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, 2015

FINANCIAL HIGHLIGHTS

	2015	2014	Change
	HK$ million	*HK$ million*	
Revenue	**1,066.5**	1,097.1	-2.8%
Net profit*	**40.2**	10.4	+286.5%
Proposed final dividend per share	**HK1.5 cents**	HK1.5 cents	–
Net gearing ratio	**2.9%**	8.1%	-5.2pp

* *Profit for the year less change of present value and exchange difference on receivables from disposal of a subsidiary, and gain on disposal of a subsidiary*

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, 2015 together with the comparative figures for the year ended 31st December, 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31st December, 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*2*	**1,066,541**	1,097,102
Cost of sales		**(853,879)**	(913,496)
Gross profit		**212,662**	183,606
Other income		**13,319**	15,888
Selling and distribution costs		**(61,400)**	(63,522)
Administrative expenses		**(88,619)**	(75,178)
Other expenses		**(23,170)**	(24,707)
Finance costs	*3*	**(10,698)**	(21,499)
Changes in fair value of derivative financial instruments		**323**	147
Gain on disposal of a subsidiary	*10*	**–**	378,802
Profit before taxation		**42,417**	393,537
Income tax expense	*4*	**(6,129)**	(4,365)
Profit for the year, attributable to owners of the Company	*5*	**36,288**	389,172
Other comprehensive expense for the year:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(94,074)**	(9,853)
Total comprehensive (expense) income for the year, attributable to owners of the Company		**(57,786)**	379,319
		HK cents	*HK cents*
Earnings per share	*7*		
– basic		**4.77**	53.70
– diluted		**4.52**	52.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Non-current assets			
Property, plant and equipment		**1,267,429**	1,371,405
Prepaid lease payments on land use rights		**23,982**	16,684
Receivables from disposal of a subsidiary	*10*	**–**	229,068
		1,291,411	1,617,157
Current assets			
Inventories		**91,348**	111,361
Trade and other receivables	*8*	**174,784**	207,025
Receivables from disposal of a subsidiary	*10*	**225,201**	–
Deposits and prepayments		**8,249**	5,782
Prepaid lease payments on land use rights		**433**	425
Derivative financial instruments		**–**	68
Bank balances and cash		**151,589**	393,988
		651,604	718,649
Current liabilities			
Trade, bills and other payables	*9*	**211,803**	232,278
Taxation payable		**12,222**	11,509
Derivative financial instruments		**–**	48
Unsecured bank borrowings		**111,415**	297,249
		335,440	541,084
Net current assets		**316,164**	177,565
Total assets less current liabilities		**1,607,575**	1,794,722
Capital and reserves			
Share capital		**77,871**	72,831
Reserves		**1,402,467**	1,461,618
Total equity, attributable to owners of the Company		**1,480,338**	1,534,449
Non-current liabilities			
Unsecured bank borrowings		**83,404**	221,070
Deferred taxation		**43,833**	39,203
		127,237	260,273
		1,607,575	1,794,722

Notes:

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

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The application of the amendments to 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.

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[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[3]
Amendments to HKAS 1	Disclosure initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[3]
Amendments to HKAS 27	Equity method in separate financial statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[3]

[1] Effective for annual periods beginning on or after 1st January, 2018.
[2] Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016.
[3] Effective for annual periods beginning on or after 1st January, 2016.
[4] Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are required to be 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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 attributable to a financial liability's 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 is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors of the Company will assess the impact of the application of HKFRS 9. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company will assess the impact of the application of HKFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Other than as described above, 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, 2015

	Containerboard	Corrugated Packaging	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	**340,356**	**726,185**	**1,066,541**	**–**	**1,066,541**
Inter-segment sales	**584,136**	**–**	**584,136**	**(584,136)**	**–**
Total	**924,492**	**726,185**	**1,650,677**	**(584,136)**	**1,066,541**
RESULT					
Segment profit	**34,698**	**18,094**	**52,792**	**–**	**52,792**
Finance costs					**(10,698)**
Changes in fair value of derivative financial instruments					**323**
Profit before taxation					**42,417**

For the year ended 31st December, 2014

	Containerboard	Corrugated Packaging	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	291,621	805,481	1,097,102	–	1,097,102
Inter-segment sales	616,026	–	616,026	(616,026)	–
Total	907,647	805,481	1,713,128	(616,026)	1,097,102
RESULT					
Segment profit	26,876	9,211	36,087	–	36,087
Finance costs					(21,499)
Changes in fair value of derivative financial instruments					147
Sub-total					14,735
Gain on disposal of a subsidiary					378,802
Profit before taxation					393,537

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

	2015	2014
	HK$'000	*HK$'000*
Interest on bank borrowings	**10,698**	21,499

4. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**425**	755
People's Republic of China ("PRC") Enterprise Income Tax	**1,074**	1,126
	1,499	1,881
Deferred tax	**4,630**	2,484
	6,129	4,365

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 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.

5. PROFIT FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	**853,879**	913,496
Depreciation of property, plant and equipment	**74,952**	79,140
Provision for impairment losses on trade receivables*	**2,858**	414
Change of present value in respect of receivables from disposal of a subsidiary*	**(7,914)**	–
Exchange difference on receivables from disposal of a subsidiary*	**11,781**	–
Staff costs	**121,593**	135,316

* Amounts included in "Other expenses".

6. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2014 final – HK1.50 cents per share	**11,610**	–

The final dividend of HK1.50 cents (2014: HK1.50 cents) per ordinary share in respect of the year ended 31st December, 2015 has been proposed by the Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

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:

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**36,288**	389,172

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**761,329,439**	724,686,539
Effect of dilutive potential ordinary shares in respect of share options	**41,590,183**	10,931,187
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**802,919,622**	735,617,726

8. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**178,316**	202,457
Less: allowance for doubtful debts	**(3,625)**	(907)
	174,691	201,550
Other receivables	**93**	5,475
Total trade and other receivables	**174,784**	207,025

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, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**166,494**	194,446
31-60 days	**4,986**	4,607
61-90 days	**1,112**	1,549
Over 90 days	**2,099**	948
	174,691	201,550

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$38,748,000 (2014: HK$42,629,000) 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 (2014: 67 days) based on invoice dates.

9. TRADE, BILLS, AND OTHER PAYABLES

The suppliers of the Group grant credit periods ranging from 30 to 90 days. The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Current	**71,778**	66,459
Overdue 1 to 30 days	**1,050**	7,312
Overdue 31 to 60 days	**256**	260
Overdue for more than 60 days	**1,709**	2,271
	74,793	76,302
Payables for the acquisition of property, plant and equipment	**14,415**	13,052
Other payables and accrued charges *(Note)*	**122,595**	142,924
	211,803	232,278

Note: As at 31st December, 2015 included in other payables and accrued charges, amount of HK$19,807,000 (2014: HK$61,055,000) represents transaction costs incurred for the disposal of a subsidiary during the year ended 31st December, 2014.

The average credit period on purchases of goods is 42 days (2014: 39 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

10. DISPOSAL OF A SUBSIDIARY

On 24th October, 2014, Hop Fung Group Company Limited ("HFGC"), a wholly-owned subsidiary of the Company, entered into two equity transfer agreements (the "Equity Transfer Agreements") with two independent third parties (the "Purchasers"). Pursuant to the Equity Transfer Agreements, HFGC agreed to sell and the Purchasers agreed to purchase 51% and 49% equity interests in Fung Kong Hop Fung Paper Ware Factory Limited ("FKHF"), a wholly-owned subsidiary of HFGC, respectively for each purchaser, at an aggregate cash consideration of RMB380,000,000 (equivalent to HK$481,173,000).

The entire equity transfer would be completed by two stages and within two years after completion of the first stage. The first stage of the transactions for transfer of 49% equity interest was completed on 23rd December, 2014, and the remaining 51% interests will be transferred by the end of 2016. Along with those Equity Transfer Agreements, there are contractual arrangements between HFGC and the Purchasers, limiting those HFGC's controlling power on FKHF after the completion of the first stage.

Based on all the terms and conditions of the arrangements (which were entered into at the same time and in contemplation of each other) and their economic effects, the Directors of the Company consider the overall commercial effect of the two transactions is to dispose of FKHF. Furthermore, the Group ceased to exercise powers to direct the relevant activities of FKHF after the completion of the first stage of the transactions. Accordingly, the transactions were treated as a single transaction whereby the Group lost control over FKHF at the date of completion of the first stage of the transactions. Gain on disposal of FKHF of HK$378,802,000, which was calculated as the difference between the fair value of the consideration, net of transaction costs, and the previous carrying amount of the assets and liabilities of FKHF, was recognised in profit or loss during the year ended 31st December, 2014.

Consideration received/receivables

	2014 *HK$'000*
Cash consideration	235,857
Present value of cash consideration receivables	229,068
Total consideration	464,925

Analysis of assets over which control was lost

	2014 *HK$'000*
Non-current assets	
Property, plant and equipment	8,629
Prepaid lease payments on land use rights	5,480
Current assets	
Bank balances and cash	1
Other receivable	12
Prepaid lease payments on land use rights	200
Net assets disposed of	14,322

Gain on disposal of a subsidiary

	2014 *HK$'000*
Total consideration	464,925
Net assets disposed of	(14,322)
Transaction costs incurred in connection with the disposal	(71,801)
Gain on disposal	378,802

Net cash inflow arising on disposal of a subsidiary

	2014 *HK$'000*
Total cash consideration received	235,857
Transaction costs paid in connection with the disposal	(10,746)
Cash and cash equivalents disposed of	(1)
	225,110

During the year ended 31st December, 2015, change of present value in respect of the receivables from disposal of a subsidiary and the corresponding exchange difference amounting to HK$7,914,000 and HK$11,781,000 respectively, were recognised in other expenses.

FINAL DIVIDEND

The Directors have proposed a final dividend of HK1.50 cents per share (2014: HK1.50 cents per share) for the year ended 31st December, 2015 payable to shareholders of the Company whose names appear on the Register of Members on 13th June, 2016. The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. It is expected that the payment of final dividend will be made in June 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Ming Room II, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Monday, 6th June, 2016 at 10:30 a.m. Notice of the annual general meeting will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

For determining the entitlement to attend and vote at the annual general meeting of the Company, the register of members of the Company will be closed from Thursday, 2nd June, 2016 to Monday, 6th June, 2016, 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 be eligible to attend and vote at the annual general meeting of the Company to be held on Monday, 6th June, 2016, all transfer documents accompanied by the relevant share certificates 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 4:30 p.m. on Wednesday, 1st June, 2016.

For determining the entitlement to the proposed final dividend (subject to approval by the shareholders at the annual general meeting of the Company), the record date will be Monday, 13th June, 2016. The register of members of the Company will be closed on Monday, 13th June, 2016, during which day 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 the proposed final dividend, all transfer documents accompanied by the relevant share certificates 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 4:30 p.m. on Friday, 10th June, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2015, the corrugated packaging industry saw a more stabilized supply and demand situation compared to prior years, and the Group's sales volume was as a whole relatively stable. Domestic and export sales accounted for 80% and 20% of revenue. Revenue for the first half of the year rose by 1.1% compared to 2014, and second half revenue rose by 12.5% compared to the first half of 2015, but down by 6% compared to the second half of 2014, largely as a result of the depreciation of the Renminbi. Revenue for the year fell by 2.8% compared to 2014.

The Group's upstream containerboard business produces corrugating medium and linerboard mainly to supply the Group's downstream corrugated packaging business to make corrugated paper boards and carton boxes, as well as for direct sales to customers depending on changes to market demand. In 2015, approximately 30% of upstream production were sold directly to customers. The upstream and downstream businesses accounted for 32% and 68% of revenue, respectively. Upstream revenue rose by 16.7% with capacity utilization at more than 80%, and downstream revenue fell by 9.8%, with capacity utilization at more than 60%.

The Group's key raw material, wastepaper, are sourced from both domestic China and overseas markets, and their average cost fell slightly on a year on year basis. However, we still face pressure from rising wages and related costs. We maintained our flexible sales strategy and streamlined production process to improve efficiency and productivity, lowering wastage as a result. In addition, the Group's working capital situation has improved, reducing financing costs, and the Group's operating profit saw improvements as a result.

FINANCIAL REVIEW

Operating results

The Group recorded a fall in revenue by 2.8%, from HK$1,097.1 million in 2014 to HK$1,066.5 million in 2015. The drop was mainly due to depreciation in Renminbi which also led to slight fall in average selling price.

Cost of sales declined 6.5%, resulting from improvement in production process and drop in costs and usage of raw materials. Gross profit increased 15.8%, from HK$183.6 million to HK$212.7 million. Gross profit margin increased from 16.7% to 19.9%.

The decrease in other income from HK$15.9 million to HK$13.3 million was mainly attributable to the fall in interest income earned from lower average bank balances during the year.

Selling and distribution costs declined in line with the fall in revenue by 3.3% from HK$63.5 million to HK$61.4 million.

There was an increase of 17.8% in administrative expenses from HK$75.2 million to HK$88.6 million. It was predominantly due to increasing staff cost, including salaries, bonuses and social insurance.

Other expenses dropped 6.1%, from HK$24.7 million to HK$23.2 million. The drop was primarily due to value added tax refunded by the Chinese Government and less depreciation charged for the year. Provision for impairment losses on trade receivables of HK$2.9 million was made for the year. Other expenses also included two items: change of present value (gain) in respect of receivables from disposal of a subsidiary of HK$7.9 million and exchange difference (loss) on receivables from disposal of a subsidiary of HK$11.8 million. The disposal was made in December 2014 and the remaining 51% of the consideration will be received in December 2016.

A decline in finance costs of 50.2%, from HK$21.5 million to HK$10.7 million, was owing to less bank borrowings required throughout the year.

Net profit (profit for the year less change of present value and exchange difference on receivables from disposal of a subsidiary, and gain on disposal of a subsidiary) surged HK$29.8 million, from HK$10.4 million in 2014 to HK$40.2 million in 2015.

Liquidity, financial and capital resources

At 31st December, 2015, the Group's total cash and cash equivalents were HK$151.6 million (31st December, 2014: HK$394.0 million), mostly denominated in Renminbi. With cash generated from disposal of a subsidiary and business operation, total bank borrowings greatly fell HK$323.5 million, from HK$518.3 million to HK$194.8 million.

Gearing ratio was greatly improved, declining from 33.8% to 13.2%. The current bank borrowings and the non-current bank borrowings dropped HK$185.8 million and HK$137.7 million respectively. The balance for total bank borrowings net of bank balances and cash fell HK$81.1 million, from HK$124.3 million to HK$43.2 million. Net gearing ratio fell from 8.1% to 2.9%.

Net current assets and current ratio of the Group were HK$316.2 million (31st December, 2014: HK$177.6 million) and 1.94 (31st December, 2014: 1.33) respectively.

The Group spent HK$55.0 million on capital expenditures for maintenance, environmental protection facilities, and technical upgrade to the production lines and the ancillary facilities.

Stock, debtors and creditors turnover days were considered stable. They were 56 days, 64 days and 42 days respectively. In 2014, they were 43 days, 67 days and 39 days respectively.

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 2010/2011 to certain subsidiaries of the Group. Objections were lodged against all these assessments. The Directors believe that no additional provision 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 expect gradual improvement to the global economy but at a relatively slow pace, and continued volatility in exchange rates, if only at a more moderate level. We will strive for pricing power in order to reasonably pass on our operating costs to our customers. We expect selling prices to return to reasonable levels as industry wide excess capacity issues abate. We promise to continue to improve production efficiency, increase sales volume, reduce raw materials wastage and energy use as our main strategy to offset cost increases, in order to enhance the Group's profitability.

HUMAN RESOURCES

As at 31st December, 2015, the Group and the processing factory employed a total workforce of around 1,100 full time staff (2014: 1,100). 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, 2015 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, 2015.

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, 2015, 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, 2015.

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, 2015 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, 2015.

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, 2015 will be dispatched to the Company's shareholders in April 2016 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, 30th March, 2016

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.