



Dr. Lam Sai Wing
Chairman

Chairman's Statement

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 "the Group" or "Hang Fung Gold Technology") for the year ended 31 March 2006.

Thanks to the flourishing tourism in Hong Kong, the Group's brand retailing business continued to achieve satisfactory results during the year, contributing to returns to shareholders. The number of visitors to Hong Kong reached a record high of more than 23 million visitors in 2005 and the total expenditure associated with inbound tourism grew 14.1% when compared with 2004 to reach a total of HK\$105.66 billion. Against such a favorable backdrop, our brand retailing business recorded satisfactory growth and the Group's overall turnover had a boost.

During the year under review, the Group strategically opened new retail outlets in Tsuen Wan and Mongkok to benefit from the

strong purchasing power of customers. With foresight on the booming market in Macau, the Group took its first move to capture business in the fast-growing market. The first retail outlet of 3D-GOLD was opened in the central district of the city. In Mainland China, the Group owned around 100 retail stores through franchising and cooperative arrangements during the year.

Apart from gold and jewellery retailing business, the watch retailing has become another key business of the Group. As Mainland China imposed sales tax on timepieces, Chinese visitors are expected to come to Hong Kong to shop for quality timepieces. Thus, the Group expects contribution from the timepiece

business to grow significantly in the next few years. We recognize that the environment is favourable to the Swiss watch brands - 'BLITA' and 'Swisshorn' carried by the Group in the long run.

Hang Fung Gold Technology is committed to continuously developing our retail brand - 3D-GOLD and pursuing service excellence. We have received two awards, namely the 2005 Hong Kong Premier Brand and the 2005 Hong Kong Awards for Industries: Innovative and Creativity Award during the year. The organizers are among the most authoritative organizations and the awards are well recognized by the business community and the public. Hang Fung Gold Technology also received the Hong Kong Q-Mark



LUXURY SUPERBRANDS



HONG KONG
PREMIER BRAND



HKQ-Mark Service Scheme



ISO9001:2000
Cert. No.:0089-2002



2 GUINNESS
WORLD RECORDS

Service Scheme Certificate for three consecutive years. These awards not only represented the recognition to our effective business strategies and quality products, but have also motivated us to strive for excellence.

Looking ahead, the Group will further strengthen its network and brand enhancement efforts. The continual relaxation of the "Individual Visit Scheme" plus the addition of the new tourist attractions in Hong Kong, the management sees enormous opportunities in the tourist market. Moreover, to encourage consumption-led growth, the Mainland China has introduced policy favourable for the retail market, such as doubling the personal income tax exemption threshold, which increased people's spending capacity. The anticipated gradual appreciation of the Reminbi will also see the purchasing power of Chinese

consumers grow. With these favourable factors, the Group is optimistic in the prospects of the retail industry and its ability to fully capitalize on market opportunities.

Innovation and creativity have been for long an edge of the Group. On top of the World's Most Expensive Bathroom and the Fantastic Flying Diamond and Gold Carriage, we have created another stunning exhibit during the year, the 'Gold Palace'. This gold exhibit is most gorgeous and largest scale of its type, which we firmly believe will stir up another tourists frenzy in Hong Kong by attracting visitors from all over the world. We also believe the new exhibit will boost up business turnover in our retailing section and is essential for our brand enhancement. Besides, the Group has engaged as a sole agent for two Swiss made watch brands, 'BLITA' and 'Swisshorn', which will broaden our product line.

Previous investment has paved a solid foundation for the Group's future development. In the coming year, the Group will tune our development strategy from speed to substance and is committed to exert stringent control in expenses and capital expenditure in order to maintain a healthy cash flow and financial position. We aim to maximize return and create value for shareholders.

Last but not least, on behalf of the management and the Board, I sincerely 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, 20 July 2006