

Chairman's Statement

Lam Sai Wing
Chairman



To 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 called "the Group" or "Hang Fung Gold Technology") for the year ended 31st March 2004.

Hang Fung Gold Technology celebrated its 25th anniversary in 2004. The past 25 years is the "Golden Era" of the Group – we have developed and grown from an OEM supplier to become an ODM manufacturer, producing a wide variety of quality jewellery for our jeweler clients from around the world. In recent years, we also successfully introduced our own brand, "3D-GOLD". Our relentless brand building efforts during the year bore fruitful returns. We have successfully re-positioned the "3D-GOLD" brand which was named one of the "Top Ten Brands in Hong Kong" in January 2004. It was also hailed in March 2004 as one of the "Luxury Superbrands", an honor shared among leading international brands from various luxurious goods industries, marking the Group's international fame. Through different promotional events and publicity channels, such as the presentation of the "Golden Diamond Shen Zhou V Ornament" to China's first astronaut, Mr. Yang Liwei, and the visit by World's Top Footballer, Ronaldo, to our "3D-GOLD" Tourism Exhibition Hall. The extensive media coverage of the events had greatly enhanced the popularity and recognition of both the Group as well as the "3D-GOLD" brand.

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Stepping into the 21st century, recognizing the importance of "Prospering Hong Kong's tourism and strengthening national economy", we embraced the unprecedented concept of marrying tourism with shopping and introduced the "3D-GOLD" Tourism Exhibition Hall which has been proven a tremendous success. Over the past few years, our two distinct businesses – distribution and export, and tourism retailing – have both developed robustly and performed well.

The Group was well prepared to capture business opportunities arising from the relaxation of restrictions on individual travellers from different provinces and cities of China visiting Hong Kong. We opened our first "3D-GOLD" Jewellery Shop in the shopping centre, Mongkok, in November 2003, and the second one at Causeway Bay in April 2004. Moreover, we undertook Phases V and VI expansion of our "3D-GOLD" Tourism Exhibition Hall in April this year to serve travellers from all over the world. Our retail outlets recorded encouraging sales during the last National Day, Lunar New Year holidays as well as the most recent Labour Day holiday, reflecting the vigor of our retail business. With regards to the retail business in China, we continued to expand through franchising and cooperative arrangements. In March 2004, the first "3D-GOLD" Watch Shop was opened in Suzhou. We currently operate a total of over 80 retail outlets in Hong Kong and China.

During the year under review, we received the "Hong Kong Q-Mark Service Scheme Certificate" and the "2003 Trade Development Council Export Marketing Award". We also obtained numerous jewellery design awards, which reflects our achievements in brand building, business operations, as well as marketing and product designs.

Looking ahead, we will diligently adhere to our expansion strategy with equal emphasis on "distribution and export, and tourism retailing". We will strengthen our product development capabilities and, applying the stable revenue generated from our export and distribution business, further enhance our brand retailing business and consolidate our leading position in the international jewellery market. We will also continue to pursue the goal of "promoting Hong Kong's brands to the international market", and steer our business to yet higher levels.

Last but not least, on behalf of the management and the Board, I would like to thank our customers, suppliers, business partners, shareholders and all our staff for their support in the past year. We are committed to expanding our businesses and bringing better returns to our shareholders.

Lam Sai Wing

Chairman

Hong Kong, 22nd July 2004