange for certain services provided by those other eligible participants, the directors considered that the fair values of the services received cannot be measured reliably, accordingly, the share-based payment is measured by reference to the fair value of the share options granted.

These fair values were calculated using the Black-Scholes option pricing model. The model is commonly used models to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variable of certain assumption. The inputs into the model were as follows:

	10 Dec 2008	11 May 2009	7 July 2009	17 June 2010
Fair value per option	HK$0.07521	HK$0.242026	HK$0.346217	HK$0.08029
Share price at the grant date	HK$0.146	HK$0.435	HK$0.610	HK$0.4790
Exercise price	HK$0.1634	HK$0.435	HK$0.630	HK$0.4786
Expected volatility	89.207%	92.733%	90.494%	53.551%
Expected life	3 years	3 years	3 years	0.75 years
Risk free rate	1.065%	1.023%	1.160%	0.515%
Expected dividend yield	1.21%	1.21%	–	–

Expected volatility was determined by using the historical volatility of the Company's share price over the past years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

No expenses were recognised by the Group for the year ended 30 September 2011 (2010: HK$20,009,000) in relation to share options granted by the Company.

Notes to the Financial Statements

Year ended 30 September 2011

32. Reserves

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Company

	Notes	Share premium HK$'000	Share-based payment reserve HK$'000	Warrants reserve HK$'000	Retained profits/ (Accumulated loss) HK$'000	Total HK$'000
At 30 September 2009 and 1 October 2009		252,788	43,482	728	(24,513)	272,485
Issuance of warrants	22	33,728	–	(728)	–	33,000
Placement of new shares	29	190,280	–	–	–	190,280
Issue of shares upon exercise of share options	29	35,638	(12,551)	–	–	23,087
Issue of shares upon conversion of convertible notes	30(b)(ii)	187,889	–	–	–	187,889
Issue of shares on acquisition of a subsidiary	30(b)(i)	79,000	–	–	–	79,000
Issue of shares in respect of bonus issue	29	(7,139)	–	–	–	(7,139)
Recognition of equity-settled share-based payment		–	20,009	–	–	20,009
Total comprehensive income for the year		–	–	–	(26,226)	(26,226)
At 30 September 2010		772,184	50,940	–	(50,739)	772,385

32. Reserves *(continued)*

Company

	Notes	Share premium HK$'000	Share-based payment reserve HK$'000	Warrants reserve HK$'000	Retained profits/ (Accumulated loss) HK$'000	Total HK$'000
At 30 September 2010 and 1 October 2010		772,184	50,940	–	(50,739)	772,385
Issuance of warrants	22	–	–	11,427	–	11,427
Placement of new shares	29	266,183	–	–	–	266,183
Issue of shares upon exercise of share options	31	102,598	(20,454)	–	–	82,144
Issue of shares on acquisition of a subsidiary	30(a)	534,000	–	–	–	534,000
Total comprehensive income for the year		–	–	–	(7,745)	(7,745)
At 30 September 2011		1,674,965	30,486	11,427	(58,484)	1,658,394

Notes:

(a) In accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

(b) The share premium account of the Company includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on 12 August 2002 over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium arising from the new issue; (iii) the premium arising from the capitalisation issue; and (iv) the premium arising from issue of shares upon exercise of share options scheme.

(c) The share premium account of the Group includes: (i) the difference between the combined net asset value of the subsidiaries acquired pursuant to the group reorganisation on 12 August 2002 over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium arising from the new issue; (iii) the premium arising from the capitalisation issue; and (iv) the premium arising from issue of shares upon exercise of share options scheme.

Notes to the Financial Statements
Year ended 30 September 2011

33. Notes to the Consolidated Statement of Cash Flows

Reconciliation of profit from operating activities to net cash outflow from operations

	2011 HK$'000	2010 HK$'000
Profit from operating activities	**171,317**	114,013
Interest income	**(2,164)**	(932)
Depreciation	**7,037**	7,899
Loss on disposal of property, plant and equipment	**92**	9,170
Share-based payment expenses	**–**	20,009
(Increase)/Decrease in prepayments, deposits and other receivables	**(39,071)**	30
Increase in inventories	**(299,940)**	(134,306)
Decrease/(Increase) in trade receivables	**19,719**	(33,755)
Increase in trade payables	**21,282**	1,202
Increase/(Decrease) in other payables and accruals	**50,021**	(868)
Tax paid	**(32,342)**	(21,185)
Net cash used in operating activities	**(104,049)**	(38,723)

34. Major Non-cash Transactions

During the year ended 30 September 2011, as detailed in note 30(a), a total number of 600,000,000 ordinary shares of the Company were issued as part of the consideration for the acquisition of subsidiaries.

35. Related Party Transactions

Apart from the remuneration paid to the directors of the Company (being the key management personnel) as disclosed in note 10, there were no other significant related party transactions entered into by the Group.

36. 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).

37. Operating Lease Arrangements

The Group leases certain of its leasehold land and buildings under operating lease arrangements.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within 1 year	**4,891**	647
In 2 to 5 years, inclusive	**3,561**	–
	8,452	647

38. Capital Commitments

	Group	
	2011	2010
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
a) Exploration works		
– Within 1 year	**8,209**	11,583
– In 2 to 5 years, inclusive	**11,133**	10,651
	19,342	22,234
b) Acquisition of subsidiaries (Note 39)	**400,000**	–
	419,342	22,234

Notes to the Financial Statements

Year ended 30 September 2011

39. Events After the Reporting Period

On 28 September 2011, the Group has entered into a share purchase agreement to acquire 100% of Omas International S.A., which directly hold 90.1% of Omas SRL, the sole owner and manufacturer of fine writing instruments and accessories which bear the trademark "OMAS". The consideration for the acquisition is HK$400,000,000 and will be satisfied by the Company to allot and issue to the vendor 666,666,667 new shares, credited as fully paid, at the issue price of HK$0.60 per share upon completion of the acquisition. As at the date of this annual report, the acquisition has not been completed.

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 30 December 2011.