



On behalf of the Board of Directors (the “Board”) of Ming Fung Jewellery Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”), I am pleased to present the annual report of the Group for the year ended 30 September 2005.

FINANCIAL PERFORMANCE

For the year ended 30 September 2005, the Group posted a record high turnover of approximately HK\$430.0 million, representing an encouraging increase of approximately 21.5% as compared to approximately HK\$354.0 million in previous year. Net profit from ordinary activities attributable to shareholders was approximately HK\$54.2 million, representing an increase of 15.3% over the previous year. Gross profit margin was approximately 28.2% as compared to 30.9% in last year, while net profit margin was approximately 12.6% compared to net profit margin of 13.3% in last year.

BUSINESS REVIEW

During the year, our business has been growing continuously in the United States, Europe, Middle East and South East Asia although we faced intense competition. Majority of our revenue was generated from United States and we are delighted to see the demand remained high. Moreover, the Group also maintained active presence in a series of major international jewellery trade shows throughout the year to strengthen the relationship with existing customers and to explore new orders from potential customers. As a result of the stringent effort of the management, sales orders with re-orders for jewellery products were significantly increased for the current year as compared with last year, and the Group recorded an encouraging growth in turnover and net profit for the current year.

For the year ended 30 September 2005, selling and distribution expenses of the Group recorded an amount of approximately HK\$32.9 million (2004: HK\$28.7 million). The increase of 14.6% in selling and distribution expenses was attributed to more efforts being put on marketing, promotional and exhibition activities as well as impacted by higher oil prices during the year.

Administrative expenses of the Group for the year amounted to approximately HK\$18.1 million (2004: HK\$16.3 million), representing an increase of approximately 11.0% as compared with last year. In maintaining the administrative expenses at approximately 4.2% of the turnover for the year as compared to that of 4.6% for the last year, the Group has successfully established a relatively stable and cost effective administrative support force.

Other operating expenses of the Group for the year were related to research and development costs incurred for development of new products and innovative production techniques. The other operating expenses for the year amounted to approximately HK\$3.2 million (2004: HK\$5.3 million), representing a decrease of approximately 39.6% as compared with last year. The decrease for the current year was due to the substantial and successful completion of an extensive program in last year for the development of new fashionable designs of jewellery products to increase product varieties and innovative production techniques to enhance the quality of jewellery products.



FUTURE PLANS AND PROSPECTS

In order to maximize the profit and maintain a steady growth for our business, a good reputation of product quality and ability to manufacture a wide variety of jewellery products at competitive prices are always our Group's mission. The Group will continue to strive its best to expand its market share and customer base through various marketing and promotion strategies by regularly participating in international jewellery trade shows and exhibitions.

The continuous growth of the People's Republic of China ("PRC") economy boosted the demand for luxury products. It is expected to create enormous business opportunities for the jewellery industry. According to the Hong Kong Trade Development Council, the sales of jewellery recorded an annual growth rate of 17.5% in the PRC market. The jewellery market is expected to reach RMB150.0 billion in the year 2010. In anticipation of this trend, the Group has been actively developing the PRC market.

During the year, the Group dedicates to develop the new "SAVANTI" brand through our world class designers and is very proud to be widely recognised in the PRC market. With competitive advantages over both foreign and local jewellers in terms of reputation, product quality, competitive price and high quality after sales services, the Group will endeavour to devote more resources to develop the PRC market which has enormous potential and to further enhance the brand awareness of "SAVANTI". Initially, the Group has opened 3 retail stores in Shanghai and 1 retail store in Hangzhou by the end of 2005 (their financial contributions to the current year have not been reflected) and is looking forward to opening more outlets in the coming year. The Group anticipates that the new PRC market will show encouraging contributions to the Group's turnover and profit in the coming years.

Looking forward, with the continuously improving worldwide economic environment and more consumer orders in recent trade fairs, demand for jewellery products will continue to grow at a healthy pace and performance in the coming future is expected to be promising and optimistic. As our Group's committed mission, we will continue to pursue the jewellery industry in a leading market position with recognised reputation so as to realise and share the fruitful results of the promising industry growth with shareholders.

APPRECIATION

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

Wong Chi Ming, Jeffry
Chairman

Hong Kong
19 January 2006