

## Chairman's Statement



To our shareholders:

On behalf of the board of directors, I am pleased to present the annual report of Hang Fung Gold Technology Limited (the "Company") and its subsidiaries (together the "Group" or "Hang Fung Gold") for the year ended 31st March 2003.

"Enhancing the economy through innovation, strengthening the corporation through technology" has always been our business development motto. Despite economic slowdown, political turmoil and natural disasters around the world during the 2003 financial year, Hang Fung Gold has successfully turned risk into opportunity and opened up new markets with many of our technological advantages. Our Group owes its healthy growth in turnover and profit and further improvements in margins to these measures.

Hang Fung Gold has been building on its solid foundations in jewellery distribution and exports. In recent years, we have actively been developing and exploring the brand retailing business. Following the success of the "3D-GOLD" Tourism Exhibition Hall Phases I, II and III, together with the increasing contributions from the retail chain stores, we accelerated our pace of development to bring in better gross profit returns. Apart from the financial benefits, the success of the Tourism Exhibition Hall has also helped boost Hong Kong's tourism industry.

With innovative marketing plans and unique product designs, the Group's "3D-GOLD" and "La Milky Way" product lines have carved a major niche in the market and become well-known brands. In line with our international brand building strategy, the "3D-GOLD" Tourism Exhibition Hall plays an important role in brand promotion. It presents the "3D-GOLD" and "La Milky Way" brand names to visitors and greatly enhanced our brand awareness both in Mainland China and overseas markets. Also with this effective brand building strategy, the Group successfully stimulates sales and lays solid foundations for further business expansion worldwide.

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During the year under review, we have extended our geographical footprint in the retail business with the inauguration of the "3D-GOLD" Tourism Exhibition Hall Phases II and III and the first launch of "La Milky Way" retail chain stores in Hong Kong. We have also increased the number of retail chain stores in Mainland China through franchised and cooperative arrangements. Now, we have altogether more than 50 "3D-GOLD" and "La Milky Way" retail chain stores. These developments all contribute to the full operation of a synergistic retail network in Mainland and Hong Kong. In addition, we have successfully signed licensing agreements with distributors in Singapore and Taiwan to sell our brand products in their jewellery stores. This move represents a significant milestone for the Group's expansion into South-East Asian retail markets.

Looking ahead, the Group is committed to balancing the development of our two core businesses – jewellery distribution and export in parallel with brand retailing. We have also been enhancing our product development capabilities, utilizing the stable revenues generated from the distribution and export business to further strengthen our brand retailing business as to forge a leading position in the international jewellery market. The outbreak of the Severe Acute Respiratory Syndrome ("SARS") around the world in March this year has for a time hinder the development of our brand retailing business. However, with the World Health Organisation's lifting of Hong Kong Travel Advisory, we anticipate that the retail business will soon be back on track. In addition, the continuing growth of our distribution and export business has provided favorable conditions for our focused development in this area, in particular after the disposal of our interest in New Epoch Information (BVI) Company Limited ("New Epoch Information"). We are confident the Group will continue to sustain healthy growth and bring in better returns for our shareholders.

Last but not least, on behalf of the management and the board of directors, I would like to thank the Group's customers, suppliers, business partners, shareholders and all our staff for their unsparing support over the past year.

**Lam Sai Wing**

*Chairman*

Hong Kong, 25th July 2003