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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2013

FINANCIAL HIGHLIGHTS

	2013	2012
	HK$ million	*HK$ million*
Revenue	**1,026.6**	1,051.1
Gross profit	**173.6**	170.6
EBITDA*	**114.0**	116.4
Profit from operation*	**5.3**	7.6
Net gearing ratio	**35.3%**	33.5%

* *Excluding unrealized gain on changes in fair value of derivative financial instruments*

The board of directors (the "Board" or "Directors") of Hop Fung Group Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2013 together with the comparative figures for the year ended 31st December, 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31st December, 2013

	Notes	2013	2012
		HK$'000	HK$'000
Revenue	2	**1,026,623**	1,051,097
Cost of sales		**(853,037)**	(880,542)
Gross profit		**173,586**	170,555
Other income		**12,666**	11,556
Selling and distribution costs		**(60,423)**	(55,714)
Administrative expenses		**(71,602)**	(68,878)
Other expenses		**(23,735)**	(23,717)
Finance costs	3	**(24,737)**	(25,412)
Changes in fair value of derivative financial instruments		**4,329**	18,444
Profit before taxation		**10,084**	26,834
Income tax expense	4	**(4,186)**	(6,245)
Profit for the year, attributable to owners of the Company	5	**5,898**	20,589
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**27,315**	31,750
Total comprehensive income for the year, attributable to owners of the Company		**33,213**	52,339
		HK cents	*HK cents*
Earnings per share	7		
– basic		**0.81**	3.33
– diluted		**0.81**	3.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st December, 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**1,429,963**	1,398,415
Prepaid lease payments on land use rights		**22,887**	23,216
		1,452,850	1,421,631
Current assets			
Inventories		**102,296**	143,637
Trade and other receivables	*8*	**220,132**	175,216
Deposits and prepayments		**7,490**	12,642
Prepaid lease payments on land use rights		**627**	621
Derivative financial instruments		**1,173**	1,489
Bank balances and cash		**239,767**	289,159
		571,485	622,764
Current liabilities			
Trade, bills and other payables	*9*	**180,592**	221,339
Taxation payable		**11,384**	10,501
Derivative financial instruments		**222**	1,186
Unsecured bank borrowings		**348,195**	313,049
		540,393	546,075
Net current assets		**31,092**	76,689
Total assets less current liabilities		**1,483,942**	1,498,320
Capital and reserves			
Share capital		**72,439**	72,439
Share premium and reserves		**1,077,359**	1,041,968
Total equity, attributable to owners of the Company		**1,149,798**	1,114,407
Non-current liabilities			
Unsecured bank borrowings		**297,425**	349,554
Deferred taxation		**36,719**	34,359
		334,144	383,913
		1,483,942	1,498,320

Notes:

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1st January, 2014, with earlier application permitted

2 Effective for annual periods beginning on or after 1st July, 2014, except as disclosed below. Early application is permitted

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

4 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions

5 Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to change in financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the adoption of HKFRS 9 in the future will not have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities.

The Directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

2. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the gross proceeds received and receivable on the sale of goods during the year, net of discounts and sales related tax.

Segment information

The Group's operations are organised based on the differences in products. Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance is analysed based on the difference in products. No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, 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 segment:

Segment revenues and results

For the year ended 31st December, 2013

	Containerboard	Corrugated Packaging	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	**186,790**	**839,833**	**1,026,623**	**–**	**1,026,623**
Inter-segment sales	**677,073**	**485**	**677,558**	**(677,558)**	**–**
Total	**863,863**	**840,318**	**1,704,181**	**(677,558)**	**1,026,623**
RESULT					
Segment profit	**20,291**	**10,201**	**30,492**	**–**	**30,492**
Finance costs					**(24,737)**
Changes in fair value of derivative financial instruments					**4,329**
Profit before taxation					**10,084**

For the year ended 31st December, 2012

	Containerboard	Corrugated Packaging	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	168,979	882,118	1,051,097	–	1,051,097
Inter-segment sales	713,374	2,794	716,168	(716,168)	–
Total	882,353	884,912	1,767,265	(716,168)	1,051,097
RESULT					
Segment profit	12,255	21,547	33,802	–	33,802
Finance costs					(25,412)
Changes in fair value of derivative financial instruments					18,444
Profit before taxation					26,834

Inter-segment sales are charged at prevailing market rates. No revenue from any single customer during the year contributed over 10% of the total revenue of the Group for both years.

3. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**24,737**	25,412

4. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**854**	870
PRC Enterprise Income Tax	**972**	2,150
	1,826	3,020
Deferred tax	**2,360**	3,225
	4,186	6,245

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

A portion of the Group's profits are earned by the Macau subsidiaries of the Group incorporated under the Macau SAR's Offshore Law. Pursuant to the Macau SAR's Offshore Law, such portion of profits are exempted from Macau complementary tax, which is currently at 12% of the profits. Further, in the opinion of the Directors of the Company, that portion of the Group's profit is not at present subject to taxation in any other jurisdiction in which the Group operates.

Under the law of the People's Republic of China ("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.

A PRC subsidiary which 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 year ended 31st December, 2012.

5. PROFIT FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2013	2012
	HK$'000	*HK$'000*
Profit for the year, attributable to owners of the Company, has been arrived at after charging:		
Cost of inventories recognised as expenses	**853,037**	880,542
Allowance for inventories (included in "cost of sales" and "cost of inventories recognised as expenses")	**145**	151
Depreciation of property, plant and equipment	**79,192**	76,587
(Reversal of) impairment losses on trade receivables (included in "other expenses")	**(804)**	185
Staff costs	**87,118**	75,743

6. DIVIDENDS

The Directors did not recommend the payment of a final dividend for the two years ended 31st December, 2013 and 31st December, 2012.

7. 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:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**5,898**	20,589

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**724,386,000**	618,103,136
Effect of dilutive potential ordinary shares in respect of share options	**172,406**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**724,558,406**	618,103,136

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31st December, 2012 has been adjusted for the bonus element of the rights issue completed on 10th July, 2012.

The computation of diluted earnings per share for the year ended 31st December, 2012 does not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for the year.

8. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**202,222**	160,456
Less: allowance for doubtful debts	**(496)**	(1,276)
	201,726	159,180
Other receivables *(Note)*	**18,406**	16,036
Total trade and other receivables	**220,132**	175,216

Note: During the year ended 31st December, 2011, the Group received a notification from the PRC local government for the return of a piece of land for its redevelopment purposes. The Group paid RMB12,000,000 in prior years to acquire that piece of land and the amount was previously included in the "prepaid lease payments on land use rights". The Group did not receive the formal legal title of that piece of land and the carrying amount of that piece of land as at 31st December, 2011 amounted to HK$14,670,000. Upon receipt of the notification, the Group reclassified the amount of HK$14,670,000 from "prepaid lease payments on land use rights" to "other receivables".

During the year ended 31st December, 2012, the Higher People's Court of Guangdong Province ordered the PRC local government to compensate the Group for an amount of RMB12,000,000 (equivalent to HK$15,000,000) and the related interests.

On 21st March, 2014, an agreement (the "Agreement") was entered into between a subsidiary of the Company and the PRC local government that the latter would repay the amount to the Group within 30 business days after the date of Agreement. Accordingly, the amount of RMB12,000,000 (equivalent to HK$15,000,000) is classified as current asset.

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:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**189,018**	147,878
31 – 60 days	**10,010**	6,411
61 – 90 days	**909**	1,991
Over 90 days	**1,789**	2,900
	201,726	159,180

Before accepting any new customer, the Group uses an external litigation search to assess the potential customer's credit quality and defines credit limits on a customer-by-customer basis. Limits and scoring attributed to customers are reviewed monthly. Trade receivables that are neither past due nor impaired relate to customers for whom there was no recent history of default.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$51,281,000 (2012: HK$40,764,000) 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 64 days (2012: 57 days) based on invoice dates.

9. 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:

	2013	2012
	HK$'000	*HK$'000*
Current	**77,279**	129,371
Overdue 1 to 30 days	**1,830**	12,705
Overdue 31 to 60 days	**4,720**	1,312
Overdue for more than 60 days	**2,434**	2,269
	86,263	145,657
Payables for the acquisition of property, plant and equipment	**13,289**	7,148
Other payables and accrued charges	**81,040**	68,534
	180,592	221,339

The average credit period on purchases of goods is 61 days (2012: 60 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Ming Room I, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Monday, 9th June, 2014 at 10:30 a.m. Notice of the annual general meeting will be published and issued to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 5th June, 2014 to Monday, 9th June, 2014, both dates inclusive, during which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding share options granted by the Company. In order to qualify for attendance at the annual general meeting of the Company to be held on Monday, 9th June, 2014, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 4th June, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2013, a modest relaxation in credit conditions and infrastructure policy in China combined with austerity measures on consumption using public funds resulted in a reduction in consumer demand and selling prices, and as a result the Group's revenue fell 9.3% compared to the first half of 2012. In the second half of 2013, as demand and selling prices recovered, the Group's revenue rose by 24% compared to the first half, and by 4.1% compared to the same period of 2012. However, selling prices fell by more in the first half compared to the increase in the second half, and the Group's overall average selling price still fell by 4.5% in 2013 compared to 2012. The increase in sales volume however meant the Group's overall revenue fell by only 2.3%.

Export revenue fell in the full year of 2013 by 30% as a result of a poor first half, but domestic revenue rose by 10%. The Group's upstream business, producing corrugating medium and linerboard, mostly supplies to the Group's downstream corrugated paper ware business, making corrugated paper boards and carton boxes, with only a limited portion of corrugating medium and linerboard sold to customers directly. The upstream and downstream businesses respectively accounted for 18% and 82% of revenue, with upstream revenue rising by 10.5%, and sales volume rising by 20%, and utilization reaching over 70%. The downstream business saw revenue fall by 4.8% on flat volumes, with utilization reaching over 60%.

In 2013, the Group's selling prices largely reflected changes in raw materials prices, but some costs such as wages and shipping costs were not adjusted despite fluctuations in demand or in the Chinese economy as a whole. In order to further strengthen our finances, the Group improved production processes to increase efficiency, and strived to reduce inventories, and lower our gearing levels, thus decreasing our finance costs and breaking even in operations.

FINANCIAL REVIEW

Operating results

The overall sales volume of the Group was improved in the challenging year of 2013. However, revenue in the first half of the year was deteriorated by the drop in average selling price, eventually leading to a slight decline in revenue by 2.3%, from HK$1,051.1 million in 2012 to HK$1,026.6 million in 2013.

The fall in cost of sales by 3.1% was in line with the fall in revenue. Gross profit slightly increased by 1.8%, from HK$170.6 million to HK$173.6 million. Gross profit margin was slightly improved from 16.2% to 16.9%.

The increase in other income of 9.5%, from HK$11.6 million to HK$12.7 million was mainly attributable to the bank interest income earned from fixed deposits, and exchange gain from the appreciation of Renminbi.

Selling and distribution costs tremendously rose by 8.4% from HK$55.7 million to HK$60.4 million. As sales volume rose, more petrol costs and wages was incurred in managing the delivery of finished products to customers.

There was an increase of 3.9% in administrative expenses from HK$68.9 million to HK$71.6 million. Such increment was caused by increasing staff cost and the accounting treatment of the grant of share options during the year.

Other expenses were maintained at HK$23.7 million. Less than HK$0.2 million was recognized as bad debts for the year while provision for doubtful debts of HK$0.2 million was made.

EBITDA (earnings before interest, tax, depreciation and amortization and unrealized gain on changes in fair value of derivative financial instruments) fell 2.1%, from HK$116.4 million to HK$114.0 million.

A slight decline in finance costs of 2.8%, from HK$25.4 million to HK$24.7 million, was owing to lower average borrowing level maintained throughout the year.

Unrealized gain on changes in fair value of derivative financial instruments was only recognized for accounting purpose. It was non-cash in nature and would be reversed to zero at maturity date.

Profit from operation (profit for the year before unrealized gain on changes in fair value of derivative financial instruments) slid by 30.7% from HK$7.58 million to HK$5.25 million. The profit margin from operation fell from 0.7% to 0.5%.

Profit for the year fell by HK$14.7 million representing 71.4%, from HK$20.6 million to HK$5.9 million. The fall was mainly resulted from the non-cash effect of unrealized gain on changes in fair value of derivative financial instruments from HK$13.0 million to HK$0.6 million.

Both basic and diluted earnings per share dropped from 3.33 HK cents (1.23 HK cents when excluding the unrealized gain on changes in fair value of derivative financial instruments) to 0.81 HK cents.

Liquidity, financial and capital resources

At 31st December, 2013, the Group's total cash and cash equivalents were HK$239.8 million (31st December 2012: HK$289.2 million), mostly denominated in Renminbi.

Net current assets and current ratio of the Group were HK$31.1 million (31st December 2012: HK$76.7 million) and 1.06 (31st December 2012: 1.14) respectively.

The Group spent HK$80.2 million on capital expenditures for annual maintenance on the plants and machineries and facilities upgrade on waste water processing.

Average inventory turnover was slightly decreased by 16 days, from 69 days to 53 days. Basically, two-month shipment was required for delivering waste paper from Europe or the United States to the plants in the PRC.

Total bank borrowings fell by HK$17.0 million. Gearing ratio fell from 59.5% to 56.2%. The current bank borrowings were up by HK$35.1 million while non-current bank borrowings were down by HK$52.1 million. The balance for total bank borrowings net of bank balances and cash rose by HK$32.4 million. Net gearing ratio slightly rose from 33.5% to 35.3%.

Contingent liabilities

The tax audits conducted by the Inland Revenue Department ("IRD") on the Company and its subsidiaries for the years of assessment 2004/2005 to 2010/2011 are still on-going. The IRD had issued protective assessments for the years of assessment 2004/2005 to 2006/2007 to certain subsidiaries of the Group. Objections were lodged against all these assessments. The Directors believe that no additional provison for Hong Kong profits tax is necessary at the present stage. The outcome and impact of this matter cannot be determined with reasonable certainty.

OUTLOOK

We still expect improving economic fundamentals to drive demand growth from both domestic and export markets. At the same time, the increase in prices meant we need to improve production efficiency, raise sales volume, reduce raw materials wastage and energy use in order to combat cost inflation. We will step up our efforts to develop potential markets and take the initiative in pricing in order to improve the Group's earnings.

HUMAN RESOURCES

As at 31st December, 2013, the Group and the processing factory employed a total workforce of around 1,150 full time staff (2012: 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, Messrs. Chee Man Sang, Eric, Yip Kwok Kwan and Wong Chu Leung. The audit committee has reviewed with the management this results announcement and the audited consolidated financial statements of the Group for the year ended 31st December, 2013 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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31st December, 2013.

CORPORATE GOVERNANCE

The Directors strive to maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The corporate governance principles of the Company emphasize the importance of a quality Board, effective internal controls and accountability to shareholders. The Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31st December, 2013, 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.1.2

- A deviation from the code provision B.1.2 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.

Code Provision C.3.3

- Code Provision C.3.3 stipulates that the audit committee must meet, at least twice a year, with the Company's auditor.

- Since the Company has not engaged its auditor to review the financial information in its interim report, the audit committee has met with the Company's auditor once a year to discuss matters arising from the audit of the Company's annual results and other matters the auditor may wish to raise. The audit committee has met with the Company's auditor once during the year ended 31st December, 2013.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLIC FLOAT

As far as the Company is aware, more than 25% of the issued shares of the Company were held in public hands as at 31st December, 2013.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report of the Company for the year ended 31st December, 2013 will be dispatched to the Company's shareholders in April 2014 and it will be available at the Company's website and HKEX's website.

ACKNOWLEDGEMENT

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 year.

On behalf of the Board
Hui Sum Kwok
Chairman

Hong Kong, 25th March, 2014

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.