

Chairman's Statement



Dr. 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 2005.

During the year, the Group’s brand retail business continued to benefit from the further relaxed Individual Travelers Scheme. Effective from 1st July 2004, individual residents of nine more cities in the PRC are allowed to visit Hong Kong. The robust growth of our brand retail business boosted the Group’s overall turnover, contributing to another successful year for the Group.

The strategic location of our flagship outlet – the “3D-GOLD” Tourism Exhibition Hall and our focus on growing tourism retailing explain the Group’s higher turnover to sales floor area ratio over other industry players. By placing the “3D-GOLD” Tourism Exhibition Hall in Hung Hom, an area with relatively low rental compared with prime shopping areas, the Group has been able to attain higher sales at lower rental cost than its counterparts. This strategic location also allows the Group to reserve extra sales space for future expansion.

Seeing the return of a vigorous local retail market, besides the five existing stores in traditional shopping areas, such as Causeway Bay and Tsim Sha Tsui, we are planning to further expand our local brand retail business to target commuters and residents in the New Territories. We have already identified central locations in several newly developed districts for opening new stores in the coming year. Moreover, we are also poised for expanding into the fast-developing Macau market so as to further enlarge the Group's retail network.

Looking forward, adhering to a balanced expansion strategy with equal emphasis on "distribution and export, and tourism retailing", we will further strengthen our production and product development capabilities, and through expanding our brand retailing business to consolidate our leading position in the international jewellery market. We expect the launch of the Disneyland in Hong Kong in September 2005 will further boost the local retail market and enhance the development of the Group's retail business. The Group is well-positioned

to fully seize the enormous opportunities arising from the opening of this world class tourist attraction. We will continue to pursue the goal of "Driving Hong Kong brands towards global eminence". With its clear and balanced strategy, the Group is confident of delivering yet better performance.

Last but not least, on behalf of the management and the Board, I would like to thank our customers, suppliers, business partners, shareholders and 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, 21st July 2005