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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 30TH JUNE, 2022**

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended</b>		<b>Change</b>
	<b>30.6.2022</b>	<b>30.6.2021</b>	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Revenue	<b>241.9</b>	410.0	-41.0%
EBITDA*	<b>(41.6)</b>	55.0	-175.6%
(Loss) profit for the period	<b>(83.1)</b>	1.1	-7,654.6%
	<b>30.6.2022</b>	<b>31.12.2021</b>	<b>Change</b>
Gearing ratio	<b>13.2%</b>	18.2%	-5.0pp
Net gearing ratio**	<b>-3.9%</b>	-1.6%	-2.3pp

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

\*\* represents total bank balances and cash exceeding total bank borrowings

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 30th June, 2022 together with the comparative figures for the corresponding period in 2021 as follows:

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

For the six months ended 30th June, 2022

		<b>Six months ended</b>	
		<b>30.6.2022</b>	30.6.2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>241,864</b>	410,020
Cost of sales		<b>(265,943)</b>	(350,891)
Gross (loss) profit		<b>(24,079)</b>	59,129
Other income		<b>6,717</b>	7,662
Other gains and losses		<b>(5,067)</b>	5,031
Selling and distribution costs		<b>(10,286)</b>	(15,837)
Administrative expenses		<b>(37,395)</b>	(37,849)
Other expenses		<b>(8,496)</b>	(10,753)
Finance costs	4	<b>(3,747)</b>	(4,442)
(Loss) profit before taxation		<b>(82,353)</b>	2,941
Income tax expense	5	<b>(796)</b>	(1,858)
(Loss) profit for the period, attributable to owners of the Company	6	<b>(83,149)</b>	1,083
Other comprehensive (expense) income for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		<b>(65,259)</b>	35,578
Total comprehensive (expense) income for the period, attributable to owners of the Company		<b>(148,408)</b>	36,661
		<b>HK cents</b>	<b>HK cents</b>
(Loss) earnings per share			
– basic	8	<b>(10.17)</b>	0.13
– diluted		<b>(10.17)</b>	0.13

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2022

	<i>Notes</i>	<b>30.6.2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31.12.2021 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		855,811	944,206
Right-of-use assets		25,144	31,440
Deposits and prepayments		169,313	177,504
		<b>1,050,268</b>	1,153,150
<b>Current assets</b>			
Inventories		70,247	127,177
Trade and other receivables	9	84,281	112,704
Deposits and prepayments		12,651	3,737
Bank balances and cash		188,128	246,677
		<b>355,307</b>	490,295
<b>Current liabilities</b>			
Trade and other payables	10	143,829	147,233
Taxation payable		1,292	1,413
Lease liabilities		4,869	9,760
Unsecured bank borrowings		43,761	106,928
		<b>193,751</b>	265,334
<b>Net current assets</b>		<b>161,556</b>	224,961
<b>Total assets less current liabilities</b>		<b>1,211,824</b>	1,378,111
<b>Non-current liabilities</b>			
Lease liabilities		60	305
Unsecured bank borrowings		101,874	119,951
Deferred taxation		8,723	8,280
		<b>110,657</b>	128,536
<b>Net assets</b>		<b>1,101,167</b>	1,249,575
<b>Capital and reserves</b>			
Share capital		81,764	81,764
Reserves		1,019,403	1,167,811
<b>Total equity, attributable to owners of the Company</b>		<b>1,101,167</b>	1,249,575

## 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 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### 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 30th June, 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2021.

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

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

In addition, the Group applied the following agenda decision of the Committee of the International Accounting Standards Board (“Committee”) which is relevant to the Group: Cost necessary to sell inventories (HKAS 2 Inventories) (June 2021).

Except as described below, the application of the amendments to HKFRSs and the Committee’s agenda decisions in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### **2.1 Impacts and accounting policies on application of Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use**

##### *2.1.1 Accounting policies*

###### Property, plant and equipment

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing the related assets functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss.

### *2.1.2 Transition and summary of effects*

The application of the amendments has had no material impact on the Group's condensed consolidated financial statements.

## **2.2 *Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories) (June 2021)***

### *2.2.1 Accounting policies*

#### **Inventories**

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

### *2.2.2 Transition and summary of effects*

The application of the Committee's agenda decision has had no material impact on the Group's condensed consolidated financial statements.

## **3. REVENUE AND SEGMENT INFORMATION**

### **Segment information**

The Group's manufacturing operations are located in the People's Republic of China (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 30th June, 2022 (Unaudited)

	Containerboard <i>HK\$'000</i>	Corrugated Packaging <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>					
External sales	-	241,864	241,864	-	241,864
Inter-segment sales	32,875	-	32,875	(32,875)	-
Total	<u>32,875</u>	<u>241,864</u>	<u>274,739</u>	<u>(32,875)</u>	<u>241,864</u>
<b>RESULT</b>					
Segment (loss) profit	<u>(53,840)</u>	<u>(10,530)</u>	<u>(64,370)</u>	<u>-</u>	<u>(64,370)</u>
Central administrative expenses					(14,236)
Finance costs					<u>(3,747)</u>
Loss before taxation					<u>(82,353)</u>

For the six months ended 30th June, 2021 (Unaudited)

	Containerboard <i>HK\$'000</i>	Corrugated Packaging <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>					
External sales	101,215	308,805	410,020	-	410,020
Inter-segment sales	67,890	-	67,890	(67,890)	-
Total	<u>169,105</u>	<u>308,805</u>	<u>477,910</u>	<u>(67,890)</u>	<u>410,020</u>
<b>RESULT</b>					
Segment profit	<u>6,562</u>	<u>12,287</u>	<u>18,849</u>	<u>-</u>	<u>18,849</u>
Central administrative expenses					(11,466)
Finance costs					<u>(4,442)</u>
Profit before taxation					<u>2,941</u>

Inter-segment sales are charged at prevailing market rates.

#### 4. FINANCE COSTS

	Six months ended	
	30.6.2022	30.6.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	3,668	4,358
Interest on lease liabilities	79	84
	<u>3,747</u>	<u>4,442</u>

#### 5. INCOME TAX EXPENSE (CREDIT)

	Six months ended	
	30.6.2022	30.6.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	182	121
PRC Enterprise Income Tax	171	1,055
	<u>353</u>	<u>1,176</u>
Deferred tax	443	682
	<u>796</u>	<u>1,858</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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% from 1st January, 2008 onwards. One of the Company's PRC subsidiaries is entitled to preferential rate of 15% for the Group's financial year ending 31st December, 2022. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

#### 6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2022	30.6.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	31,855	43,062
Depreciation of right-of-use assets	5,169	4,530
Staff Costs (including directors' emoluments)	44,119	49,309
Cost of inventories recognised as expenses	265,943	350,891
Exchange losses (gains), net	5,174	(5,015)

## 7. DIVIDENDS

No dividend was declared or proposed for the six months ended 30th June, 2022 and six months ended 30th June, 2021, nor has any dividend been proposed since the end of the reporting period.

## 8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2022 HK\$'000 (Unaudited)	30.6.2021 HK\$'000 (Unaudited)
<b>(Loss) earnings</b>		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	<u><u>(83,149)</u></u>	<u><u>1,083</u></u>
	<b>30.6.2022</b>	<b>30.6.2021</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u><u>817,644,000</u></u>	<u><u>817,644,000</u></u>

The computation of diluted (loss) earnings per share for the six months ended 30th June, 2022 and 30th June, 2021 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 30th June, 2022 and 30th June, 2021.

## 9. TRADE AND OTHER RECEIVABLES

	30.6.2022 HK\$'000 (Unaudited)	31.12.2021 HK\$'000 (Audited)
Trade receivables	73,302	102,709
Less: allowance for credit losses	<u>(1,030)</u>	<u>(1,076)</u>
	72,272	101,633
Other receivables ( <i>note</i> )	<u>12,009</u>	<u>11,071</u>
Total trade and other receivables	<u><u>84,281</u></u>	<u><u>112,704</u></u>

*Note:* As at 30th June, 2022, balance included an advance to a third party amounting to HK\$9,033,000 (31st December, 2021: HK\$9,108,000), which is unsecured, interest-free and repayable on demand.

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>30.6.2022</b> <i>HK\$'000</i> (Unaudited)	31.12.2021 <i>HK\$'000</i> (Audited)
Within 30 days	<b>71,576</b>	100,268
31–60 days	<b>656</b>	636
61–90 days	<b>40</b>	378
Over 90 days	<b>–</b>	351
	<b>72,272</b>	101,633

As at 30th June, 2022, included in the Group's trade receivables balance are debtors with aggregate gross amount of HK\$26,035,000 (31st December, 2021: HK\$28,845,000) which were past due as at the reporting date. Out of the past due balances, no balance (31st December, 2021: Nil) 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 65 days (31st December, 2021: 49 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 following is an aged analysis of trade payables presented based on the invoice due dates at the end of the reporting period:

	<b>30.6.2022</b> <i>HK\$'000</i> (Unaudited)	31.12.2021 <i>HK\$'000</i> (Audited)
Current	<b>14,887</b>	12,279
Overdue 1 to 30 days	<b>14</b>	24
Overdue 31 to 60 days	<b>–</b>	4
Overdue for more than 60 days	<b>13,600</b>	11,337
Trade payables	<b>28,501</b>	23,644
Trade payables under supplier finance arrangements ( <i>note a</i> )	<b>–</b>	6,081
Payables for the acquisition of property, plant and equipment	<b>4,588</b>	6,150
Other PRC tax payables	<b>32,065</b>	29,780
Accrued charges ( <i>note b</i> )	<b>71,069</b>	74,330
Other payables	<b>7,606</b>	7,248
	<b>143,829</b>	147,233

*Notes:*

- (a) These relate to trade payables in which the Group has issued bills to the relevant suppliers for future settlement trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension.
- (b) Major items in accrued charges are accrued salaries and wages.

The average credit period on purchases of goods is 40 days (31st December, 2021: 37 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

## **INTERIM DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June, 2022 (six months ended 30th June, 2021: nil).

## **BUSINESS REVIEW**

In the first half of 2022, with high inflation around the globe and the interest rate hikes in the US to curb soaring inflation, market expectations showed concerns about sluggish economic growth and possible recessions. The new wave of COVID-19 outbreak and the rising epidemic in many parts of China led to weak domestic demand because of pandemic lockdowns and other measures. Together with high manufacturing costs caused by the rising prices of raw materials and commodities, all these have taken a heavy toll on the corrugated packaging industry.

Since last October, the local government has suspended the annual inspection of the licences of the boilers, resulting in the temporary suspension of the Group's upstream business and the loss of the Group's containerboard sale in the first half of 2022, which significantly increased the burden on the Group. Currently, the Group continues to coordinate with the local government for the annual inspection procedures of the licences for the coal-fuel boilers to resume production and in parallel to conduct the project to change its boilers from coal-fuel boilers to gas-fuel boilers pursuant to the environmental policies of the local government. The Group has engaged a supplier to carry out the project for the works to change to gas-fuel boilers and assist the Group in completing the annual inspection procedures of the licences for the boilers, and expects to resume production in 2023. The Group has sufficient inventory of containerboard and will purchase from third party suppliers as appropriate to satisfy its production needs, which has no impact on other production businesses.

In addition to using the Group's existing containerboard inventory, the Group has been purchasing some containerboard overseas for supplying our downstream business for the production of corrugated paper boards and carton boxes. The payment of containerboard imports was settled in US dollars, but the Group's revenue was mainly generated from domestic sales denominated in Renminbi. Fluctuations in the Renminbi exchange rate have as a result put pressure on the Group. The significant decline in the Renminbi exchange rate in the first half of 2022 substantially negatively impacted the Group's profitability.

With the continued weak demand in Mainland China as a result of the city closure measures arising from the COVID-19 pandemic in China in the first half of the year, the Group's total sales volume and average selling prices decreased in the first half of 2022. Coupled with the impact of the temporary suspension of production of the Group's upstream business, revenue in the first half of 2022 fell by 41.0% as compared to the first half of 2021. Among which, revenue from the corrugated packaging business fell by 21.7% as compared to the first half of 2021. As a result of all these factors and the inability to fully pass on high raw material costs to customers, the Group recorded a loss in the first half of 2022.

The Group's inventory level and trade receivables at the end of June 2022 also decreased as a result of the decline in total sales volume and the temporary suspension of production of the upstream business. As the Group has sufficient working capital, its gearing ratio remained at very low levels at the end of June 2022, with the net cash (total bank balances and cash exceeding total bank borrowings), and the bad debt ratio was close to zero, which presents a strong financial position of the Group.

In addition, the Group is still in the process of installing a new pulp production line at the leased facility in the Philippines, subject to the prevalent COVID-19 pandemic in the region. The Group will actively monitor the local situation so as to facilitate the commencement of production as soon as possible. Consequently, it could satisfy the business needs of our Group's upstream business, bringing the Group's production volume and overall business back on track.

## **FINANCIAL REVIEW**

### **Operating results**

Revenue decreased from HK\$410.0 million in the first half of 2021 to HK\$241.9 million in the first half of 2022. Such a 41.0% decrease was due to the decrease in revenue as a result of the temporary suspension of production of upstream production, and the decrease in both average selling price and sales volume, which was attributed to lower customer demands. The extent of the decrease in cost of sales was less than that in revenue. Gross profit decreased from HK\$59.1 million to gross loss of HK\$24.1 million. Gross profit margin decreased from 14.4% to -10.0%, which was due to high cost of raw materials and recurring overheads.

Other income fell HK\$1.0 million, from HK\$7.7 million to HK\$6.7 million. It was mainly due to less interest income in the first half of 2022.

Other gains and losses decreased from net gain of HK\$5.0 million in the first half of 2021 to net loss of HK\$5.1 million in the first half of 2022, primarily due to the effect of depreciation of Renminbi.

Selling and distribution costs decreased from HK\$15.8 million to HK\$10.3 million. The decrease of 34.8% was attributed to the decrease in transportation costs which was in line with the decrease in revenue in the first half of 2022.

Administrative expenses slightly decreased from HK\$37.8 million to HK\$37.4 million in the first half of 2022. No significant change was recorded.

Other expenses decreased from HK\$10.8 million to HK\$8.5 million. It was mainly due to the decrease in China duties and charges in the first half of 2022.

The decrease in finance costs from HK\$4.4 million to HK\$3.7 million, was owing to lower bank borrowings in the first half of 2022.

EBITDA (earnings before interest, tax, depreciation and amortization) decreased HK\$96.6 million, from HK\$55.0 million to HK\$-41.6 million. Loss for the period of HK\$83.1 million was recorded in the first half of 2022 while profit for the period of HK\$1.1 million was recorded in the first half of 2021.

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

At 30th June, 2022, the Group's total cash and cash equivalents were HK\$188.1 million (31st December, 2021: HK\$246.7 million) which was mostly denominated in Renminbi.

Net current assets and current ratio of the Group as at 30th June, 2022 were HK\$161.6 million (31st December, 2021: HK\$225.0 million) and 1.8 (31st December, 2021: 1.8) respectively.

In the first half of 2022, the Group spent HK\$1.1 million on capital expenditure for property, plant and equipment in China.

At 30th June, 2022, the average inventory, debtors and creditors turnover days were 67 days (31st December, 2021: 44 days), 65 days (31st December, 2021: 49 days) and 40 days (31st December, 2021: 37 days) respectively.

The total bank borrowings were HK\$145.6 million as at 30th June, 2022 (31st December, 2021: HK\$226.9 million). Gearing ratio (total bank borrowings over total equity) fell from 18.2% as at 31st December, 2021 to 13.2% as at 30th June, 2022. Net cash (net of bank balances and cash less total bank borrowings) of HK\$42.5 million was recorded as at 30th June, 2022 (31st December, 2021: net cash HK\$19.8 million). Net gearing ratio (total bank borrowings net of bank balances and cash over total equity) fell from -1.6% as at 31st December, 2021 to -3.9% as at 30th June 2022. The current bank borrowings fell HK\$63.2 million and non-current bank borrowings fell HK\$18.1 million.

### **OUTLOOK**

In the second half of 2022, the development of the COVID-19 pandemic and Sino-foreign relations will present multiple challenges to the Chinese economy, and the business environment for the corrugated packaging industry is expected to remain difficult in the second half of the year. However, the Group will maintain good capital management and low debt levels, giving it greater flexibility to cope with the unstable market conditions. At the same time, we expect our upstream business to complete the annual review of its boiler licence and resume production in 2023, in line with the completion of the installation of a pulp production line in the Philippines, which will give us a competitive advantage in vertical integration and ultimately enhance the Group's profitability.

The Group pledges to continue to strive for price leadership and to pass on operating costs to customers in a reasonable manner. It will also continue to improve production efficiency, increase sales volume and minimise raw material impairment and energy consumption to mitigate the pressure of rising costs and to achieve long-term stable growth in the Group's profitability. The Group will continue to seize every advantage and opportunity offered by its vertically integrated operating model, and maintain a sound financial position and operating fundamentals to generate substantial returns for shareholders. At the same time, the Group will continue to place greater emphasis on environmental protection to contribute the society.

## **HUMAN RESOURCES**

As at 30th June, 2022, the Group employed a total workforce of around 750 full time staff (31st December, 2021: 805). 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. Chee Man Sang, Eric, 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 30th June, 2022 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 by the Company or any of its subsidiaries during the six months ended 30th June, 2022.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange.

## **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 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30th June, 2022, except with the following deviations:

### **Code Provision A.2.1**

- Code Provision A.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. 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 B.1.2**

- A deviation from the code provision B.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.

### **Code Provision C.3.3**

- Code Provision C.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 wish to raise. The audit committee has met with the Company's auditor once during the six months ended 30th June, 2022.

## **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 the website of 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 30th June, 2022 will be dispatched to the Company's shareholders in September 2022 and it will be available at the Company's website and HKEX's website.

## **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, 30th August, 2022

*As at the date of this announcement, the executive directors of the Company are Messrs. Hui Sum Ping and Hui Sum Tai and the independent non-executive directors of the Company are Messrs. Chee Man Sang, Eric, Wong Chu Leung and Chau Suk Ming.*