



[For Immediate Release]

Hop Fung Group Announces 2007 Interim Results

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Vertically Integrated Operation Bears Fruits

Turnover and Profit Margin Continue to Record Stable Growth

Financial Highlights

- Turnover increased by 13.0% to HK\$440.8 million
- Gross Profit increased by 16.2% to HK\$92.9 million
- Gross Margin increased 0.6 percentage points to 21.1%
- Net Profit from Operation increased by 25.8% to HK\$45.9 million
- Net Profit for the period increased by 38.4% to HK\$51.3 million
- The Board of Directors declared payment of an interim dividend of 1.68 HK cents per share (2006: 1.58 HK cents per share)
- Continued to develop upstream paper production business to increase profit margin and construct downstream corrugated paper-ware plant to expand market share

(14 September 2007 – Hong Kong) – **Hop Fung Group Holdings Limited** (“Hop Fung” or “the Group”; stock code: 2320), an established corrugated paper-ware manufacturer and provider, today announced its interim results for the six months ended 30 June 2007, reporting stable growth in both turnover and profit margin.

During the period under review, domestic sales in the China market improved at the Group’s efforts to develop upstream paper production business and expand market share of its downstream corrugated paper-ware business. For the six months ended 30 June 2007, the Group’s turnover increased by 13.0% to HK\$440.8 million. Riding on effective production cost control during the period, its gross margin rose 0.6 percentage points to 21.1%.

Net profit from operation (net profit for the year before changes in fair value of derivative financial instruments and structured borrowing) increased by 25.8% to approximately HK\$45.9 million. For accounting purpose, taking into consideration the HK\$5.5 million change in fair values of derivative financial instruments and structured borrowing, net profit of the Group for the period would amount to approximately HK\$51.3 million, higher by 38.4% against the same period last year. The changes concerned are of non-cash nature and will be reversed to zero at maturity date.

Basic earnings per share were 12.1 HK cents (2006: 10.0 HK cents). The Board of Directors has declared payment of an interim dividend of 1.68 HK cents per share (2006: 1.58 HK cents).

Mr. Hui Sum Kwok, Chairman of Hop Fung, said, “We are delighted to see Hop Fung continue to achieve stable growth in turnover and profit margin. Continuous economic growth in China and improving living standard of the Chinese people all works in favour for the expansion of the Group’s domestic sales. Our first upstream corrugating medium production line commenced operation in 2006 and supplied 40% of our raw material demand during the period. Our vertically integrated production model has been effective in mitigating the impact of unstable raw material prices and supply on our business.”

The Group maintained a very healthy financial position. As at 30 June 2007, its bank and cash balances amounted to approximately HK\$128.3 million, with net gearing ratio at 34.9% (excluding changes in fair value of derivative financial instruments and structured borrowing) and current ratio of 1.92 times.

During the review period, the Group focused on constructing the upstream kraft linerboard production line in Phase 2 of Green Forest (QingXin) Paper Industrial Limited (“Green Forest”) in Qingxin County, Qingyuan City, Guangdong Province. When production commences in the first quarter of 2008, the Group will be able to produce 200,000 tonnes of kraft linerboard a year, a double of the annual production capacity of its corrugating medium production line.

Mr. Hui Sum Tai, Chief Executive Officer of Hop Fung, said, “When the kraft linerboard production line commences production in early 2008 and with stable existing supply of corrugating medium, the Group’s raw material needs will be fully met by our upstream operations. Apart from helping to lower our reliance on external raw material sources and production costs, the upstream production lines will also allow us to produce raw materials that answer customers’ specific requirements at minimum wastage and with enhanced product quality.”

Currently, the Group owns about 5% of the market in Guangdong Province. To satisfy strong demand in China and enlarge its market share, the Group will actively expand its corrugated paper-ware business and seek new customers and potential acquisition targets, with the aim of achieving a 10% share of the market in five years. As for expanding production capacity, it is planning to build a fourth downstream corrugated paper-ware plant in Dongguan, which is expected to start production in the third quarter of 2008. By then, the Group’s annual production capacity for corrugated paper-ware will be increased by 25%. Its downstream corrugated paper-ware plant at Green Forest in Qingyuan city is also expected to start production in the fourth quarter of 2008 and will complement the Group’s expansion upstream.

Mr. Hui Sum Kwok concluded, “Looking into the second half of 2007, the Group will actively expand its downstream business to provide a strong base for upstream expansion. The management is confident that the Group will deliver outstanding performance backed by its vertically integrated operation model. The Group will strive to improve operational efficiency and enhance its margins and competitiveness, so as to deliver satisfactory returns to shareholders.”

About Hop Fung Group Holdings Limited

Founded by the Hui Brothers in 1988, Hop Fung Group is principally engaged in the manufacture and sale of quality corrugated paper ware products, including corrugated paper boards and corrugated carton boxes, to its over 700 customers in the manufacturing sectors in Hong Kong and the Pearl River Delta. The Group commenced upstream production of its raw materials in 2006, effectively enhancing product quality and profit margin. Adopting an effective vertically integrated production model and stringent quality control, the Group has established its reputation as one of the leading manufacturers and providers of corrugated paper-ware products in the market. The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong on 24 September 2003.

For press enquiries:

Strategic Financial Relations Limited

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| Veron Ng | Email: veron.ng@sprg.com.hk | Tel: 2864 4831 |
| Cindy Lung | Email: cindy.lung@sprg.com.hk | Tel: 2864 4867 |
| Angela Ng | Email: angela.ng@sprg.com.hk | Tel: 2864 4855 |

Fax: 2804 2789 / 2527 1196