

CHAIRMAN'S STATEMENT 主席報告

On behalf of the board of directors (the “Directors”), I am pleased to present the annual results of Hop Fung Group Holdings Limited (“the Company”, and together with its subsidiaries, collectively referred to as “the Group” or “we”) for the year 2006 to the Group’s (“our”) shareholders.

Our corrugated medium operations, which started production in March 2006, opened a new chapter in our history. Production at our Green Forest (QingXin) Paper Industrial Limited (“Green Forest”) site, located in Qingyuan, Guangdong Province, supplied around 30% of the raw materials needed by our three corrugator plants in Dongguan and Shenzhen, both within Guangdong Province. Via such vertical integration, we can now not only secure our supply of raw materials and offset the impact from rising prices, but we can also custom-make our raw materials for our customers. This resulted in gross margin gains of more than 2 percentage points in the year.

Competition in the downstream business in Guangdong Province remains intense. We strived to control costs, improve our marketing and sales strategies and optimize product quality. We bought advanced production equipment, strengthened our computerized production processes and effectively distributed workload across our production lines, fully optimizing our production lines and maximizing utilization. Combined with steady supply of corrugated medium, we were able to raise our operating profits by 24% year on year.

Our products are currently mostly heading into export markets, with the domestic market accounting for only around 10% of sales. We will continue to develop the domestic market. Corrugated cardboard is now not used for packaging, but it is also an environmentally friendly raw material replacing other materials such as wood, plastics and polyfoam; for example, corrugated cardboard is now being used to make product display cases. Thus, we see great potential for corrugated cardboard products. We will continue to produce more high value-added products that are environmentally friendly, embrace the solid growth expected in the Chinese and global high-end cardboard products market, exploit any opportunities in the market, further develop our downstream business and expand our market share.

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」或「我們」)的二零零六年度全年業績報告。

我們於二零零六年三月開始正式投產的瓦楞芯紙業務為本集團寫下了歷史性的新一頁, 位於廣東省清遠市的森葉(清新)紙業有限公司(「森葉紙業」)提供了約三成的原材料予我們三家分別位於廣東省東莞市及深圳市的下游瓦楞紙板紙箱廠房, 此縱向整合的營運模式不但可穩定原材料供應及抵銷價格上揚的影響, 更可按客戶需求生產最合適的原材料以減少損耗, 使毛利率上升了超過兩個百分點。

由於下游業務在廣東省的競爭非常劇烈, 我們積極監控成本、改善營銷策略及優化產品質素, 於下游廠房添置了先進高效之生產設施、強化電腦化生產程序及將生產線有效地分流, 使不同類型之生產線及設施發揮其最佳效能, 加上有穩定的芯紙供應, 最終使本集團之營運利潤增長高達百分之二十四。

現時本集團的銷售主要以出口為主, 內銷市場只佔銷售比例約一成, 我們將繼續擴展內銷市場。瓦楞紙品除了是一種包裝品外, 亦漸漸代替多種物料如木、塑膠、及發泡膠等, 成為最佳的環保代替物料之一, 例如以瓦楞紙架來展示產品, 所以瓦楞紙品有很大的發展空間。我們將會繼續朝著環保概念, 製造更多高增值產品, 並為迎接中國以至全球的優質瓦楞紙品市場增長作好準備, 抓緊市場機遇, 繼續開拓下游業務去擴大本集團的市場份額。

CHAIRMAN'S STATEMENT

主席報告

We are currently planning the construction or acquisition of our fourth corrugator plant, which will also be located within Guangdong Province. We expect this new plant to start production by the end of 2007 or early 2008. Foundation work for the Group's kraft linerboard production line, located at Phase 2 of Green Forest, was completed in March 2007. Relying on our experience in building our corrugated medium plant, we expect our kraft linerboard line to start production on time in early 2008, raising our total upstream capacity to 300,000 tonnes per year. This will fully satisfy the key raw materials requirement of our downstream business. We are convinced that the synergies from fully meeting our internal needs will lift our margins and competitiveness.

Green Forest has a 1,000 Chinese mu site which can accommodate upstream production of up to 1,000,000 tonnes in capacity. We expect to start production of Phase 3 of Green Forest, with production due to start at the end of 2009, raising capacity to no less than 500,000 tonnes. At the same time, we will build our fifth corrugator plant within Green Forest, to allow our downstream and upstream businesses to grow together and achieve greater economies of scale.

Last but not least, I would like to express my sincere thanks to our management team and staff for their dedicated work, and to our customers, suppliers and investors for their continued support. We will continue to strive to bring to the Group and our shareholders long-term and satisfactory returns.

Hui Sum Kwok
Chairman

18th April, 2007

我們現正籌劃興建或收購本集團之第四家瓦楞紙板紙箱廠，選址仍在廣東省內，預期於二零零七年底或二零零八年初投產。而在二零零六年底已開始興建位於森葉紙業第二期工地的另一主要原材料—牛咭之生產廠房，鞏固地基工程剛完成。憑藉興建紙廠房之經驗，我們預期牛咭生產線將順利如期於二零零八年初投產，使本集團之上游產能提高至每年三十萬噸，完全滿足下游業務對主要原材料的需求，屆時本集團便可自給自足，我們深信此舉所產生的協同效應，必定使邊際利潤及競爭力大幅提升。

森葉紙業擁有約一千畝土地，大概可容納一百萬噸的上游生產線。我們預期在二零零八年中開始森葉紙業的第三期工程，預計於二零零九年底投產，將產能增至每年不少於五十萬噸。與此同時，本集團將於森葉紙業內興建第五家紙板紙箱廠，使下游業務與上游業務得以互相配合發展，並進一步達致更大的規模效益。

最後，本人希望藉此機會就我們管理團隊及員工的不斷努力，以及客戶、供應商和投資者一直以來支持致以衷心謝意。我們將繼續積極致力為本集團及股東帶來長遠及豐厚的回報。

主席
許森國

二零零七年四月十八日