



[For Immediate Release]

## **Hop Fung Hits Record Highs for Turnover and Net Profit in 2005**

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### **Explores Upstream Businesses Further Enhances Competitiveness and Expands Market Share**

#### **Financial Highlights**

- Turnover increased by 3.6% to HK\$788,555,000 in 2005
- Net Profit increased by 4.2% to HK\$69,713,000
- Net Margin maintained at 8.8%
- The Board of Directors recommended paying a final dividend of 4.17 HK cents per share
- Development of upstream business to minimize production cost and enhance product quality, with an aim of capturing additional market share

(20 April 2006 – Hong Kong) – **Hop Fung Group Holdings Limited** (“Hop Fung” or “the Group”; stock code: 2320), an established corrugated paper-ware manufacturer and provider, achieved record high in both turnover and net profit in 2005.

The Group’s turnover increased by 3.6% to HK\$788,555,000 for the year ended 31 December 2005. This was mainly attributable to the new facilities that became fully operational in 2004, as well as the addition of a corrugated paper production line which was added at its Shenzhen plant in the Guangdong Province in the second half of 2005. Nevertheless, increasing prices for oil and raw materials along with the revaluation of the RMB all led to a slight decrease in the Group’s gross margin, down from 19.8% in 2004 to 19.5%.

Since the implementation of stringent cost control measures and internal inspections, the Group’s net profit increased by 4.2% to HK\$69,713,000, while net margin maintained at 8.8%. Basic earnings per share was 19 HK cents. The Board of Directors has recommended the payment of a final dividend of 4.17 HK cents per share, together with the interim dividend of 1.52 HK cents already paid, total dividend payout ratio for the year was 30%.

**Mr. Hui Sum Kwok, Chairman of Hop Fung**, said, “2005 was an exceptionally challenging year for most manufacturers operating in China. Though there is surging demand for paper-ware products, revaluation of the RMB and increasing prices for oil and staff costs were some of the constraints affecting our operations. However, the Group succeeded in strengthening its internal controls, tapping new sources of revenue, minimizing expenses as well as improving the manufacturing process; these have enabled us to provide customers with high quality corrugated paper-ware products, just-in-time supply and other value-added services. Profit margins have thus been maintained at a healthy level, while turnover and profit continued to increase.”

The Group maintained a very healthy financial position. As at 31 December 2005, the Group’s bank and cash balances amounted to approximately HK\$156,000,000, with a net gearing ratio of 19% and current ratio of 1.66 times.

Through its wholly-owned foreign-investment plant at Dongguang in the Guangdong Province established since March 2004, Hop Fung has sought to explore China’s domestic corrugated packaging market, and at the same time been able to satisfy its international customers’ need to develop and expand the China market.

Dedicated to providing high quality, value-added products, the Group has duly improved its manufacturing processes, strengthened its computerized manufacturing capabilities and achieved greater efficiencies as a result. In addition, the Group has allocated different tasks to specific factories in order to create synergies between production lines and facilities. Last year, utilization of the Group’s production facilities reached a high of 85%. On the other hand, the Group maintained the ratio of its production of corrugated paper and carton boxes at 2:1, as the former was simpler to produce and took less time to manufacture.

Hop Fung’s high quality medium paper plant located at QingYuan in the Guangdong Province commenced operation in February 2006. Occupying a gross area of approximately 700,000 sq m, its annual production capacity is projected to reach 100,000 tons, and will satisfy 30-40% of the Group’s needs in terms of medium paper raw material.

Moreover, another major production line dedicated to kraft liner paper will be built next to the QingYuan medium paper plant and this along with a fourth plant for corrugated paper boards and carton boxes will enable the Group to better achieve its goal of vertical integration. With the foundation for the kraft liner paper production line having been laid in March 2006, completion of work is scheduled for late-2007, upon which the Group can more effectively minimize production cost and enhance product quality. Construction of the fourth plant for corrugated paper boards and carton boxes will be completed in mid-2007. Once in operation, the Group can further expand its market share and capabilities.

**Mr. Hui** concluded, “With such significant and steady source of high quality raw materials on hand, the Group can expand across both the overseas and China corrugated paper packaging markets with little difficulties. That said, we will continue our goal of vertical integration, while taking into account environmental concerns so that we can provide customers with paper boards, carton boxes and other paper-ware products in an efficient manner. With over 20 years of management experience in paper-ware product, we are confident of our ability to continue establishing new milestones and providing favorable returns for shareholders.”

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### **About Hop Fung Group Holdings Limited**

Founded by the Hui Brothers in 1988, Hop Fung Group is principally engaged in the manufacture and sale of quality corrugated paper ware products, including corrugated paper boards and corrugated carton boxes, to its over 500 customers in the manufacturing sectors in Hong Kong and the Pearl River Delta. Adopting an effective vertically integrated production model and stringent quality control, the Group has established its reputation as one of the leading manufacturers and providers of corrugated paper-ware products in the market. The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong on 24 September 2003.

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