



CHAIRMAN'S STATEMENT

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 2006.

FINANCIAL PERFORMANCE

For the year ended 30 September 2006, the Group posted a record high turnover of approximately HK\$480.4 million, representing an encouraging increase of approximately 11.7% as compared to approximately HK\$430.0 million in previous year. Net profit from ordinary activities attributable to shareholders was approximately HK\$57.0 million, representing an increase of 5.2% over the previous year. Gross profit margin was approximately 28.7% as compared to 28.2% in last year, while net profit margin was approximately 11.9% compared to 12.6% in last year.

BUSINESS REVIEW

During the year, the continuous growth of the global economy boosted the demand for luxury products. Under such a favourable operating environment, for the export business, the Group has maintained its business in the United States, Europe, Middle East and South East Asia. The Group continued in attending a series of major international jewellery trade shows throughout the year to strengthen the relationship with existing customers.

For the retail business in the People’s Republic of China (“PRC”), the Group launched the “SAVANTI” brand which offers a range of high quality jewellery products through our world class designers since 2005 and is very proud to be widely recognised in the PRC market. Following its achievements, the Group has increased retail stores throughout Tianjin, Dalian, Changchun, Harbin, Shenyang, Chengdu and Hangzhou during the year under review, bringing the total number of retail stores to 13 now. Furthermore, the “SAVANTI” brand image and awareness have been greatly enhanced with the opening of flagship stores featuring stylish decorations at prime locations in the major PRC cities, situated in the JB Cityplaza at Nanjing Road and the Hong Kong New World Tower at Huaihai Road in Shanghai. The increasing number of retail stores attains encouraging sales growth so as to benefit from the economies of scale.

Overall, the business operation has been running smoothly and effectively so far. The good economic and market conditions have created an encouraging demand for jewellery products in the year. As a result, the Group continued to record reasonably outstanding results in turnover and net profit for the current year.

For the year ended 30 September 2006, selling and distribution expenses of the Group recorded an amount of approximately HK\$39.7 million (2005: HK\$32.9 million). The increase of 20.7% 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.



BUSINESS REVIEW *(Continued)*

Administrative expenses of the Group for the year amounted to approximately HK\$21.2 million (2005: HK\$18.1 million), representing an increase of approximately 17.1% as compared to last year. In maintaining the administrative expenses at approximately 4.4% of the turnover for the year as compared to that of 4.2% 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\$0.3 million (2005: HK\$3.2 million), representing a decrease of approximately 90.6% as compared with last year. The decrease for the current year was due to the 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

The Group is committed to maximize the profit and maintain a steady growth for our business with the capacity to manufacture a wide variety of high quality jewellery products at competitive prices. The Group will keep a good reputation of product quality and ability to manufacture a wide variety of jewellery products at competitive prices by maintaining its successful manufacturing operations in the PRC.

For the export business, the Group will continue to strive its best to maintain its market share through various marketing strategies by regularly participating in international jewellery trade shows and exhibitions.

For the PRC's retail business, the increasing levels of income and purchasing powers of the PRC consumers boosted the demand for jewellery products. As a result, it is anticipated to offer immense growth potential for the jewellery industry. The Group, which owns the renowned "SAVANTI" brand in the PRC and with a solid business and financial position, is well positioned to benefit from this positive trend. The Group dedicates to develop the "SAVANTI" brand in the PRC since branding is very important for its long-term development. Through its competitive advantages over both foreign and local jewellers in terms of world-class design, excellent management, reputation, product quality, competitive price and high quality after sales services, the Group anticipates its further penetration in the PRC market will continue. In the future, we will continue to pursue opportunities to open up more retail stores in the PRC in the coming year.

Looking forward, the Group is dedicated to strive for the best performance by implementing its strategies to produce high quality products with competitive prices. The Group will continue to explore the opportunities to further develop its manufacturing operations in the PRC. With the global economy posing a robust outlook and consumer sentiment continuing to strengthen, the Group is highly optimistic of its export business and its PRC retail business. 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 realize and share the fruitful results of the promising growth with our shareholders.



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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 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
28 December 2006