



HOP FUNG GROUP

[For Immediate Release]

Hop Fung Announces 2009 Interim Results

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Domestic sales surged quickly Developed diverse customer networks

(17 September – Hong Kong) – Established corrugated paper-ware manufacturer and provider **Hop Fung Group Holdings Limited** (“Hop Fung” or “the Group”; stock code: 2320) announced its interim results for the six months ended 30 June 2009.

Bolstered by the economic stimulus package of the Chinese government, the mainland consumption market has continued to grow particularly in the second quarter of the year. The phenomenon helped offset the impact from the economic recession in the US and Europe on the business of the Group. Sales of upstream corrugating medium and linerboard and downstream corrugated paper board and corrugated carton boxes of the Group were stable. During the period under review, revenue dropped 29% to HK\$355.3million, mainly attributable to the reduced selling price. Net profit decreased by 25.9% from HK\$47.4million to HK\$35.1million.

The Board of Directors has declared payment of an interim dividend of 1.0 HK cent per share (2008: Nil).

Mr. Hui Sum Kwok, Chairman of Hop Fung, said, “The Group has started to actively grow domestic sales mid-last year and expand its customer networks to other industries including consumer products, construction materials and food and beverages, etc. It has also developed containerboard and corrugated packaging businesses in the northern part of Guangdong province. As a result, the proportion of domestic sales for the period surged to 45% from about 20% in the same period last year. In June alone domestic sales made up more than 50% of the total sales of the Group, allowing it to maintain the position of one of the largest corrugated paper-ware manufacturers in Guangdong.”

The Group maintained a healthy financial position. As at 30 June 2009, its bank and cash balances amounted to approximately HK\$213million, with net gearing ratio at 52.2% and current ratio of 1.04 times. During the review period, the Group worked hard at cost control, adjustment of inventory level and improving its production processes. It also continued to adopt relevant financial policy to lower risks. By exercising strict credit control, the Group’s bad debt ratio was close to zero.

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Mr. Hui Sum Tai, Chief Executive Officer of Hop Fung, said, “After our effort to improve production techniques in Phase I plant late-last year, the containerboard production lines of the Group are now able to flexibly put out different types of quality corrugating medium and linerboard to supply to downstream factories. The utilization rates of our upstream and downstream production facilities in the second quarter were 70% and 79% respectively. Furthermore, the new corrugated paper board and corrugated carton boxes production lines added to Green Forest have begun operation early this month, which boosted the Group’s production capacity by about 9%. This will allow the Group to meet growing demand for its products from the reviving market and in turn enlarge its share in the Guangdong market.”

Accounting for 50% of the Group’s turnover, domestic sales have become a growth driver of the Group. In addition to steady economic rebound in the US and European markets in the second quarter, the Group is optimistic about its performance in the second half year. Currently, the Group has two upstream production lines that can supply all the material needs of downstream products, shielding its margin from material price fluctuation and conducive to boosting its profits.

“Looking ahead, we will continue to actively develop the domestic market and establish diverse customer networks, while at the same time keeping our eyes on export market trends to make sure we are able to secure more orders when the export markets improve. With the market still uncertain, the Group will continue to implement tight credit control and cost control and be prudent in pursuit of mergers and acquisitions. Standing on a solid foundation and with the synergies on the upstream and downstream businesses of the Group, the management is confident that the Group will stand out in the consolidating market and be able to bring satisfactory returns to shareholders in the long run,”

Mr. Hui Sum Kwok concluded.

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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 900 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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