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 2012

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

Jonten Hopkins CPA Limited
(Formerly known as 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" or the "Company" and together with its subsidiaries, the "Group"), I am pleased to present the annual results of Ming Fung for the year ended 30 September 2012.

COMPLETE PRODUCT RANGE IN FINE JEWELLERY

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

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

STEADY PERFORMANCE DESPITE WEAK GLOBAL ECONOMY

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

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

For the gold mining business, the Group cooperated with a PRC based leading professional mining institution which started to produce in the gold mines located in Chi Feng City, Inner Mongolia Autonomous Region, PRC, in September 2012. It is expected that the gold mines will start revenue contribution for the years ahead. As for the gold mines located in Chi Zhou City, Anhui Province, PRC, the detailed exploration work has been successfully launched during the year under review and we will continue to carry out such work as necessary to prepare for the exploitation of these mines in the future.

Chairman's Statement

MARCHING TOWARDS A CAUTIOUSLY OPTIMISTIC FUTURE

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

ACKNOWLEDGEMENTS

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
Ming Fung Jewellery Group Limited
Hong Kong
28 December 2012

Management Discussion and Analysis

OVERVIEW

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

FINANCIAL REVIEW

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

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

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

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

Management Discussion and Analysis

Liquidity, Financial Resources and Gearing

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

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

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

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

The Group's inventory turnover, trade receivables turnover and trade payables turnover periods were 713 days, 90 days and 69 days, respectively. Overall the turnover times were consistent and complied with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

During the year, the Group financed its operations and investing activities through operating cash inflows and issuance of consideration shares. The capital structure of the Company solely consists of share capital. As at 30 September 2012, shareholder equity in the Group amounted to HK$2,780.5 million (2011: HK$2,348.2 million).

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

Employees and Remuneration Policies

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

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

Directors and Senior Management

Directors

Executive Directors

Mr. Wong Chi Ming, Jeffry, aged 55, 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 52, 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 55, 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 29 years of experience in trading businesses. He was appointed as a Director on 2 April 2004.

Independent Non-Executive Directors

Mr. Jiang Chao, aged 41, was appointed as Independent Non-executive Director in April 2010. He 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. He is an associate member of the Association of Chartered Certified Accountants and a Certified Public Accountant in the PRC. Mr. Jiang has about 19 years of experience in accounting and finance. 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 Accounts and a member of the Hong Kong Institute of Certified Public Accounts. He obtained his Professional Diploma in Accountancy from the Hong Kong Polytechnic and EMBA from the City University of Hong Kong. Mr. Chan possesses over 28 years of experience in the financial services sector, excelling in development and management of internal operations, business integration and financial controls. He is also a Chief Financial Office and Company Secretary of Jiangnan Group Limited (江南集團有限公司: 1366).

Mr. Tam Ping Kuen, Daniel, aged 49, 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.

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 39, 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 14 years of experience in the field of finance, accounting and auditing.

Mr. Gao Qiang, aged 48, is the Senior Finance Manager of the Group. He joined the Group in 2008 and is responsible for the financial and accounting matters of the Group. He has over 20 years of experience in the field of finance and accounting.

Mr. Wong Kang Bor, Alex, aged 39, is the Finance Manager of the Group. He joined the Group in 2008 and is responsible for the financial matters of the Group. Mr. Wong holds a Bachelor of Arts degree from San Francisco State University. He has over 14 years of experience in the field of finance and accounting.

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 2012.

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 22 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 2012 is set out in note 7 to the financial statements.

Results and Dividends

The Group's results for the year ended 30 September 2012 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 29 to 96.

The Board does not recommend the payment of final dividend to shareholders for the year ended 30 September 2012 (2011: Nil).

Closure of Register of Members

The register of members will be closed from 27th February 2013 to 1st March 2013 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 26th February 2013.

Report of the Directors

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 2012, prepared on the bases set out in the note below:

Results

	Year ended 30 September				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000 (As restated)	HK$'000	HK$'000	HK$'000
Turnover	**919,409**	890,367	730,410	679,342	649,970
Profit from operating activities	**116,779**	167,395	114,013	35,615	111,542
Finance costs	**(4,392)**	(492)	(2,672)	(7,329)	(11,675)
Profit before tax	**112,387**	166,903	111,341	28,286	99,867
Tax	**(35,917)**	(38,372)	(22,662)	(14,445)	(14,580)
Profit for the year	**76,470**	128,531	88,679	13,841	85,287
Attributable to:					
Equity holders of the Company	**83,158**	128,662	88,979	13,841	85,287
Non-controlling interests	**(6,688)**	(131)	(300)	–	–
	76,470	128,531	88,679	13,841	85,287

Assets and Liabilities

	At 30 September				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000 (As restated)	HK$'000 (As restated)	HK$'000	HK$'000
Non-current assets	**1,367,898**	1,053,084	513,879	60,284	81,846
Current assets	**1,977,526**	1,743,312	1,101,273	927,193	807,003
Total assets	**3,345,424**	2,796,396	1,615,152	987,477	888,849
Current liabilities	**292,721**	209,176	100,353	308,710	217,515
Non-current liabilities	**138,413**	114,572	102,553	–	153,000
Total liabilities	**431,134**	323,748	202,906	308,710	370,515
Net assets	**2,914,290**	2,472,648	1,412,246	678,767	518,334

Note: The results of the Group for the years ended 30 September 2008, 2009 and 2010 and the assets and liabilities of the Group as at 30 September 2008 and 2009 are extracted from the audited financial statements. The results of the Group for the years ended 30 September 2011 and 2012 and the assets and liabilities of the Group as at 30 September 2010, 2011 and 2012 are those set out in the financial statements on pages 29 and 30 respectively. The details of restatement and correction of prior period adjustments for the years ended 30 September 2010 and 2011 are set out in Notes 32 and 42 to these consolidated financial statements 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 20 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 35 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

As at 30 September 2012, the Company had distributable reserves of approximately HK$2,024,024,000 (2011: HK$1,694,884,000) 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$2,008,395,000 (2011: HK$1,674,965,000) 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 4.0% of the total sales for the year and the sales to the largest customer included therein amounted to approximately 0.9%.

Purchases from the Group's 5 largest suppliers accounted for approximately 35.5% of the total purchases for the year and the purchases from the largest supplier included therein amounted to approximately 17.0%.

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. Yu Fei, Philip and Mr. Chan Man Kiu 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 7 and 8 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 2012, 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	6.76%

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 2012, 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.

Report of the Directors

Directors' Rights to Acquire Shares or Debentures

Apart from the share option scheme disclosures in note 34 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.

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 34 to the financial statements.

Substantial Shareholders

As at 30 September 2012, 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))	6.76%
Mr. Choy Shiu Tim	280,000,000 (Note (e))	6.41%
Atlantis Capital Holdings Limited	326,500,000 (Notes (b) and (e))	7.48%
Ms. Liu Yang	326,500,000 (Notes (b) and (e))	7.48%
L Capital Asia, L.L.C.	310,000,000 (Notes (c) and (e))	7.10%
L Capital MF Limited	310,000,000 (Notes (c) and (e))	7.10%
Hengdeli Holdings Limited	666,666,667 (Notes (d) and (e))	15.27%
Alpha Key Investments Limited	666,666,667 (Notes (d) and (e))	15.27%

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) Alpha Key Investments 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 2012, 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 2012 are set out in notes 28 and 29 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 40.

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 28 December 2012, the latest practicable date to ascertain such information prior to the issue of this annual report.

Report of the Directors

Continuing Connected Transactions

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

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

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

Corporate Governance

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

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

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

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

Report of the Directors

Audit Committee

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. Currently the audit committee comprises the 3 independent non-executive directors, who have reviewed the financial statements for the year ended 30 September 2012.

Auditor

Jonten Hopkins CPA Limited has audited the financial statements for the year. Jonten 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 Jonten 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
28 December 2012

Corporate Governance Report

Corporate Governance Practices

The board of directors of the Company (the "Board") and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Code on Corporate Governance Practices (the "CG Code") and the revised version of it which takes effect from April 2012 (the "New CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the period from 1 October 2011 up to 31 March 2012 and the code provisions of the New CG Code for the period from 1 April 2012 to 30 September 2012, except where otherwise stated.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard 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 has given 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.

Board of Directors *(continued)*

During the financial year ended 30 September 2012, a total of 8 Board meetings, one annual general meeting ("2012 AGM") and one extraordinary general meeting ("EGM") were held and the attendance of each director is set out as follows:

	Number of meetings attended in the year ended 30 September 2012		
Name of director	**regular Board meetings**	**2012 AGM**	**EGM**
Mr. Wong Chi Ming, Jeffry *(Chairman)*	4/4	1/1	1/1
Mr. Chung Yuk Lun	2/4	0/1	0/1
Mr. Yu Fei, Philip	2/4	0/1	0/1
Mr. Chan Man Kiu	2/4	0/1	0/1
Mr. Tam Ping Kuen, Daniel	2/4	0/1	0/1
Mr. Jiang Chao	2/4	0/1	0/1

The Chairman attended 2012 AGM to answer questions and collect views of shareholders. Though two executive directors and three independent non-executive directors were unable to attend 2012 AGM due to other business engagements, the company secretary and the auditors had attended the meeting to answer questions at the meeting.

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 year ended 30 September 2012
Mr. Wong Chi Ming, Jeffry *(Chairman)*	4/4
Mr. Chung Yuk Lun	0/4
Mr. Yu Fei, Philip	4/4

Responsibilities of the Board

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

Corporate Governance Report

Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

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.

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 and 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

All independent non-executive directors are appointed for a specific term which may be extended as each and the Company may agree.

The current articles of association of the Company 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.

Professional Development

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the company secretary of the Company.

Professional Development *(continued)*

The individual training record of each director received for the year ended 30 September 2012 is summarized below:

	Attending seminar(s)/ programme(s)/conference(s) relevant to the business or directors' duties
Mr. Wong Chi Ming, Jeffry	✓
Mr. Chung Yuk Lun	✓
Mr. Yu Fei, Philip	✓
Mr. Chan Man Kiu	✓
Mr. Tam Ping Kuen, Daniel	✓
Mr. Jiang Chao	✓

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

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 2012. All of them have appropriate professional qualifications and 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. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

Our Audit Committee has primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on, receiving and reviewing reports from management and the auditors relating to the annual and interim accounts, and monitoring the accounting and internal control system in use throughout the Group.

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 2012. The attendance of each member is set out as follows:

Name of members of Audit Committee	**Number of meetings attended in the financial year ended 30 September 2012**
Mr. Tam Ping Kuen, Daniel	2/2
Mr. Chan Man Kiu	2/2
Mr. Jiang Chao	2/2

Corporate Governance Report

Audit Committee *(continued)*

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;

(b) recommendation to the Board, for the approval by shareholders, of the re-appointment of Jonten Hopkins CPA Limited as the external Auditor and approval of their remuneration;

(c) determination of the nature and scope of the audit; and

(d) review the financial statements for the relevant periods.

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. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company's remuneration policy and structure for all directors' and senior management and the Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Meeting of the Remuneration Committee shall be held at least once a year. One meeting was held during the year ended 30 September 2012. During the meeting, remuneration of the directors have been discussed and no change has been proposed to the remuneration policy and the directors' remuneration.

The attendance of each member is set out as follows:

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 30 September 2012
Mr. Tam Ping Kuen, Daniel	1/1
Mr. Chan Man Kiu	1/1
Mr. Jiang Chao	1/1

Corporate Governance Report

Remuneration Committee *(continued)*

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. Such share option scheme has expired in August 2012. A new share option scheme will be adopted in the annual general meeting to be held on 1 March 2013. Details of the new share option scheme are set out in the circular which will be dispatched together with this annual report. 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.

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. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive officer. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the jewellery industry and/or other professional areas.

Meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the year ended 30 September 2012. 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 members of Nomination Committee	Number of meetings attended in the financial year ended 30 September 2012
Mr. Tam Ping Kuen, Daniel	1/1
Mr. Chan Man Kiu	1/1
Mr. Jiang Chao	1/1

Corporate Governance Report

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.

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.

Auditors' Remuneration

During the financial year ended 30 September 2012, the fees paid to the Company's auditors is set out as follows:

Services rendered	**Fees paid/payable** ***(HK$'000)***
Audit services	2,673

Corporate Governance Report

Company Secretary

Mr. Lau Chun Pong ("Mr. Lau") was appointed as the company secretary of the Company on 12 November 2008. The biographical details of Mr. Lau are set out under the section headed "Directors and Senior Management".

According to the newly introduced Rule 3.29 of the Listing Rules, Mr. Lau has taken no less than 15 hours of relevant professional training during the financial year ended 30 September 2012.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

– **Right to convene extraordinary general meeting**

  Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

  The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Room 1825, 18/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

  The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

  The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

  – At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

  – At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

Corporate Governance Report

Shareholders' Rights *(continued)*

– **Right to put enquiries to the Board**

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to info@mingfung.com for the attention of the company secretary.

– **Right to put forward proposals at general meetings**

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 64 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 113 of the Company's Articles of Association, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless there shall have been lodged at the head office or at the registration office notice in writing signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose that person for election as a director and also notice in writing signed by that person of his willingness to be elected as a director. Unless otherwise determined by the directors and notified by the Company to the shareholders, the period for lodgment of the said notices shall be a seven day period commencing on the day after the dispatch of the notice of the general meeting for such election of director(s) and ending on the date falling seven days after the dispatch of the said notice of the general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Investor Relations

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.mingfung.com.

During the year ended 30 September 2012, there had been no significant change in the Company's constitutional documents.

Independent Auditor's Report

Jonten Hopkins CPA Limited
中天運浩勤會計師事務所有限公司
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Fax: (852) 2519 8529 Website:www.jontenhopkinscpa.com

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 29 to 96, which comprise the consolidated and Company's statements of financial position as at 30 September 2012, 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 2012 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.

Jonten Hopkins CPA Limited
Certified Public Accountants
Lo Shung Chi
Practising Certificate Number P04668

Hong Kong
28 December 2012

Consolidated Statement of Comprehensive Income

Year ended 30 September 2012

	Notes	2012 HK$'000	2011 HK$'000 (As restated)
REVENUE	6	**919,409**	890,367
COST OF SALES		**(666,430)**	(645,223)
GROSS PROFIT		**252,979**	245,144
OTHER INCOME	8	**3,976**	4,641
SELLING AND DISTRIBUTION EXPENSES		**(72,876)**	(53,483)
AMORTISATION OF DISTRIBUTION RIGHTS	18	**(12,075)**	(3,922)
IMPAIRMENT LOSS ON MINING RIGHTS	18	**(20,830)**	–
ADMINISTRATIVE EXPENSES		**(34,395)**	(24,985)
PROFIT FROM OPERATING ACTIVITIES	9	**116,779**	167,395
FINANCE COSTS	11	**(4,392)**	(492)
PROFIT BEFORE TAX		**112,387**	166,903
TAX	13	**(35,917)**	(38,372)
PROFIT FOR THE YEAR		**76,470**	128,531
OTHER COMPREHENSIVE INCOME:			
Exchange difference arising on translation of foreign operations	14	**24,777**	11,982
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**101,247**	140,513
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**83,158**	128,662
Non-controlling interests		**(6,688)**	(131)
		76,470	128,531
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**100,263**	142,994
Non-controlling interests		**984**	(2,481)
		101,247	140,513
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS	17		
Basic		**HK1.92 cents**	HK4.21 cents
Diluted		**HK1.92 cents**	HK4.02 cents

Consolidated Statement of Financial Position

At 30 September 2012

	Notes	30 September 2012 HK$'000	30 September 2011 HK$'000 (As restated)	1 October 2010 HK$'000 (As restated)
NON-CURRENT ASSETS				
Intangible assets	18	**407,733**	367,012	324,290
Exploration and evaluation assets	19	**101,294**	100,013	100,013
Property, plant and equipment	20	**80,501**	48,672	43,552
Goodwill	21	**778,370**	537,387	46,024
		1,367,898	1,053,084	513,879
CURRENT ASSETS				
Inventories	24	**1,302,273**	980,962	628,876
Trade receivables	25	**226,555**	227,334	228,048
Prepayments, deposits and other receivables		**103,799**	70,258	27,517
Cash and cash equivalents	26	**344,899**	464,758	216,832
		1,977,526	1,743,312	1,101,273
CURRENT LIABILITIES				
Trade payables	27	**125,134**	72,396	11,379
Other payables and accruals		**40,434**	18,520	6,678
Borrowings	28	**39,318**	40,013	3,545
Tax payables		**87,835**	78,247	78,751
		292,721	209,176	100,353
NET CURRENT ASSETS		**1,684,805**	1,534,136	1,000,920
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,052,703**	2,587,220	1,514,799
NON-CURRENT LIABILITIES				
Deferred tax liabilities	30	**138,413**	114,572	102,553
NET ASSETS		**2,914,290**	2,472,648	1,412,246
EQUITY				
Equity attributable to the Company's equity holders				
Share capital	31	**43,660**	36,490	24,986
Reserves		**2,736,870**	2,311,712	1,274,965
		2,780,530	2,348,202	1,299,951
NON-CONTROLLING INTERESTS		**133,760**	124,446	112,295
		2,914,290	2,472,648	1,412,246

Wong Chi Ming, Jeffry
Director

Yu Fei, Philip
Director

Consolidated Statement of Changes in Equity

Year ended 30 September 2012

	Notes	Share capital HK$'000	Share premium HK$'000	Retained earnings HK$'000	Exchange reserve HK$'000	Share-based payment reserve HK$'000	Warrants reserve HK$'000	Statutory reserve (Note a) HK$'000	Other reserve HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 October 2010 as previously reported		24,986	694,647	527,905	20,830	50,940	–	792	–	148,675	1,468,775
Correction of prior period error	42	–	(20,149)	–	–	–	–	–	–	(36,380)	(56,529)
At 1 October 2010 as restated		24,986	674,498	527,905	20,830	50,940	–	792	–	112,295	1,412,246
Total comprehensive income for the year as restated		–	–	128,661	14,332	–	–	–	–	(2,481)	140,512
Issuance of warrants	23	–	–	–	–	–	11,427	–	–	–	11,427
Placement of new shares	31	3,560	266,183	–	–	–	–	–	–	–	269,743
Issue of shares upon exercise of share options	34	1,944	102,598	–	–	(20,454)	–	–	–	–	84,088
Issue of shares on acquisition of a subsidiary	32(a)	6,000	534,000	–	–	–	–	–	–	–	540,000
Arising on acquisition of subsidiaries as restated	32(a)	–	–	–	–	–	–	–	–	14,632	14,632
At 30 September 2011 as restated		36,490	1,577,279	656,566	35,162	30,486	11,427	792	–	124,446	2,472,648
Total comprehensive income for the year		–	–	83,158	17,105	–	–	–	–	984	101,247
Contributions to other reserve		–	–	–	–	–	–	–	11	–	11
Issue of shares upon exercise of share options	34	504	23,430	–	–	(8,546)	–	–	–	–	15,388
Share options lapsed		–	–	13,156	–	(13,156)	–	–	–	–	–
Issue of shares on acquisition of a subsidiary	32(b)	6,666	310,000	–	–	–	–	–	–	–	316,666
Arising on acquisition of subsidiaries	32(b)	–	–	–	–	–	–	–	–	8,330	8,330
At 30 September 2012		43,660	1,910,709	752,880	52,267	8,784	11,427	792	11	133,760	2,914,290

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 2012

	Notes	2012 HK$'000	2011 HK$'000 (As restated)
OPERATING ACTIVITIES			
Net cash used in operating activities	36	**(130,782)**	(104,049)
INVESTING ACTIVITIES			
Interest received		**2,010**	2,164
Payments for exploration and evaluation asset		**(1,281)**	–
Net cash inflow/(outflow) from acquisition of subsidiaries	32(a)&(b)	**1,478**	(20,939)
Proceeds from disposal of property, plant and equipment		**3,623**	120
Proceeds from disposal of subsidiaries	33	**3,500**	–
Purchases of property, plant and equipment	20	**(2,585)**	(7,860)
Contributions from other reserve		**11**	–
Net cash generated from/(used in) investing activities		**6,756**	(26,515)
FINANCING ACTIVITIES			
Interest paid		**(4,392)**	(492)
Decrease in trust receipt loans, secured		**–**	(3,545)
Repayment of borrowings		**(892)**	–
New borrowings obtained		**123**	–
Issuance of shares upon exercise of share options		**15,388**	84,088
Issuance of warrants, net of expenses		**–**	11,427
Placement of shares, net of expenses		**–**	269,743
Net cash generated from financing activities		**10,227**	361,221
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(113,799)**	230,657
Effect of foreign exchange rates		**(6,060)**	17,269
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**464,758**	216,832
CASH AND CASH EQUIVALENTS AT END OF YEAR		**344,899**	464,758
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**344,899**	395,765
Non-pledged time deposits with original maturity of less than 3 months when acquired	26	**–**	68,993
		344,899	464,758

Statement of Financial Position

At 30 September 2012

	Notes	**30 September 2012 HK$'000**	30 September 2011 HK$'000 (As restated)	1 October 2010 HK$'000 (As restated)
NON-CURRENT ASSETS				
Interests in subsidiaries	22	**77,737**	77,737	77,737
CURRENT ASSETS				
Prepayments, deposits and other receivables		**39**	–	–
Amounts due from subsidiaries		**2,493,034**	2,164,177	1,266,646
Cash and cash equivalents	26	**101**	521	4
		2,493,174	2,164,698	1,266,650
CURRENT LIABILITIES				
Amounts due to subsidiaries		**563,723**	564,423	564,423
Other payables and accruals		**3,144**	3,277	2,742
Tax payables		**1,045**	–	–
		567,912	567,700	567,165
NET CURRENT ASSETS		**1,925,262**	1,596,998	699,485
NET ASSETS		**2,002,999**	1,674,735	777,222
EQUITY				
Share capital	31	**43,660**	36,490	24,986
Reserves	35	**1,959,339**	1,638,245	752,236
		2,002,999	1,674,735	777,222

Wong Chi Ming, Jeffry
Director

Yu Fei, Philip
Director

Notes to the Financial Statements

Year ended 30 September 2012

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 22 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").

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

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

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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[4]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[5]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

Notes to the Financial Statements

Year ended 30 September 2012

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 2015, with earlier application permitted.

The directors of the Company anticipate that the application of other new and revised standards and interpretations will have no material impact on the consolidated financial statements of the Group.

3. 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.

Business combinations

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 2012

3. Significant Accounting Policies *(continued)*

Business combinations *(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)*

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.

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.

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.

Notes to the Financial Statements
Year ended 30 September 2012

3. Significant Accounting Policies *(continued)*

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's business and geographical locations classified by the location of assets.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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.

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 consolidated 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.

3. Significant Accounting Policies *(continued)*

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.

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.

Notes to the Financial Statements

Year ended 30 September 2012

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

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.

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.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

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.

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.

Notes to the Financial Statements
Year ended 30 September 2012

3. Significant Accounting Policies *(continued)*

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.

Intangible assets

Mining rights

The cost of mining rights acquired in a business combination is the fair value at the date of acquisition. 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 amortisation 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.

Trademarks

The cost of trademarks acquired in a business combination is the fair value at the acquisition date. Trademarks have infinite useful life are carried at costs less accumulated identified impairment loss.

Distribution rights

Distribution rights acquired in a business combination are recognised at fair value at the acquisition date. Distribution rights have a finite useful life and are carried at costs less accumulated amortisation and any identified impairment loss. Amortisation is calculated using the straight-line method to allocate the cost of distribution rights over their estimated useful lives of 5 years.

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 other assets (other than goodwill, financial assets and exploration and evaluation assets)

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

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 recognised 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.

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% or at a percentage equals to the reciprocal of the unexpired lease period of the leasehold land, whichever is larger
Plant and machinery	15%
Furniture, fixtures and office equipment	15% – 20%
Motor vehicles	15% – 20%
Straight-line method:	
Leasehold improvement	50% or at a percentage equals to the reciprocal of the unexpired lease period of the leasehold land, whichever is larger
Furniture, fixtures and office equipment	20% – 32%
Leasehold land and buildings	5% or over the remaining period of respective leases where shorter
Motor vehicles	15% – 24%

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.

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.

3. Significant Accounting Policies *(continued)*

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 consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's functional and presentation currency.

(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:

(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.

Notes to the Financial Statements
Year ended 30 September 2012

3. Significant Accounting Policies *(continued)*

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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 Hong Kong dollars ("HKD") Euros ("EUR"), and Renminbi ("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.

Notes to the Financial Statements

Year ended 30 September 2012

4. Financial Risk Management *(continued)*

(a) Financial risk factors *(continued)*

(i) Foreign exchange risk (continued)

Carrying amounts of financial assets and financial liabilities as at the balance sheet date that exposed to currency risks were as follows:

Group

	2012 **HK$'000**	2011 HK$'000
Financial assets denominated in foreign currencies:–		
Trade and other receivables	**7,141**	1,442
Cash and bank balances	**7,404**	119,828
	14,545	121,270
Financial liabilities denominated in foreign currencies:–		
Trade and other payables	**(22,910)**	(24,395)
Net financial liabilities exposed to currency risks	**(8,365)**	(96,875)
The financial assets were denominated in the following foreign currencies:–		
Euros	**2,020**	–
Hong Kong dollars	**12,523**	121,270
Renminbi	**2**	–
	14,545	121,270
The financial liabilities were denominated in the following foreign currencies:–		
Euros	**(4,045)**	–
Hong Kong dollars	**(18,865)**	(24,395)
	(22,910)	(24,395)

The Group's management forecasted that the foreign currency exchange rate for Euros, Hong Kong dollars and Renminbi would not have significant fluctuation over the period until the next annual balance sheet date and the impact of the above mentioned currency risks on the Group's income and operating cash flows will not be significant.

4. Financial Risk Management *(continued)*

(a) Financial risk factors *(continued)*

(i) Foreign exchange risk (continued)

No analysis for carrying amount of financial assets and financial liabilities for the Company are disclosed as the effect is immaterial.

Foreign exchange risks 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 which 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 2012 and 2011, substantially all the bank balances as detailed in Note 26 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.

Notes to the Financial Statements

Year ended 30 September 2012

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 29) and cash and cash equivalents (Note 26) on the basis of expected cash flow.

Financial liabilities of the Group and of the Company are primarily due within one year.

The table below analyses the Group's and the Company'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, as the impact of discounting is considered to be insignificant.

	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 2012				
Borrowings (Note)	**45,369**	**–**	**–**	**45,369**
Trade payables	**125,134**	**–**	**–**	**125,134**
Other payables and accruals	**44,098**	**–**	**–**	**44,098**
	214,601	**–**	**–**	**214,601**
At 30 September 2011				
Borrowings (Note)	40,287	–	–	40,287
Trade payables	72,396	–	–	72,396
Other payables and accruals	22,062	–	–	22,062
	134,745	–	–	134,745

Note: All borrowings were denominated in Renminbi. The effective annual interest rates of the Group's borrowings for the year 2012 are 8% – 10% (2011: 10%).

4. Financial Risk Management *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk (continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
Company				
At 30 September 2012				
Amounts due to subsidiaries	**563,723**	**–**	**–**	**563,723**
Other payables and accruals	**3,144**	**–**	**–**	**3,144**
	566,867	**–**	**–**	**566,867**
At 30 September 2011				
Amounts due to subsidiaries	564,423	–	–	564,423
Other payables and accruals	3,277	–	–	3,277
	567,700	–	–	567,700

(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.

Carrying amounts of financial assets and financial liabilities as at the end of the reporting period that exposed to interest rate risks were as follows:

Group

	2012 HK$'000	2011 HK$'000
Financial assets earning variable interests:		
Cash and bank balances	**344,898**	464,758
Financial liabilities bearing fixed interests:		
Borrowings	**45,369**	40,684

Notes to the Financial Statements

Year ended 30 September 2012

4. Financial Risk Management *(continued)*

(a) Financial risk factors *(continued)*

(v) Interest rate risk (continued)

Company

	2012	2011
	HK$'000	HK$'000
Financial assets earning variable interests:		
Cash and bank balances	**100**	520

As the Company has no significant interest-bearing assets or liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

As at 30 September 2012 and 30 September 2011, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit for the year and retained earnings by approximately HK$1,159,000 (2011: HK$1,705,000).

Assuming that the change in interest rates had occurred at the end of 30 September 2012 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 2011.

(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 28, 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 few years at date of issue which will be expired in years 2013 to 2014 respectively, the renewal is subject to the approval by the relevant PRC authorities. In the opinion of the directors, 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$101,294,000 (2011: HK$100,013,000) and HK$324,000,000 (2011: HK$318,000,000) 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, and significant impairment loss might be recognised.

Renewal of trademarks

The Group owns various trademarks with registered period of a few years. The renewal is subject to the approval by different regulated authorities in Hong Kong and overseas. In the opinion of the directors, the Group will be entitled to renew the registration of trademarks 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 trademarks of approximately HK$46,360,000 (2011: Nil) might be significant reduced, or it will write-off or write-down the carrying amounts of the trademarks, and significant impairment loss might be recognised.

Key sources of estimation uncertainty

Followings 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 2012

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) *Useful lives of intangible assets (other than goodwill)*

The Group determines the estimated useful lives and related amortisation charges for the Group's intangible assets based on the historical experience of the actual useful lives of intangible assets of similar nature and functions as well as the contractual terms of intangible assets being purchased by the Group.

(e) *Estimated impairment of intangible assets (other than goodwill)*

The Group evaluates whether items of intangible assets 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.

(f) *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 inventories are shown at the lower of cost and net realisable value.

(g) *Impairment review of goodwill*

The Group tests annually for impairment review of goodwill in accordance with accounting policy as stated in note 21. 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.

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

Key sources of estimation uncertainty *(continued)*

(h) 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, no impairment on the exploration and evaluation assets is required for the year ended 30 September 2012. Management reassesses the impairment of exploration and evaluation assets at the end of the reporting period.

(i) Business combinations

For the business combinations undertaken by the Group, the Group allocates the costs of the acquired entities to the assets acquired and the liabilities assumed based on their estimated fair value on the date of acquisition. This process is commonly referred to as the purchase price allocation. As part of the purchase price allocation, the Group is required to determine the fair value of any identifiable intangible assets acquired. The determination of the fair value of the intangible assets acquired involves certain judgement and estimates. These judgements can include, but are not limited to, the cash flows that an asset is expected to generate in the future.

The fair values of the identifiable intangible assets were determined by the Group with inputs from the independent appraisers using mainly the "income" based approach. Future cash flows are predominantly based on the historical pricing and expense levels, taking into consideration the relevant market size and growth factors. The resulting cash flows are then discounted at a rate approximating the Group's weighted average cost of capital.

A change in the amount allocated to identifiable intangible assets would have an offsetting effect on the amount of goodwill recognised from the acquisition and would change the amount of amortisation expense recognised related to those identifiable intangible assets.

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

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

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

(a) Exports segment is export of manufactured jewellery products and writing instruments;

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

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

Notes to the Financial Statements
Year ended 30 September 2012

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 2012:

	Exports HK$'000	Domestic HK$'000	Mining HK$'000	Consolidated HK$'000
Segment revenue:				
Sales to external customers	55,936	863,473	–	919,409
Segment results	554	152,500	(22,996)	130,058
Unallocated revenue				4,016
Unallocated expenses				(17,295)
Profit from operating activities				116,779
Finance costs				(4,392)
Profit before tax				112,387
Tax				(35,917)
Profit for the year				76,470
Segment assets	393,607	2,138,598	488,488	3,020,693
Unallocated assets	–	–	–	324,731
Total assets	393,607	2,138,598	488,488	3,345,424
Segment liabilities	41,429	185,428	113,102	339,959
Unallocated liabilities	–	–	–	91,175
Total liabilities	41,429	185,428	113,102	431,134
Other segment information:				
Depreciation and amortisation	5,565	15,127	–	20,692
Impairment loss on mining rights	–	–	20,830	20,830
Capital expenditure	231	1,796	–	2,027

7. Segment Information *(continued)*

(i) Operating segments *(continued)*

For the year ended 30 September 2011:

	Exports (As restated) HK$'000	Domestic (As restated) HK$'000	Mining (As restated) HK$'000	Consolidated (As restated) HK$'000
Segment revenue:				
Sales to external customers	203,027	687,340	–	890,367
Segment results	4,328	175,454	(1,827)	177,955
Unallocated revenue				3,531
Unallocated expenses				(14,091)
Profit from operating activities				167,395
Finance costs				(492)
Profit before tax				166,903
Tax				(38,372)
Profit for the year				128,531
Segment assets	1,058,807	1,138,154	480,926	2,677,887
Unallocated assets	–	–	–	118,509
Total assets	1,058,807	1,138,154	480,926	2,796,396
Segment liabilities	5,984	124,681	111,253	241,918
Unallocated liabilities	–	–	–	81,830
Total liabilities	5,984	124,681	111,253	323,748
Other segment information:				
Depreciation and amortisation	6,384	4,133	–	10,517
Capital expenditure	–	2,865	–	2,865

Notes to the Financial Statements

Year ended 30 September 2012

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	
	2012	2011	**2012**	2011	**2012**	2011 (As restated)	**2012**	2011 (As restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**46,283**	75,119	**9,653**	69,264	**863,473**	745,984	**919,409**	890,367
Specified non-current assets	**–**	4,060	**329,438**	3,745	**1,038,460**	1,044,345	**1,367,898**	1,052,150

There are no revenue from any single external customers that contributed over 10% on the total sales of the Group during the years ended 30 September 2012 and 2011.

8. Other Revenue and Net Income

	Group	
	2012	2011
	HK$'000	HK$'000
Other Revenue:		
Bank interest income	**2,010**	2,164
Sundry income	**1,695**	1,367
	3,705	3,531
Other Net Income:		
Gain on disposal of subsidiaries (Note 33)	**271**	–
Net foreign exchange gain	**–**	1,110
	271	1,110
	3,976	4,641

9. Profit from Operating Activities

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

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Cost of inventories sold	12	**661,394**	638,863
Depreciation		**9,389**	7,037
Exchange loss		**54**	–
Loss on disposal of property, plant and equipment		**195**	92
Minimum lease payments under operating leases on leasehold land and buildings		**4,606**	3,467
Staff costs (excluding directors' remuneration):			
Wages, salaries and other benefits		**17,887**	10,732
Retirement benefits scheme contributions		**1,492**	757
		19,379	11,489
Auditor's remuneration		**2,673**	2,840

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:

	2012				2011
	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	**–**	**195**	**–**	**195**	780
Mr. Chung Yuk Lun	**–**	**600**	**13**	**613**	612
Mr. Yu Fei, Philip	**100**	**–**	**–**	**100**	100
Mr. Chan Man Kiu	**100**	**–**	**–**	**100**	100
Mr. Tam Ping Kuen, Daniel	**100**	**–**	**–**	**100**	100
Mr. Jiang Chao	**100**	**–**	**–**	**100**	100
	400	**795**	**13**	**1,208**	1,792

Notes to the Financial Statements
Year ended 30 September 2012

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

Fees include approximately HK$300,000 (2011: HK$300,000) 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 (2011: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: 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 (2011: Nil).

During the year, there were no options granted to the directors in respect of their services to the Group (2011: Nil).

Of the five highest paid employees in the Group, one director of the Company whose emoluments are set out above (2011: Two). The emoluments of the highest paid employees are as follows:

	2012 **HK$'000**	2011 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**2,176**	1,501
Retirement benefits scheme contributions	**63**	12
Share-based compensation	**–**	–
	2,239	1,513

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

	Number of employees **2012**	 2011
Nil to HK$1,000,000	**4**	3

11. Finance Costs

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

12. Cost of Inventories

	Group 2012 HK$'000	2011 HK$'000
Cost of inventories sold	**661,394**	639,163
Purchase rebate	**–**	(300)
	661,394	638,863

13. Tax

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

	Group 2012 HK$'000	2011 HK$'000 (As restated)
Current year provision:		
Hong Kong profits tax at 16.5% (Note a)	**1,446**	–
Overseas taxation	**40,788**	39,353
	42,234	39,353
Under-provision in previous years:		
Hong Kong profits tax	**1,910**	–
Deferred tax (Note 30)	**(8,227)**	(981)
	35,917	38,372

Notes to the Financial Statements

Year ended 30 September 2012

13. Tax *(continued)*

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

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

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

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

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

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

One of the subsidiaries was subject to PRC Enterprise Income Tax ("EIT") at a preferential rate of 24% tax rate for the period up to 31 December 2011. In previous year, the subsidiary was subject to PRC EIT at preferential rates of 22% and 24%.

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

14. Disclosure of Tax Effects Relating to Components of Other Comprehensive Income

No disclosures of tax effects have been made as there were no tax benefits or tax expenses relating to the components of other comprehensive income during the year.

15. 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$3,790,000 (2011: HK$7,745,000).

16. Dividends

The Board does not recommend the payment of any dividend in respect of the year ended 30 September 2012 (2011: Nil).

17. Earnings Per Share Attributable to Shareholders

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

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

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

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

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

The computation of diluted earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price of shares for 2012.

Notes to the Financial Statements

Year ended 30 September 2012

18. Intangible Assets

	Mining rights HK$'000 (Note i)	Distribution rights HK$'000 (Note ii)	Trademarks HK$'000 (Note iii)	Group Total HK$'000
Cost				
At 1 October 2010	324,290	–	–	324,290
Fair value adjustment arising from acquisition of subsidiaries (As restated) (Note 32(a))	–	52,000	–	52,000
Exchange translation	(6,290)	1,013	–	(5,277)
At 30 September and at 1 October 2011 (As restated)	318,000	53,013	–	371,013
Acquisition of subsidiaries (Note 32(b))	–	–	47,000	47,000
Exchange translation	26,400	522	(640)	26,282
At 30 September 2012	344,400	53,535	46,360	444,295
Accumulated amortisation and impairment loss				
At 1 October 2010	–	–	–	–
Amortisation for the year	–	(3,922)	–	(3,922)
Exchange translation	–	(79)	–	(79)
At 30 September and at 1 October 2011 (As restated)	–	(4,001)	–	(4,001)
Amortisation for the year	–	(12,075)	–	(12,075)
Impairment loss for the year	(20,830)	–	–	(20,830)
Exchange translation	430	(86)	–	344
At 30 September 2012	(20,400)	(16,162)	–	(36,562)
Net book value				
Cost	324,290	–	–	324,290
Accumulated amortisation and impairment loss	–	–	–	–
At 1 October 2010	324,290	–	–	324,290
Cost	318,000	53,013	–	371,013
Accumulated amortisation and impairment loss	–	(4,001)	–	(4,001)
At 30 September 2011 (As restated)	318,000	49,012	–	367,012
Cost	344,400	53,535	46,360	444,295
Accumulated amortisation and impairment loss	(20,400)	(16,162)	–	(36,562)
At 30 September 2012	324,000	37,373	46,360	407,733

18. Intangible Assets *(continued)*

i. During the year ended 30 September 2010, the Group obtained the mining rights granted by 赤峰市國土資源局 for the exploration of gold mine in certain area in Inner Mongolia in the PRC through the acquisition of 60% equity interest of Gold Fortune Co., Ltd. No amortisation was provided for the years ended 30 September 2012 and 30 September 2011 as the gold mines are in a development stage and no mining activities are conducted. Details of critical judgement in applying the relevant accounting policies have been disclosed in note 5 to the consolidated financial statements.

As at 30 September 2012, the management has engaged an independent professional valuer, Roma Appraisals Limited ("Roma"), 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 amount of mining rights is less than the carrying amount, as a result, an impairment loss of HK$20,830,000 was recognised for the year ended 30 September 2012.

ii. During the year ended 30 September 2011, the Group acquired the entire equity interest in Joy Charm Holdings Limited ("Joy Charm"), a company incorporated in BVI. Shenzhen Qijingda Trading Company Limited ("Shenzhen Qijingda"), a subsidiary of Joy Charm, was appointed as exclusive distributor to use the Gucci Marks in connection with the marketing, distribution, advertising, promoting and sale of the products in Hong Kong, Macau and the PRC in accordance with the distribution agreement signed between Luxury Timepieces (HK) Limited and Shenzhen Qijingda. The distribution agreement commenced on 1 January 2011 and will expire on 31 December 2015. Amortisation is provided by using the straight line method over its remaining useful life.

As at 30 September 2012, the management has engaged Roma to carry out valuations on the distribution rights for the purposes of an impairment review on the distribution rights using discounted cash flow method under an income based approach. Based on the valuation report, the estimated recoverable amounts of distribution rights exceed the carrying amount. No impairment loss was required for the year ended 30 September 2012.

iii. As mentioned in Note 32(b), the Group acquired the entire equity interest in Omas International S.A. during the year. Including in the identifiable assets and liabilities acquired, there are certain trademarks registered in Hong Kong, Taiwan and the PRC for selling various types of consumer goods, mainly luxury products under the trademark "Omas". The remaining useful life of the trademarks ranged from six to eight years, and are entitled for renewal after expires.

The Group intends to renew the trademark continuously and has ability to do so. In accordance with the cash flow forecast prepared by the management of the Group, it provides evidence that the trademark will generate net cash inflows for the Group for an indefinite period. As a result, the trademarks would not be amortised until its useful life is determined to be finite.

As at 30 September 2012, the management has engaged Roma to carry out valuations on the trading rights for the purposes of an impairment review on the trading rights using discounted cash flow method under an income based approach. Based on the valuation report, the estimated recoverable amounts of trading rights exceed the carrying amount. No impairment loss was required for the year ended 30 September 2012.

Notes to the Financial Statements
Year ended 30 September 2012

19. Exploration and Evaluation Assets

	Group HK$'000
Exploration license	
At 1 October 2010, 30 September 2011 and 1 October 2011	100,013
Additions	1,281
At 30 September 2012	101,294

(a) During the year ended 30 September 2010, the group acquired 80% equity 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 2012, 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. No impairment loss was required for the years ended 30 September 2012 and 2011.

20. Property, Plant and Equipment

Group
At 30 September 2012

	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 2011 (As restated)	1,393	976	126,941	2,284	10,192	141,786
Additions	–	741	90	255	1,499	2,585
Exchange translation	(537)	10	(9)	(16)	44	(508)
Acquired on acquisition of subsidiaries (Note 32(b))	40,406	–	641	1,939	–	42,986
Disposals	–	(2)	(19,613)	(711)	(1,412)	(21,738)
At 30 September 2012	41,262	1,725	108,050	3,751	10,323	165,111
Accumulated depreciation:						
At 1 October 2011	–	–	90,901	1,116	1,097	93,114
Exchange translation	6	4	2	9	6	27
Provided during the year	313	1,121	5,120	855	1,980	9,389
Written back during the year	–	–	(16,443)	(575)	(902)	(17,920)
At 30 September 2012	319	1,125	79,580	1,405	2,181	84,610
Net book value:						
At 30 September 2012	40,943	600	28,470	2,346	8,142	80,501

The leasehold land and buildings with a net book value of HK$40,943,000 (2011: HK$1,393,000) is situated outside of Hong Kong and held under a long lease (2011: long lease) as at the end of reporting period.

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

Group

Reconciliation of opening balance:

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 (As restated)	11	14	–	20	39	84
Acquired on acquisition of subsidiaries (Note 32(a)) (As restated)	1,382	962	–	725	1,371	4,440
Disposals	–	–	–	–	(508)	(508)
At 30 September 2011 (As restated)	1,393	976	126,941	2,284	10,192	141,786
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
Written back during the year	–	–	–	–	(296)	(296)
At 30 September 2011	–	–	90,901	1,116	1,097	93,114
Net book value:						
At 30 September 2011 (As restated)	1,393	976	36,040	1,168	9,095	48,672

Notes to the Financial Statements

Year ended 30 September 2012

21. Goodwill

	Group
	HK$'000
Cost:	
Additions through acquisition of subsidiaries (note 42) (as restated) and at 30 September 2010 (as restated)	46,024
At 1 October 2010 (as restated)	46,024
Additions through acquisition of subsidiaries (note 32(a)) (as restated)	491,363
At 30 September 2011 (as restated)	537,387
At 1 October 2011	537,387
Additions through acquisition of subsidiaries (note 32(b))	240,983
At 30 September 2012	778,370
Accumulated impairment loss:	
At 30 September 2010, 1 October 2010, 30 September 2011, 1 October 2011 and 30 September 2012	–
Carrying amount:	
At 30 September 2012	778,370
At 30 September 2011 (as restated)	537,387
At 1 October 2010 (as restated)	46,024

21. Goodwill *(continued)*

The goodwill which has arisen from the acquisition of subsidiaries during the years ended 30 September 2012 and 2011 are set out in Notes 32(a) and 32(b). In the opinion of the directors of the Company, the goodwill represents the future economic benefits arising from the potential growth in the business acquired.

Impairment test on goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

– Export
– Domestic
– Mining

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows:

	30 September 2012 HK$'000	30 September 2011 (As restated) HK$'000	1 October 2010 (As restated) HK$'000
Export	**240,983**	–	–
Domestic	**491,363**	491,363	–
Mining	**46,024**	46,024	46,024
Total	**778,370**	537,387	46,024

Export and domestic

The recoverable amount of these cash-generating units was based on its value in use calculation using cash flow projections based on financial budgets approved by management covering the period of 10 years. Value in use in 2012 was determined in a similar manner as in 2011.

Key assumptions used in the calculation of value in use were discount rate, growth rate and budgeted revenue. The discount rate ranged from 11.81% to 16.96% was an after-tax measure based on the risk-free rate obtained from the yield on 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect specific risks relating to the cash-generating units. Cash flows beyond the ten-year were projected by using a steady growth rate of 3.66%. Budgeted revenue has been based on past experience and future expectations in the light of anticipated economic and market conditions.

Notes to the Financial Statements

Year ended 30 September 2012

21. Goodwill *(continued)*

Impairment test on goodwill *(continued)*

Mining

Goodwill allocated to this cash-generating unit was contributed by 池州東海礦業發展有限公司 and 赤峰國金礦業有限公司 that owns the exploration rights and mining rights in certain area in the PRC respectively.

The recoverable amount of this cash-generating unit was based on its value in use calculation using cash flow projections based on financial budgets approved by management covering the period of 7 years, except that the recoverable amount of 池州東海礦業發展有限公司 which belongs to this cash-generating unit was based on its fair value less cost to sell as 池州東海礦業發展有限公司 was in development stage without any physical operation, and no cash flow projections could be made.

The recoverable amount of 池州東海礦業發展有限公司 is determined based on fair value less cost to sell which was estimated by using market-based approach by comparing prices at which other asset and liabilities in a similar nature changed hands in arm's length transactions. Fair value less cost to sell and value in use in 2012 was determined in a similar manner as in 2011.

In the course of determining the fair value less cost to sell for the exploration rights, information regarding similar gold mine transactions was obtained to calculate the consideration-to-resource multiple. In addition, geographical locations, percentages of ownership of the gold mines in the acquisitions and the categories of the resources contained in the gold mines were also considered.

Key assumptions used in the calculation of value in use of mining rights were discount rate and budgeted revenue. The discount rate of 22.8% was an pre-tax measure based on the risk-free rate obtained from the yield on 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect specific risks relating to the mining industry and to the company that owns the mining rights. Budgeted revenue represented the functions of annual ore production, gold price, mining cost and general and administrative expenses. A steady growth rate of 10% in gold price was expected over the projection period by reference to the historical trend of gold price and estimated future demand of gold; while a standard growth rate of 3.7% was expected for the mining cost and general and administrative expenses covering the projection period based on historical inflation rate of China and future expectations in light of anticipated economic and market conditions.

The carrying amount of all cash-generation units was determined to be higher than its recoverable amount, and no impairment provisions have been made against the goodwill arising from the business combinations.

22. Interests in Subsidiaries

	Company 2012 HK$'000	2011 HK$'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

Notes to the Financial Statements

Year ended 30 September 2012

22. 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
Perfect Glory International 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
Omas International S.A.	Luxembourg	Ordinary EUR40,000	100%	Investment holding
Omas SRL	Italy	Ordinary EUR1,000,000	90.1%	Manufacturing and trading of writing instruments

22. 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
Prime East International Company Limited	Anguilla	Ordinary US$50,000	90.9%	Investment holding
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

Notes to the Financial Statements

Year ended 30 September 2012

22. Interests in Subsidiaries *(continued)*

* 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-owned foreign enterprise established in the 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-owned foreign enterprise established in the 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.

^^ 莎梵蒂珠寶貿易（上海）有限公司 is a wholly-owned foreign enterprise established in the 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-owned foreign enterprise established in the 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-owned foreign enterprise established in the 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 limited liability company enterprise established in the PRC for an operating period of 31 years 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 the PRC for an operating period of 5 years 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.

23. 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.

24. Inventories

	Group 2012 HK$'000	2011 HK$'000
Raw materials	**369,770**	140,440
Finished goods	**932,503**	840,522
	1,302,273	980,962

25. Trade Receivables

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

An aging analysis of the trade receivables as at the end of the reporting period, based on the date of recognition of the sale, is as follows:

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

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

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

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

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

Notes to the Financial Statements

Year ended 30 September 2012

26. Cash and Cash Equivalents

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**344,899**	395,765	**101**	521
Non-pledged time deposits	**–**	68,993	**–**	–
Cash and cash equivalents	**344,899**	464,758	**101**	521

In year 2011, the effective interest rate on non-pledged time deposits was 1.1% per annum and the deposit had maturity of 1 month.

27. Trade Payables

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

An aging analysis of the trade payables as at the end of the reporting period, based on the date of receipt of goods purchased, is as follows:

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

28. Borrowings

	Group	
	2012	2011
	HK$'000	HK$'000
Other loans wholly repayable within 1 year	**39,318**	40,013

29. Banking Facilities

As at 30 September 2011, the Group's banking facilities were secured by the corporate guarantees of the Company and certain subsidiaries of the Company. No such banking facilities are granted to the Group as at 30 September 2012.

30. Deferred Tax Liabilities

The movements in deferred tax liabilities during the year are as follows:

	HK$'000
Group	
Fair value adjustments arising from acquisition of subsidiaries and balance at 1 October 2010 (as restated) (Note 42)	102,553
Fair value adjustments arising from acquisition of subsidiaries in 2011 (as restated) (Note 32(a))	13,000
Credit to profit for the year (as restated) (Note 13)	(981)
At 30 September 2011 (as restated)	114,572
Fair value adjustments arising from acquisition of subsidiaries in 2012 (Note 32(b))	25,359
Credit to profit for the year (Note 13)	(8,227)
Charge to exchange reserve for the year	6,709
At 30 September 2012	138,413

The movements in deferred tax

In the opinion of directors, the effect of all other temporary differences would not be significant or the temporary differences are not expected to crystallise in the foreseeable future.

Notes to the Financial Statements
Year ended 30 September 2012

31. Share Capital

	Notes	Number of shares '000	Nominal value HK$'000
Authorised ordinary shares of HK$0.01 each			
At 30 September 2011 and 30 September 2012		10,000,000	100,000
Issued and fully paid			
At 1 October 2010		2,498,561	24,986
Issue of new shares	(i)	356,000	3,560
Arising from acquisition of subsidiaries	32(a)	600,000	6,000
Issue of shares under share option scheme	34	194,400	1,944
At 1 October 2011		3,648,961	36,490
Arising from acquisition of subsidiaries	32(b)	666,666	6,666
Issue of shares under share option scheme	34	50,400	504
At 30 September 2012		4,366,027	43,660

Notes:

(i) 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.

32. Acquisition of Subsidiaries

Business combination

(a) Acquisition of Joy Charm Holdings Limited ("Joy Charm") and its subsidiaries

On 12 November 2010, the Group entered into a share purchase agreement with an independent third party for the acquisition of the entire interest in Joy Charm and its subsidiaries at a consideration of HK$336 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 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.

The acquisition of Joy Charm is determined by provisional basis as at 30 September 2011. A valuation report, prepared by an independent qualified professional valuer, Roma Appraisals Limited and received in the current year, shows that the fair value of the net identifiable assets acquired of Joy Charm, determined based on the income approach for the distribution rights and market or cost approaches for remaining assets and liabilities, to be restated as follows:

Notes to the Financial Statements

Year ended 30 September 2012

32. Acquisition of Subsidiaries *(continued)*

Business combination *(continued)*

(a) Acquisition of Joy Charm and its subsidiaries (continued)

	Acquirees' carrying amount and provisional fair value at acquisition date HK$'000	Acquiree's restated fair value at acquisition date HK$'000
Non-current assets		
Property, plant and equipment (Note 20)	3,891	4,440
Distribution agreement (Note 18)	–	52,000
Current assets		
Inventories	52,146	52,146
Trade receivables	19,004	19,004
Prepayment, deposit and other receivables	11,185	11,185
Cash and cash equivalents	15,061	15,061
Current liabilities		
Trade payables	(39,735)	(39,735)
Other payables and accruals	(1,833)	(1,833)
Non-current liabilities		
Deferred tax liabilities (Note 30)	–	(13,000)
Net assets	59,719	99,268
Non-controlling interest	(10,676)	(14,631)
Goodwill arising on acquisition (Note 21)	526,957	491,363
Total consideration	576,000	576,000
Total purchase consideration satisfied by:		
Cash	36,000	36,000
Issuance of new shares	540,000	540,000
	576,000	576,000
Net cash outflow arising on acquisition:		
Cash consideration paid	36,000	36,000
Bank balances and cash acquired	(15,061)	(15,061)
	20,939	20,939

32. Acquisition of Subsidiaries *(continued)*

Business combination *(continued)*

(a) Acquisition of Joy Charm and its subsidiaries (continued)

Goodwill arising on the acquisition of Joy Charm during the prior year was determined on a provisional basis as the nature and fair value of the identifiable assets and liabilities acquired could be determined on a provisional value only. As the Group obtained independent valuation to assess the fair value during the year, the provisional goodwill is adjusted in this year accordingly.

The acquisition of Joy Charm contributed an aggregate revenue of approximately HK$72,809,000 and aggregate gain of approximately HK$6,201,000 to the Group's profit for the period since acquisition. The effect on the revenue and profit of the Group as if the acquisition had occurred at the beginning of the period to the Group are approximately HK$1,108,795,000 and HK$147,133,000 respectively base on the best estimation of the directors of the Company.

(b) Acquisition of Omas International S.A. ("Omas Int'l") and its subsidiary

On 28 September 2011, the Group entered into a share purchase agreement to acquire the entire equity interest and shareholders' loan of Omas Int'l which directly hold 90.1% of Omas SRL, the sole owner and manufacture of fine writing instruments and accessories which bear the trademark "OMAS". The consideration for the acquisition is HK$400 million 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$0.6 per share upon completion of the acquisition. The fair value of the shares to be issued was determined using the published closing price of HK$0.475 at the date of completion, amounting to approximately HK$317 million. The completion date of the Agreement was on 13 April 2012, which is also the acquisition date for accounting purpose. Omas Int'l is an investment holding company incorporated in Luxembourg.

32. Acquisition of Subsidiaries *(continued)*

Business combination *(continued)*

(b) Acquisition of Omas Int'l and its subsidiary (continued)

Details of the fair value of the identifiable assets and liabilities of Omas Int'l and its subsidiary as at the date of acquisition were as follows:

	Acquirees' fair value at acquisition date HK$'000
Non-current assets	
Property, plant and equipment (Note 20)	42,986
Trademarks (Note 18)	47,000
Current assets	
Inventories	27,395
Trade receivables	3,274
Prepayment, deposit and other receivables	1,822
Cash and cash equivalents	1,478
Current liabilities	
Trade payables	(4,305)
Other payables and accruals (Note)	(103,473)
Non-current liabilities	
Deferred tax liabilities (Note 30)	(25,359)
Net liabilities	(9,182)
Non-controlling interest	(8,330)
Goodwill arising on acquisition (Note 21)	240,983
Total consideration	223,471
Total purchase consideration satisfied by:	
Assignment of shareholders' loan (Note)	(93,195)
Issuance of new shares	316,666
	223,471
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	1,478

Note: Included in other payables and accruals, an amount of approximately HK$93,195,000 were acquired by assignment of shareholder's loan of the same amount.

32. Acquisition of Subsidiaries *(continued)*

Business combination *(continued)*

(b) Acquisition of Omas Int'l and its subsidiary (continued)

Goodwill arising on the acquisition of Omas Int'l in the current year is determined on fair value of the net identifiable assets. The directors of the Company has engaged an independent professional valuer, Roma Appraisals Limited, to carry out a valuation on the fair value of the net identifiable assets as at date of acquisition by using income-based approach.

The acquired companies contributed an aggregate revenue of approximately HK$9,652,000 and aggregate net loss of approximately HK$9,652,000 to the Group's profit for the period since acquisition. The effect on the revenue and profit of the Group as if the acquisition had occurred at the beginning of the period to the Group are approximately HK$932,923,000 and HK$72,062,000 respectively base on the best estimation of the directors of the Company.

33. Disposal of Subsidiaries

On 13 January 2012, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in its subsidiaries, Joymart Enterprises Limited and Megaprofit Enterprises Limited (the "Disposal Group") to an independent third party at a consideration of HK$3,500,000. The principal activity of the Disposal Group is trading of jewellery products. The disposal was completed on 13 January 2012.

	HK$'000
Net assets disposed of	
Property, plant and equipment	3,301
Other payables and accruals	(72)
	3,229
Gain on disposal of subsidiaries (Note 8)	271
	3,500
Total consideration satisfied by:	
Cash consideration received	3,500
Net cash inflow arising on disposal:	
Cash consideration received	3,500

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Year ended 30 September 2012

34. 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.

The Scheme has expired in August 2012.

34. Share Options *(continued)*

Details of the specific categories of options are as follows:

Date of grant	Exercise period	Exercise price HK$
10 Dec 2008	10 December 2008 to 9 December 2011	0.1167
11 May 2009	11 May 2009 to 10 May 2012	0.3107
7 July 2009	7 July 2009 to 6 July 2012	0.4500
17 June 2010	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.

	Date of grant	Exercisable period	Exercise price per share* HK$	Number of underlying shares in respect of which share options were granted: Outstanding at 01.10.2010	Exercised during the year	Outstanding at 01.10.2011	Number of underlying shares in respect of which share options were granted: Exercised during the year	Lapsed during the year	Outstanding at 30.9.2012
Employees	11 May 2009	11 May 2009 to 10 May 2012	0.3107	–	–	–	–	–	–
Other Eligible Participants	10 Dec 2008	10 Dec 2008 to 9 Dec 2011	0.1167	22,400,000	(21,000,000)	1,400,000	(1,400,000)	–	–
	11 May 2009	11 May 2009 to 10 May 2012	0.3107	51,800,000	(2,800,000)	49,000,000	(49,000,000)	–	–
	7 July 2009	7 July 2009 to 6 July 2012	0.4500	84,000,000	(30,800,000)	53,200,000	–	(53,200,000)	–
	17 June 2010	17 June 2010 to 16 June 2013	0.4786	249,200,000	(139,800,000)	109,400,000	–	–	109,400,000
Total				407,400,000	(194,400,000)	213,000,000	(50,400,000)	(53,200,000)	109,400,000
Exercisable at the end of the year						213,000,000			109,400,000

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

* 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.

Notes to the Financial Statements

Year ended 30 September 2012

34. Share Options *(continued)*

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

	2012		2011	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**213,000,000**	**0.404**	407,400,000	0.418
Exercised during the year	**(50,400,000)**	**0.305**	(194,400,000)	0.433
Lapsed during the year	**(53,200,000)**	**0.450**	–	–
Exercisable at the end of the year	**109,400,000**	**0.4786**	213,000,000	0.404

The weighted average share price at the date of exercise during the year was HK$0.9 (2011: HK$0.9). As at the date of this annual report, 109,400,000 (2011: 211,600,000) shares were available for issue under the Scheme, representing approximately 2.51% (2011: 5.80%) 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 for estimating 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 2012 (2011: Nil) in relation to share options granted by the Company.

35. 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$'000	Accumulated loss HK$'000	Total HK$'000
At 1 October 2010 as previously reported		772,184	50,940	–	(50,739)	772,385
Correction of prior period error	42	(20,149)	–	–	–	(20,149)
At 1 October 2010 as restated		752,035	50,940	–	(50,739)	752,236
Issuance of warrants	23	–	–	11,427	–	11,427
Placement of new shares	31	266,183	–	–	–	266,183
Issue of shares upon exercise of share options	34	102,598	(20,454)	–	–	82,144
Issue of shares on acquisition of subsidiaries	32(a)	534,000	–	–	–	534,000
Total comprehensive income for the year		–	–	–	(7,745)	(7,745)
At 30 September 2011 as restated		1,654,816	30,486	11,427	(58,484)	1,638,245

Notes to the Financial Statements
Year ended 30 September 2012

35. Reserves *(continued)*

Company

	Notes	Share premium HK$'000	Share-based payment reserve HK$'000	Warrants reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At 30 September 2011 as restated and 1 October 2011		1,654,816	30,486	11,427	(58,484)	1,638,245
Issue of shares on exercise of share options	34	23,430	(8,546)	–	–	14,884
Issue of shares on acquisition of subsidiaries	32(b)	310,000	–	–	–	310,000
Share options lapsed		–	(13,156)	–	13,156	–
Total comprehensive income for the year		–	–	–	(3,790)	(3,790)
At 30 September 2012		1,988,246	8,784	11,427	(49,118)	1,959,339

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.

36. Notes to the Consolidated Statement of Cash Flows

Reconciliation of profit before tax to net cash outflow from operations is as follows:

	2012	2011
	HK$'000	HK$'000
		(As restated)
Profit before tax	**112,387**	166,903
Gain on disposal of subsidiaries	**(271)**	–
Interest income	**(2,010)**	(2,164)
Amortisation of distribution rights	**12,075**	3,922
Depreciation	**9,389**	7,037
Interest on bank overdrafts, trust receipt loans and other bank loans wholly repayable within 5 years	**–**	492
Interest on other loans wholly repayable within 5 years	**4,392**	–
Impairment loss on mining rights	**20,830**	–
Loss on disposal of property, plant and equipment	**195**	92
Increase in prepayments, deposits and other receivables	**(31,719)**	(39,071)
Increase in inventories	**(293,916)**	(299,940)
Decrease in trade receivables	**4,053**	19,719
Increase in trade payables	**48,433**	21,282
Increase in other payables and accruals	**11,708**	50,021
Tax paid	**(26,328)**	(32,342)
Net cash used in operating activities	**(130,782)**	(104,049)

37. Major Non-cash Transactions

During the year ended 30 September 2012, as detailed in Note 32(b), a total number of 666,666,667 ordinary shares of the Company were issued and assignment of shareholder's loan was arranged as part of the consideration for the acquisition of subsidiaries.

38. 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.

39. Contingent Liabilities

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

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

Notes to the Financial Statements

Year ended 30 September 2012

40. 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	
	2012	2011
	HK$'000	HK$'000
Within 1 year	**5,221**	4,891
In 2 to 5 years, inclusive	**718**	3,561
	5,939	8,452

41. Capital Commitments

	Group	
	2012	2011
	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
– In 2 to 5 years, inclusive	**–**	11,133
	–	19,342
b) Acquisition of subsidiaries	**–**	400,000
c) Decoration works	**3,158**	–
	3,158	400,000

42. Prior Period Adjustments

During the year ended 30 September 2012, the Group and the Company have discovered certain errors in its consolidated financial statements for the years ended 30 September 2011 and 2010. The errors were related to the accounting treatments of the two acquisitions made in February 2010 and March 2010, namely the acquisitions of 80% equity interest in Super Charm Holdings Limited and 100% equity interest in Gold Fortune Company Limited respectively.

In connection with the acquisitions, temporary differences arose as the net assets acquired were recognised at their fair values. However, no corresponding adjustment was made for deferred tax purposes. The purchase considerations for the acquisitions were satisfied by issuance of new shares and convertible notes. The purchase considerations should be measured at fair values at the dates of acquisition. However, the convertible notes were stated at the principal amount while consideration shares were determined at the agreed issue prices according to the acquisition agreement. Had the deferred tax been accounted for and the purchase considerations been measured at fair values at the dates of acquisition, the goodwill would be increased by approximately HK$46,024,000, the deferred tax liabilities would be increased by approximately HK$102,553,000, share premium would be decreased by approximately HK$20,149,000, and the non-controlling interest would be decreased by approximately HK$36,380,000 for the consolidated financial statements for years ended 30 September 2010 and 2011. The amounts due from subsidiaries and share premium of the Company would also be decreased by approximately HK$20,149,000. If including the effects of restatement from provisional basis for acquisition of Joy Charm and its subsidiaries as mentioned in Note 32(a) of these consolidated financial statements, the effects of total prior period adjustments on the Group and the Company for the years ended 30 September 2011 and 2010 are summarised as follows:

Summary of the effect of prior period adjustments

Consolidated statement of financial position and consolidated statement of comprehensive income

	As at 30 September 2011				
		Effect of correction prior period error			
	(As previously reported) HK$'000	(Effect on deferred tax adjustment) HK$'000	(Effect on purchase considerations adjustment) HK$'000	Effect of restatement from provisional basis (Note 32(a)) HK$'000	(As restated) HK$'000
Consolidated statement of financial position:					
Goodwill	526,957	66,173	(20,149)	(35,594)	537,387
Distribution rights (Intangible assets)	–	–	–	49,012	49,012
Property, plant and equipment	48,123	–	–	549	48,672
Total non-current assets	993,093	66,173	(20,149)	13,967	1,053,084
Deferred tax liabilities	–	102,553	–	12,019	114,572
Total assets less current liabilities	2,527,229	66,173	(20,149)	13,967	2,587,220
Net assets	2,527,229	(36,380)	(20,149)	1,948	2,472,648
Reserves	2,333,574	–	(20,149)	(1,713)	2,311,712
Non-controlling interests	157,165	(36,380)	–	3,661	124,446
Total equity	2,527,229	(36,380)	(20,149)	1,948	2,472,648

42. Prior Period Adjustments *(continued)*

Summary of the effect of prior period adjustments *(continued)*

Consolidated statement of financial position and consolidated statement of comprehensive income (continued)

	For the year ended 30 September 2011				
		Effect of correction prior period error			
	(As previously reported) HK$'000	(Effect on deferred tax adjustment) HK$'000	(Effect on purchase considerations adjustment) HK$'000	Effect of restatement from provisional basis (Note (a)) HK$'000	(As restated) HK$'000
Consolidated statement of comprehensive income:					
Amortisation of distribution rights	–	–	–	3,922	3,922
Profit from operating activities	171,317	–	–	(3,922)	167,395
Profit before tax	170,825	–	–	(3,922)	166,903
Tax	39,353	–	–	(981)	38,372
Profit for the year	131,472	–	–	(2,941)	128,531
Other comprehensive income					
Exchange difference arising on translation of foreign operation	11,048	–	–	934	11,982
Total comprehensive income for the year	142,520	–	–	(2,007)	140,513
Profit for the year attributable to:					
Equity holders of the Company	131,308	–	–	(2,646)	128,662
Non-controlling interests	164	–	–	(295)	(131)
Total comprehensive income for the year attributable to:					
Equity holders of the Company	144,706	–	–	(1,712)	142,994
Non-controlling interests	(2,186)	–	–	(295)	(2,481)

Notes:

(a) As mentioned in Note 32(a) to these consolidated financial statements, the acquisition of Joy Charm and its subsidiaries has been restated from provisional basis during the year. As a result, an amount of distribution rights of HKD52,000,000 is then recognised since the date of acquisition. During the year ended 30 September 2011, amortisation of distribution rights of approximately HKD3,922,000 is recognised in the financial statements, therefore, deferred taxation is decreased by approximately HKD981,000 due to the change of temporary difference of distribution rights.

42. Prior Period Adjustments *(continued)*

Summary of the effect of prior period adjustments *(continued)*

Statement of Financial Position

	As at 30 September 2011		
	(As previously reported) HK$'000	(Effect on purchase considerations adjustment) HK$'000	(As restated) HK$'000
Amounts due from subsidiaries	2,184,326	(20,149)	2,164,177
Net current assets	1,617,147	(20,149)	1,596,998
Net assets	1,694,884	(20,149)	1,674,735
Reserves	1,658,394	(20,149)	1,638,245
Total equity	1,694,884	(20,149)	1,674,735

Consolidated statement of financial position

	As at 1 October 2010			
	(As previously reported) HK$'000	(Effect on deferred tax adjustment) HK$'000	(Effect on purchase considerations adjustment) HK$'000	(As restated) HK$'000
Goodwill	–	66,173	(20,149)	46,024
Total non-current assets	467,855	66,173	(20,149)	513,879
Deferred tax liabilities	–	102,553	–	102,553
Total assets less current liabilities	1,468,775	66,173	(20,149)	1,514,799
Net assets	1,468,775	(36,380)	(20,149)	1,412,246
Reserves	1,295,114	–	(20,149)	1,274,965
Non-controlling interests	148,675	(36,380)	–	112,295
Total equity	1,468,775	(36,380)	(20,149)	1,412,246

Notes to the Financial Statements

Year ended 30 September 2012

42. Prior Period Adjustments *(continued)*

Summary of the effect of prior period adjustments *(continued)*

Statement of Financial Position

	As at 1 October 2010		
	(As previously reported) HK$'000	(Effect on purchase considerations adjustment) HK$'000	(As restated) HK$'000
Amounts due from subsidiaries	1,286,795	(20,149)	1,266,646
Net current assets	719,634	(20,149)	699,485
Net assets	797,371	(20,149)	777,222
Reserves	772,385	(20,149)	752,236
Total equity	797,371	(20,149)	777,222

43. Comparative Figures

Certain comparative amounts have been revised in order to achieve a consistent presentation.

44. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 28 December 2012.