



HOP FUNG GROUP

Hop Fung Announces 2010 Interim Results

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Satisfactory Performance in Both Domestic and Export Sales Strived to Develop High Value-added Products for Boosting Profit

(23 August 2010 – Hong Kong) – Established corrugated paper-ware manufacturer and provider **Hop Fung Group Holdings Limited** (“Hop Fung” or the “Group”; stock code: 2320) announced that the Group’s turnover and profit from operation (profit for the period exclusive of change in fair value of unsecured structured borrowing and other changes in fair value of derivative financial instruments) recorded a satisfactory growth in the first half of 2010, up 75% and 160% year-on-year respectively. The strong performance was attributable to the steadily growing Chinese economy, a rapidly improving export market as well as an increase in order volume.

The Group recorded an encouraging growth in order volume for the six months ended 30 June 2010. Its domestic and export sales rose over 100% and 50% year-on-year. Domestic sales increased nearly 30% over the second half of last year, accounting for more than 50% of the Group’s total sales. The average selling price and sales volume surged by 40% and 29% respectively, resulting from increase in all price levels and demand from economic recovery.

During the period under review, the Group’s total turnover was HK\$621,200,000, representing a surge of 75% from the same period last year and an increase of 10% from the second half of last year. Profit from operation rose 160% year-on-year to HK\$34,900,000. Due to the increase in orders of high value-added products, the Group’s ability to pass on the cost increase to its customers and the improvement in utilization rate of machinery, gross profit surged from HK\$56,100,000 to HK\$121,100,000, representing a surge by 116%. Gross profit margin rose from 15.8% to 19.5%.

Basic earnings per share of the Group reached 7.07 HK cents. The Board of Directors has declared payment of an interim dividend of 1.0 HK cent per share (2009: 1.0 HK cent).

Mr. Hui Sum Kwok, Chairman of Hop Fung, said, “Under the strategic planning of our management over the years, we are pleased that the Group has captured the opportunities presented by a reviving economy and continuously improved its business performance with a year-on-year increase of more than 40% in the average selling price during the first half and an increase of 25% when compared with the second half of last year. Hence, we are able to sustain our gross profit margin and net profit margin despite volatile operating environment.”

Benefited by the strong sales, the utilisation of the Group’s upstream (linerboard and corrugating medium) and downstream (carton boxes and boards) lines both reached 80%. The utilisation of the downstream lines rose to 90% in the second quarter. The sales volume of boxes and boards also achieved a record high.

Mr. Hui Sum Tai, Chief Executive Officer of Hop Fung, said, “Although the price of waste paper has started to drop since the second quarter this year, the overall market have been pressured by the rise in other costs, such as transportation, coal and wages, as well as the increase in the minimum wage in various provinces of China. Nevertheless, we have made a farsighted strategy of calculating wages based on the workload of the staff. Therefore, the increases of the minimum wage has no material impact on the Group’s production cost. To further control costs, we intend to continue to improve our production processes and enhance product quality supervision for boosting production efficiency and optimising utilisation.”

The Group has maintained a healthy financial position. As at 30 June 2010, its bank and cash balances amounted to approximately HK\$139,700,000, with a net gearing ratio at 60% and a current ratio of 1.06 times. Meanwhile, the Group continued to diligently work to adjust inventory levels and exercise stringent credit control. As a result, the Group’s bad debt ratio was close to zero. With prudent financial policies in place, the Group’s debt ratio has remained healthy.

Mr. Hui Sum Kwok concluded, “The debt issues in Europe may hinder the economic recovery of the region and has brought uncertainties to the global economy. Nevertheless, Hop Fung has successfully shifted its business focus to the China market and continued to achieve satisfactory growth, laying a solid foundation for our long-term business development. In view of the strong growth of the domestic market in China in the first half of the year, we are prudent yet optimistic about our business performance in the second half. Capitalising on the Group’s vertically integrated operation, extensive industry experience and market leadership in Guangdong Province, the Group is confident of expanding its business and market share in China, and delivering better returns to our shareholders.”

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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 over 1,000 customers in the manufacturing sectors in Hong Kong and the Pearl River Delta. The Group commenced upstream raw materials production 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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