

CHAIRMAN'S STATEMENT 主席報告

On behalf of the board of directors (the "Directors"), I am pleased to present to all shareholders the annual results of Hop Fung Group Holdings Limited ("the Company" and together with its subsidiaries, collectively referred to as "the Group") for the year 2005.

REVIEW

2005 posed serious challenges to manufacturers worldwide, in particular those with production base in the People's Republic of China ("PRC"). In spite of an increasing market demand for paper-ware packaging, our operation was tested by factors like the appreciation of the Renminbi, higher raw material prices and increased labour costs. However, leveraging on our proactive and positive efforts, the Group was able to keep its gross profit margin at a healthy level and continue to achieve growth in turnover and earnings through stringent internal control, enhanced capital management, improved production workflow, and provision of high value-added corrugated paper-ware products and related value-added services to customers in a timely manner.

The Group invested in establishing a corrugating medium production plant – Green Forest (QingXin) Paper Industrial Limited ("Green Forest") in Qingxin County, Qingyuan City, Guangdong Province to reduce our reliance on suppliers for raw materials. We experienced numerous problems and faced challenges that we have never met before in the setting up of the plant, the installment of machinery and the entire production system, but they were eventually overcome. As the management directly involved in the procurement of construction materials and monitoring the construction progress, efficient use of capital as well as good management of work in progress were ensured. It took merely fourteen months for a piece of farmland to be turned into blocks of well-equipped factories. Green Forest celebrated the completion of its corrugating medium production plant in March, 2006. On the same day, we also laid the foundation for another major raw material, kraft linerboard production plant.

本人謹代表董事會（「董事」）欣然向各位股東提呈合豐集團控股有限公司（「本公司」，連同其附屬公司，統稱「本集團」）的二零零五年度全年業績報告。

回顧

二零零五年對全球的企業尤其是以中華人民共和國（「中國」）為生產基地的製造業來說，實在是充滿著艱巨挑戰的一年。儘管市場對包裝紙品需求繼續上升，人民幣升值、原材料價格及工資水平上升等因素卻為我們的營運增添不少考驗；然而憑本集團積極進取的態度，我們成功透過加強內部監控、開源節流及改善生產流程，為客戶提供高增值瓦楞紙包裝產品，與及適時供應和相關增值服務，令毛利率保持於健康水平，並繼續為本集團取得營業額和盈利增長。

本集團於廣東省清遠市清新縣投資興建瓦楞芯紙製造廠－森葉（清新）紙業有限公司（「森葉紙業」），以減低我們對原材料供應商的倚賴。從建築廠房、安裝機器及整個生產系統，我們經歷了很多從未遇到的困難和挑戰，但都能一一克服。由於廠房之建造由我們親自購買材料及監督整個建築過程，無論在資金運用或建造速度方面都易於掌握，最終我們只花了十四個月時間將一片農地變成一棟棟的廠房及設施。森葉紙業於二零零六年三月已舉行了瓦楞芯紙生產廠房之慶成典禮，更於同日舉行了興建另一主要原材料－牛咭生產廠房工程之奠基儀式。

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主席報告

PROSPECTS

Looking into the future, it is expected that global demand for quality corrugated paper-ware products will continue to rise. This trend with improving living standard in the PRC will further prompt the demand for high-end paper-ware products. We believe that customers will become more demanding for quality products and services. The Group is well prepared to capture a larger share both in the international and local corrugated paper-ware markets. Apart from the existing three factories producing corrugated paper boards and carton boxes, we plan to set up a new plant at Green Forest scheduled to start production in mid 2007.

The commencement of operation of the corrugating medium production line in February 2006 marked the Group's expansion into upstream production. On top of that, it is expected that the kraft linerboard production plant to be set up at Green Forest will be completed by the end of 2007 for production to commence in early 2008. The upstream corrugating medium and kraft linerboard production lines, when completed, will guarantee stable supply of quality major raw materials, leading to vertically integrated operation. Not only will it reduce production costs but also raise the operation efficiency, and hence enhancing competitiveness and achieving synergy.

With basically adequate and stable supply of quality raw materials, the Group will further expand into the overseas and domestic corrugated paper-ware markets with no worries. To meet the needs of customers worldwide continue to increase its market share the Group may add or acquire new production lines or factories for corrugated paper boards and carton boxes. We will proceed with vertical integration by recycling waste paper into corrugated paper boards, carton boxes and other paper-ware products for our wide-ranging customers. I am confident that, backed by 20 years of experience, the group is able to secure higher returns for its shareholders.

展望

展望未來，全球對優質瓦楞紙品的需求持續上升，加上中國內地的生活水平不斷提升，對包裝精緻的產品需求大增，我們相信客戶對產品及服務質素的要求亦將繼續提升。本集團已為進一步擴大海外及中國瓦楞包裝市場佔有率作好準備，除了現有三家瓦楞紙板紙箱生產廠房外，將在森葉紙業現址興建另一家生產廠房，預計可於二零零七年中投產。

瓦楞芯紙生產線已於二零零六年二月開始投產，標誌著本集團正式開展上游生產業務。另外，我們將於森葉紙業現址興建牛咭生產廠房，預計於二零零七年底落成，在二零零八年初投產。隨著上游瓦楞芯紙及牛咭生產線的落成，我們將有穩定及優質的主要原材料供應，進一步達致縱向整合的營運模式。此營運模式不但減省生產成本，更可提高營運效率，產生協同效益，增加本集團的競爭能力。

有了這龐大、穩定及優質的主要原材料供應後，本集團便可無顧慮地進一步擴大海外及中國瓦楞包裝市場。為滿足不同地區的客戶需求，繼續擴大市場佔有率，本集團可能興建或購併更多瓦楞紙板紙箱生產線及廠房。我們將會繼續垂直整合業務，將廢紙製成包裝紙板、紙箱及其他紙製品送到我們廣大客戶的手裡。本人深信憑藉過往二十年的經驗，本集團必能為股東們帶來更理想的回報。

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ACKNOWLEDGEMENT

Finally, I would like to take this opportunity to express my sincere thanks to our management team and staff for their dedicated work, and to our customers, suppliers, investors and all other parties for their continuous support.

Hui Sum Kwok
Chairman

19th April, 2006

致謝

最後，本人謹代表董事局，藉此機會就我們管理團隊及員工的不斷努力，以及客戶、供應商、投資者及其他各界友好一直以來的支持致以衷心謝意。

許森國
主席

二零零六年四月十九日