



[For Immediate Release]

Hang Fung Gold Technology's 2006/2007 Interim Profit Up 7.5% to HK\$52 Million

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Capture Opportunities in Mainland China Retail Markets To Secure Healthy Business Growth

Financial Highlights

- Turnover rose 11.9% to HK\$1,523 million, compared to HK\$1,361 million last year
- Profit attributable to equity holders increased 7.5% to HK\$52 million
- Selling and marketing costs reduced to 13.8% of the Group's total turnover; administrative expenses decreased to 9.8%
- The Board of Directors proposed to pay an interim dividend of HK1.5 cents per share for the six months ended 30th September 2006

(Hong Kong, 21 December 2006) - Leading brand jewellery retailer and manufacturer **Hang Fung Gold Technology Limited** ("HFG" or the "Group") (HKSE code: 870) today announced its results for the six months ended 30th September 2006.

For the interim period, the Group reported a turnover of HK\$1,522,678,000, 11.9% more than the HK\$1,361,219,000 of the corresponding period last year. Profit attributable to equity holders increased by 7.5% to HK\$52,031,000 (2005: HK\$48,407,000). The Group's gross profit margin was 29.5% (2005: 31.1%) for the period. The Board of Directors proposed to pay an interim dividend of HK1.5 cents per share for the six months ended 30th September 2006.

Although the Group mounted intensive brand development programmes and launched new attractions, stringent control on expenses has reduced selling and marketing costs to 13.8% of the Group's total turnover from 15.7% in the corresponding period last year. Administrative expenses also decreased from 10.2% of the total turnover to 9.8% during the period.

Geographically, Mainland China and Hong Kong remained as the Group's largest markets, together accounting for 91.7% (2005: 90.1%) of the Group's turnover. Total sales from this region reached HK\$1,395,945,000, representing an increase of HK\$169,796,000 when compared with the corresponding period last year. Overseas sales amounted to HK\$126,733,000 (2005: HK\$135,070,000).

Dr. Lam Sai Wing, Chairman of HFG, said, "I am very pleased that, as the result of the favourable economic environment boosting the local retail market and consumption sentiment, plus the Group's persistent effort in developing the "3D-GOLD" brand, our brand retailing business had remarkable growth in the review period."

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During the period, the Group stepped up marketing and promotion efforts in Hong Kong and Mainland China to consolidate its market position, enhance brand image and boost sales. In Mainland China, the Group strategically relocated some retail points to higher-grade shopping malls to facilitate access to the high-end market. In Hong Kong, it opened 2 new shops in Yuen Long and Tuen Mun so as to capture the growing consumer market in new towns.

Looking to the future, **Dr. Lam** said, “We will continue to actively pursue franchising arrangements and strive to achieve growth by horizontally expanding our retail networks in Mainland China, with a target to a total of 300 outlets by the year 2008.”

“As for the Hong Kong market, we will seek to strengthen our retail networks in both urban and new town areas so as to cater to the steadily growing local consumer and incoming visitor markets.” Dr. Lam continued, “to capture the high traffic flow in prime locations, we opened two “3D-GOLD” Jewellery shops in Mongkok, and opened another two new shops in Causeway Bay and Tseung Kwan O in November and December.”

Dr Lam concluded, “Given the appreciation of the RMB, continual relaxation of the “Individual Visit Scheme” and the improving economy creating for us a favourable business environment, we will do our utmost in striking a balance between expense control and strengthening market presence. In additions, we will step up cost control in financing, sales and marketing, and general expenses with the aim of improving our financial position and securing healthy business growth in the long run”.

To further strengthen business from tourists, the Group introduced the “Swisshorn Gold Palace”, the largest gold exhibit of its kind, in September 2006. The Group believes the stunning 7,000 square feet exhibit made of over 2.5 tonnes of gold will not only be another attraction that can bring tourists to Hong Kong, but will also boost business turnover of the Group in the forms of entrance fee, photography services and sales of gifts and souvenirs.

The Group entered into a subscription agreement with Goldman Sachs International on 16 November 2006 on a proposed issuance and subscription of five-year convertible bonds. The deal will boost the confidence of the management in the Group’s business, as it will not only improve the liquidity position of the Group and reduce financing costs, but will also potentially enhance the equity base, favoring its long-term development.

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About Hang Fung Gold Technology Limited

Hang Fung Gold Technology Limited is a leading brand jewellery retailer and manufacturer in Hong Kong and the PRC with production facilities of over 180,000 square feet, an annual production capacity of 10 million pieces and a total workforce of around 4,500. The Group has achieved ISO 9001:2000 accreditation certifying quality in management, production and sales. The Group also received the Hong Kong Q-Mark Service Scheme Certificate for three consecutive years. With a history of over 27 years, the Group has established a solid reputation for its house brand – 3D-GOLD. Counted on its quality products & services, 3D-GOLD has won numerous awards and accreditations over the years, which include “Hong Kong Premier Brand”, “2005 Hong Kong Awards for Industry: Innovation and Creativity Awards”, “Hong Kong Q-Mark Product Scheme Certificate” and “Luxury Superbrands”.