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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

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended</b>		
	<b>30.6.2025</b>	<b>30.6.2024</b>	<b>Change</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	
Revenue	<b>69.1</b>	107.8	-35.9%
EBITDA*	<b>(14.7)</b>	(16.9)	-13.0%
Loss for the period	<b>(38.4)</b>	(43.7)	-12.1%
	<b>30.6.2025</b>	<b>31.12.2024</b>	<b>Change</b>
Gearing ratio	<b>13.0</b>	12.7%	+0.3 pp
Net gearing ratio**	<b>10.0</b>	8.0%	+2.0 pp

\* EBITDA represents earnings before finance costs, taxation, depreciation and amortisation

\*\* represents total bank borrowings less bank balances and cash and restricted bank deposits to equity

The board of directors (the “Board” or “Directors”) of Hop Fung Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2025 together with the comparative figures for the corresponding period in 2024 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2025*

		<b>Six months ended</b>	
		<b>30.6.2025</b>	<b>30.6.2024</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>69,134</b>	107,821
Costs of sales		<b>(64,094)</b>	(98,586)
Gross profit		<b>5,040</b>	9,235
Other income		<b>1,079</b>	1,120
Other gains and losses		<b>1,782</b>	175
Selling and distribution costs		<b>(4,449)</b>	(5,867)
Administrative expenses		<b>(16,112)</b>	(17,983)
Other expenses		<b>(27,489)</b>	(29,546)
Finance costs	4	<b>(1,662)</b>	(1,831)
Loss before taxation		<b>(41,811)</b>	(44,697)
Income tax credit	5	<b>3,405</b>	1,020
Loss for the period, attributable to owners of the Company	6	<b>(38,406)</b>	(43,677)
Other comprehensive income/(expense) for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		<b>19,849</b>	(22,724)
Total comprehensive expense for the period, attributable to owners of the Company		<b>(18,557)</b>	(66,401)
		<b>HK cents</b>	<b>HK cents</b>
Loss per share			
– basic	8	<b>(4.70)</b>	(5.34)
– diluted		<b>(4.70)</b>	(5.34)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

	Notes	30.6.2025 HK\$'000 (Unaudited)	31.12.2024 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		659,510	665,812
Right-of-use assets		17,449	17,493
Deposits and prepayments		125,252	131,821
		<u>802,211</u>	<u>815,126</u>
<b>Current assets</b>			
Inventories		12,058	13,098
Trade and other receivables	9	30,787	39,549
Deposits and prepayments		4,453	6,465
Restricted bank deposits		596	586
Bank balances and cash		20,125	33,558
		<u>68,019</u>	<u>93,256</u>
<b>Current liabilities</b>			
Trade and other payables	10	61,812	77,581
Taxation payable		1,689	1,361
Lease liabilities		64	141
Bank borrowings		4,317	4,239
		<u>67,882</u>	<u>83,322</u>
<b>Net current assets</b>		<u>137</u>	<u>9,934</u>
<b>Total assets less current liabilities</b>		<u>802,348</u>	<u>825,060</u>
<b>Non-current liabilities</b>			
Bank borrowings		87,595	88,128
Deferred taxation		5,347	8,969
		<u>92,942</u>	<u>97,097</u>
<b>Net assets</b>		<u><u>709,406</u></u>	<u><u>727,963</u></u>
<b>Capital and reserves</b>			
Share capital		81,764	81,764
Reserves		627,642	646,199
<b>Total equity, attributable to owners of the Company</b>		<u><u>709,406</u></u>	<u><u>727,963</u></u>

## **Notes:**

### **1. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

#### **Going concern basis**

The Group incurred consecutive losses attributable to owners of the Company of approximately HK\$38,406,000 and HK\$43,677,000 for the six-months period ended 30 June 2025 and 2024. In addition, as disclosed in note 11 to the unaudited condensed 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\$20,125,000 as at 30 June 2025, 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 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 RMB300,000,000 are available to the Group for not less than twelve months from 30 June 2025. 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 unaudited condensed 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 unaudited condensed 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 unaudited condensed consolidated financial statements.

## **2. PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2024.

### **Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")**

In the current interim period, the Group has adopted all the new and revised HKFRSs and new interpretations issued by HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2025. HKFRSs comprise Hong Kong Financial Reporting Standards; HKAS 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 financial statements and amounts reported for the current period and prior periods.

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**

### **Segment information**

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

The Group's operations are organized 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

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

### Segment revenues and results

For the six months ended 30 June 2025 (Unaudited)

	Containerboard HK\$'000	Corrugated Packaging HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>			
External sales	<u>–</u>	<u>69,134</u>	<u>69,134</u>
<b>RESULT</b>			
Segment loss	<u>(30,058)</u>	<u>(4,424)</u>	<u>(34,482)</u>
Central administrative expenses			(5,667)
Finance costs			<u>(1,662)</u>
Loss before taxation			<u>(41,811)</u>

For the six months ended 30 June 2024 (Unaudited)

	Containerboard HK\$'000	Corrugated Packaging HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>			
External sales	<u>–</u>	<u>107,821</u>	<u>107,821</u>
<b>RESULT</b>			
Segment loss	<u>(31,336)</u>	<u>(3,341)</u>	<u>(34,677)</u>
Central administrative expenses			(8,189)
Finance costs			<u>(1,831)</u>
Loss before taxation			<u>(44,697)</u>

#### 4. FINANCE COSTS

	Six months ended	
	30.6.2025	30.6.2024
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	1,660	1,826
Interest on lease liabilities	2	5
	<u>1,662</u>	<u>1,831</u>

#### 5. INCOME TAX CREDIT

	Six months ended	
	30.6.2025	30.6.2024
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	331	390
PRC Enterprise Income Tax	3	–
	<u>334</u>	<u>390</u>
Deferred tax credit	<u>(3,739)</u>	<u>(1,410)</u>
	<u>(3,405)</u>	<u>(1,020)</u>

Under the two-tiered profits tax rates regime of Hong Kong Profit 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.

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 year ending 31 December 2025.

No provision for Macau Complementary Tax has been made as the Group has no assessable profits arising in Macau for the six months ended 30 June 2025 and 2024.

## 6. LOSS FOR THE PERIOD

	Six months ended	
	30.6.2025	30.6.2024
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after (crediting) charging:		
Depreciation of property, plant and equipment	25,105	25,652
Depreciation of right-of-use assets	340	342
Gain from termination of a lease contract ( <i>Note</i> )	–	(7)
Staff Costs (including directors' emoluments)	17,394	19,574
Cost of inventories recognised as expenses	64,094	98,586
Exchange gains, net	(29)	(81)

*Note:* The Group's indirectly wholly owned subsidiary – Wah Wang Paper Ware Limited has agreed to early terminate the Macau office tenancy agreement with effective from 17 May 2024 with the landlord. The Group derecognise the right-of-use assets and lease liabilities of Nil (2024: HK\$487,000), which resulted in the Group recognised a gain from lease termination.

## 7. DIVIDENDS

No dividend was declared or proposed for the six months ended 30 June 2025 and 30 June 2024, 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:

	Six months ended	
	30.6.2025	30.6.2024
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share	(38,406)	(43,677)
	<b>30.6.2025</b>	<b>30.6.2024</b>
<b>Number of shares</b>		
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 six months ended 30 June 2025 and 30 June 2024 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 the six months ended 30 June 2025 and 30 June 2024.



## 9. TRADE AND OTHER RECEIVABLES

	<b>30.6.2025</b> <i>HK\$'000</i> (Unaudited)	31.12.2024 <i>HK\$'000</i> (Audited)
Trade receivables	<b>21,796</b>	30,665
Less: allowance for credit losses	<b>(248)</b>	(243)
	<b>21,548</b>	30,422
Other receivables ( <i>Note</i> )	<b>9,239</b>	9,127
Total trade and other receivables	<b>30,787</b>	39,549

*Note:* As at 30 June 2025, balance included an advance to Batangas Paper Corporation (“Batangas”), an independent third party to the Group, amounting to approximately HK\$7,695,000 (31 December 2024: approximately HK\$7,886,000), 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 recognized in 2024 (2025: 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 dates, which approximate the respective revenue recognition dates, at the end of the reporting period:

	<b>30.6.2025</b> <i>HK\$'000</i> (Unaudited)	31.12.2024 <i>HK\$'000</i> (Audited)
Within 30 days	<b>14,169</b>	20,504
31-60 days	<b>6,474</b>	9,488
61-90 days	<b>413</b>	341
Over 90 days	<b>492</b>	89
	<b>21,548</b>	30,422

As at 30 June 2025, included in the Group’s trade receivables balance are debtors with aggregate gross amount of approximately HK\$7,627,000 (31 December 2024: approximately HK\$10,161,000) which were past due as at the reporting date. Out of the past due balances, approximately HK\$506,000 (31 December 2024: approximately HK\$243,000) 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 56 days (31 December 2024: approximately 53 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 Group has financial risk management policies in place to ensure that all payables are within the credit time frame. The following is an aged analysis of trade payables presented based on the invoice due dates at the end of the reporting period:

	30.6.2025 HK\$'000 (Unaudited)	31.12.2024 HK\$'000 (Audited)
Current	4,629	11,311
Overdue 1 to 30 days	23	8
Overdue 31 to 60 days	–	–
Overdue for more than 60 days	11,584	11,384
Trade payables	16,236	22,703
Payables for acquisition of property, plant and equipment	3,200	2,492
Other PRC tax payables	13,010	11,794
Accrued charges (Note)	25,692	37,811
Other payables	3,674	2,781
	61,812	77,581

*Note:*

Major items in accrued charges are accrued salaries and wages.

## 11. LITIGATION AND CONTINGENT LIABILITIES

### **Tax issues of a subsidiary in the PRC**

#### ***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 (QingXin) 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") (國家稅務局清遠市稅務局第二稽查局) (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 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.

### ***The Tax Treatment Decision (Continued)***

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 (廣東省高級人民法院) 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, Guangdong Province Tax Bureau accepted the administrative review on the Tax Penalty Decision. On 8 November 2022, Guangdong Province Tax Bureau decided to uphold the Tax Penalty Decision. On 24 November 2022, Green Forest Paper filed an administrative proceeding against Guangdong Province Tax Bureau and Qingyuan Tax Bureau at 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 has 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.

***The Tax Penalty Decision (Continued)***

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. On 14 April 2025, the Guangzhou Railway Transportation Intermediate Court issued an administrative judgement (the “Second Trial Judgement”) where it was held that the First Trial Administrative Judgement shall be revoked; and the proceedings taken out by Green Forest Paper be dismissed. Up to the date of the consolidated financial statements, the Group is seeking PRC legal advice with respect to the Second Trial Judgement and possible actions can be taken by Green Forest Paper regarded the Tax Penalty Decision.

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 30 June 2025 as the Group is seeking PRC legal advice with respect to the Second Trial Judgement and possible actions can be taken by Green Forest Paper regarded the Tax Penalty Decision.

Should additional provisions be required after the Group’s further assessment, such provision will be incorporated in the consolidated financial statements if necessary. Further announcement(s) will be made where and when appropriate.

## **INTERIM DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

## **BUSINESS REVIEW**

In the first half of 2025, The Group's revenue decreased by 35.9% due to the decrease in customer orders. The downturn in worldwide economic activities and tense competition made the corrugated packaging industry under relatively high pressure.

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 since 2022.

Against the backdrop of surging manufacturing costs and the weakening of market demand, the business environment of the corrugated packing industry is expected to remain challenging. The Group has made efforts to strengthen the cost control management and enhance operational efficiency.

## **FINANCIAL REVIEW**

### **Operating Results**

Revenue decreased from HK\$107.8 million in the first half of 2024 to HK\$69.1 million in the first half of 2025. Such a 35.9% decrease was due to the decline in customer demand and tense competition. The decrease in cost of sales was due to the reduction on containerboard procurement. Gross profit decreased from HK\$9.2 million to HK\$5.0 million. Gross profit margin decreased from 8.6% to 7.3%, which was due to the decrease in revenue being outweighed by the decrease in cost of sales.

Other income fell HK\$0.02 million, from HK\$1.1 million to HK\$1.08 million. It was mainly due to less bank interest income.

Other gains and losses increased from net gains of HK\$0.1million in the first half of 2024 to net gains of HK\$1.8 million in the first half of 2025, primarily due to the written off of accruals and other payables which was partially offset by impairment loss on the deposit paid for the acquisition of property, plant and equipment.

Selling and distribution costs decreased from HK\$5.9 million to HK\$4.4 million. The decrease of 2.4% was attributed to the decrease in transportation costs which was in line with the decrease in revenue in the first half of 2025.

Administrative expenses decreased from HK\$17.9 million to HK\$16.1 million in the first half of 2025 due to the Group's proactive review and streamlining of its cost structure, aimed at enhancing better capital efficiency across operations.

Other expenses decreased from HK\$29.5 million to HK\$27.5 million. It was mainly due to the decrease in legal and professional fees.

Finance costs decreased from HK\$1.8 million to HK\$1.7 million, owing to repayment of bank borrowings in the first half of 2025.

EBITDA (earnings before interest, tax, depreciation and amortization) decreased HK\$2.2 million, from HK\$-16.9 million to HK\$-14.7 million. Loss for the period of HK\$38.4 million was recorded in the first half of 2025 while loss for the period of HK\$43.7 million was recorded in the first half of 2024.

### **Liquidity, financial and capital resources**

As at 30 June 2025, the Group's total cash and cash equivalents were HK\$20.1 million (31 December 2024: HK\$33.6 million) which was mostly denominated in Renminbi.

Net current assets and current ratio of the Group as at 30 June 2025 were HK\$0.1 million (31 December 2024: Net current assets: HK\$9.9 million) and 1.0 (31 December 2024: 1.12) respectively.

In the first half of 2025, the Group spent HK\$0.2 million on capital expenditure for property, plant and equipment in Mainland China (30 June 2024: HK\$1.06 million).

As at 30 June 2025, debtors, creditors and inventory turnover were approximately 56 days (31 December 2024: approximately 53 days), 46 days (31 December 2024: approximately 43 days) and 46 days (31 December 2024: approximately 33 days) respectively.

The total bank borrowings were HK\$91.9 million as at 30 June 2025 (31 December 2024: HK\$92.4 million). Gearing ratio (total bank borrowings over total equity) increased from 12.7% as at 31 December 2024 to 13.0% as at 30 June 2025. Net borrowings level (bank balances and cash and restricted bank deposits less total bank borrowings) of HK\$71.2 million was recorded as at 30 June 2025 (31 December 2024: net borrowings level HK\$58.2 million). Net gearing ratio (net balance of total borrowings less bank balances and cash and restricted bank deposits to equity) increased from 8.0% as at 31 December 2024 to 10.0% as at 30 June 2025. The current bank borrowings increased by HK\$0.1 million and non-current bank borrowings decreased by HK\$0.5 million.

## **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 sluggish 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 the unstable market conditions. Meanwhile, the Group expects the upstream business to resume operation after completion of the 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. The market's growing focus on sustainability has driven the adoption of eco-friendly packaging materials, which may stimulate the use of paper packaging as a substitute, and the Group's packaging paper business thus benefit. Also, the experiential growth of E-commerce will increase the need of corrugated packaging material for safety and efficiently 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 to ultimately enhance the Group's performance.

## **HUMAN RESOURCES**

As at 30 June 2025, the Group employed a total workforce of around 206 full time staff (31 December 2024: 229). 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 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2025 and has discussed risk management, internal control and financial reporting matters including the review of accounting practices and principles adopted by the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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 for the six months ended 30 June 2025.

As at 30 June 2025, the Company did not hold any treasury shares as defined in the Listing Rules.



## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "Code of Conduct") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to 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 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30 June 2025, 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 the 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 the senior management.
- Currently, the remuneration of the senior management is attended by the chairman and/or the 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.

### **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, at least 25% of the Company's total issued Shares were held by the public throughout the six months ended 30 June 2025 and thereafter up to the date of this announcement.

### **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the Company's website ([www.hopfunggroup.com](http://www.hopfunggroup.com)) and Hong Kong Exchanges and Clearing Limited (the "HKEX") ([www.hkexnews.hk](http://www.hkexnews.hk)).

The interim report of the Company for the six months ended 30 June 2025 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 September 2025.

### **ACKNOWLEDGEMENT**

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

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

Hong Kong, 22 August, 2025

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