HOP FUNG GROUP

合豐集團控股有限公司

HOP FUNG GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2320

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2009

FINANCIAL HIGHLIGHTS

	2009	2008	**Change**
	HK$ million	*HK$ million*	
Revenue	**923.4**	1,033.2	–10.6%
Gross profit	**195.6**	197.8	–1.1%
EBITDA	**135.1**	134.4	+0.5%
Profit for the year	**83.8**	41.4	+102.4%

The board of directors (the "Directors") of Hop Fung Group Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2009 together with the comparative figures for the year ended 31st December, 2008 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	2	**923,366**	1,033,152
Cost of sales		**(727,762)**	(835,341)
Gross profit		**195,604**	197,811
Other income		**14,690**	20,734
Selling and distribution costs		**(36,234)**	(46,843)
Administrative expenses		**(61,902)**	(62,198)
Other expenses		**(39,052)**	(22,445)
Finance costs	3	**(10,601)**	(11,869)
Changes in fair value of unsecured structured borrowing		**9,464**	(7,157)
Changes in fair value of derivative financial instruments		**23,452**	(20,331)
Profit before taxation		**95,421**	47,702
Income tax expense	4	**(11,656)**	(6,270)
Profit for the year	5	**83,765**	41,432
Other comprehensive income for the year:			
Exchange differences arising from translation of foreign operations		**(680)**	4,181
Total comprehensive income for the year		**83,085**	45,613
		HK cents	*HK cents*
Earnings per share	7		
— basic		**17.35**	8.58
— diluted		**17.25**	8.58

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	Notes	**2009** **HK$'000**	2008 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,201,243**	1,098,640
Prepaid lease payments on land use rights		**34,361**	34,854
		1,235,604	1,133,494
Current assets			
Inventories		**154,862**	65,631
Trade and other receivables	*8*	**163,550**	115,419
Deposits and prepayments		**8,194**	10,537
Prepaid lease payments on land use rights		**809**	809
Derivative financial instruments		**262**	706
Bank balances and cash		**174,438**	254,795
		502,115	447,897
Current liabilities			
Trade, bills and other payables	*9*	**190,499**	102,788
Taxation payable		**19,410**	18,995
Derivative financial instruments		**1,271**	24,547
Unsecured bank borrowings		**271,161**	282,974
Unsecured structured borrowing		**7,750**	7,750
		490,091	437,054
Net current assets		**12,024**	10,843
Total assets less current liabilities		**1,247,628**	1,144,337
Capital and reserves			
Share capital		**48,292**	48,292
Share premium and reserves		**806,123**	723,785
Total equity		**854,415**	772,077
Non-current liabilities			
Unsecured bank borrowings		**367,192**	338,685
Unsecured structured borrowing		**8,111**	25,325
Deferred taxation		**17,910**	8,250
		393,213	372,260
		1,247,628	1,144,337

Notes:

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 2).

Improving Disclosure about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1st July, 2009
[2] Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate
[3] Effective for annual periods beginning on or after 1st January, 2010
[4] Effective for annual periods beginning on or after 1st February, 2010
[5] Effective for annual periods beginning on or after 1st January, 2011
[6] Effective for annual periods beginning on or after 1st July, 2010
[7] Effective for annual periods beginning on or after 1st January, 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvements to HKFRSs issued in 2009*, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the gross proceeds received and receivable on the sale of goods during the year, net of discounts and sales related tax.

Segment information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group only had one segment, namely manufacturing and sales of paper-ware products in the PRC. Accordingly, no business and geographical segments were presented. As a result, following the adoption of HKFRS 8, the identification of the Group's operating segments has changed.

The Group's operations are mainly organised under the segments of manufacture and sale of:

- Containerboard — corrugating medium and linerboard
- Corrugated packaging — corrugated paper boards and carton boxes

Information regarding the above segments is reported below. Amounts reported from the prior year have been restated to conform with the requirements of HKFRS 8.

The following is an analysis of the Group's revenue and results by operating segment:

Segment revenues and results

For the year ended 31st December, 2009

	Containerboard *HK$'000*	**Corrugated Packaging** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
REVENUE				
External sales	**127,406**	**795,960**	**—**	**923,366**
Inter-segment sales	**476,187**	**858**	**(477,045)**	**—**
Total	**603,593**	**796,818**	**(477,045)**	**923,366**
RESULT				
Segment profit	**29,819**	**43,287**	**—**	**73,106**
Finance costs				**(10,601)**
Changes in fair value of unsecured structured borrowing				**9,464**
Changes in fair value of derivative financial instruments				**23,452**
Profit before taxation				**95,421**

For the year ended 31st December, 2008

	Containerboard *HK$'000*	Corrugated Packaging *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales	43,079	990,073	—	1,033,152
Inter-segment sales	513,368	—	(513,368)	—
Total	556,447	990,073	(513,368)	1,033,152
RESULT				
Segment profit	17,229	69,830	—	87,059
Finance costs				(11,869)
Changes in fair value of unsecured structured borrowing				(7,157)
Changes in fair value of derivative financial instruments				(20,331)
Profit before taxation				47,702

3. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**17,403**	18,748
Less: amounts capitalised to property, plant and equipment	**(6,802)**	(6,879)
	10,601	11,869

Borrowing costs capitalised during the year ended 31st December, 2009 arising on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately 3.3% (2008: 3.0%) per annum to expenditure on the qualifying assets.

4. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**1,207**	1,265
PRC Enterprise Income Tax	**789**	585
	1,996	1,850
Deferred tax	**9,660**	4,420
	11,656	6,270

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in or other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A portion of the Group's profits are earned by the Macau subsidiaries of the Group incorporated under the Macau SAR's Offshore Law. Pursuant to the Macau SAR's Offshore Law, such portion of profits are exempted from Macau complimentary tax, which is currently at 12% of the profits. Further, in the opinion of the directors of the Company, that portion of the Group's profit is not at present subject to taxation in any other jurisdiction in which the Group operates.

Pursuant to the relevant laws and regulations in the PRC, the major operating PRC subsidiaries of the Group are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

Under the law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

5. PROFIT FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	**727,762**	835,341
(Reversal of) allowance for inventories (included in "cost of sales" and "cost of inventories recognised as expenses") (note)	**(13,851)**	13,275
Depreciation of property, plant and equipment	**61,529**	46,858
Impairment losses (reversal of impairment loss) on trade receivables	**3,553**	(2,910)
Staff costs	**64,416**	53,017

Note: The reversal of allowance for inventories is recognised based on the increase in net realisable value following the gradual recovery of economic downturn.

6. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Final dividend paid in respect of 2008 of nil (2008: Final dividend paid in respect of 2007 of 4.32 HK cents) per share	**—**	20,864
Interim dividend paid in respect of 2009 of 1.00 HK cent per share	**4,829**	—
	4,829	20,864

The final dividend of 2.20 HK cents per ordinary share in respect of the year ended 31st December, 2009 has been proposed by the Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**83,765**	41,432

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**482,924,000**	482,924,000
Effect of dilutive potential ordinary shares in respect of share options	**2,577,829**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**485,501,829**	482,924,000

8. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**167,714**	109,684
Less: allowance for doubtful debts	**(4,356)**	(803)
	163,358	108,881
Other receivables	**192**	6,538
Total trade and other receivables	**163,550**	115,419

The Group allows credit periods ranging from 5 to 150 days to its trade customers which may be extended to selected trade customers depending on their trade volume and history of settlement with the Group. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**137,639**	89,573
31 — 60 days	**11,823**	13,024
61 — 90 days	**6,281**	4,156
Over 90 days	**7,615**	2,128
	163,358	108,881

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$17,487,000 (2008: HK$11,278,000) which were past due at the reporting date but for which the Group has not provided for impairment loss. Such amount relates to a number of independent customers that have good trade and payment records with the Group. There has not been a significant change in credit quality of the relevant customers and the Group believes that the balances are still recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 54 days based on invoice dates (2008: 41 days).

9. TRADE, BILLS AND OTHER PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Current	**96,997**	41,799
Overdue 1 to 30 days	**6,005**	1,143
Overdue 31 to 60 days	**1,408**	48
Overdue for more than 60 days	**2,834**	636
	107,244	43,626
Payables for the acquisition of property, plant and equipment	**29,931**	17,015
Other payables and accrued charges	**53,324**	42,147
	190,499	102,788

The average credit period on purchases of goods is 34 days (2008: 31 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Unit 3203, 32/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on 7th June, 2010 at 10:30 a.m. Notice of the annual general meeting will be published and issued to shareholders in due course.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors had resolved to recommend the payment of a final dividend of 2.20 HK cents per share for the year ended 31st December, 2009 to be payable on or around 28th June, 2010 to the Company's shareholders whose names appear on the register of members of the Company on 7th June, 2010 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The register of members of the Company will be closed from 3rd June, 2010 to 7th June, 2010, both dates inclusive, during which period no transfer of shares will be registered and no shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding share options granted by the Company. In order to qualify for the proposed final dividend and attendance at the annual general meeting of the Company to be held on 7th June, 2010, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 2nd June, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In the first quarter of 2009, the weak global economy and sharply lower demand for consumer goods from the EU and the US resulted in a very difficult operating environment. Through the Chinese government's stimulus package however, the Group achieved growth in domestic sales in the second quarter, offsetting the impact of the decline in the EU and US markets.

The Group's strategic decisions in recent years have allowed our domestic sales to expand rapidly this year. Our products are strategically integrated from the upstream (containerboard) to the downstream (corrugated packaging) and we can adjust in a flexible manner our sales and develop a diversified customer network. We are developing businesses outside of Guangdong Province and are strengthening production processes and product quality supervision to improve production efficiency, raise utilization and reduce production wastage. Our fully integrated business model can deliver fully our competitive advantages in an environment of economic volatility and provide high quality, one stop shop services to customers with our outstanding corrugated packaging products.

In the first half of 2009, the utilization of the Group's upstream (linerboard and medium) and downstream (boxes and boards) lines came to only 53% and 70%. Utilization in the second half came to 77% and 88% for the upstream and downstream businesses, putting overall utilization for the year at 65% and 79%, respectively.

In 2009, upstream sales accounted for 14% of total sales while downstream sales accounted for 86%, against 4% and 96%, respectively, in 2008. This sales mix is adjusted by the Group depending on market pricing and demand changes, and demonstrates the flexibility of our integrated approach. Product pricing fell sharply after the financial crisis in 2008, with average selling prices falling by nearly 40% in the first half of 2009. A recovery in both volume and pricing in the third quarter however meant that overall 2009 average selling prices fell by nearly 30% only in 2009.

The sales mix tilted more towards domestic customers compared to export customers in 2009 (45% vs 55%, respectively, against 25% and 75% in 2008). Although average selling prices fell, domestic sales still rose by 30% year on year in 2009 while export sales fell 26%. This showed that the Chinese government's stimulus package helped raise domestic sales to offset the impact of falling exports. This also showed the ability of the Group to defend itself against economic volatility.

Facing a volatile economic environment, our Group has minimized inventories and tightened credit controls. This resulted in the Group maintaining a bad debts ratio that is close to zero. Strong support from our principal bankers allowed us to complete Phase 2 of the Qingyuan power plant in the year, and added one downstream production line, corrugated box production lines and printing machines. With our stable leverage policies to reduce risk, our debt ratios remain conservative.

FINANCIAL REVIEW

Operating results

During 2009, the Group recorded revenue of HK$923.4 million, representing a drop of 10.6% from HK$1,033.2 million. Selling price dropped greatly after the financial crisis. Though sales volume was maintained in the first half of 2009, the low selling price led to a great fall in turnover. However, with great rise in domestic demand and improvement in economy in the second half, both sales volume and selling price rose, resulting in a surge in turnover by 59.9%.

Cost of sales was decreased in line with turnover by 12.9%. Gross profit margin improved from 19.1% to 21.2% despite a slight drop in gross profit from HK$197.8 million to HK$195.6 million. It was mainly due to cost-saving from self-supply of linerboard for downstream consumption throughout 2009 compared to five-morth saving in 2008.

Other income decreased by 29.2% from HK$20.7 million to HK$14.7 million. It was mainly due to decrease in sales volume and selling price of scrap.

Selling and distribution costs decreased by 22.6% from HK$46.8 million to HK$36.2 million. The decrease was primarily due to reduction in delivery cost and sales commission. Both cost calculations were closely correlated with selling price.

Administrative expenses slightly decreased by 0.5% from HK$62.2 million to HK$61.9 million. Although some expenses were reduced in line with global collapse in price, higher insurance cost and share based payment were incurred for new production site and new share options granted respectively.

Other expenses increased by 74.0% from HK$22.4 million to HK$39.1 million. The increment was attributable to the depreciation charge for the completion of two projects at Qingyuan plant. The construction and installation of the power plant and the downstream corrugated packaging production line were both completed in second half of 2009. Moreover, provision for doubtful debts of HK$3.6 million was made.

The Group recorded a drop in earnings before interest and tax (“EBIT”) by 16.0% to HK$73.1 million. EBIT margin was 7.9% (2008: 8.4%).

During the year, additional bank loans were raised to finance the final stage of the power plant and to acquire a downstream production line in Qingyuan city. Finance cost of around HK$6.8 million was capitalised. Waste paper cost had been increased by 70% within one year, leading to higher trust receipt loan balance. Nevertheless, low interest rate in 2009 led to decrease in finance cost by 10.7% from HK$11.9 million to HK$10.6 million.

Same as previous years, changes in fair value of derivative financial instruments and structured borrowing were recognized in the income statement for accounting purpose only. They were non-cash in nature and will be reversed to zero at maturity date.

Some major forward exchange contracts were matured during the year and their corresponding fair value amounting to HK$22.1 million were reversed to zero at maturity date. The structured borrowing again was proved to be effective as no interest had been incurred.

Net profit from operation (profit for the year before changes in fair value of structured borrowing and derivative financial instruments excluding net settlement) decreased by 29.8% from HK$73.4 million to HK$51.5 million. The respective net profit margin fell from 7.1% to 5.6%.

Profit for the year increased remarkably by 102.4% from HK$41.4 million to HK$83.8 million. The increase was mainly attributable to the reversal of unrealized changes in fair value of derivative financial instruments and structured borrowing amounting to HK$22.8 million and HK$9.5 million respectively.

Net profit margin for the year was 9.1%. Basic earnings per share was 17.35 HK cents (2008: 8.58 HK cents). The directors proposed a final dividend of 2.20 HK cents per share (2008: nil).

Liquidity, financial and capital resources

At 31st December, 2009, the Group's total cash and cash equivalents were mostly denominated in Hong Kong dollars and Renminbi. Bank balances and cash amounted to HK$174.4 million (2008: HK$254.8 million). Net current assets and current ratio of the Group were HK$12.0 million (2008: HK$10.8 million) and 1.02 (2008: 1.03). There was no material change in current ratio.

The Group had capital expenditures amounting to HK$165.2 million for the final completion stage of the power plant, acquisition of a new downstream production line and box-making machineries and other machinery enhancement.

Inventory turnover was slightly decreased from 56 days to 55 days. Two-month shipment was basically required for delivering waste paper from Europe or US to the PRC.

At the balance sheet date, trust receipt loans increased by HK$40.4 million and other trade loans decreased by HK$45.7 million. New bank loans were raised amounting to HK$201.5 million for financing the capital expenditures, indicating continuous support from principal bankers. Short term and long term bank borrowings (including bank borrowings and structured borrowing) decreased by HK$11.8 million and increased by HK$20.8 million respectively. Net gearing ratio (measured by total bank borrowings net of cash to equity attributable to shareholders) was slightly increased to 56.1% (2008: 50.5%).

Contingent liabilities

A tax audit had been conducted by the Inland Revenue Department in December 2004. The Inland Revenue Department issued protective assessments for the years of assessment 1998/1999 to 2005/2006 to certain subsidiaries of the Group. Objections have been filed against all these assessments. As the tax audit was still in progress, in the opinion of the Directors, the outcome and impact of this matter could not be determined with reasonable certainty at this stage.

PROSPECTS

Outlook

Looking ahead, as the global economy recovers and as export markets turn positive, we will seek to exploit more business opportunities. The continued growth of the Chinese economy should continue to improve demand for corrugated packaging products and the domestic market remains the focus of the Group. Our sales in the first quarter have reached historic highs and we have successfully passed on cost increases to customers, with pricing now close to levels prior to the financial crisis.

Pricing has risen by more than 20% from the end of December 2009 to the end of March 2010, whilst volumes have jumped 30% year on year and more importantly are now 17% above the same period in 2008. This has allowed us to improve gross and net profits. The upstream linerboard line, which started operations just prior to the onset of the financial crisis, should properly contribute to full year earnings in 2010. This coupled with full year contributions from our new downstream line in Qingyuan make us confident towards our performance for this year.

To grasp opportunities in expanding the domestic market, the management has been visiting local governments in Sichuan, Hubei, Hunan, Guangxi and Jiangxi as well as local corrugators and other manufacturers in search of appropriate locations to build new corrugator plants and develop businesses outside of Guangdong province. Given the management's focus on the downstream business for the last several years, we believe we can significantly expand domestic sales and grow our market share.

HUMAN RESOURCES

As at 31st December, 2009, the Group and the processing factories employed a total workforce of around 2,000 full time staff (2008: 1,700). Competitive remuneration packages were offered to employees. The Group may also grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors namely, Mr. Liu Kwok Fai, Alvan, Mr. Chee Man Sang, Eric and Mr. Wong Chu Leung. The audit committee has reviewed with the management this results announcement and the audited consolidated financial statements of the Group for the year ended 31st December, 2009 and has discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2009, the Company and its subsidiaries had not purchased, redeemed or sold any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company's Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company's Code throughout the year ended 31st December, 2009. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company are also subject to compliance with the written guidelines on no less exacting terms than the Model Code.

CORPORATE GOVERNANCE

The Company had complied with throughout the year ended 31st December, 2009 the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except with the following deviations:

Code Provision A.2.1

- Code provision A.2.1 stipulates that the division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

- There is no written terms on division of responsibilities between the chairman and the chief executive officer. The Directors consider that the responsibilities of the chairman and chief executive officer respectively are clear and distinctive and hence written terms thereof are not necessary.

Code Provision A.4.2

- Code provision A.4.2 stipulates that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

- In accordance with the Company's Articles of Association, Directors appointed to fill a casual vacancy are subject to re-election at next annual general meeting.

Code Provision B.1.3

- A major deviation from the code provision B.1.3 is that the Remuneration Committee of the Company review and make recommendations to the Directors on the remuneration packages of the Executive Directors only but not senior management.

- Currently, the remuneration of senior management is attended by the chairman and/or chief executive officer of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2009 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLIC FLOAT

As far as the Company is aware, more than 25% of the issued shares of the Company were held in public hands as of 31st December, 2009.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website (www.hopfunggroup.com) and the Stock Exchange's website (www. hkexnews.hk).

The annual report of the Company for the year ended 31st December, 2009 will be dispatched to the Company's shareholders in late April 2010 and it will be available at the Company's and the Stock Exchange's websites.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere thanks to our shareholders and all other associates for their supports and to our staff for their commitment and diligence during the year.

On behalf of the Board
Hui Sum Kwok
Chairman

Hong Kong, 22nd April, 2010

As at the date of this announcement, the executive directors of the Company are Messrs. Hui Sum Kwok, Hui Sum Ping, Hui Sum Tai, Wong Wing Por and Miss Hui Yuen Li and the independent non-executive directors of the Company are Messrs. Liu Kwok Fai, Alvan, Chee Man Sang, Eric and Wong Chu Leung.