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 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

Revenue decreased to approximately HK$211.5 million, representing a fall of approximately 5.7% as compared to that for 2023.

Loss attributable to owners of the Company was approximately HK$95.2 million as compared to loss attributable to owners of the Company for 2023 of approximately HK$100.8 million. Such decrease in loss is mainly due to (i) the decrease in procurement cost; (ii) the decrease in impairment loss on the deposit paid for the acquisition of property, plant and machinery; (iii) the decrease in depreciation expenses; and (iv) the decrease in the number of staffs.

Excluding the effect of the impairment loss of approximately HK$10.3 million recognised during the year (2023: HK$16.1 million), the EBITDA (earnings before finance costs, taxation, depreciation and amortisation) is loss of HK$27.9 million as compared to loss of HK$25.3 million for 2023.

Net cash (bank balances and cash and restricted bank deposits less total bank borrowings) is net borrowings of HK$58.2 million for 2024 as compared to net borrowings balances of HK$25.6 million for 2023.

The board of directors (the "Board" or "Directors") of Hop Fung Group Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024 together with the comparative figures for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024** ***HK$'000***	2023 *HK$'000*
Revenue	3	**211,520**	224,357
Cost of sales		**(193,755)**	(210,429)
Gross profit		**17,765**	13,928
Other income		**2,704**	6,713
Other gains and losses		**(3,443)**	4,541
Reversal of impairment losses recognised/ (impairment losses recognised) under expected credit losses model, net		**30**	(174)
Selling and distribution costs		**(12,682)**	(12,451)
Administrative expenses		**(38,875)**	(47,042)
Other expenses		**(55,779)**	(62,421)
Finance costs	4	**(3,634)**	(3,555)
Loss before taxation		**(93,914)**	(100,461)
Income tax expenses	5	**(1,320)**	(343)
Loss for the year, attributable to owners of the Company	6	**(95,234)**	(100,804)
Other comprehensive expenses for the year:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(19,695)**	(18,218)
Other comprehensive expenses for the year		**(19,695)**	(18,218)
Total comprehensive expenses for the year, attributable to owners of the Company		**(114,929)**	(119,022)
Loss per share	8		
– basic (HK cents)		**(11.65)**	(12.33)
– diluted (HK cents)		**(11.65)**	(12.33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment		**665,812**	733,275
Right-of-use assets		**17,493**	19,223
Deposits and prepayments		**131,821**	143,319
		815,126	895,817
Current assets			
Inventories		**13,098**	22,068
Trade and other receivables	9	**39,549**	47,598
Deposits and prepayments		**6,465**	7,665
Restricted bank deposits		**586**	–
Bank balances and cash		**33,558**	47,272
		93,256	124,603
Current liabilities			
Trade and other payables	10	**77,581**	92,451
Due to a director		**–**	1,365
Taxation payable		**1,361**	1,354
Lease liabilities		**141**	611
Bank borrowings		**4,239**	52,959
		83,322	148,740
Net current assets/(liabilities)		**9,934**	(24,137)
Total assets less current liabilities		**825,060**	871,680
Non-current liabilities			
Lease liabilities		**–**	323
Bank borrowings		**88,128**	19,872
Deferred taxation		**8,969**	8,593
		97,097	28,788
Net assets		**727,963**	842,892
Capital and reserves			
Share capital		**81,764**	81,764
Reserves		**646,199**	761,128
Total equity attributable to owners of the Company		**727,963**	842,892

Notes:

1. GOING CONCERN BASIS

The Group incurred consecutive losses attributable to owners of the Company of approximately HK$95,234,000 and HK$100,804,000 for the years ended 31 December 2024 and 2023, respectively. In addition, as disclosed in note to the consolidated financial statements, the Group has significant amounts of contingent liabilities in relation to the tax payments demanded by the tax bureau in the People's Republic of China (the "PRC"). In the event that the potential obligation becomes materialised, the Group may not have sufficient cash and bank balances, which amounted to approximately HK$33,558,000 as at 31 December 2024, to fulfil the obligations. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

For the purpose of assessing going concern, the directors of the Company (the "Directors") have prepared a cash flow forecast of the Group covering a period of twelve months from the end of the reporting period (the "Cash Flow Forecast") with plans and measures to mitigate the liquidity pressure and to improve its financial position. In addition, the Group obtained the letter of intent from one of the principal bankers after the reporting period, under which loan facilities up to a maximum amount of approximately Renminbi ("RMB") 300,000,000 are available to the Group for not less than twelve months from 31 December 2024. Based on the letter of intent and Cash Flow Forecast assuming the plans and measures can be successfully implemented as scheduled, the Directors are of the opinion that the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

In the current year, the Group has adopted all the new and revised HKFRSs and new interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue by type of goods is as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	*HK$'000*
Sales of corrugated packaging	**211,520**	224,357

The Group sells corrugated packaging to the customers in PRC. Sales are recognised when control of the products has been transferred, being when the products are delivered to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products, and the customer has obtained legal titles to the products. Sales to customers are normally made with credit terms of 5 to 120 days. A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Segment information

The Group's manufacturing operations are located in the PRC.

The Group's operations are organised based on the type of products. Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance is analysed based on the type of products. No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are categorised into the 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.

Segment revenues and results

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

For the year ended 31 December 2024

	Containerboard	**Corrugated Packaging**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
REVENUE			
External sales	**–**	**211,520**	**211,520**
RESULT			
Segment (loss)/profit	**(71,726)**	**508**	**(71,218)**
Central administrative expenses			**(19,062)**
Finance costs			**(3,634)**
Loss before taxation			**(93,914)**

For the year ended 31 December 2023

	Containerboard	Corrugated Packaging	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	–	224,357	224,357
RESULT			
Segment (loss)/profit	(84,075)	10,258	(73,817)
Central administrative expenses			(23,089)
Finance costs			(3,555)
Loss before taxation			(100,461)

No revenue from any single customer contributed over 10% of the total revenue of the Group for both years.

4. FINANCE COSTS

	Year ended 31 December	
	2024	2023
	HK$'000	*HK$'000*
Interest on bank borrowings	**3,617**	3,510
Interest on lease liabilities	**17**	45
	3,634	3,555

5. INCOME TAX EXPENSES

	Year ended 31 December	
	2024	2023
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**729**	363
Deferred tax	**591**	(20)
	1,320	343

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

No PRC Enterprise Income Tax was provided for the year ended 31 December 2024 and 2023 as the Group did not derive any estimated assessable profits in PRC.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. One of the Company's PRC subsidiaries was awarded with the High and New-Tech Enterprise and entitled to preferential rate of 15% for the Group's financial years ended 31 December 2024 and 31 December 2023.

No provision for Macau Complementary Tax has been made as the Group has no assessable profits arising in Macau for the years ended 31 December 2024 and 2023.

6. LOSS FOR THE YEAR

	Year ended 31 December	
	2024	2023
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**1,200**	1,500
Cost of inventories recognised as expenses	**193,755**	210,166
Depreciation of property, plant and equipment	**51,176**	54,317
Depreciation of right-of-use assets	**832**	1,153
Staff costs	**54,055**	60,934
Allowance for inventories (included in cost of sales)	**–**	263

7. DIVIDEND

No dividend was declared or proposed for the years ended 31 December 2024 and 31 December 2023, nor has any dividend been proposed since the end of the reporting period.

8. LOSS PER SHARE

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

	Year ended 31 December	
	2024	2023
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share	**(95,234)**	(100,804)

	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**817,644,000**	817,644,000

The computation of diluted loss per share for the years ended 31 December 2024 and 31 December 2023 did not assume the exercise of the Company's share options as the exercise price of these options was higher than the average market price for shares for both 2024 and 2023.

9. TRADE AND OTHER RECEIVABLES

	At 31 December 2024 HK$'000	At 31 December 2023 HK$'000
Trade receivables	**30,665**	38,695
Less: allowance for credit losses	**(243)**	(867)
	30,422	37,828
Other receivables *(note)*	**9,127**	9,770
Total trade and other receivables	**39,549**	47,598

Note: As at 31 December 2024, the gross amount included an advance to Batangas Paper Corporation ("Batangas"), an independent third party to the Group, amounting to approximately HK$7,886,000 (2023: approximately HK$8,136,000), which is unsecured, interest-free and repayable on demand. The management of the Group conducted an impairment assessment on the aforesaid other receivables as at 31 December 2024, and an impairment loss of approximately HK$336,000 was recognised during the year (2023: HK$Nil).

The Group allows credit periods ranging from 5 to 120 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 credit losses presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period:

	At 31 December 2024 HK$'000	At 31 December 2023 HK$'000
Within 30 days	**20,504**	24,839
31–60 days	**9,488**	12,228
61–90 days	**341**	578
Over 90 days	**89**	183
	30,422	37,828

Before accepting any new customer, the Group uses an external litigation search to assess the potential customer's credit quality and defines credit limits on a customer-by-customer basis. Limits and scoring attributed to customers are reviewed monthly.

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate gross amount of approximately HK$10,161,000 (2023: approximately HK$13,856,000) which were past due as at the reporting date. Out of the past due balances, approximately HK$243,000 (2023: approximately HK$867,000) has been past due 90 days or more. The past due 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 approximately 53 days (2023: approximately 62 days) based on invoice dates.

10. TRADE AND OTHER PAYABLES

The suppliers of the Group grant credit periods ranging from 30 to 90 days. The following is an aged analysis of trade payables presented based on the invoice due date at the end of the reporting period:

	At 31 December	
	2024	2023
	HK$'000	*HK$'000*
Current	**11,311**	15,776
Overdue 1 to 30 days	**8**	38
Overdue 31 to 60 days	**–**	–
Overdue for more than 60 days	**11,384**	11,669
Trade payables	**22,703**	27,483
Payables for the acquisition of property, plant and equipment	**2,492**	3,121
Other PRC tax payables	**11,794**	12,576
Accrued charges *(note)*	**37,811**	46,758
Other payables	**2,781**	2,513
	77,581	92,451

Note: Major items in accrued charges are accrued salaries and wages.

The average credit period on purchases of goods is approximately 43 days (2023: approximately 52 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

11. CONTINGENT LIABILITIES

Tax issues of a subsidiary in the PRC

(a) Tax issue in relation to the value-added tax invoices received from certain suppliers

As referred to the Company's announcement dated 17 March 2023, Green Forest (Qing Xin) Paper Industrial Limited (森葉(清新)紙業有限公司) ("Green Forest Paper"), an indirect wholly-owned subsidiary of the Company, received (a) a decision on tax treatment dated 20 May 2022 ("Tax Treatment Decision") and (b) a decision on administrative penalty dated 20 May 2022 ("Tax Penalty Decision"), each issued by the Second Investigation Bureau of Qingyuan District Administration of Taxation of the State Administration of Taxation ("Qingyuan Tax Bureau") (國家税務局清遠市税務局第二稽查局) (collectively the "Decisions"), in relation to 1,073 value-added tax ("VAT") invoices (the "VAT Invoices") received from six suppliers of the Group (the "Six Suppliers") in 2013, 2014, 2017 and 2018 for the total invoiced amount of approximately RMB742,707,000 (consisting of price for product purchased of approximately RMB636,940,000 and VAT of approximately RMB105,767,000) and the tax deduction made by the Group in relation thereto.

Based on the Decisions, the VAT Invoices were found to be irregularly issued by the Six Suppliers, therefore Green Forest Paper was required to make up the tax payments amounted to approximately RMB109,142,000 (equivalent to approximately HK$127,057,000), comprising the VAT of approximately RMB85,450,000, other taxes and surcharges of approximately RMB10,064,000 and the Enterprise Income Tax of approximately RMB13,628,000 (collectively the "Outstanding Tax Amount"), as well as a late payment at a daily rate of 0.05% on the Outstanding Tax Amount from the date such Outstanding Tax Amount was due until the date of actual payment. In addition, Green Forest Paper was also required to pay an administrative penalty in the amount of approximately RMB44,070,000 (equivalent to approximately HK$51,304,000).

Upon receiving the Decisions, the Directors, after seeking legal advice from the Group's PRC legal advisor, considered that the Outstanding Tax Amount and the administrative penalty imposed under the Decisions lacked factual and legal support. Hence, Green Forest Paper has taken various actions to object to the Decisions.

The Tax Treatment Decision

In early August 2022, Green Forest Paper submitted the tax payment guarantee application by post. On 18 August 2022, Qingyuan Tax Bureau replied in writing that it would not accept the tax payment guarantee application of Green Forest Paper because the application was made beyond the application deadline. Green Forest Paper had made a few rounds of appeal to various level of authorities in the PRC. Details are set out in page 156 to 157 of the Group's Annual Report 2023.

On 10 August 2023, Green Forest Paper filed a retrial application against the judgement dated 5 July 2023 at Guangdong Higher People's Court, Guangdong Province (廣東省高級人民法院) ("Higher People's Court"). On 14 August 2023, the Higher People's Court accepted the Green Forest Paper's retrial application and will proceed with the retrial hearing if it considers the case meets the grounds and conditions for retrial after the verification procedures.

Pursuant to the administrative judgement from the Higher People's Court dated 25 June 2024 (received on 19 July 2024), the application for retrial was rejected.

Subsequently, Green Forest Paper filed a procuratorial supervision application against the aforesaid judgement at the People's Procuratorate of Qingyuan City, Guangdong Province (廣東省清遠市人民檢察院) ("People's Procuratorate"). On 13 January 2025, the People's Procuratorate accepted Green Forest Paper's procuratorial supervision application and will proceed with the procuratorial supervision hearing if it considers the case meets the grounds and conditions for procuratorial supervision after the verification procedures.

Up to the date of the consolidated financial statements, no judgement has been made by the People's Procuratorate of Qingyuan, Guangdong Province.

The Tax Penalty Decision

On 22 August 2022, Green Forest Paper disagreed with the Tax Penalty Decision and applied for an administrative review with the Guangdong Province Administration of Taxation of the State Administration of Taxation ("Guangdong Province Tax Bureau") (國家稅務局廣東省稅務局). On 23 August 2022, the Guangdong Province Tax Bureau accepted the administrative review of the Tax Penalty Decision. On 8 November 2022, the Guangdong Province Tax Bureau decided to uphold the Tax Penalty Decision. On 24 November 2022, Green Forest Paper filed an administrative proceeding against the Guangdong Province Tax Bureau and Qingyuan Tax Bureau at the Guangzhou Railway Transport Court (廣州鐵路運輸法院) to request for a review of the Tax Penalty Decision.

In order to apply the administrative review application to Guangdong Province Tax Bureau, the Group paid a certain portion of the Outstanding Tax Amount of approximately RMB20,297,000 (equivalent to approximately HK$23,628,000) and recognised in "Other expenses" during the year ended 31 December 2022.

Pursuant to the administrative judgement dated 30 June 2023 from the Guangzhou Railway Transport Court, the decision of administrative review made by the Guangdong Province Tax Bureau on 8 November 2022 to uphold the Tax Penalty Decision shall be revoked, but the Guangdong Province Tax Bureau has the right to appeal within 15 days from the date of the judgement.

Green Forest Paper subsequently received a summons from the Guangzhou Railway Transport Intermediate Court (廣州鐵路運輸中級法院) dated 2 November 2023, in which the Guangdong Province Tax Bureau filed an appeal against the administrative judgement dated 30 June 2023. The appeal hearing was held on 13 November 2023, and no order was made from the court up to the date of the consolidated financial statements.

(b) Tax Matter Notice

On 8 February 2023, Green Forest Paper received a tax matter notice ("Tax Matter Notice") issued by the Second Branch Bureau of Qingxin District Qingyuan City Administration of Taxation of the State Administration of Taxation ("Qingxin Tax Bureau") (國家稅務總局清遠市清新區稅務局第二稅務分局). Based on the Tax Matter Notice, since the tax credit level of Green Forest Paper was adjusted to D-level for the assessment years from 2015 to 2020, as a result, Green Forest Paper has to pay the previous VAT refund amounted to approximately RMB32,070,000 (equivalent to approximately HK$37,334,000) for the period from July 2015 to October 2020 according to the relevant regulations.

Pursuant to the Tax Matter Notice, in case Green Forest Paper disagrees with the Tax Matter Notice, Green Forest Paper must pay the outstanding VAT within the prescribed period or otherwise provide the relevant tax payment guarantee on the outstanding VAT. Once the VAT payments or the tax payment guarantee is confirmed, Green Forest Paper may submit an administrative review application to the Qingxin Tax Bureau within 60 days from the date of the tax payments or confirmation of the tax payment guarantee. Green Forest Paper completed the tax payment guarantee procedures and was confirmed by the Qingxin Tax Bureau on 23 March 2023.

On 7 April 2023, Green Forest Paper disagreed with the Tax Matter Notice and applied for an administrative review with the Qingxin Tax Bureau.

On 2 June 2023, the State Administration of Taxation Qingyuan City Qingxin District Taxation Bureau (國家稅務總局清遠市清新區稅務局) issued an administrative review decision stating that the Qingyuan Tax Bureau shall revoke the Tax Matter Notice and re-handle it in accordance with the applicable laws.

As at the date of the consolidated financial statement, The Group's PRC legal advisor advises that the State Administration of Taxation Qingyuan City Qingxin District Taxation Bureau no longer has the right to appeal as the appeal period expired. As the Tax Matter Notice can only be re-handled and re-issued, such Tax Matter Notice has been ended.

Save as disclosed above, there was no further development with regard to the Decisions as at the date of the consolidated financial statements.

The Directors are of the view that no provision of the relevant tax amounts concerning the Decisions as at 31 December 2024 and 31 December 2023 as stated in the above should be provided on the basis that Green Forest Paper is in the process of making appeals against the relevant judgements and the judgements on the Tax Penalty Decision received by Green Forest Paper up to the date of the consolidated financial statements were favourable to Green Forest Paper. However, the results of the appeal applications made by Green Forest Paper and against Green Forest Paper were not yet available up to the date of these consolidated financial statements, which led to significant uncertainties regarding the extent and financial impact arising from the Decisions on the consolidated financial statement of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the Company's customers have resumed production after the pandemic. There is increasing demand in major business – corrugated packaging material of the Company, the revenue increased by 1.5% compared with the first half of 2023. In the second half of 2024, dragged by the decrease in customer orders, the revenue decreased by 12% compared with the second half of 2023 and total revenue decreased by 5.7% for the year.

Since October 2021, the Group's upstream containerboard business has been temporarily suspended. Currently, the Group continues to coordinate with the local government for the annual inspection procedures of the licenses for the coal-fuel boilers. At the same time, the Group is coordinating with local government for the project to change its boilers from coal-fuel boilers to gas-fuel boilers pursuant to the environmental policies of the local government and it is expected to resume production after completion of the coordination. To ensure stable supply for the Group's downstream corrugated packaging business, the Group purchases containerboard from third party suppliers. There was no external revenue from upstream business in both 2024 and 2023.

Against the backdrop of surging manufacturing costs and weakening of market demand, the business environment of the corrugated packing industry is expected to remain challenging. The Group has taken efforts to strengthen the cost control management and efficiency management. Therefore, the Group has recorded lower operating losses in 2024.

FINANCIAL REVIEW

Operating Results

The Group recorded HK$211.5 million in revenue in 2024, representing a fall of HK$12.9 million from HK$224.4 million in 2023. The drop in revenue was mainly attributed to the decrease in customer orders.

Cost of sales dropped from HK$210.4 million in 2023 to HK$193.7 million in 2024. The decrease in cost of sales was mainly due to the reduction in overseas containerboard procurement and decrease in the unit price on domestic containerboard.

Gross profit increased from HK$13.9 million in 2023 to HK$17.8 million in 2024. Gross profit margin increased from 6.2% in 2023 to 8.4% in 2024. The increase in gross profit margin was mainly due to the decrease in cost of sales outweighed with decrease in revenue.

Other income decreased from HK$6.7 million in 2023 to HK$2.7 million in 2024. Such decrease was mainly attributed to less bank interest income and service income.

Other gains and losses changed from gain of HK$4.5 million in 2023 to loss of HK$3.4 million in 2024. Such change was mainly due to the written off of accruals and other payables decreased from HK$20.9 million in 2023 to HK$6.7 million in 2024 and impairment loss on the deposit paid for the acquisition of property, plant and equipment decreased from HK$15.7 million in 2023 to HK$8.7 million in 2024.

Selling and distribution costs increased from HK$12.5 million in 2023 to HK$12.7 million in 2024. Such increase was mainly due to more costs incurred for maintaining and exploring business opportunities during the year.

Administrative expenses decreased from HK$47.0 million in 2023 to HK$38.9 million in 2024. Such decrease was mainly due to the decrease in the number of staffs.

Other expenses decreased from HK$62.4 million in 2023 to HK$55.8 million in 2024. Such decrease was mainly due to the decrease in depreciation expenses.

Finance costs increased from HK$3.5 million in 2023 to HK$3.6 million in 2024. The increase was mainly owing to higher borrowing level in 2024.

In 2024, HK$1.3 million was charged to income tax expenses, representing Hong Kong Profits Tax charge of HK$0.7 million and deferred tax charge of HK$0.6 million. In 2023, HK$0.3 million was charged to income tax expenses, representing Hong Kong Profits Tax charge of HK$0.4 million and deferred tax credit of HK$0.02 million.

Loss for the year of HK$95.2 million was recorded in 2024 while loss for the year of HK$100.8 million was recorded in 2023, representing a decrease in loss by HK$5.6 million. Net loss margin increased from 44.9% to 45.0%.

Liquidity, financial and capital resources

As at 31 December 2024, the Group's bank balances and cash were HK$33.6 million (31 December 2023: HK$47.3 million), mostly denominated in Renminbi.

Bank borrowings were increased from HK$72.8 million at 31 December 2023 to HK$92.4 million at 31 December 2024.

As at 31 December 2024, the current bank borrowings decreased by HK$48.7 million while non-current bank borrowings increased by HK$68.3 million. The Group recorded a net borrowings level (bank balances and cash and restricted bank deposits less total bank borrowings) of HK$58.2 million (31 December 2023: net borrowings level HK$25.6 million). Gearing ratio (total bank borrowings to total equity) and net gearing ratio (net balance of total bank borrowings less bank balances and cash and restricted bank deposits to equity) were 12.7% and 8.0% respectively (31 December 2023: 8.6% and 3.0% respectively).

As at 31 December 2024, net current assets (2023: net current liabilities) and current ratio of the Group were HK$9.9 million (31 December 2023: HK$24.1 million) and 1.12 (31 December 2023: 0.84) respectively. This was mainly due to decrease in current bank borrowings by HK$48.7 million.

In 2024, the Group spent HK$2.1 million on capital expenditures for property, plant and equipment in China (2023: HK$8.5 million).

Debtors, creditors and inventory turnover were approximately 53 days (2023: approximately 62 days), approximately 43 days (2023: approximately 52 days) and approximately 33 days (2023: approximately 46 days) respectively.

OUTLOOK

Going forward, the complex and volatile international situation has added uncertainties to the current business environment. Against the backdrop of surging manufacturing costs and weakening of market demand, the business environment of the corrugated packaging industry is expected to remain challenging. The Group will strive to maintain good capital management and low debt levels to cope with unstable market conditions. Meanwhile, the Group expect the upstream business to resume operation after completion of coordination with local government for the project to change its boilers from coal-fuel boilers to gas-fuel boilers, and this will give the Group a competitive advantage in vertical integration. It is expected that in the future, the PRC government will continue to tighten control on plastic packaging, which may stimulate the use of paper packaging as a substitute, and the Group's packaging paper business will thus be benefited. Also, the experiential growth of E-commerce will increase the need of corrugated packaging material for safety and efficient shipping of products to customers. The Group will focus on the key strategies of pricing power, increasing sales volume, raising production efficiency, reduction on energy usage and raw material wastage and ultimately enhance the Group's performance.

HUMAN RESOURCES

As at 31 December 2024, the Group employed a total workforce of around 229 full time staff (2023: 246). 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 of the Company (the "Audit Committee") comprises three independent non-executive directors namely, Messrs. Tso Sze Wai, Wong Chu Leung and Chau Suk Ming. The Audit Committee has reviewed with the management this results announcement and the consolidated financial statements of the Group for the year ended 31 December 2024 and has discussed auditing, risk management and internal control and financial reporting matters including the review of accounting practices and principles adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's listed securities (including sale of treasury shares as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) by the Company or any of its subsidiaries during the year ended 31 December 2024.

As at 31 December 2024, the Company did not hold any treasury shares as defined in the Listing Rules.

CORPORATE GOVERNANCE

The Directors strive to maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The corporate governance principles of the Company emphasize the importance of a quality Board, effective internal controls and accountability to shareholders. The Company has met the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules throughout the year ended 31 December 2024, except with the following deviations:

Code Provision C.2.1

- Code provision C.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 are no written terms on division of responsibilities between the chairman and the chief executive officer. In daily operations, the chairman and the chief executive officer report to each other because their working tasks are different. 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 D.3.3

- Code Provision D.3.3 stipulates that the Audit Committee must meet, at least twice a year, with the Company's auditor.

- Since the Company has not engaged its auditor to review the financial information in its interim report, the Audit Committee has met with the Company's auditor once a year to discuss matters arising from the audit of the Company's annual results and other matters the auditor may raise. Apart from the meeting, the Audit Committee may raise questions to the Company's auditor via electronic means if needed. The Audit Committee has met with the Company's auditor once during the year ended 31 December 2024.

Code Provision E.1.2

- A deviation from the code provision E.1.2 is that the remuneration committee of the Company reviews and makes recommendations to the Directors on the remuneration packages of the 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. The senior management report to the chairman and/or chief executive officer. Therefore, the chairman and/or chief executive officer have a clear understanding of the senior management's performance, leading to a more objective review of senior management remuneration.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct (the "Code of Conduct") regarding Directors' dealings in the Company's securities on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules. Specific enquiry has been made of all the Directors and they have confirmed their compliance with the Code of Conduct throughout the year ended 31 December 2024. In addition, no incident of non-compliance of the Code of Conduct by the senior management of the Group was noted during the year ended 31 December 2024.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited ("Zhonghui"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Zhonghui 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 Zhonghui on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2024.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Provision for tax payment amounts

Due to the uncertainties in relation to the contingent liabilities as disclosed in note 30 to the consolidated financial statements, we have been unable to obtain sufficient appropriate evidence to assess whether the provision of relevant tax amounts has been provided concerning the Decisions (as defined in note 30) as at 31 December 2024 and 2023 are fairly stated and the profit or loss effect on the provision of relevant tax amounts for the years ended 31 December 2024 and 2023 are properly reflected.

Any adjustments to the figures as described above might have a consequential effect on the Group's consolidated financial performance and its consolidated cash flows for the years ended 31 December 2024 and 2023 and the consolidated financial position of the Group as at 31 December 2024 and 2023, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, which mentions that the Group incurred consecutive losses attributable to owners of the Company of approximately HK$95,234,000 and HK$100,804,000 for the years ended 31 December 2024 and 2023, respectively. In addition, as disclosed in note 30 to the consolidated financial statements, the Group has significant amounts of contingent liabilities in relation to the tax payments demanded by the tax bureau in the People's Republic of China (the "PRC"). These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 at 31 December 2024.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.hopfunggroup.com) and Hong Kong Exchanges and Clearing Limited (the "HKEX") (www.hkexnews.hk).

The annual report of the Company for the year ended 31 December 2024 will be published on the websites of the Company and the HKEX and will be dispatched to the Company's shareholders (if requested) in accordance with the Listing Rules in April 2025.

ACKNOWLEDGEMENT

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

By Order of the Board
Hop Fung Group Holdings Limited
Hui Sum Ping
Chairman

Hong Kong, 31 March 2025

As at the date of this announcement, the executive directors of the Company are Mr. Hui Sum Ping, Mr. Hui Sum Tai and Ms. Hui Yuk Ling and the independent non-executive directors of the Company are Mr. Tso Sze Wai, Mr. Wong Chu Leung and Mr. Chau Suk Ming.