



[For Immediate Release]

## **Hop Fung Announces 2006 Interim Results Turnover and Net Profit Continues to Hit Record Highs**

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### **Satisfactory Progress of Upstream Businesses Further Enhances Competitiveness and Profitability**

#### **Financial Highlights**

- Turnover increased by 3.5% to HK\$390,116,000
- Net Profit increased by 6.4% to HK\$37,104,000
- Gross margin remained at a satisfactory level of 20.5%
- The Board of Directors recommended payment of an interim dividend of 1.58 HK cents per share
- Development of upstream businesses in satisfactory progress to effectively minimize production cost and enhance competitiveness

(15 September 2006 – Hong Kong) – **Hop Fung Group Holdings Limited** (“Hop Fung” or “the Group”; stock code: 2320), an established corrugated paper-ware manufacturer and provider today announces its interim results for the six months ended 30 June 2006 achieved satisfactory performance with continuous break record highs in both turnover and net profit.

As global demand for packaging paper continued to rise, demand for corrugated paper-ware packaging also grew steadily. However, affected by less favourable factors such as appreciation of the Renminbi, high interest rates and raw material costs, operating environment becomes increasingly challenging. In response, the Group pursued vertical integration of its production thereby enhancing its competitiveness and profitability. During the period under review, turnover increased 3.5% reaching HK\$390,116,000, while gross margin remained at a satisfactory level of 20.5%.

Under stringent cost control measures and effective internal control, the Group’s net profit increased by 6.4% to HK\$37,104,000, while net margin maintained at 9.5%. Basic earnings per share was 10 HK cents. The Board of Directors has recommended the payment of an interim dividend of 1.58 HK cents per share.

**Mr. Hui Sum Kwok, Chairman of Hop Fung**, said, “I am delighted to see Hop Fung once again achieved satisfactory results in 2006. The Group has been proactively developing its upstream business in the recent years, in order to achieve a vertically integrated operation that boasts outstanding cost control and the ability to consistently improve product quality. In March 2006, the first phase of the Group’s first corrugating medium production plant commenced commercial production whilst the second phase of kraft linerboard production line commenced construction. The successful development of upstream business will further reduce our reliance on imported raw materials as well as sharpening our competitive edge.”

The Group maintained a very healthy financial position. As at 30 June 2006, the Group’s bank and cash balances amounted to approximately HK\$112,731,000, with a net gearing ratio of 25% and current ratio of 1.89 times.

The first phase of development project under Green Forest (QingXin) Paper Industrial Limited (“Green Forest”), in Qingxin County, Qingyuan City, Guangdong Province – a corrugating medium production plant – commenced commercial production in March 2006. Spanning 700,000 sq.m., the facility produces mainly high performance corrugating medium. With an annual production capacity of up to 100,000 tonnes of corrugating medium, it is capable of satisfying up to 30-40% of the Group’s demand for corrugated medium raw materials. As at the end of June 2006, Green Forest was already supplying approximately 30% of the Group’s demand.

**Mr. Hui Sum Tai, Chief Executive Officer of Hop Fung**, continued, “To date, the Group’s corrugating medium facility is already producing at more than 90% of its capacity. This achievement in just six months’ operation has boosted our confidence in the development of kraft linerboard production. Backed by the experience of developing the corrugated medium production plant, we are confident to complete the kraft linerboard production plant on schedule.”

In addition to developing corrugating medium business, the Group has commenced the construction of the kraft linerboard production line in March this year, and the acquisition of the related production facilities was also made in May. Production is expected to commence in early 2008 with an estimated annual production capacity at 200,000 tonnes. As kraft linerboard is another major raw material for making carton boxes, having its own production line can satisfy up to 100% of the Group’s kraft linerboard raw material demand, thereby helping to increase the Group’s profitability and lay a solid foundation for the Group’s business growth in the future.

Improving living standard and consumption power in the PRC, coupled with persistent demand for paper products in the global market, translate into an increasing demand for quality paper packaging products. According to the China Statistics Yearbook, total production volume of the PRC paper packaging industry will grow at a CAGR of approximately 8%, reaching 19 million tonnes this year, and 36 million tonnes by 2015.

**Mr. Hui Sum Kwok** concluded, “With increasing demand from the PRC market, we expect the proportion of domestic sales to increase steadily. The Group will bring in more advanced production equipment to strengthen productivity and expand its corrugated product offerings. Looking ahead, the Group will adhere to stringent cost control measures and will adopt a range of more efficient operating strategies and improved manufacturing processes. We intend to strive for greater returns to 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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