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**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)**

**DISCLOSEABLE TRANSACTION**  
**ACQUISITION OF ASSETS**

Further to the Group's development of its upstream production of corrugating medium, the Group further vertically integrates the operations by developing kraft linerboard. The Board is pleased to announce that on 31st May 2006, its indirect wholly-owned subsidiary, Green Forest (QingXin) Paper Industrial Limited has entered into the Agreement with the Vendor to purchase the main unit of a kraft linerboard Paper Production Line at a total consideration of RMB65,988,000 (equivalent to approximately HK\$63,818,182).

Based on the relevant percentage ratios, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular providing further details of the Acquisition will be despatched to the Shareholders as soon as practicable.

The Group also proposes to make additional acquisitions for the Paper Production Line in the future. If any individual additional acquisitions, (a) by itself, or (b) in aggregate with the Acquisition if appropriate constitutes a notifiable transaction under the Listing Rules, the Company shall comply with the requirements of the Listing Rules.

## THE AGREEMENT

- Date:** 31st May 2006
- Parties:** Vendor: 維美德西安造紙機械有限公司 (Valmet-Xian Paper Machinery Co., Ltd.) being a manufacturer of paper production line in the PRC. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry by the Directors, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
- Purchaser: Green Forest (QingXin) Paper Industrial Limited, an indirect wholly-owned subsidiary of the Company, engaged in the manufacture and sale of corrugating medium
- Asset:** a Paper Production Line to be assembled in Qing Yuan
- Consideration:** The consideration of an aggregate amount of RMB65,988,000 (equivalent to approximately HK\$63,818,182) payable in cash was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms by reference to the current market value of paper production lines. As such paper production lines are of the same nature and similar specifications, the Directors consider the current market value was relevant in determining the consideration.
- The Purchaser is required to pay RMB6,600,000 (equivalent to approximately HK\$6,382,979) as a non-refundable deposit before 30th June 2006.
- The first installment of RMB10,000,000 (equivalent to approximately HK\$9,671,180) will be paid before 31st January 2007 whilst the second

installment of RMB9,795,200 (equivalent to HK\$9,473,114) will be paid before 31st March 2007. For each portion of the Paper Production Line delivered, 60% of the portion will be paid within 5 days upon receipt. It is expected that all of the consideration will be paid on or before 20th October 2007.

**Other Information:** The Agreement was entered into in the ordinary and usual course of business of the Group.

### **PROPOSED ADDITIONAL ACQUISITIONS OF ASSETS**

The Group also proposes to make additional acquisitions for the Paper Production Line in the future from either the Vendor or other suppliers depending on the price, quality and availability of the equipment and services required in relation to the additional acquisitions. If any individual additional acquisitions, (a) by itself, or (b) in aggregate with the Acquisition if appropriate constitutes a notifiable transaction under the Listing Rules, the Company shall comply with the requirements of the Listing Rules.

### **REASONS FOR THE ACQUISITION**

The Group is principally engaged in the manufacture and sale of corrugated paper-ware products including corrugated paper boards and carton boxes. The Group's primary raw materials for production are corrugating medium and kraft linerboard. In order to secure a stable supply of raw materials and reduce dependence on suppliers, the Group integrates vertically the operation by acquiring a corrugating medium paper production line in 2004 (as detailed in the related announcement and circular). The Acquisition was to further enhance the Group's upstream production of kraft linerboard.

The Purchaser is principally engaged in the manufacture and sale of corrugating medium.

The Directors consider that the terms of the Agreement are arrived at after arm's length negotiations based on normal commercial terms which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Acquisition will be funded by bank borrowings and/or internal resources. To the extent that the Acquisition will be financed by bank borrowings, the Group's bank borrowings is expected to increase.

## **GENERAL**

During the previous 12 months, the group had not purchased anything from the Vendor.

Based on the relevant percentage ratios, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Acquisition will be sent to the Shareholders as soon as practicable.

As at the date of this announcement, the Board consists of five executive directors namely Mr Hui Sum Kwok, Mr Hui Sum Ping, Mr Hui Sum Tai, Mr Wong Wing Por and Ms Hui Yuen Li and three independent non-executive directors namely Mr Liu Kwok Fai Alvan, Mr Chee Man Sang Eric and Mr Wong Chu Leung.

## **DEFINITIONS**

The following defined terms are used in this announcement:

“Acquisition”	the acquisition of the Paper Production Line pursuant to the Agreement
“Additional Acquisitions”	additional or further acquisitions of ancillary equipment and services for the kraft linerboard Paper Production Line
“Agreement”	the agreement dated 31st May 2006 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Board”	the board of Directors
“Company”	Hop Fung Group Holdings Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Paper Production Line”	a kraft linerboard paper production line custom built in accordance with the specifications of the Company

“PRC”	the People’s Republic of China which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Green Forest (QingXin) Paper Industrial Limited, a company incorporated in the PRC, and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC. For the purpose of this circular and for reference purpose only, RMB has been translated to HK\$ as to HK\$1 to RMB1.034. No representation is made that such amounts were or could be exchanged at such rate
“Shares”	ordinary shares of HK\$0.10 in the capital of the Company
“Shareholders”	holders of the Shares
“Vendor”	維美德西安造紙機械有限公司 (Valmet-Xian Paper Machinery Co., Ltd.). To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiry by the Directors, such vendor and its ultimate beneficial owner are not connected persons (as defined in the Listing Rules) of the Company

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

Hong Kong, 20th June 2006