



**HOP FUNG GROUP**

## Hop Fung Group Announces 2008 Interim Results

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### Strives to expand downstream business and enlarge market share in China

#### Financial Highlights

- Turnover increased by 18.0% to HK\$500,383,000
- Gross profit increased by 18.4% to HK\$109,996,000
- Gross profit margin maintained at 22.0%
- Net profit from operation increased by 9.2% to HK\$50,127,000
- Vertically integrated business model ensured stable supply of raw materials

(19 September 2008 – 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<sup>th</sup> June 2008, achieving steady business growth and maintaining a stable gross profit margin.

Although raw material and energy prices continued to climb during the period under review, the Group was able to effectively transfer the increased costs to customers. Its vertically integrated production model also generated strong synergies which countered the impacts of adverse market conditions on its operations. For the six months ended 30<sup>th</sup> June 2008, the Group’s turnover increased by 18.0% to HK\$500,383,000. Its gross profit margin maintained at 22.0%.

Net profit from operation (profit for the period exclusive of change in fair value of structured borrowing and unrealised changes in fair value of derivative financial instruments) increased by 9.2% to approximately HK\$50,127,000. For accounting purpose, taking into consideration the loss on change in fair value of structured borrowing, net profit of the Group for the first half year would have decreased by 7.6% to approximately HK\$47,421,000. The changes concerned are of non-cash nature and will be reversed to zero at maturity date.

Basic earnings per share were 9.8 HK cents (2007: 12.1 HK cents). The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30<sup>th</sup> June 2008 (2007: 1.68 HK cents).

**Mr. Hui Sum Kwok, Chairman of Hop Fung**, said, “We are happy with the satisfactory results we achieved for the review period. We managed to increase the proportion of sales to Mainland China, which has helped to mitigate the impact from appreciation of the Renminbi and also fortified the position of the Group in the corrugated paper-ware industry in China.”

The Group maintained a very healthy financial position. As at 30<sup>th</sup> June 2008, its bank and cash balances amounted to approximately HK\$103,633,000, with net gearing ratio at 51.6% and current ratio of 1.15 times.

In July, the second phase of the plant and the kraft linerboard production line at Green Forest (QingXin) Paper Industrial Limited in Qingxin county, Qingyuan city, Guangdong Province, commenced operation. Production has been smooth in the first two months with utilization rate at more than 60% of the annual production capacity of 230,000 tonnes. The factory has its own thermal power plant to spare production from disruption as a result of unstable power supply in the city.

**Mr. Hui Sum Tai, Chief Executive Officer of Hop Fung**, said, “Currently, our two upstream production lines together are putting out raw materials sufficient for meeting all our downstream requirement. As we do not need to store large amount of linerboard and corrugating medium of different sizes, we have scaled down the warehouse at the Dongguan factory and added another corrugated paper board production line, which began production this July. It is expected to increase our annual production capacity for corrugated paper board by about 12%. To facilitate cost control, we are pushing for technological enhancement to optimise upstream operations. Related initiatives will bring about a 20% increase in production capacity and enable the existing corrugating medium production line to also produce kraft linerboard if required, hence giving the Group boosted production flexibility.”

At present, the Group has an about 5% share of the Guangdong market. Aiming to increase its share to 10% in five years, the Group will look for new customers in different industries, explore potential mergers and acquisitions of suitable downstream manufacturers, steadily expand its downstream operations and improve its sales and marketing strategy to help tapping of opportunities in China.

**Mr. Hui Sum Kwok** concluded, “Looking to the second half of 2008, the economic slowdown in the US, Europe and Japan will continue to affect world trade. The Group sees it as part of the process of consolidation of the industry favouring the strong and competent players. With assured raw material supply and boasting economies of scale and capability of timely delivery to meet market demand, the Group is confident of quickly boosting its market share. Furthermore, we expect our upstream and downstream operations to realise greater yet synergies conducive to enhancing operational efficiency and its profit and competitiveness for bringing better 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.

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