



Hop Fung Announces 2009 Annual Results

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Total Annual Sales Set New Record While Domestic Sales Increase

(23 April 2010 – Hong Kong) – 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 2009.

In the first half of 2009, the growth in domestic sales offset the decrease in export business, with overall sales remaining at a similar level as those in the first half of 2008. With a revival of the economy and increase in domestic consumption during the second half of the year, sales increased substantially by 38% over the first half with the annual total rising 10% to a historical high of 408,780,000 sq.m. However, the drop in selling price dragged down the annual turnover by 10.6% to HK\$923,400,000. Net profit increased by 102.4% to HK\$83,800,000.

The Board of Directors has declared payment of a final dividend of 2.2 HK cents per share (2008: Nil). Together with the interim dividend of 1.0 HK cent per share previously paid, the total dividend for the year amounted to 3.2 HK cents per share (2008: Nil).

Mr. Hui Sum Kwok, Chairman of Hop Fung, said, “Affected by persistent global economic downturn, the operational environment remained tough in the first quarter of 2009. However, the revived economy brought about by the Chinese Government’s economic stimulus package helped boost our domestic sales in the second quarter, offsetting the negative impact of the recession on our European and US markets. Our business improved steadily alongside the economy during the second half of 2009, as total annual sales broke the previous record. The excellent results are solid testimonial to our firm business foundation, enabling us overcome the challenges of the financial crisis.”

During the year, the Group maintained a healthy financial position. As at 31 December 2009, its bank and cash balances amounted to approximately HK\$174,400,000, with a net gearing ratio at 56.1% and a current ratio of 1.02 times. In the face of economic fluctuations, the Group diligently worked to adjust inventory levels and exercise stricter credit control. As a result, the Group’s bad debt ratio was close to zero during the year.

Export sales and domestic sales accounted for 55% and 45% of the Group’s total turnover respectively. Despite the decline in average selling price, turnover from domestic sales grew by 30%, reflecting the effectiveness of China’s economic stimulus package to boost domestic consumption as well as the Group’s ability to shield itself from the impact brought about by economic instability. During the year, the proportion of sales of upstream products increased to 14% of total turnover while downstream products accounted for the remaining 86%. The sales mix was adjusted in accordance with the changes in market prices and supply and demand, which leveraged the advantages of the Group’s vertically integrated operating model.

In addition, phase 2 of the Group's thermal power station in Qingyuan was completed during the year. The new downstream corrugated paperboard production line in the Qingyuan plant has begun operation in September 2009, boosting the Group's production capacity by 9%. During the year, the Group devoted its efforts to enhancing production efficiency and utilisation of equipment, as well as reducing losses during production. These efforts have fully realised the benefits and advantages of its vertically integrated and self-sufficient operation models during economic fluctuations and allowed the Group to offer a high quality one-stop service as well as corrugated paper ware products.

Mr. Hui Sum Tai, Chief Executive Officer of Hop Fung, said, "Our utilisation rates of our upstream and downstream production facilities improved to 77% and 88% respectively in the second half of the year. This increase was driven by the economic recovery and rising domestic demand, together with the increased production capacity of the new downstream production line in Qingyuan. The utilisation rates for the whole year were 65% and 79% respectively. Our upstream and downstream production and sales strategies can be flexibly adjusted according to market conditions, enabling us to create a diverse customer network and extend our business beyond Guangdong Province."

The number of orders which the Group has received in the first quarter this year was the highest of any corresponding period in past years, and it was successful in shifting price fluctuations to its customers. The higher sales volume has also been reflected by the product price returning to the level before the financial tsunami, increasing overall gross profit and net profit. The price of products has risen by more than 20% from late December last year to late March this year. Sales are also up by 30% year-on-year and 17% when compared with the same period in 2008. Domestic sales proportion also grew to 50%.

Mr. Hui Sum Kwok concluded, "Looking ahead, we expect to capture more opportunities riding the gradual recovery of the global economy and the improving export market, while mainland China will remain as the Group's major market. The management team is evaluating suitable sites in Sichuan, Hubei, Hunan, Guangxi and Jiangxi to construct additional downstream corrugated paper ware factories and explore more opportunities in regions beyond Guangdong Province. As one of the largest corrugated paper ware manufacturers in Guangdong Province, the management is confident of generating long term and fruitful returns for shareholders."

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 1,000 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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