

# CHAIRMAN'S STATEMENT



I am pleased to present to all shareholders the annual report of Hop Fung Group Holdings Limited ("Company" and together with its subsidiaries, the "Group") for the year 2004. During 2004, the Group recorded a profit after taxation of approximately HK\$67.2 million, representing an increase of 20.6% when compared with last year.

## REVIEW

For most manufacturing enterprises, 2004 was no doubt an exceptionally challenging year. The global economy started to recover during the year.

Prices of raw materials and crude oil continued to rise, which pushed up production costs for many manufacturing industries. Companies were prompted to place more emphasis on resource allocation and cost control in order to minimize the impacts of rising material prices.

The Group continued to enhance production efficiency and operating effectiveness by strengthening internal controls and improving production processes. With enhanced production capacity, we were offered more favourable terms when negotiating with raw material suppliers, enabling us to effectively control material costs and maintain production costs at a relatively stable level. With the addition of a newly-established wholly-owned foreign investment enterprise in the People's Republic of China ("PRC"), we had successfully expanded our customer base from mainly export sales to domestic sales and developed other high value-added products, providing customers with diverse products. We made a significant leapfrog into the highly potential PRC market. Furthermore, leveraging our well-established sales network and thorough customer service, including provision of timely supply services and related value-added services, the Group has also been able to record further growth in its total sales.

With our dedicated efforts, the Group achieved encouraging growth in 2004 despite the unfavourable operating environment, which not only recognised the hard work of our management team leaders over the years, but also demonstrated our ability to tackle all challenges in the operating environment on our stable foundation to effect strong growth.

## OUTLOOK

Looking forward to 2005, we expect raw material prices to continue to be on high levels, and we will continue our efforts to enhance internal controls and our production processes, so as to maintain stable production costs. Moreover, the general market in 2005 will be able to benefit from the global economic recovery in 2004. Along with the increasing market demand, demand for packaging is also expected to rise on the whole, which in turn will boost the development of the entire corrugated paper-ware industry. In anticipation of the increasing demand for packaging, we will proactively seize every opportunity to explore new markets and continue to pursue ongoing development.



## CHAIRMAN'S STATEMENT

During the year, the Group acquired several advanced production machineries, and the overall output of corrugated paper boards and carton boxes is expected to generate significant growth in the second half of 2005. We are confident that with the Group's good reputation and well-established customer relationships over the years, together with our proactive efforts, we are well set to advance into a new era.

### ACKNOWLEDGEMENT

The Group's promising results for the first two years after listing would not have been possible without the dedication of our management teams and staff and the continued support from our customers and suppliers. On behalf of the board of directors, I would like to take this opportunity to express my sincere gratitude to all our associates for their support.

**Hui Sum Kwok**

*Chairman*

21st April, 2005

