



**HOP FUNG GROUP**

## **Hop Fung Announces 2008 Annual Results**

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### **Vertically Integrated Production Enhances Operational Efficiency and Lowers Costs**

### **Strives to Enlarge Domestic Market with Vast Potential**

#### **Financial Highlights**

- Turnover increased by 11.6% to HK\$1,033.2 million
- Gross profit margin was approximately 19.1%, a slight drop from last year's 22.9%
- Net profit from operation was HK\$73.4 million, compared to last year's HK\$96.4 million
- Phase 2 of the upstream production line of Green Forest began commercial operation in July 2008 at a satisfactory utilisation rate
- Vertically integrated production reduced reliance on external material supply hence shielded the Group from material price fluctuation as well as boosted its operational efficiency
- Strived to enlarge market share and proportion of domestic sales to counter impacts from depressed European and US markets

(23 April 2009 – Hong Kong) – Established corrugated paper-ware manufacturer and provider **Hop Fung Group Holdings Limited** (“Hop Fung” or “the Group”; stock code: 2320) announced its annual results for the year ended 31 December 2008.

Although the global financial crisis has dampened exports from China and in turn affected demand for packaging paper-ware products, with a vertically integrated operation and diverse customer base, Hop Fung continued to record steady growth during the year under review. For the year ended 31 December 2008, the Group's turnover increased by 11.6% to HK\$1,033.2 million and its gross profit margin was 19.1%.

Net profit from operation (profit for the year exclusive of change in fair value of structured borrowings and unrealised changes in fair value of derivative financial instruments) dropped by 23.9% to approximately HK\$73.4 million. In compliant with accounting standards, with the loss on unrealised changes in fair value of derivative financial instruments and change in fair value of structured borrowings taking into consideration, net profit of the Group for the year decreased by 62.9% to approximately HK\$41.4 million. The changes concerned are of non-cash nature and will be reversed to zero at the respective maturity date of the instruments and borrowings.

**Mr. Hui Sum Kwok, Chairman of Hop Fung**, said, “During the year under review, although the business environment was affected by the global financial crisis, with a vertically integrated operation, the Group enjoyed a stable supply of quality raw material paper and laid the foundation for developing its business in the future. To mitigate the effects from the slack US and European markets, we strived to expand sales to a greater variety of industries in the domestic market, which resulted in an increase in proportion of turnover from domestic sales from 20% last year to around 25% this year.”

The Group maintained a healthy financial position. As at 31 December 2008, its bank and cash balances amounted to approximately HK\$254.8 million, with net gearing ratio at 50.5% and current ratio of 1.03 times.

To reduce overall operational costs, the Group focused on building and optimizing the upstream production line of Green Forest (QingXin) Paper Industrial Limited (“Green Forest”) in Qingyuan, Guangdong Province. Phase 2 of the production line with annual production capacity of around 230,000 tonnes commenced operation in July 2008. In 2008, the equipment were utilised at a satisfactory rate of around 70%. In addition, the technological upgrade made to Phase 1 of the production line last September have been effective as reflected in the 20% increase in annual output capacity of the production line to 120,000 tonnes.

**Mr. Hui Sum Tai, Chief Executive Officer of Hop Fung**, said, “The two upstream production lines are providing us with raw materials sufficient for meeting all our downstream requirements. As we now do not need to store large amount of linerboards and corrugating medium of different sizes, we have freed warehouse space for adding downstream production lines. During the year, we added another downstream corrugated paper board production line at our Dongguan factory and increased our production capacity for corrugated paper board and corrugated carton boxes by about 10%. The Group has also decided to add a downstream production line at Green Forest to lower production and transportation costs as well as tap the corrugated paper-ware market in Qingyuan and surrounding areas. The new production line is expected to commence production in the third quarter of 2009.”

On the sales front, the Group aims to enlarge its market share in China, raising its share in the corrugated paper-ware market in Guangdong Province from the current 5% to 10%.

**Mr. Hui Sum Kwok** concluded, “The economic slowdown in Europe and the US is expected to last till the end of 2009, but we are optimistic about the strong economy of China and the long-term prospects of the retail industry in the country. We continue to see strong potential in the domestic market, and as always, we will keep strengthening management and our competitive edges. With a constantly improving vertically integrated operation, we will be able to more quickly adjust and adapt to changes in the market, and are confident of taking on the challenges as well as capturing the opportunities ahead.”

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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 900 customers in the manufacturing sectors in Hong Kong and the Pearl River Delta. The Group commenced upstream production of its raw materials in 2006, effectively enhancing product quality and profit margin. 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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