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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

INSIDE INFORMATION
TEMPORARY SUSPENSION OF PRODUCTION OF
GREEN FOREST (QINGXIN) PAPER INDUSTRIAL LIMITED

Due to the consideration of the environmental policies of the local government regarding Prohibited Zone, the annual inspection procedures of the licences of the boilers have not been completed. The Company has temporarily suspended the production operation of Green Forest Paper, a wholly-owned subsidiary of the Company.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Hop Fung Group Holdings Limited (the “**Company**”, which together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors of the Company announced that due to the consideration of the environmental policies of the local government regarding Prohibited Zone, the annual inspection procedures of the licences of the boilers have not been completed. The Company has temporarily suspended the production operation of Green Forest (QingXin) Paper Industrial Limited (the “**Green Forest Paper**”), a wholly-owned subsidiary of the Company.

Green Forest Paper has a total of three coal-fuel boilers and the annual inspection of the licences of these boilers expired in mid-October 2021 and such licences will be renewed on an annual basis subject to the annual inspection. The Group has submitted the required documents about the annual inspection to the relevant authority, but the process has been suspended, resulting in the delay in the annual inspection of the licences of the boilers. The Board believes that the annual inspection of the licences for this year was delayed due to the consideration of the following environmental policies of the local government regarding Prohibited Zone.

By the Notice on Expanding the Prohibition Zone for High-Pollution Fuels in Qingyuan City (Qingfu Han [2020] number 26) (關於擴大清遠市區高污染燃料禁燃區的通告(清府函[2020]26號)) dated 28 February 2020 from the People’s Government of Qingyuan City (清遠市人民政府) (the “**Notice No. 26**”), new and expanded facilities using high-pollution fuels are prohibited in the Prohibited Zone (the “**Prohibited Zone**”) where existing facilities using high-pollution fuels should cease and change to use clean energy such as natural gas, shale gas, liquefied petroleum gas and electricity on or before 30 September 2020.

Green Forest Paper is located in the Prohibited Zone. On 9 March 2020, Qingxin Sub-Bureau of Qingyuan City Ecological Environment Bureau (清遠市生態環境局清新分局) issued to Green Forest Paper a Letter about Speeding Up the Completion of Cessation of Coal Fuel Boilers in the High-Pollution Fuels Prohibited Zone under the Sub Bureau (Qingxin Huan Han [2020] No. 24) (關於加快推進完成我區高污染燃料禁燃區燃煤鍋爐退出工作的函(清新環函[2020]24號)) whereby, pursuant to Notice No. 26, Green Forest Paper had to cease the use of its coal-fuel boilers and submit relevant information on the cessation to the sub-bureau on or before 30 September 2020 (“**Letter No. 24**”).

Upon receipt of Letter No. 24, Green Forest Paper has proactively taken steps to change its boilers from coal-fuel boilers to gas-fuel boilers. However, due to the lack of necessary facilities such as natural gas transmission pipelines and electricity transmission for the operation of gas-fuel boilers and other equipments, the Group has to establish gas filling stations and resolve electricity supply issues. All these require applications for the relevant permits, and the application processes ranging from project design, project acceptance, safety assessment and construction commencement involve different authorities and take time of not less than 6 months per step. In addition, the Group has to import big-scale gas-fuel boilers. The above processes are also delayed by COVID-19. The Board anticipated that it would take about 2 years to complete the whole change to gas-fuel boilers.

All along, the Board has been in communication with and conveying to the relevant local government the difficulties faced by Green Forest Paper. Since the existing coal-fuel boilers of Green Forest Paper have met the ultra-low emission standards as required by the People’s Government of Guangdong Province and Green Forest Paper practically cannot complete the transformation from coal-fuel boilers to gas-fuel boilers within such a short period as stated in Notice No. 26, Green Forest Paper proposed to the local government to allow Green Forest Paper to continue to use its coal-fuel boilers which meet the ultra-low emission standards stated above, while in parallel carry out the coal-to-gas change (煤改氣), which is expected to complete by the end of 2022. However, Green Forest Paper has not received a formal reply from the local government on this proposal.

Green Forest Paper was principally engaged in the production and trading of containerboard and corrugated packaging. The manufacture of containerboard was for the use by the Group internally as a raw material and sale externally to third parties. For the year ended 31 December 2020, approximately 37% of containerboard produced by Green Forest Paper was used internally by the Group and approximately 63% was sold to third parties externally, whereas sales of corrugated packaging was entirely sold to third parties. The revenue of Green Forest Paper for the year ended 31 December 2020 comprised trading of containerboard and corrugated packaging amounting to HK\$442,094,000 and HK\$73,456,000 respectively, representing approximately 42% and 7% respectively of the Group's total revenue.

During the period of temporary suspension of production, Green Forest Paper will continue to coordinate with the local authority for the annual inspection procedures of the licences for the existing coal-fuel boilers to resume production as soon as possible and in parallel carry out the works to change to gas boilers. In the meantime, the Group will use existing inventory of containerboard and third party supplies to satisfy its production needs. The rest of the Group's production sites is unaffected by the above matter.

The Group has always attached great importance to environmental protection and management, and has actively responded to and implemented environmental protection management policies promulgated by the government. Green Forest was awarded Environmental Integrity Enterprise (Green Label Enterprise) (環保誠信企業(綠牌企業)) issued by Guangdong Provincial Department of Ecology and Environment (廣東省生態環境廳) in 2018 and 2019. Temporary suspension of the production of Green Forest Paper was not due to any violation of laws or regulations, but in itself a voluntary action taken by the Group in view of the reasons stated above.

The Company will make further announcement(s) as and when necessary in a timely manner based on the progress of the above matter.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 18 October 2021

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.