

Chairman's Statement

I am pleased to present our first annual report since our listing. During 2003, the Group recorded a profit of approximately HK\$55.7 million, which is about 5.1% higher than the profit forecast as stated in the Prospectus.

The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24th September, 2003, and raised net proceeds of approximately HK\$91.5 million. The share offer was well received by the market with over-subscriptions of approximately 266 times and 5 times under the public offer and placing of shares in the Company respectively reflecting investors' support for and confidence in the Group.

The successful listing on the Stock Exchange is a remarkable milestone in Hop Fung's 15 years of development. We are encouraged by the successful listing and are also delighted with the investors' endorsement of recognition to our prudent, practical and enterprising approach. The successful listing also marked an important milestone in the Group's development into an enterprise. After listing, we shall continue to strengthen the Group's existing market, and will also grasp every business opportunity to achieve satisfactory results.

The operating environment in 2003 was challenging. The Iraq war and the SARS outbreak had a further dampening effect on the already-weak local economy. Nevertheless, with the dedications of our management team and staff, the Group continues to record satisfactory results. Furthermore, the 20% enhancement of the Group's production capacity during the year and the recovery of the US and European economies with our customers mainly using our products for the packaging of their exports, all create a favourable operating environment for the Group.

With the rapidly growing trend of globally outsourcing production to the PRC which is a major production base for the world's major consumer products, PRC's export business has been growing satisfactorily, and it provides a good opportunity to the corrugated paper-ware industry. The Group was one of the first mover in the corrugated paper-ware industry in establishing presence in the Pearl River Delta Region and we have been actively exploring the export packaging market since its establishment in 1988. Over the years, we have been leveraging on this competitive edge to diversify the Group's operations.

Based on its solid base in the corrugated paper-ware industry, the Group will further expand its operations in three principal strategic directions: (i) we shall extend our market from export sales to domestic sales in the PRC in order to expand our customer groups to the PRC domestic market; (ii) the Group will dedicate its effort to the development of high value-added products so as to provide a wider range of high quality products to our customers; and (iii) we shall strive to expand our upstream production operation for medium paper, so as to further enhance the foundation of the Group's vertical integration operation. We strongly believe that these aggressive and enterprising strategies will bring about a promising future to the Group.

During the past fifteen years, Hop Fung has evolved from a small-scale corrugated paper-ware factory into an enterprise with three modern factories equipped with sophisticated production technologies. This is mainly resulted from the dedication and enterprising spirits of our management team and staff, and the recognition and supports from our customers and suppliers. I would like to take this opportunity to express my sincere gratitude to their contributions towards the development of the Group. Their spirit of solidarity has provided Hop Fung with inexhaustible momentum to achieve its ever-improving results.

Hui Sum Kwok

CHAIRMAN

Hong Kong, 13th April, 2004