



HANG FUNG GOLD TECHNOLOGY LIMITED

恒豐金業科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 870)

ANNOUNCEMENT

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

The Directors of Hang Fung Gold Technology Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 March 2008 together with comparative figures for the year ended 31 March 2007 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 HK\$'000	2007 HK\$'000
Turnover	2	3,407,631	3,127,026
Cost of sales		<u>(2,360,974)</u>	<u>(2,141,635)</u>
Gross profit		1,046,657	985,391
Selling and marketing costs		(208,800)	(427,619)
Administrative expenses		(371,689)	(318,591)
Other gains, net		<u>58,114</u>	<u>929</u>
Operating profit	3	<u>524,282</u>	<u>240,110</u>
Interest income		7,811	1,866
Interest expense		(122,077)	(68,910)
Fair value losses on derivative liability of convertible bonds		<u>(65,159)</u>	<u>(45,943)</u>
Finance costs, net	4	<u>(179,425)</u>	<u>(112,987)</u>
Profit before income tax		344,857	127,123
Income tax expense	5	<u>(40,498)</u>	<u>(43,384)</u>
Profit attributable to equity holders of the Company		<u>304,359</u>	<u>83,739</u>
Dividends	6	<u>83,719</u>	<u>46,363</u>
Earnings per share for profit attributable to the equity holders of the Company	7		
- basic		<u>HK34.0cents</u>	<u>HK10.8cents</u>
- diluted		<u>HK33.6cents</u>	<u>HK10.8cents</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2008**

	Note	2008 HK\$'000	2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		426,830	840,110
Leasehold land		5,484	5,622
		<u>432,314</u>	<u>845,732</u>
Current assets			
Inventories		1,950,100	1,148,301
Trade receivables	8	909,557	454,742
Prepayments, deposits and other receivables		625,577	95,936
Prepaid income tax		645	-
Derivative financial instruments		5,942	977
Other financial assets at fair value through profit or loss		3,834	3,658
Pledged bank deposits		54,961	60,628
Cash and cash equivalents		581,560	193,103
		<u>4,132,176</u>	<u>1,957,345</u>
Total assets		<u>4,564,490</u>	<u>2,803,077</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		95,150	81,826
Reserves		1,624,698	1,170,973
Total equity		<u>1,719,848</u>	<u>1,252,799</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings		1,339,839	285,117
Convertible bonds		54,967	163,141
Deferred tax liabilities		26,558	66,232
		<u>1,421,364</u>	<u>514,490</u>
Current liabilities			
Trade payables	9	392,268	159,552
Accruals and other payables		171,932	43,860
Short-term bank borrowings		568,024	525,582
Long-term borrowings, current portion		32,060	223,569
Finance lease obligations, current portion		2,545	1,504
Derivative financial instruments		179,339	73,968
Current income tax liabilities		77,110	7,753
		<u>1,423,278</u>	<u>1,035,788</u>

Total liabilities	<u>2,844,642</u>	<u>1,550,278</u>
Total equity and liabilities	<u>4,564,490</u>	<u>2,803,077</u>
Net current assets	<u>2,708,898</u>	<u>921,557</u>
Total assets less current liabilities	<u>3,141,212</u>	<u>1,767,289</u>

Notes

1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

During the year, the Group adopted the new/revised standards and interpretations of HKFRS which are effective for accounting periods beginning on or after 1 April 2007 and relevant to its operations. The adoption of such standards and interpretations did not have material effect on the accounting policies of the Group.

2. Segment information

Turnover represented sales of goods for the years ended 31 March 2007 and 2008.

(a) Business segments

The Group's primary reporting format is business segments. No segment analysis by business segment is presented as the Group principally operates in one business segment, which is the wholesale, trading and retail of gold products, other precious metal products and jewellery products.

(b) Geographical segments

The Group's secondary reporting format is geographical segments. An analysis by geographical segment is as follows:

	2008 HK\$'000	2007 HK\$'000
Turnover (i)		
Hong Kong / Mainland China	3,198,572	2,910,816
South-East Asia	14,622	67,362
The United States of America	122,817	125,007
Europe	61,557	23,583
Others	10,063	258
	<u>3,407,631</u>	<u>3,127,026</u>
Segment results		
Hong Kong / Mainland China	487,824	214,612
South-East Asia	985	3,055
The United States of America	19,456	17,049
Europe	15,410	5,384
Others	607	10
	<u>524,282</u>	<u>240,110</u>

Note:

(i) Turnover by geographical location is determined on the basis of the location of deliveries or the destination of shipments of goods.

No segment information of total assets and capital expenditure by location is presented as all of the Group's assets are mainly located in Hong Kong/Mainland China.

3. Operating profit

Operating profit was determined after charging:

	2008 HK\$'000	2007 HK\$'000
Amortisation of leasehold land	138	139
Depreciation of property, plant and equipment	<u>78,629</u>	<u>94,298</u>

4. Finance costs, net

	2008 HK\$'000	2007 HK\$'000
Interest income on bank deposits	<u>7,811</u>	<u>1,866</u>
Interest expense on		
- bank borrowings wholly repayable within five years	(30,642)	(53,267)
- gold loans wholly repayable within five years	(6,574)	(3,806)
- senior notes wholly repayable after five years	(59,804)	-
- convertible bonds	(9,942)	(6,901)
- trade payables to suppliers	(4,654)	(4,590)
- finance lease obligations	(266)	(346)
- interest rate swaps linked to gold price	(10,195)	-
	<u>(122,077)</u>	<u>(68,910)</u>
Fair value losses on derivative liability of convertible bonds	<u>(65,159)</u>	<u>(45,943)</u>
Net finance costs	<u>(179,425)</u>	<u>(112,987)</u>

5. Income tax expense

	2008 HK\$'000	2007 HK\$'000
Current income tax		
- Hong Kong profits tax	79,584	10,279
- Mainland China enterprise income tax	41	61
- Macao Complementary (Corporate) Tax	493	-
- Underprovision in prior years	54	7,359
	<u>80,172</u>	<u>17,699</u>
Deferred taxation	<u>(39,674)</u>	<u>25,685</u>
	<u>40,498</u>	<u>43,384</u>

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong. The subsidiaries established in Shenzhen, Mainland China are subject to Mainland China enterprise income tax at a rate of 15% for the 9 months ended 31 December 2007 and 18% for the 3 months ended 31 March 2008 (year ended 31 March 2007: 15%). Macao Complementary (Corporate) Tax has been provided at the fixed rate of 9% on the estimated assessable profit in excess of HK\$196,000 (approximately MOP200,000) and below HK\$295,000 (approximately MOP300,000) and a fixed rate of 12% on assessable profit in excess of HK\$295,000 (approximately MOP300,000).

During the years ended 31 March 2007 and 2008, the Hong Kong Inland Revenue Department

(“IRD”) issued protective profits tax assessments of approximately HK\$17,312,000 and HK\$14,560,000 relating to the years of assessment 2000/01 and 2001/02 respectively, that is, for the financial years ended 31 March 2001 and 2002 against a subsidiary of the Company. The Group lodged objection with the IRD against the protective assessments and is being negotiating with the IRD to resolve the dispute. The directors of the Company believe that no profits tax is payable by the Group in relation to the protective assessment. The Group has obtained counsel opinion that there are supportive grounds that the tax claimed is not payable. At present, there are uncertainties regarding how the tax case will be settled. If the dispute is not resolved, this may affect the Group’s financial conditions and results of operations.

6. Dividends

	2008 HK\$’000	2007 HK\$’000
Interim dividend of HK2.8 cents (2007: HK1.5 cents) per share	26,614	11,614
Proposed final dividend of HK4.0 cents (2007: HK4.0 cents) per share	38,070	34,749
Proposed special dividend of HK2.0 cents (2007: nil) per share	19,035	-
	83,719	46,363

7. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to equity holders of the Company (HK thousands dollar)	304,359	83,739
Weighted average number of ordinary shares in issue (thousands)	896,370	772,497
Basic earnings per share (HK cents per share)	<u>34.0</u>	<u>10.8</u>

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the after-tax effects of interest expense and change in fair value on derivative liability. For the share options, calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2008	2007
Profit attributable to equity holders of the Company (HK thousands dollar)	<u>304,359</u>	<u>83,739</u>
Weighted average number of ordinary shares in issue (thousands)	896,370	772,497
Adjustments for - share options (thousands)	<u>8,932</u>	<u>674</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>905,302</u>	<u>773,171</u>
Diluted earnings per share (HK cents per share)	<u>33.6</u>	<u>10.8</u>

Note:

- (i) As the diluted earnings per share amount for the years ended 31 March 2007 and 2008 were increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share. Therefore, the convertible bonds were ignored in the calculation of diluted earnings per share.

8. Trade receivables

	2008 HK\$'000	2007 HK\$'000
Trade receivables	911,709	458,119
Bills receivable	1,531	-
	<u>913,240</u>	<u>458,119</u>
Less: provision for impairment of trade receivables	<u>(3,683)</u>	<u>(3,377)</u>
	<u>909,557</u>	<u>454,742</u>

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. Majority of trade receivables are with wholesales customers having an appropriate credit history and at credit terms of 30 to 120 days. Most of the Group's wholesales are on open account, while sales made to small number of customers are covered by letter of credit issued by banks or settled by documents against payment issued by banks. The ageing analysis (from date of invoice) of trade receivables is as follows:

	2008 HK\$'000	2007 HK\$'000
0 to 90 days	551,186	392,863
91 to 180 days	321,767	62,412
Over 180 days	40,287	2,844
	<u>913,240</u>	<u>458,119</u>

9. Trade payables

The ageing analysis of trade payables is as follows:

	2008 HK\$'000	2007 HK\$'000
0 to 90 days	368,846	144,892
91 to 180 days	13,040	7,960
Over 180 days	10,382	6,700
	<u>392,268</u>	<u>159,552</u>

RESULTS OVERVIEW

The fiscal year ended 31 March 2008 (“FY2008”) recorded remarkable results amid a robust retail environment in Mainland China and the satisfactory growth of the Group’s wholesales and export business. During the year under review, the Group’s consolidated turnover posted a 9.0% growth to reach HK\$3,407.63 million whilst operating profit surged 118.4% to HK\$524.28 million. Profit attributable to shareholders increased significantly by 263.5% to HK\$304.36 million (2007: HK\$83.74 million). Excluding approximately HK\$65.16 million in fair value losses on derivative liability of convertible bonds, net profit attributable to shareholders would have reached HK\$369.52 million (2007: HK\$129.68 million), representing an increase of 184.9% over 2007. Basic earnings per share was HK34.0 cents, as compared to HK10.8 cents in last fiscal year. Geographically, Mainland China and Hong Kong remained the major contributors to the growth in turnover, accounting for 93.9% of total sales.

After our substantial investment in brand promotion in prior years, “3D-GOLD” has been established as a well-recognised brand name and now the Group is able to maintain the promotion costs at a moderate level. In addition, through tighter control of expenses as well as consolidation of tourism business, selling and marketing costs decreased to 6.1%. (2007: 13.7%) of total turnover. To support its expanding operations, the Group’s administrative expenses increased slightly from 10.2% of total turnover in 2007 to 10.9% in the year. Finance costs, net increased from HK\$112.99 million last year to HK\$179.43 million, mainly attributable to the interest expense of senior notes issued in the year and the fair value losses on derivative liability of convertible bonds.

Other gains, net increased by HK\$57.18 million from HK\$0.93 million in fiscal year 2007 to HK\$58.11 million in fiscal year 2008, which was primarily due to the disposal of approximately three tonnes of the gold exhibits in the first quarter of 2008 and such gain was partially offset by net loss on financial instruments which were used to hedge against the risk associated with the gold exhibits and inventories.

DIVIDENDS

The Board of Directors proposed to pay a final dividend of HK4.0 cents per share and a special dividend of HK2.0 cents per share for FY2008. Together with the interim dividend of HK\$2.8 cents, the total dividend for FY2008 will be HK8.8 cents (FY2007: HK5.5 cents). The final dividend and special dividend, if approved by shareholders at the forthcoming annual general meeting, will be payable on or about 6 October 2008 to shareholders whose names appear on the Register of Member of the Company on 29 August 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 August 2008 to 29 August 2008, both days inclusive. In order to qualify for the proposed final dividend and special dividend and ascertaining the identity of members who are entitled to attend and vote at the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:00 pm on 25 August 2008.

BUSINESS REVIEW

Retail Business

During the year under review, the Group focused its effort on expanding its network coverage in Mainland China. In July 2008, our group's chain of 3D-GOLD stores reached around 200 outlets in the Mainland, Hong Kong and Macau.

Mainland Retail Business

The Mainland's buoyant economy and increasing affluence are driving domestic retail sector growth. The jewellery retail segment, in particular, registered a growth of approximately 42%¹. The Group forged ahead with its network expansion and strengthened its foothold in the retail sector. During the year under review, the Group achieved relatively rapid network growth in Eastern and Southern China. In July 2008, the Group operated over 180 stores, spanning over 70 cities in Mainland China. Retail sales from our Mainland business recorded substantial increase in FY2008. The average size of our stores typically was approximately 50 square meters. Same store sales also recorded satisfactory growth of over 30% during FY2008, attributable to strong consumer spending power and our enhanced operational efficiency.

Most of our retail outlets are located in premier shopping malls such as Parkson Department Store, Maoye Department Store and New World Department Store in first tier cities, to attract quality clientele and to capture the rising demand for high quality jewellery. To capitalize on the Beijing 2008 Olympic Games opportunities, the Group has also opened 9 additional outlets in the Olympic Games cities such as Beijing, Shanghai, Tianjin and Qingdao, making a total of 38 outlets in the Olympic Games Cities.

Besides self-owned stores, the Group also accelerated its franchising scheme during the reporting period with an aim to extend its presence in second and third tier cities. As of June 30, 2008, there were 30% 3D-GOLD stores operating under the Group's franchising scheme. It has proven to be very successful in capturing the growing entrepreneurial fervor and helping rapidly extend the Group's retail sales network with relatively lower capital in a short period of time. Our specialized team will assist our franchisees on start-up arrangements to ensure operational efficiency and consistency in terms of sales and brand images. More encouragingly, the Group is viewed by reputable international financial institutions as one of the quality franchisors in Mainland China that operates a quality franchise scheme with key attributes required for success. The Group provides full-fledge support including training, store location analysis, new store guidance consultancy service, exclusive jewellery merchandise supply, as well as operational management system.

¹Released by the National Bureau of Statistics of China on 28 February 2008

Hong Kong and Macau Retail Business

In the reporting period, the group operated 13 stores in Hong Kong and 2 stores in Macau. Our Hong Kong stores continued to benefit from tourists and local consumers. The appreciation of Renminbi also boosted the spending power of tourists from Mainland China. In Macau, we now operate two outlets, one of which was open during the reporting period, to further capture the opportunities brought by the city's flourishing tourism.

During the year, the Group also repositioned its tourism business. The different halls exhibiting the Gold Washroom and few other gold displays are being consolidated to operate under one exhibition hall. The tourism hall will remain as a showcase of the Group's innovative product

technology and continue to play a part in promoting Hong Kong's tourism business and maintaining our brand image. During the period under review, the Group sold three tons of gold display items and the proceeds are being used to fuel the Group's retail business in the Mainland.

Wholesales and Export Business

During the year under review, the Group's wholesale and export business registered satisfactory growth. The solid and profitable business performance was mainly attributable to the increasing demand for jewellery in Mainland China. In particular, the Group's enhanced product portfolio with more sophisticated designs and advanced product development technologies have played a key role in attracting more orders from our Mainland OEM customers.

With a solid distribution network reaching US, Europe, South East Asia and Mainland China, the Group further expanded its business into other emerging markets such as Middle East, Russia, India and Turkey.

Enhancing our Brand Image

During the year under review, the Group implemented effective marketing strategies to boost the 3D-GOLD's image. To achieve higher penetration and cost effectiveness, we targeted our marketing efforts to individual districts based on sales forecasts and existing sales performances. During the reporting period, the Group diversified its marketing channels through television commercials, print advertisements, promotional events, outdoor billboards, the internet and joint promotion with various bank credit cards. During the year, the Group also organized various events to enhance publicity. One of the events held was the fabulous jewellery catwalk party at 798 Art Zone in Beijing in February 2008 presented by Kelly Chen, the spokesperson of 3D-GOLD and top models. "3D-GOLD" has also achieved one of the highest ranking on brand awareness among the local jewellery brands according to a well recognized market survey, underscoring the success of our brand marketing efforts.

The Group has also established a Customer Relationship Program during the year under review with an aim to build and maintain a long-term relationship with its customers. Our marketing campaign was effective in establishing the premium positioning of 3D-GOLD in Mainland China and Hong Kong.

During the reporting period, in recognition of our excellence in jewellery design and manufacturing, the Group was authorized by the Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG) as one of two licensed Hong Kong manufacturers and distributors of Beijing 2008 Olympic-themed jewellery products. The Group has launched a total of 5 Olympic-themed collections which are being sold in our "3D-GOLD" outlets. On top of the well-received Fuwa collection, the Group has launched the Chinese lantern collection and Torch relay collection with different materials such as fine gold, 925 silver and resin to enrich the consumers' selections.

In order to cater to the needs of different customers, the Group continuously introduced new products and innovative designs to capture both a larger market share and a broader customer segment. During the year under review, 3D-GOLD developed a signature collection of "Les Fleur" which received extraordinary market response and became one of the signature diamond items of the brand.

Quality Assurance

Providing the best products and services to its customers has been competitive edge of the Group. The Group's commitment to quality excellence could be best demonstrated by continuous

participation in the Q-Mark Product Scheme and Q-Mark Service Scheme organized by the Federation of Hong Kong Industries since 2003, and continuing receiving the ISO 9001:2000 international quality certification.

In order to assure the quality of all the precious stones used in its jewellery, the Group has set up an independent laboratory, the International Standard Jewellery & Gems Laboratory Limited to strictly monitor the quality of precious stones. Besides managing by internationally recognized gemologists, the laboratory is also equipped with professional apparatus which is of international standard in grading and analyzing the stones' quality.

Awards and Achievements

During the reporting period, the Group continued its pursuit of quality service and incorporated its heritage of design excellence and distinct craftsmanship. The accreditation of the Group's trademark, "3D-GOLD" as a "China Well-known Trademark" and the winning of various leading jewellery design competitions in the year also marked the Group's success and high recognition in the market place. These awards not only added value to our products, but also served as a symbol of credibility and a guarantee of good quality to our customers and potential franchisees.

During the year under review, the Group's designs gained 25 jewellery designs awards in various leading competitions.

Tahitian Pearl Trophy Asia 2007

(Organized by PERLES DE TAHITI GIE)

Champion of the "Accessory" category – Galactic Cluster

Champion of the "Brooch" category - Screen of Rain

Champion of the "Special Prize" category - Galactic Spring

1st Runner-up of the "Pendant" category - Rhythm

1st Runner-up of the "Parure" category - Interspersion

1st Runner-up of the "Special Prize" category – Fountain Music

2nd Runner-up of the "Earrings" category - Eternal Music

Buyers' Favorite Jewelry Design Competition 2007

(Organized by Hong Kong Jewelry Manufacturers' Association)

Gold Prize of Brooch category - Freedom

Silver Prize of Brooch category - Daisy

Bronze Prize of Computer aided category - Melody Rain

Chuk Kam jewellery design competition 2008

(Organized by Hong Kong Jewellers' & Goldsmiths' Association)

Open Group

True Love Collection: "Harmony of Love" and "True Love"

Glory Collection: "Glory and Peace"

18K Gold with Chuk Kam Category:

"Wave", "Glory", "Sprout" and "Splendor"

18K Gold with Other Materials Category:

"Dancing Life"

Student Group:

"Happy Spring" and "Blessing"

The 9th Hong Kong Jewellery Design Competition

(Organized by Hong Kong Trade Development Council)

Merit Award of Open Group (5 contestants)

Corporate Social Responsibilities

In addition to pursuing business expansion, the Group values its responsibilities to the society for collective and sustainable growth. In recognition of its continuous support and contribution to the Youth Volunteer Network of The Hong Kong Federation of Youth Groups by financing the “Heart to Heart Project”, the Group and its affiliate 3D-GOLD Jewellery were given “2007-2008 Heart to Heart Company” award during the reporting period.

During the year under review, the Group actively participated in fundraising activities. In September 2007, the Group launched a product promotion and donated partial revenue to Kelly Chen Children Education Fund. The brand also made donations to Wai Yin Association for raising fund for the needy as well as tailor-making a jade brooch for charity auction. The Group also sponsored the East Asia Game 2009 and Bun Scrambling Competition of the Bun Carnival co-organized by The Hong Kong Cheung Chau Bun Festival Committee and the Leisure and Cultural Services Department during the reporting period.

FINANCIAL REVIEW

Liquidity and Financial Resources

Senior Notes

In October 2007, the Group entered into a purchase agreement with HSBC in connection with the issuance and sale of US\$170 million senior notes (approximately HK\$1,326 million). The issuance of the senior notes was testimony to the Group’s longer term financial management and to support its expansion plans in Mainland China.

The senior notes were issued at a fixed coupon of 9.25% per annum with a maturity of seven years and is callable after four years. Net proceeds were principally applied for refinancing the Group’s existing short-term debt and financing the Group’s retail expansion in Mainland China.

Banking Facilities

As at 31 March 2008, the Group maintained aggregate banking facilities of HK\$884.13 million (2007: HK\$1,265.13 million), of which HK\$271.32 million (2007: HK\$186.37 million) were unutilized. The Group finances its operations and business development primarily with internally generated cash flow and banking facilities, and the management believes it has sufficient funds to serve these purposes in the foreseeable future. Interest on bank borrowings is charged at commercial lending rates to the Group. Details of maturity of bank borrowings as at 31 March 2008 are set out in Notes 26 and 32 to the financial statements.

As at 31 March 2008, the Group’s gearing ratio (ratio of aggregate borrowings less cash and cash equivalents and pledged bank deposits to equity) was 0.79 (2007: 0.75)

Certain assets of the Group had been pledged to banks for these banking facilities. Details are set out in Note 36 to the financial statements.

Convertible Bonds

The Company had entered into a Subscription Agreement with Goldman Sachs International in

connection with the issuance by the Company of Convertible Bonds with an aggregate principal amount of HK\$240 million for a term of 5 years due 2011 at a coupon rate of 3% per annum in fiscal year 2007. During the year ended 31 March 2008, bonds with face value of HK\$130 million were converted into 114,436,615 ordinary shares of the Company at a conversion price of HK\$1.136 per share. As a result of the aggregate conversion in the last two fiscal years, the total outstanding Convertible Bonds as at 31 March 2008 was HK\$60 million in face value.

Sale Proceeds of Gold Exhibits

The Company has sold approximately three tonnes of its gold exhibits including a gold carriage and certain displays in the gold palace in the first quarter of 2008 with total proceeds of approximately HK\$722.78 million. The proceeds were applied to finance the Group's continued expansion of the 3D-GOLD retail network in the Mainland China and for general working capital purposes.

Exchange Rate Exposure

The Group operates mainly in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar, Chinese Renminbi and Macao Patacas. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through net investment hedge.

Guarantees

As at 31 March 2008, the Company had given to banks and other financial institutions corporate guarantees of approximately HK\$1,608.15 million (2007: HK\$1,080.13 million) in respect of finance lease obligations and banking facilities granted to its subsidiaries.

Investor Relations

The Group values its relationship with investors. The Group took initiative during the reporting period to improve transparency of different aspects of its operations and maintained close relations with its stakeholders. Corporate information regarding the Group's latest development were published timely on company websites to keep the stakeholders and public up-to-date. During the year, the Group also cultivated close relationships with institutional investors by arranging one-on-one meetings and site visit. The Group also took part in some notable events such as UBS Greater China Conference, CLSA Hong Kong and London Consumer Access Day, Credit Suisse's Asia Investor Conference, to present to investors its business and its great potential in the fast growing consumer market in China.

Employment

As at 31 March 2008, the Group had over 2,300 employees. Staff members are remunerated according to industry and market standards, which will be reviewed annually. Apart from basic salary, the Group also provided a motivating remuneration package including commission, bonus and share option to stimulate employees at all levels.

During the year, the Group also coordinated with various institutions to organize training programs for all levels of employees to enhance their competitiveness. Courses were offered by Beijing Putonghua Institution, the Management and Executive Development Centre of Hong Kong Polytechnic University and "The Practical Diamond Grading Program" launched by the School of Continual Education, Hong Kong Baptist University.

BUSINESS OUTLOOK

Looking forward, the management of the Group is optimistic about the prospects of the gold and jewellery markets in Hong Kong and China, and the retail market momentum in both Hong Kong and China will continue to fuel the Group's retail business. To capture the huge business opportunities in the market of Mainland China, the Group will continue to strengthen its presence in Mainland China in the coming year by extending its retail network throughout the nation, with a focus in expanding the retail network in Bohai Region, Yangtze River Delta Region and Pan-Pearl River Delta Region in particular. Besides opening more new self-owned stores, the Group will also enhance its market presence in the second and third tier cities by franchising arrangements. The Group targets to expand its retail network to over 300 outlets in the Mainland by the first quarter of 2009. To further capture the business opportunities brought by the Beijing 2008 Olympic Games, the Group will further expand its distribution network of Olympic Licensed Products to our "3D-GOLD" outlets and our business partners such as bank. The management believes that the Olympic Licensing Project will enhance the reputation of the Group and increase brand awareness effectively.

The Group will also continue to implement management initiatives which aim at enhancing our single-store sales growth and efficiency. The store image revamp exercise in progress will not only enhance our brand equity and our competitiveness, but also raise customer satisfaction and loyalty.

Leveraging on the Group's strong market presence and its unique edge in exquisite designs and innovative technology, the Group believes that the wholesales and export business will continue to provide stable revenue and profits in the long term. Riding on its solid foundation in manufacturing business, the Group has endeavored to extend its reach into other emerging markets such as Middle East, Russia, Turkey and India, which provide growth opportunities.

Looking ahead, the Group would spare no effort to fortify its strengths. The Group aims to capture the business opportunities offered by the vast market and further enhance its presence in the marketplace.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2008, with the exception of the following deviation:

Under the code provision A.4.1, non-executive directors should be appointed for a specific term. Currently, non-executive Directors are not appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, they are subject to retirement by rotation at each annual general meeting under the Company's Bye-Laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of one non-executive Director, namely, Mr. Wong Kwong Chi and four independent non-executive Directors, namely, Mr. Lee Kok Keung, Mr. Liu Ngai Wing, Mr. Lui Sun Wing and Mr. Lou Ping Ho.

The Audit Committee met three times during the year to review the accounting principles and practices adopted by the Group and have discussed auditing, internal control and financial reporting matters with management. They have reviewed the continuing connected transactions of the Group as well as the audited financial statements for the year ended 31 March 2008.

REMUNERATION COMMITTEE

The remuneration committee comprises of one executive Director, namely Mr. Lam Sai Wing, one non-executive Director, namely, Mr. Wong Kwong Chi and four independent non-executive Directors, namely, Mr. Lee Kok Keung, Mr. Liu Ngai Wing, Mr. Lui Sun Wing and Mr. Lou Ping Ho.

The remuneration Committee met once during the year to review and recommend to the Board of the Directors relating to the renewal of two executive directors' service contracts, the remuneration of non-executive and independent non-executive Directors and the granting of share options to employees and directors during the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the period covered by the annual report.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors are Mr. Lam Sai Wing, Ms. Chan Yam Fai, Jane, Ms. Ng Yee Mei, Mr. Yeung Hon Yuen and Mr. Kuang Hao Kun, Giovanni, the non-executive Director is Mr. Wong Kwong Chi and the independent non-executive Directors are Mr. Lee Kok Keung, Mr. Liu Ngai Wing, Mr. Lui Sun Wing and Mr. Lou Ping Ho.

By Order of the Board
Lam Sai Wing
Chairman

Hong Kong, 10 July 2008

* *For identification purpose only*