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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,
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 19 July 2007, the Vendor, the Placing Agent and the Company entered into the Placing Agreement. Under the Placing Agreement, the Vendor has agreed to place, through the Placing Agent, 42,400,000 Shares in the share capital of the Company to independent investors at a price of HK\$3.55 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 42,400,000 new Shares at a price of HK\$3.55 per Share, being the same as the Placing Price.

The Placing is fully underwritten by the Placing Agent. 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 9.64% of the existing issued share capital of the Company of 439,842,000 Shares and approximately 8.79% of the Company's issued share capital as enlarged by the Subscription. The gross proceeds from the Placing will be HK\$150.52 million. The net proceeds from the Subscription of will be approximately HK\$146.42 million, which will be used by the Group as to RMB40 million (approximately HK\$40.80 million) for the building of a new corrugated paper boards manufacturing factory and facilities in Changping, Dongguan, Guangdong Province, as to RMB80 million (approximately HK\$81.60 million) for the purchase of certain production equipment to enhance production capability for the handling of corrugating medium and kraft linerboards, and the remaining balance as down payment for other production equipment and potential investment in another downstream plant.

The Vendor presently holds 252,000,000 of the issued shares of the Company, or approximately a 57.30% 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 47.66% immediately upon completion of the Placing, and will then be increased to approximately 52.26% immediately upon completion of the Subscription. There will be no implication under the Takeovers Code upon completion of the Placing and the Subscription as the Vendor, together with parties acting in concert with it (as defined in the Takeovers Code) have continuously held more than 50% of the voting rights of the Company for at last twelve months immediately preceding the Placing and 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 2:30 p.m. on 19 July 2007 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 20 July 2007.

PLACING OF EXISTING SHARES

A placing agreement dated 19 July 2007 was entered into between the Vendor, the Company and the Placing Agent containing the following terms:

Placing Agent:

The Placing Agent is independent of and not connected with the directors, chief executive or substantial shareholders of the Vendor, each member of the Group or any of their respective associates. The Placing Agent would receive management and underwriting commission of 2.5% from the Vendor.

- Placees:** The Placing Shares will be placed with not less than six placees, who (and their respective ultimate beneficial owners) will be third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. It is expected that no placee will become a substantial shareholder of the Company as a result of the Placing.
- Number of Placing Shares:** 42,400,000 Shares to be placed, representing approximately 9.64% of the existing issued share capital of the Company of 439,842,000 Shares, and approximately 8.79% of the issued capital of the Company as enlarged by the issue of 42,400,000 new Shares under the Subscription. The Placing is fully underwritten by the Placing Agent.
- Placing Price:** HK\$3.55 per Placing Share (exclusive of stamp duty, brokerage (if any), Stock Exchange trading fees and SFC transaction levies). This price was agreed after arm's length negotiations and represents:
- (i) a discount of approximately 7.31% to the closing price of HK\$3.83 per Share as quoted on the Stock Exchange on 19 July 2007, being the last trading day of the Shares immediately before and including the date of this announcement; and
 - (ii) a discount of approximately 1.39% to the average closing price of approximately HK\$3.60 per Share as quoted on the Stock Exchange for the last five trading days of the Shares prior to the date of this announcement.
- The Placing Price, net of placing commission and other costs and expenses, is approximately HK\$3.45 per Placing Share.
- 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 24 July 2007.
- Lock-up:** Pursuant to the Placing Agreement, the Vendor has undertaken to the Placing Agent 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 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 Placing Agent) (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 Placing Agent 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 months after the date of the Placing Agreement it will not (without the prior written consent of the Placing Agent) (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 19 July 2007 was entered into between the Vendor and the Company containing the following terms:

- Number of Subscription Shares:** The Company will issue 42,400,000 new Shares to the Vendor representing approximately 9.64% of the existing issued share capital of the Company and approximately 8.79% of the issued share capital of the Company as enlarged by the issue of 42,400,000 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 Placing Agent pursuant to the Placing Agreement.
- Subscription Price:** HK\$3.55 per Subscription Share (exclusive of stamp duty, brokerage (if any), 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 Placing Agent, 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\$4.10 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.
- 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 28 May 2007, which authorised the Directors to allot and issue a maximum of 84,779,600 Shares.
- The general mandate has not been utilised prior to entering into of the Subscription Agreement and the Company, save as the net proceeds of HK\$77 million raised from a top-up placing as set out in the announcement of the Company dated 15 November 2006, 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:

- (a) completion of the Placing having occurred pursuant to the terms of the Placing Agreement; and
- (b) 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 2 August 2007 (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 considers that the Placing and Subscription represent a good opportunity to raise further capital for the Company, while at the same time broaden its shareholder and capital base. The gross proceeds from the Placing will be HK\$150.52 million. The net proceeds from the Subscription of approximately HK\$146.42 million, which will be used by the Group as to RMB40 million (approximately HK\$40.80 million) for the building of a new corrugated paper boards manufacturing factory and facilities in Changping, Dongguan, Guangdong Province, as to RMB80 million (approximately HK\$81.60 million) for the purchase of the certain production equipment to enhance production capability for the handling of corrugating medium and kraft linerboards, and the remaining as down payment for other production equipment and potential investment in another downstream plant.

Therefore, 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.

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:

	Immediately before completion of the Placing		Immediately after completion of the Placing but before Subscription		Immediately after completion of the Placing and Subscription	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Vendor	252,000,000	57.30	209,600,000	47.66	252,000,000	52.26
Directors and their associates	30,006,000	6.82	30,006,000	6.82	30,006,000	6.22
Public	157,836,000	35.88	157,836,000	35.88	157,836,000	32.73
Placees	–	–	42,400,000	9.64	42,400,000	8.79
Total	<u>439,842,000</u>	<u>100.00</u>	<u>439,842,000</u>	<u>100.00</u>	<u>482,242,000</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 no Share Options are exercised, 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 Subscription.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares of the Company was suspended at the request of the Company from 2:30 p.m. on 19 July 2007 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 20 July 2007.

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;
“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;
“Placing Agent”	Cazenove Asia Limited, the sole bookrunner, lead manager and placing agent of the Placing;
“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 Placing Agent dated 19 July 2007;
“Placing Price”	HK\$3.55 per Placing Share;
“Placing Shares”	a total of 42,400,000 Shares representing approximately 9.64% of the existing issued share capital of the Company and approximately 8.79% 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 Placing Agent 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 19 July 2007;

“Subscription Shares”	42,400,000 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; 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. Hui Sum Tai respectively.

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

In this announcement, an exchange rate of RMB1.00 to HK\$1.02 is used solely for illustration purpose.

Hong Kong, 19 July 2007

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