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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)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES AND RESUMPTION OF TRADING

Sole Bookrunner and Lead Manager

CAZENOVE
Cazenove Asia Limited

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

On 14 November 2006, the Vendor entered into the Placing Agreement with Cazenove and the Company. Under the Placing Agreement, the Vendor has agreed to place, through Cazenove, 40,000,000 Shares in the share capital of the Company to not less than six independent investors at a price of HK\$2.00 per Share. On the same date, the Vendor and the Company also entered into the Subscription Agreement. Within 14 days of the Placing Agreement, the Vendor will, pursuant to the Subscription Agreement, subscribe for 40,000,000 new Shares at a price of HK\$2.00 per Share, being the same as the Placing Price.

The Placing is fully underwritten by Cazenove. Completion of the Placing and the Subscription is subject to the satisfaction of certain conditions as described below. If these conditions are not fulfilled, the Placing and Subscription will not proceed.

The Placing Shares represent approximately 10.42% of the existing issued share capital of the Company of 383,898,000 Shares and approximately 9.44% of the Company's issued share capital as enlarged by the Subscription Shares. The gross proceeds and net proceeds from the Subscription will be HK\$80 million and approximately HK\$77 million respectively. Approximately 90% of the net proceeds will be used by the Group to finance the construction of a new factory and purchase of manufacturing facilities for production of kraft linerboard and approximately 10% of the net proceeds will be used to meet its general working capital requirements.

The Vendor presently holds 252,000,000 of the issued shares of the Company, or approximately 65.64% interest in the Company as at the date of this announcement and prior to the completion of the Placing. The Vendor's shareholding in the Company will be reduced to approximately 55.22% immediately upon completion of the Placing, and will then be increased to approximately 59.45% immediately upon completion of the Subscription.

The Subscription is conditional upon, amongst other things, the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares. The Subscription Shares are proposed to be issued pursuant to the existing general mandate given to the Directors to allot and issue Shares.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares of the Company was suspended at the request of the Company from 9:30 a.m. on 15 November 2006 pending the release of this announcement. The Company has applied for the resumption of trading in the Shares of the Company with effect from 9:30 a.m. on 16 November 2006.

PLACING OF EXISTING SHARES

A placing agreement dated 14 November 2006 was entered into between the Vendor, the Company and Cazenove containing the following terms:

Sole Bookrunner and Lead Manager: Cazenove and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules). Cazenove would receive management and underwriting commission of 2.5% on the aggregate Placing Price of the Placing from the Vendor.

Places: The Placing Shares will be placed with not less than six places. The Places and their ultimate beneficial owners will be third parties independent of the Company and its connected persons (as defined in the Listing Rules). It is expected that no placee will become a substantial shareholder of the Company as a result of the Placing.

Number of Placing Shares: 40,000,000 Shares to be placed, representing approximately 10.42% of the existing issued share capital of the Company of 383,898,000 Shares, and approximately 9.44% of the issued capital of the Company as enlarged by the issue of 40,000,000 new Shares under the Subscription. The Placing is fully underwritten by Cazenove.

Placing Price: HK\$2.00 per Placing Share (exclusive of stamp duty, Stock Exchange trading fees and SFC transaction levies). This price was agreed after arm's length negotiations and represents:

- a discount of approximately 7.41% to the closing price of HK\$2.16 per Share as quoted on the Stock Exchange on 14 November 2006, being the last trading day of the Shares immediately before and including the date of this announcement; and
- a discount of approximately 8.09% to the average closing price of approximately HK\$2.176 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before and including 14 November 2006.

Rights: The Placing Shares rank pari passu in all respects with the existing Shares.

Completion: Completion of the Placing is expected to take place on or before 16 November 2006.

Lock-up: Pursuant to the Placing Agreement, the Vendor has undertaken to the Sole Bookrunner and Lead Manager that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and on or prior to the date being six (6) months after the date of the Placing Agreement, it will not and will procure that none of its nominees, companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Sole Bookrunner and Lead Manager) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the new Shares to be issued under the Subscription Agreement but excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Pursuant to the Placing Agreement, the Company has undertaken to the Sole Bookrunner and Lead Manager that (except for (i) the new Shares to be allotted and issued to the subscribers named in the Subscription Agreement or their respective nominees, (ii) any new Shares or options to be issued pursuant to the existing or previous employee share option schemes of the Company and (iii) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company or on the exercise of rights existing at the date of the Placing Agreement) from the date of the Placing Agreement and on and prior to the date being six (6) months after the date of the Placing Agreement it will not (without the prior written consent of the Sole Bookrunner

and Lead Manager) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transaction described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

SUBSCRIPTION OF NEW SHARES

A subscription agreement dated 14 November 2006 was entered into between the Vendor and the Company containing the following terms:

Number of Subscription Shares: The Company will issue 40,000,000 new Shares to the Vendor representing approximately 10.42% of the existing issued share capital of the Company and approximately 9.44% of the issued share capital of the Company as enlarged by the issue of 40,000,000 new Shares under the Subscription. The number of shares to be issued by the Company pursuant to the Subscription Agreement will not exceed the number of shares placed by the Sole Bookrunner and Lead Manager pursuant to the Placing Agreement.

Subscription Price: HK\$2.00 per Subscription Share (exclusive of stamp duty, Stock Exchange trading fees and SFC transaction levies) which is the same as the Placing Price. Subject to the Subscription being completed, the Company will bear the costs and expenses (including the fee and other payments payable to the Sole Bookrunner and Lead Manager, stamp duty, Stock Exchange trading fee, SFC transaction levy, printing and publishing costs and legal fees) in connection with the Placing and the Subscription which are estimated to be approximately HK\$3 million, after deducting, where applicable, interest accrued and received by the Vendor (if any) on the net proceeds of the Placing during the period between the date of completion of the Placing and the date of completion of the Subscription.

The Subscription Price, net of placing commission and other costs and expenses, is approximately HK\$1.925 per Subscription Share.

General Mandate: The Subscription Shares will be issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of its shareholders passed at the Company's annual general meeting held on 29 May 2006, which authorised the Directors to allot and issue a maximum of 76,050,400 Shares.

The general mandate has not been utilised prior to entering into of the Subscription Agreement and the Company has not undertaken any equity fund raising activities in the 12 months immediately before the date of this announcement.

Ranking of Subscription Shares: The Subscription Shares will, when fully paid, rank pari passu in all respects with the other Shares in issue or to be issued by the Company on or prior to the completion of the Subscription.

Conditions: The Subscription is conditional upon:

- completion of the Placing having occurred pursuant to the terms of the Placing Agreement; and
- listing of and permission to deal in all the Subscription Shares being granted by the Listing Committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares).

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares.

Completion: Pursuant to the Placing Agreement and the Subscription Agreement, and in accordance with the Listing Rules, the Subscription must be completed within 14 days after the date of the Placing Agreement, that is, on or before 28 November 2006 (or such other date as the Company and the Vendor may agree, subject to compliance with the Listing Rules), failing which the Subscription shall cease and terminate.

REASON FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

In view of the current market conditions, the Board consider that the Placing and Subscription represents a good opportunity to raise further capital for the Company, while at the same time broadening its shareholder and capital base. The Group is principally engaged in the manufacturing 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. The gross proceeds and net proceeds from the Subscription will be HK\$80 million and approximately HK\$77 million, respectively. Approximately 90% of the net proceeds will be used by the Group to finance the construction of a new factory for production of kraft linerboard and purchase of manufacturing facilities and approximately 10% of the net proceeds will be used to meet its general working capital requirements.

The Board considers the terms of the Placing Agreement and the Subscription Agreement to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

FUND RAISING ACTIVITY IN THE LAST 12 MONTHS

The Company has not conducted any fund raising activities in the last 12 months from the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the shareholding structure of the Company immediately upon completion of the Placing and the Subscription are set out below:

	Existing Shares	%	Immediately after the Placing	%	Immediately after the Placing and the Subscription	%
Vendor	252,000,000	65.64%	212,000,000	55.22%	252,000,000	59.45%
Directors and their associates	15,122,000	3.94%	15,122,000	3.94%	15,122,000	3.56%
Places of the Placing Shares	–	–	40,000,000	10.42%	40,000,000	9.44%
Other public shareholders of the Company	116,776,000	30.42%	116,776,000	30.42%	116,776,000	27.55%
Total	<u>383,898,000</u>	<u>100.00%</u>	<u>383,898,000</u>	<u>100.00%</u>	<u>423,898,000</u>	<u>100.00%</u>

Note:

The above figures assume that other than the Subscription Shares, no further Shares are issued or repurchased by the Company, and other than the Placing Shares, no Shares are sold or purchased by the Vendor, in each case on or after the date of this announcement and up to the date of the completion of the Placing and the Subscription. No substantial shareholder of the Company will be introduced as a result of the Placing and the Subscription. There will be no implication under the Takeovers Code upon completion of the Placing and the Subscription as the Vendor, together with persons acting in concert with it (as defined in the Takeovers Code) have continuously held more than 50% of the voting rights of a company for at least 12 months immediately preceding the Placing and the Subscription.

UNITED STATES SELLING RESTRICTIONS

The Placing Shares have not been registered under the Securities Act and accordingly the sale of the Placing Shares is being made in reliance on Rule 144A under the Securities Act ("Rule 144A") to qualified institutional buyers (as defined in Rule 144A), purchasing the Placing Shares for their own accounts or for the accounts of qualified institutional buyers. The Placing Shares may not be offered or sold within the United States or to, or for the account or benefit of, US persons, except (1) outside the United States, in offshore transactions in accordance with Regulation S under the Securities Act ("Regulation S"); or (2) within the United States, to persons reasonably believed to be qualified institutional buyers in accordance with Rule 144A or in accordance with Rule 144 under the Securities Act (if available) or pursuant to an applicable exemption from the registration requirement of the Securities Act. In each case, such offer or sale must be made in accordance with any applicable securities laws of any state of the United States. For so long as such Placing Shares constitute "restricted securities" within the meaning of Rule 144 under the Securities Act, such Placing Shares may not be deposited in any unrestricted depositary receipt facility maintained in the United States in respect of the shares of the Company. Terms used above have the meanings given to them by Regulation S.

SUSPENSION AND RESUMPTION OF TRADING

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DEFINITIONS

The following defined terms are used in this announcement:

"associate"	has the meaning ascribed to it in the Listing Rules;
"Board"	board of directors of the Company;
"Cazenove" or "Sole Bookrunner and Lead Manager"	Cazenove Asia Limited, a deemed licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Company"	Hop Fung Group Holdings Limited;
"Directors"	directors of the Company;
"Group"	the Company and its subsidiaries;
"Hop Fung Industries BVI"	Hop Fung Industries (Holdings) Limited, a company incorporated in the British Virgin Islands, which is owned as to 11.81%, 11.81%, 38.19% and 38.19% by Mr. Hui Sum Kwok, Mr. Hui Sum Ping, Fullwood Holdings Limited and Goldspeed Holdings Limited respectively;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"Placing"	the placing of the Placing Shares pursuant to the Placing Agreement;
"Placing Agreement"	placing agreement between the Vendor, the Company and the Sole Bookrunner and Lead Manager dated 14 November 2006;
"Placing Price"	HK\$2.00 per Placing Share;
"Placing Shares"	a total of 40,000,000 Shares representing approximately 10.42% of the existing issued share capital of the Company and approximately 9.44% of the issued share capital of the Company as enlarged by the issue of new shares pursuant to the Subscription Agreement, which are to be placed by the Sole Bookrunner and Lead Manager pursuant to the Placing Agreement at the Placing Price;
"SFC"	the Securities and Futures Commission of Hong Kong;
"Shares"	ordinary shares of HK\$0.10 each in the capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscription Agreement"	subscription agreement between the Vendor and the Company dated 14 November 2006;
"Subscription Shares"	40,000,000 Shares to be subscribed for by the Vendor pursuant to the Subscription Agreement;
"Subscription"	the subscription for the Subscription Shares pursuant to the Subscription Agreement;
"Takeovers Code"	The Hong Kong Code on Takeovers and Merger; and
"Vendor"	Hop Fung Industries Limited, a company incorporated in the British Virgin Islands, the controlling shareholder of the Company and is owned as to 78.86%, 12.57% and 8.57% by Hop Fung Industries BVI, Delight Ocean Limited and Mr Shum Lit Ki respectively.

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

Hong Kong, 15 November 2006

As at the date of this announcement, the executive directors of the Company are Messrs Hui Sum Kwok, Hui Sum Ping, Hui Sum Tai, Wong Wing Por and Ms. Hui Yuen Li and the independent non-executive directors of the Company are Messrs Liu Kwok Fai, Alvan, Chee Man Sang, Eric and Wong Chu Leung.