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, 2017

FINANCIAL HIGHLIGHTS

	2017 *HK$ million*	2016 *HK$ million*	Change
Revenue	**1,523.2**	1,179.4	+29.2%
Profit for the year	**137.7**	76.4	+80.2%
Proposed final dividend per share	**HK1.5 cents**	HK1.5 cents	—
Proposed special final dividend per share	**HK6.5 cents**	HK3.0 cents	+116.7%
Net gearing ratio	**−11.0%**	−17.9%	−6.9pp

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, 2017 together with the comparative figures for the year ended 31st December, 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	2	**1,523,210**	1,179,444
Cost of sales		**(1,117,744)**	(911,748)
Gross profit		**405,466**	267,696
Other income		**12,637**	14,710
Selling and distribution costs		**(67,123)**	(67,590)
Administrative expenses		**(149,824)**	(97,243)
Other expenses		**(27,493)**	(24,571)
Finance costs	3	**(2,096)**	(5,045)
Profit before taxation		**171,567**	87,957
Income tax expense	4	**(33,857)**	(11,570)
Profit for the year, attributable to owners of the Company	5	**137,710**	76,387
Other comprehensive income (expense) for the year:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**79,717**	(93,352)
Total comprehensive income (expense) for the year, attributable to owners of the Company		**217,427**	(16,965)
		HK cents	*HK cents*
Earnings per share	7		
– basic		**17.28**	9.66
– diluted		**N/A**	9.62

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,399,143**	1,250,511
Prepaid lease payments on land use rights		**22,451**	21,876
		1,421,594	1,272,387
Current assets			
Inventories		**157,409**	117,262
Trade and other receivables	*8*	**178,639**	129,198
Deposits and prepayments		**19,355**	22,288
Prepaid lease payments on land use rights		**558**	544
Bank balances and cash		**335,541**	547,601
		691,502	816,893
Current liabilities			
Trade, bills and other payables	*9*	**241,186**	282,207
Taxation payable		**12,672**	11,638
Unsecured bank borrowings		**138,448**	263,889
		392,306	557,734
Net current assets		**299,196**	259,159
Total assets less current liabilities		**1,720,790**	1,531,546
Capital and reserves			
Share capital		**79,682**	79,682
Reserves		**1,558,631**	1,377,063
Total equity, attributable to owners of the Company		**1,638,313**	1,456,745
Non-current liabilities			
Unsecured bank borrowings		**17,489**	22,617
Deferred taxation		**64,988**	52,184
		82,477	74,801
		1,720,790	1,531,546

Notes:

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014–2016 cycle

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

Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

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 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle[1]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[2]

[1] Effective for annual periods beginning on or after 1st January, 2018.
[2] Effective for annual periods beginning on or after 1st January, 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1st January, 2021.

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 manufacturing operations are located in the People's Republic of China (the "PRC").

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

Information regarding the above segments is reported below.

The following is an analysis of the Group's revenue and results by operating and reportable segments:

Segment revenues and results

For the year ended 31st December, 2017

	Containerboard	Corrugated Packaging	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	497,871	1,025,339	1,523,210	—	1,523,210
Inter-segment sales	746,920	—	746,920	(746,920)	—
Total	1,244,791	1,025,339	2,270,130	(746,920)	1,523,210
RESULT					
Segment profit	152,581	95,597	248,178	—	248,178
Central administrative expenses					(74,515)
Finance costs					(2,096)
Profit before taxation					171,567

For the year ended 31st December, 2016

	Containerboard *HK$'000*	Corrugated Packaging *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE					
External sales	450,297	729,147	1,179,444	—	1,179,444
Inter-segment sales	524,385	—	524,385	(524,385)	—
Total	974,682	729,147	1,703,829	(524,385)	1,179,444
RESULT					
Segment profit	90,008	48,767	138,775	—	138,775
Central administrative expenses					(45,773)
Finance costs					(5,045)
Profit before taxation					87,957

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

	2017 ***HK$'000***	2016 *HK$'000*
Interest on bank borrowings	**2,096**	5,045

4. INCOME TAX EXPENSE

	2017 ***HK$'000***	2016 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**887**	465
PRC Enterprise Income Tax	**20,166**	2,754
	21,053	3,219
Deferred tax	**12,804**	8,351
	33,857	11,570

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

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Allowance for inventories (included in "Cost of sales" and "Cost of inventories recognised as expenses")	**—**	40
Cost of inventories recognised as expenses	**1,117,744**	911,748
Depreciation of property, plant and equipment	**77,490**	70,661
Reversal of impairment losses on trade receivables*	**—**	(973)
Change of present value in respect of receivables from disposal of a subsidiary*	**—**	(8,335)
Exchange difference on receivables from disposal of a subsidiary*	**—**	13,616
Staff costs	**187,618**	132,775

* Amounts included in "Other expenses".

6. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2016 final – HK1.50 cents (2015: HK1.50 cents) per share	**11,953**	11,952
2016 special final – HK3.00 cents (2015: nil) per share	**23,906**	—
	35,859	11,952

The final dividend of HK1.5 cents (2016: HK1.5 cents) and special final dividend of HK6.5 cents (2016: HK3.0 cents) per ordinary share in respect of the year ended 31st December, 2017 have been proposed by the Directors and are 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:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**137,710**	76,387

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**796,824,000**	790,594,074
Effect of dilutive potential ordinary shares in respect of share options	**—**	3,498,358
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**796,824,000**	794,092,432

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**180,021**	130,220
Less: allowance for doubtful debts	**(2,533)**	(2,406)
	177,488	127,814
Other receivables	**1,151**	1,384
Total trade and other receivables	**178,639**	129,198

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:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**174,154**	123,091
31-60 days	**2,701**	2,361
61-90 days	**361**	2,073
Over 90 days	**272**	289
	177,488	127,814

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$41,351,000 (2016: HK$4,434,000) 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 37 days (2016: 47 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:

	2017	2016
	HK$'000	*HK$'000*
Current	**51,186**	103,290
Overdue 1 to 30 days	**103**	2,893
Overdue 31 to 60 days	**311**	1,185
Overdue for more than 60 days	**1,211**	2,720
Trade and bills payables	**52,811**	110,088
Payables for the acquisition of property, plant and equipment	**24,774**	24,149
PRC duties payables	**40,077**	28,227
Other payables and accrued charges *(Note)*	**123,524**	119,743
	241,186	282,207

Note: Major items of other payables and accrued charges are accrued salaries and wages. As at 31st December, 2016 included in other payables and accrued charges, amount of HK$5,700,000 represented transaction costs incurred for the disposal of a subsidiary during the year ended 31st December, 2014. The amount was fully paid in 2017.

The average credit period on purchases of goods is 39 days (2016: 52 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). A cash consideration of HK$235,857,000 was received and a cash consideration receivable of HK$229,068,000 was recognised at fair value during the year ended 31st December, 2014.

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% interest was transferred on 21st December, 2016. Along with those Equity Transfer Agreements, there were 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 considered the overall commercial effect of the two transactions was 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.

During the year ended 31st December, 2016, change of present value in respect of the receivables from disposal of FKHF and the corresponding exchange difference amounting to HK$8,335,000 and HK$13,616,000 respectively, were recognised in other expenses and the whole amount of cash consideration receivable from disposal of a subsidiary was received in 2016.

FINAL DIVIDENDS

The Directors have proposed a final dividend of HK1.5 cents per share (2016: HK1.5 cents per share) and a special final dividend of HK6.5 cents per share (2016: HK3.0 cents per share) for the year ended 31st December, 2017 payable to shareholders of the Company whose names appear on the Register of Members on 1st June, 2018. The final dividend and the special final dividend are subject to approval by the shareholders of the Company in the forthcoming annual general meeting. It is expected that the payment will be made on 13th June, 2018.

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, 28th May, 2018 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 Wednesday, 23rd May, 2018 to Monday, 28th May, 2018, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on Monday, 28th May, 2018, 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 Monday, 21st May, 2018.

For determining the entitlement to the proposed final dividend and the proposed special final dividend (subject to approval by the shareholders at the annual general meeting of the Company), the record date will be Friday, 1st June, 2018. The register of members of the Company will be closed on Friday, 1st June, 2018, during which day no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend and the proposed special 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 Thursday, 31st May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2017, the corrugated paper packaging industry saw a balanced supply-demand situation punctured with episodes of under-supply, driving substantially higher average selling prices for the Group, resulting in a 29.2% increase in revenue for the year compared to 2016. Domestic and export revenue accounted for 85% and 15% of revenue. The first half 2017 revenue were 32.6% above the first half 2016 level, while the second half 2017 revenue were 21.4% above the first half 2017 and 26.4% above the second half 2016 levels. The Group's higher revenue was largely driven by an increase in average selling prices.

The Group's upstream containerboard business manufactures corrugating medium and linerboard, mainly to supply the Group's downstream corrugated packaging business manufacturing corrugated paper boards and carton boxes, but we also directly sell corrugating medium and linerboard to our customers. The upstream and downstream businesses accounted for 32.7% and 67.3% of revenue respectively, with upstream revenue rising by 10.6% on the back of nearly 90% equipment utilization, and downstream revenue rising by 40.6% on nearly 60% equipment utilization.

The Group's main raw material, waste paper, is sourced from both domestic and international markets. Prices for waste paper had risen by more than 40% on average compared to 2016, and other costs and expenses have also seen increases. That said, with production process improvements and equipment upgrades improving production efficiency and reducing wastage, and the Group's tight control of costs and expenses, the Group was able to achieve growth of 80.2% in net profit.

FINANCIAL REVIEW

Operating results

The Group achieved a record high in revenue of HK$1,523.2 million in 2017, a surge of 29.2% from HK$1,179.4 in 2016. In addition to Renminbi appreciation, there was a steep rise in selling prices in 2017, leading to the surge in revenue.

Cost of sales rose 22.6% from HK$911.7 million to HK$1,117.7 million. The extent of the rise in costs of sales was less than that in revenue. Gross profit soared from HK$267.7 million to HK$405.5 million, representing 51.5% increase. Gross profit margin rose from 22.7% to 26.6%.

The decrease in other income from HK$14.7 million to HK$12.6 million was primarily due to exchange gain arising from fixed deposits in 2016.

Selling and distribution costs reduced slightly by 0.7% from HK$67.6 million to HK$67.1 million. The reduction was mainly due to some customers delivering their own goods, leading to lower transportation cost.

There was an increase of 54.1% in administrative expenses from HK$97.2 million to HK$149.8 million. It was predominantly due to rental expenses for the Shenzhen factory and increment in Directors' performance bonus.

Other expenses rose HK$2.9 million from HK$24.6 million to HK$27.5 million. The increase was mainly attributed to the increase in depreciation.

A decline in finance costs by HK$2.9 million, from HK$5.0 million to HK$2.1 million, was owing to less bank borrowings required during the year.

HK$33.9 million was charged to taxation, being HK$21.1 million as profits tax provision and HK$12.8 million as deferred tax liabilities.

Profit for the year surged from HK$76.4 million to HK$137.7 million, representing an increase of 80.2%. Profit margin improved from 6.5% to 9.0%.

Liquidity, financial and capital resources

At 31st December, 2017, the Group's total cash and cash equivalents were HK$335.5 million (31st December, 2016: HK$547.6 million), mostly denominated in Renminbi. The decrease was mainly attributable to the repayment of bank loans and the increase in capital expenditures.

Total bank borrowings reduced from HK$286.5 million to HK$155.9 million. Current bank borrowings decreased HK$125.5 million while non-current bank borrowings dropped HK$5.1 million. At 31st December, 2017, net gearing ratio was -11.0%. The group recorded a net cash level (total cash and cash equivalents less total bank borrowings) of HK$179.6 million.

Net current assets and current ratio of the Group were HK$299.2 million (31st December, 2016: HK$259.2 million) and 1.76 (31st December, 2016: 1.46) respectively.

The Group spent HK$168.7 million on capital expenditures for maintenance and technical upgrade to the production lines and the ancillary facilities.

Debtors, stock and creditors turnover were 37 days (2016: 47 days), 51 days (2016: 42 days) and 39 days (2016: 52 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 2011/2012 are still on-going. The IRD had issued protective assessments for the years of assessment 2004/2005 to 2011/2012 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 the global economy to continue to recover and for the Chinese economy to maintain robust growth. Even though average selling prices eased back in the first quarter of 2018, production capacity overhang is a receding issue and we expect to be able to command better pricing power and reasonably transfer higher operating costs to customers. We promise to continuously improve production efficiency, increase sales, reduce raw materials wastage and energy use in the face of cost pressure, and strive for improvements in the Group's profitability.

HUMAN RESOURCES

As at 31st December, 2017, the Group and the processing factory employed a total workforce of around 1,100 full time staff (2016: 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, 2017 and has discussed auditing, risk management and 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, 2017.

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, 2017, 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 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, 2017.

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, 2017 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, 2017.

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, 2017 will be dispatched to the Company's shareholders in April 2018 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 support and to our staff for their commitment and diligence during the year.

On behalf of the Board
Hui Sum Kwok
Chairman

Hong Kong, 28th March, 2018

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.