HOP FUNG GROUP

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, 2012

FINANCIAL HIGHLIGHTS

	Six months ended		
	30.6.2012	30.6.2011	**Change**
	HK$ million	*HK$ million*	
Revenue	**504.9**	721.0	–30.0%
EBITDA*	**55.2**	86.4	–36.2%
Profit from operation*	**3.6**	34.0	–89.4%
	30.6.2012	31.12.2011	**Change**
Net gearing ratio	**44.7%**	46.0%	–1.3pp

* *Excluding changes in fair value of derivative financial instruments (except net cash inflow from settlement of derivative)*

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, 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

		Six months ended	
		30.6.2012	30.6.2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**504,937**	721,030
Cost of sales		**(423,824)**	(598,233)
Gross profit		**81,113**	122,797
Other income		**6,355**	8,774
Selling and distribution costs		**(27,499)**	(38,358)
Administrative expenses		**(32,605)**	(37,493)
Other expenses		**(13,807)**	(9,180)
Finance costs		**(12,791)**	(11,711)
Changes in fair value of derivative financial instruments	4	**4,017**	2,395
Profit before taxation	5	**4,783**	37,224
Income tax expense	6	**(24)**	(3,935)
Profit for the period, attributable to owners of the Company		**4,759**	33,289
Other comprehensive (expense) income for the period:			
Exchange differences arising from translation of foreign operations		**(30)**	37,582
Total comprehensive income for the period, attributable to owners of the Company		**4,729**	70,871
		HK cent	*HK cents*
Earnings per share	8		
– basic		**0.99**	6.89
– diluted		**0.99**	6.78

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30th June, 2012

	Notes	**30.6.2012** *HK$'000* **(Unaudited)**	31.12.2011 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**1,367,307**	1,352,900
Prepaid lease payments on land use rights		**23,180**	23,486
		1,390,487	1,376,386
Current assets			
Inventories		**199,904**	188,288
Trade and other receivables	9	**184,028**	193,336
Deposits and prepayments		**9,307**	6,923
Prepaid lease payments on land use rights		**613**	613
Derivative financial instruments		**535**	728
Bank balances and cash		**382,190**	299,747
		776,577	689,635
Current liabilities			
Trade, bills and other payables	10	**336,548**	213,783
Taxation payable		**10,607**	18,765
Derivative financial instruments		**12,070**	13,432
Unsecured bank borrowings		**403,235**	439,674
		762,460	685,654
Net current assets		**14,117**	3,981
Total assets less current liabilities		**1,404,604**	1,380,367
Capital and reserves			
Share capital		**48,292**	48,292
Share premium and reserves		**1,018,505**	971,513
Total equity, attributable to owners of the Company		**1,066,797**	1,019,805
Non-current liabilities			
Unsecured bank borrowings		**306,659**	329,428
Deferred taxation		**31,148**	31,134
		337,807	360,562
		1,404,604	1,380,367

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements ("interim financial statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31st December, 2011, except as described below. The interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31st December, 2011.

In the current period, the Group has applied the following revised Hong Kong Financial Reporting Standard ("HKFRS") and HKAS issued by the HKICPA:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The application of the above revised HKFRS and HKAS in the current period has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

The Group has not early applied the following new and revised HKFRSs and HKASs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1st January, 2013
[2] Effective for annual periods beginning on or after 1st January, 2015
[3] Effective for annual periods beginning on or after 1st July, 2012
[4] Effective for annual periods beginning on or after 1st January, 2014

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at 30th June, 2012, the application of HKFRS 9 is not expected to have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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, 2012
(Unaudited)

	Containerboard	Corrugated packaging	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	**76,926**	**428,011**	**504,937**	**–**	**504,937**
Inter-segment sales	**353,971**	**1,446**	**355,417**	**(355,417)**	**–**
Total	**430,897**	**429,457**	**860,354**	**(355,417)**	**504,937**
RESULT					
Segment profit	**7,391**	**6,166**	**13,557**	**–**	**13,557**
Finance costs					**(12,791)**
Changes in fair value of derivative financial instruments					**4,017**
Profit before taxation					**4,783**

For the six months ended 30th June, 2011
(Unaudited)

	Containerboard	Corrugated packaging	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	103,197	617,833	721,030	–	721,030
Inter-segment sales	378,213	1,494	379,707	(379,707)	–
Total	481,410	619,327	1,100,737	(379,707)	721,030
RESULT					
Segment profit	22,485	24,055	46,540	–	46,540
Finance costs					(11,711)
Changes in fair value of derivative financial instruments					2,395
Profit before taxation					37,224

Inter-segment sales are charged at prevailing market rates.

The majority of the Group's revenue and contribution to operating profit is attributable to customers who have their manufacturing base in the People's Republic of China (the "PRC"). Accordingly, no analysis of geographical location is presented.

4. CHANGES IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash inflow from settlement of derivative financial instruments	**2,848**	3,064
Other changes in fair value of derivative financial instruments	**1,169**	(669)
	4,017	2,395

5. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	**423,824**	598,233
Depreciation of property, plant and equipment	**38,449**	36,403
Release of prepaid lease payments on land use rights	**308**	432
Interest income	**(1,851)**	(440)

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**2**	742
PRC Enterprise Income Tax	**8**	687
	10	1,429
Deferred tax	**14**	2,506
	24	3,935

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

The Macau subsidiaries of the Group incorporated under Decree-Law no.58/99/M are exempted from Macau complementary tax (Macau income tax) as long as they comply with the relevant regulations and do not sell their products to a Macau resident.

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 PRC subsidiary is exempted from PRC EIT for two years starting from the first profit-making year, followed by a 50% reduction for the next three years pursuant to the relevant laws and regulations in the PRC, was subject to PRC EIT rate of 12.5% for the six months ended 30th June, 2011 and 2012.

7. DIVIDENDS

In June 2011, a dividend of 3.40 HK cents per share, amounting to approximately HK$16,419,000, was paid to the shareholders as final dividend for the year ended 31st December, 2010.

During the six months ended 30th June, 2012, no payment of a final dividend was made for the year ended 31st December, 2011.

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June, 2012 (six months ended 30th June, 2011: nil)

8. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**4,759**	33,289

	30.6.2012	30.6.2011
Number of shares		
Number of ordinary shares in issue during the period, for the purpose of basic earnings per share	**482,924,000**	482,924,000
Effect of dilutive potential ordinary shares in respect of share options	**–**	8,017,357
Number of ordinary shares in issue during the period, for the purpose of diluted earnings per share	**482,924,000**	490,941,357

During the six months ended 30th June, 2012, the exercise price of the Company's share options exceeded the average market price per share. Accordingly, the share options did not have a dilutive effect and no diluted earnings per share is presented.

9. TRADE AND OTHER RECEIVABLES

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**169,803**	169,958
Less: allowance for doubtful debts	**(1,068)**	(1,068)
	168,735	168,890
Other receivables *(Note)*	**15,293**	24,446
Total trade and other receivables	**184,028**	193,336

Note: Included in other receivables as at 31st December, 2011 were reimbursement of tax and other charges of approximately HK$9,080,000 (which was fully settled in February 2012), and the cost for a piece of land paid by the Group in prior years (with carrying amount of RMB12,000,000, equivalent to HK$14,670,000) to be refunded from the PRC local government. The Group is still in the process of negotiating with the PRC local government for the amount of compensation. In the opinion of Directors of the Company, the Group will at least receive the cost paid for the land and hence the carrying amount of the land is included in "other receivables".

The Group allows credit periods ranging from 5 to 150 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 doubtful debts presented based on the invoice date at the end of the reporting period:

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**143,088**	148,701
31 - 60 days	**11,407**	10,392
61 - 90 days	**10,176**	3,357
Over 90 days	**4,064**	6,440
	168,735	168,890

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$1,602,000 (2011: HK$34,128,000) which were past due at the reporting date for which the Group has not provided for impairment loss. Such 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 61 days based on invoice dates (2011: 51 days).

10. TRADE, BILLS AND OTHER PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**97,207**	118,775
Overdue 1 to 30 days	**11,899**	10,287
Overdue 31 to 60 days	**653**	520
Overdue for more than 60 days	**1,223**	826
	110,982	130,408
Payables for the acquisition of property, plant and equipment	**7,060**	5,734
Other payables and accrued charges	**70,363**	72,540
Monies returnable to unsuccessful excess rights shares applicants	**148,143**	–
Interests and penalty payable	**–**	5,101
	336,548	213,783

The average credit period on purchases of goods is 52 days (2011: 38 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

11. SUBSEQUENT EVENT

On 10th July, 2012, the Company completed an issue of 241,462,000 new ordinary shares by way of the Company's rights issue on the basis of one rights share for every two existing shares at a subscription price of HK$0.18 per rights share. Net proceeds of approximately HK$42.1 million have been used for general working capital and for settling part of the bank borrowings of the Group. Details of the rights issue had been set out in the rights issue prospectus dated 13th June, 2012 and the announcements of the Company made on 23rd May, 2012 and 6th July, 2012, respectively.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June, 2012 (six months ended 30th June, 2011: nil).

BUSINESS REVIEW

The challenging environment in the second half of 2011 continued for companies globally in the first half of 2012. The impact of the European debt crisis is being felt by companies around the world, leaving the global economy in a rut. Austerity measures from a number of countries have put pressure on household income and spending, resulting in fewer orders for Chinese exporters. The business environment has tightened as a result, a situation made worse by slowing domestic demand growth in China and rising operating costs for domestic companies.

The global economy worsened from the second half of last year and the first half of this year was plagued by external and internal pressures for the Group. The Group has moved its sales strategy towards shorter cycle products and away from export orders, which have longer payment cycles, in order for the Group to secure stable fund flows. As a result, export orders have fallen by more than 60% in the first half of this 2012, and domestic sales orders fell by 10%. Domestic sales accounted for around 80% of first half 2012 sales.

The Group's upstream containerboard (corrugating medium and linerboard) saw a 25% decline in sales, with sales volume and average selling price down by 16% and 7%, respectively. Downstream, the corrugated packaging (corrugated paper boards and carton boxes) business saw a 30% decline in sales, with sales volume and average selling price down by 20% and 13%, respectively. The upstream and downstream businesses accounted for 15% and 85% of sales, respectively, similar to the levels seen in the first half of last year. As a whole, sales in the first half of 2012 fell by 30% compared to the same period of last year.

Raw materials prices started to fall in the second quarter of 2012 but other cost items such as wages and shipment costs have not fallen. The Group was however still able to break even through reducing wastage, energy conservation and improvements in production flows. Inventories, receivables and net gearing levels were similar compared to the end of last year, and bad debts remained close to zero, similar to prior years. The Group raised HK$42.1 million from a rights issue at the end of June 2012, making our finances even more stable.

FINANCIAL REVIEW

Operating results

The Group recorded a fall in revenue by 30.0%, from HK$721.0 million in the first half of 2011 to HK$504.9 million in the first half of 2012, resulting from weak global market demand and drop in average selling price. Though raw material prices only started to fall in the second quarter of 2012, the group strived to improve its production flows to save the production costs. As a result, the fall in cost of sales by 29.2% was in line with the fall in revenue. Gross profit margin slightly decreased from 17.0% to 16.1%.

The drop in other income by 27.6% was mainly attributable to less canteen service income received from reduced number of staff, and less scrap sales from declined production volume.

Selling and distribution costs fell 28.3% from HK$38.4 million to HK$27.5 million. The drop was in line with the fall in revenue.

The decline in administrative expenses by 13.0% from HK$37.5 million to HK$32.6 million was owing to the drop in the number of staff and drop in salaries accordingly.

Other expenses rose 50.4% from HK$9.2 million to HK$13.8 million. The surge was mainly due to new duty introduced and exchange loss incurred for repaying a term loan in China.

EBITDA (earnings before interest, tax, depreciation and amortisation and other changes in fair value of derivative financial instruments) fell 36.2%, from HK$86.4 million to HK$55.2 million.

The rise in finance costs by 9.2%, from HK$11.7 million to HK$12.8 million was the result of interest rate increment for the term loans in China.

Same as previous years, other changes in fair value of derivative financial instruments were recognised only for accounting purpose. It was non-cash in nature and would be reversed to zero at maturity date.

Profit from operation (profit for the period exclusive of other changes in fair value of derivative financial instruments) slid to HK$3.6 million from HK$34.0 million. The fall by 89.4% was mainly due to weak global market demand. The profit margin from operation fell from 4.7% to 0.7%.

Profit for the period fell 85.7% from HK$33.3 million to HK$4.8 million. Basic earnings per share dropped accordingly from 6.89 HK cents to 0.99 HK cent.

Liquidity, financial and capital resources

At 30th June, 2012, the Group's total cash and cash equivalents were HK$382.2 million (31st December, 2011: HK$299.7 million), mostly denominated in Hong Kong dollars and Renminbi. HK$42.1 million was the net proceeds raised from the rights issue exercise. HK$148.1 million was the monies to be returned to the unsuccessful excess rights shares applicants.

Net current assets and current ratio of the Group were HK$14.1 million (31st December, 2011: HK$4.0 million) and 1.02 (31st December, 2011: 1.01) respectively.

The Group spent HK$52.6 million on capital expenditures for annual maintenance and technical upgrades to production lines and facilities.

A surge in the average inventory turnover was recorded, from 63 days to 83 days. In addition to the basic two-month shipment for delivering waste paper from Europe or the United States to China, some shipping companies experienced problems in their logistics arrangements, resulting in delay in shipment.

Trust receipt loans decreased HK$72.4 million as less waste paper was bought from overseas suppliers. The current and non-current bank borrowings were down by HK$36.4 million and HK$22.8 million respectively. Net gearing (measured by total bank borrowings net of bank balances and cash excluding monies to be returned to unsuccessful excess rights shares applicants) was slightly increased by HK$7.9 million, owing to additional funds used for acquiring domestic waste paper to deal with the delayed shipment. Net gearing ratio dropped from 46.0% to 44.7%.

Contingent liabilities

The tax audits conducted by the IRD on the Company and its subsidiaries are still ongoing for the years of assessment 2004/2005 to 2010/2011. The IRD had previously issued protective assessments for the years of assessment 2004/2005 to 2005/2006 to certain subsidiaries of the Group. Objections have been filed against all these assessments. In the opinion of the Directors, the outcome and impact of this matter could not be determined with reasonable certainty at this stage.

OUTLOOK

Looking to the second half of 2012, the Group expects an uncertain global economy and slowing economic growth in China. That said, with leadership changes due in the United States and in China, we expect economic stimulus measures to be launched, which will help the global economy recover next year. China remains the driver of global growth and there is increasing demand for better living standards. As per person income increases, the current volatility in consumption demand reflects cyclical confidence changes and the Group remains optimistic towards the domestic sales market. We will continue to exploit potential markets, expand market share, reduce wastage and improve productivity, and implement tight credit controls, in order for the Group to continue its development steadily on solid foundations.

HUMAN RESOURCES

As at 30th June, 2012, the Group and the processing factory employed a total workforce of around 1,300 full time staff (31st December, 2011: 1,300). 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, Mr. Chee Man Sang, Eric (Chairman), Mr. Yip Kwok Kwan and Mr. Wong Chu Leung. The audit committee has reviewed with the management the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2012 and has discussed auditing, internal control, and financial reporting matters including the review of accounting practices and principles adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2012, the Company and its subsidiaries had not purchased, redeemed or sold any of the Company's listed securities on the Stock Exchange.

CORPORATE GOVERNANCE

The Group strives to maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The corporate governance principles of the Group emphasize the importance of a quality Board, effective internal controls and accountability to shareholders. The Company has applied the principles as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the period ended 30th June, 2012, 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 chief executive officer respectively are clear and distinctive and hence written terms thereof are not necessary.

Code Provision B.1.3

- A major deviation from the code provision B.1.3 is that the Remuneration Committee of the Company reviews and makes recommendations to the Directors on the remuneration packages of the executive Directors only but not senior management.

- Currently, the remuneration of senior management is attended by the chairman and/or chief executive officer of the Company.

ESTABLISHMENT OF NOMINATION COMMITTEE

The Board has established a nomination committee (the "Nomination Committee") on 29th March, 2012. The Board has appointed Mr. Chee Man Sang, Eric, Mr. Yip Kwok Kwan, Mr. Wong Chu Leung and Miss Hui Yuen Li, as the member of the Nomination Committee and Mr. Yip Kwok Kwan has been appointed as the chairman of the Nomination Committee.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30th June, 2012 will be dispatched to the Company's shareholders in September 2012 and it will be available at the Company's website and HKEX's website.

APPRECIATION

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
HUI Sum Kwok
Chairman

Hong Kong, 23rd August, 2012

As at the date of this announcement, the executive directors of the Company are Messrs Hui Sum Kwok, Hui Sum Ping, Hui Sum Tai and Miss Hui Yuen Li and the independent non-executive directors of the Company are Messrs Chee Man Sang, Eric, Yip Kwok Kwan and Wong Chu Leung.