

# CHAIRMAN'S STATEMENT



On behalf of the board of directors ("Board") of Ming Fung Jewellery Group Limited ("Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the first annual results of the Group since its listing on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 3 September 2002. The Group achieved a major milestone with the successful issue of 130,000,000 new shares raising a net amount of approximately HK\$39 million to fund its future expansion.

## FINANCIAL RESULTS

For the year ended 30 September 2002, the turnover of the Group was about HK\$267,158,000, representing an increase of about 36.5% as compared with the previous year. The net profit from ordinary activities attributable to shareholders was about HK\$40,327,000, representing an increase of 32.8% over the previous year. The gross profit margin and the net profit margin of the Group remained fairly stable at about 30.1% and 15.1% respectively during the year.

## BUSINESS REVIEW

The Group is principally engaged in the design, manufacture and sale of a broad range of gem-set jewellery products. The Group's products can be broadly categorised into diamond products, gemstone products and other non gem-set jewellery related products including gold, brass and silver rings, earrings, brooches, pendants, bracelets, bangles, necklaces, anklets and belt buckles. The Group is also engaged in the trading of diamonds and gemstones. At present, the Group produces more than 15 types of products.

The increase in turnover of the Group in 2002 by about 36.5% as compared with the sales in 2001 was mainly attributable to the growing demand for the Group's products and the introduction of a variety of high-end diamond products, which was in line with the prevailing market trend.

Products manufactured by the Group are primarily sold in the United States of America ("US"), Europe, the Middle East and South East Asia. For the year under review, the US is the largest market of the Group's products and sales to the US accounted for about 57.3% of the Group's turnover. Despite the downturn in the global economy, the Group is delighted to have a substantial growth in turnover, in particular, the positive growth of turnover in the European market by approximately 44.8% as compared with the previous year.

The directors ("Directors") of the Company consider that competition within the jewellery industry is keen and there are numerous entities, operating at different scales, which are engaged in the manufacture and distribution of jewellery products. Despite the keen competition, the Directors attribute the success of the Group to the following principal factors:

- the in-depth knowledge and extensive experience of its management in the jewellery industry;
- its capabilities to design and manufacture a wide range of fashionable gem-set jewellery products of high quality;

## CHAIRMAN'S STATEMENT *(continued)*



- its commitment to develop and improve its production technology;
- the extensive sales network established by the Group's marketing team and the good business relationships established with its customers;
- the comprehensive internal control procedures to ensure high quality raw materials and finished products; and
- the competitive prices of its products.

### FUTURE PLANS AND PROSPECTS

The Group has established a reputation for its product quality and its ability to manufacture a wide variety of jewellery products. Gem-set jewellery products will remain as the core products of the Group. The Group's mission is to develop new products and expand its market coverage.

#### **Product development**

Given the success of the Group's jewellery products, the Group will continue to capitalise on its strong customer base by expanding the Group's product portfolio through the development of new designs of jewellery products to increase its product variety such as new designs of (i) existing products, including rings, earrings, pendants, bracelets, necklaces, brooches, belt buckles and cufflinks; (ii) gem-set jewellery products using both diamonds and gemstones; and (iii) gem-set jewellery products using a combination of precious metals.

#### **Enhancement of cost competitiveness and improvement in quality**

The Group intends to upgrade its production equipment to meet the increasing demand for its products. With the aid of modern equipment in the production of innovative designs of jewellery products, the overall cost competitiveness and quality of the Group's products are expected to be enhanced.

#### **Expansion of marketing force**

Given the Group's wide range of high quality products and competitive pricing, the Group currently intends to expand the Group's marketing force and to explore sales opportunities in its existing markets as well as in potential markets by recruiting more salesmen, setting up showrooms in the US and Europe, appointing overseas wholesalers and distributors and launching promotion and marketing shows or other suitable projects when suitable opportunities are identified.

## CHAIRMAN'S STATEMENT *(continued)*

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### APPRECIATION

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

**Wong Chi Ming, Jeffry**

*Chairman*

Hong Kong

16 April 2003