THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hop Fung Group Holdings Limited** (the "**Company**"), you should at once hand this circular and the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE ISSUED SHARE CAPITAL OF FUNG KONG HOP FUNG PAPER WARE FACTORY LIMITED

A letter from the Board is set out on pages 4 to 12 of this circular.

A notice convening the EGM of the Company to be held at Ming Room II, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on 15 December 2014 at 10:30 a.m. is set out on pages 57 and 58 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer agent of the Company in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

27 November 2014

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In this circular, the following expressions have the following meanings, unless the context requires otherwise:

"49% Interest Disposal"	means the proposed disposal of 49% of the issued share capital of the Disposal Company pursuant to the terms and conditions of the 49% Interest Disposal Agreement;
"49% Interest Disposal Agreement"	means the conditional sale and purchase agreement dated 24 October 2014 entered into by the Vendor and Wai Fung in relation to the 49% Interest Disposal;
"51% Interest Disposal"	means the proposed disposal of 51% of the issued share capital of the Disposal Company pursuant to the terms and conditions of the 51% Interest Disposal Agreement;
"51% Interest Disposal Agreement"	means the conditional sale and purchase agreement dated 24 October 2014 entered into by the Vendor and City Trend in relation to the 51% Interest Disposal;
"Assets"	means the Hong Kong Property and the PRC Property;
"Board"	means the board of Directors;
"Business Day"	means any day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Hong Kong;
"City Trend"	means City Trend Holding Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party;
"Company"	means Hop Fung Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability with its shares listed on the Stock Exchange;
"Deed of Indemnity"	means the deed of indemnity to be entered into by the Company in favour of Wai Fung and City Trend at the First Completion in an agreed form;
"Director(s)"	means the director(s) of the Company;
"Disposals"	means the 49% Interest Disposal and the 51% Interest Disposal;
"Disposal Agreements"	means the 49% Interest Disposal Agreement and the 51% Interest Disposal Agreement;
"Disposal Company"	means Fung Kong Hop Fung Paper Ware Factory Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company as at the date of this circular;

"EGM"	means the extraordinary general meeting of the Company to be convened and held to approve, among other matters, the Disposal Agreements and the transactions contemplated thereunder;
"Escrow Agreement"	means the escrow agreement to be entered into between the Vendor, the Purchasers and the escrow agent named therein;
"First Completion"	means completion of the sale and purchase of the 24% and 25% of the issued share capital of the Disposal Company to Wai Fung and City Trend, respectively, in accordance with the terms and conditions of the Disposal Agreements;
"First Completion Date"	means the date of the First Completion and is expected to be on or before 31 December 2014, the date of which may be postponed for one month for reason in relation to approval of the Stock Exchange on the circular to be issued by the Company;
"Group"	means the Company and its subsidiaries;
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Property"	means Workshops E, F and H, 22nd Floor, and Car Parking Spaces Nos.14 & 17, Ground Floor, Superluck Industrial Centre (Phase 2), No. 57 Sha Tsui Road and Nos 30–38 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong;
"Independent Third Party(ies)"	means any person(s) or company(ies) and their respective ultimate beneficial owner(s) who are third parties independent of the Company and its connected persons (as defined in the Listing Rules);
"Latest Practicable Date"	means 25 November 2014, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Listing Rules"	means The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
"PRC"	means the People's Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
"PRC Property"	means 中國廣東省深圳市寶安區公明街道合水口居委第五工業區合豐工業城;

"Purchasers"	means Wai Fung and City Trend;
"Remaining Group"	means the Group immediately after completion of the Disposals;
"RMB"	means Renminbi, the lawful currency of the PRC;
"Sale Shares"	means the entire issued share capital of the Disposal Company;
"Second Completion"	means completion of the sale and purchase of the 25% and 26% of the issued share capital of the Disposal Company to Wai Fung and City Trend, respectively, in accordance with the terms and conditions of the Disposal Agreements;
"Second Completion Date"	means the date of the Second Completion;
"SFO"	means The Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong, as amended from time to time;
"Share(s)"	means the ordinary share(s) of HK$0.10 each in the issued share capital of the Company;
"Shareholder(s)"	means holder(s) of the Shares;
"Shareholders' Agreement"	means the shareholders' agreement of the Disposal Company to be entered into by the Vendor and the Purchasers at the First Completion in an agreed form;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Vendor"	means Hop Fung Group Company Limited, a wholly-owned subsidiary of the Company;
"Wai Fung"	means Wai Fung Development Holding Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party; and
"%"	means per cent.

Unless the context requires otherwise, the translations of RMB into HK$ in this circular are based on the rate of RMB1.0 = HK$1.269. No representation is made that any amount in RMB and HK$ can be or could have been converted at the relevant dates at this rate or any other rates at all. All time and dates referred to in this circular are Hong Kong time and dates.

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

Executive directors:
Mr. Hui Sum Kwok *(Chairman)*
Mr. Hui Sum Ping *(Vice Chairman)*
Mr. Hui Sum Tai *(Chief Executive Officer)*
Ms. Hui Yuen Li

Independent non-executive directors:
Mr. Chee Man Sang, Eric
Mr. Yip Kwok Kwan
Mr. Wong Chu Leung

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office:
Workshops E, F and H, 22nd Floor
Superluck Industrial Centre (Phase 2)
No. 57 Sha Tsui Road and
Nos. 30–38 Tai Chung Road,
Tsuen Wan
New Territories
Hong Kong

27 November 2014

To Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE ISSUED SHARE CAPITAL OF FUNG KONG HOP FUNG PAPER WARE FACTORY LIMITED

INTRODUCTION

Reference is made to the announcement of the Company dated 4 November 2014 in relation to the Disposal Agreements and the transactions contemplated thereunder, which constitute a very substantial disposal of the Company under the Listing Rules.

The purpose of this circular is to provide, among others:

(a) details of the Disposal Agreements;

(b) certain financial information of the Group;

(c) valuation of the Assets; and

(d) other information as is required under the Listing Rules.

THE DISPOSAL AGREEMENTS

Date

24 October 2014 (after trading hours)

Parties

In respect of the 49% Interest Disposal

(a) Hop Fung Group Company Limited, a wholly-owned subsidiary of the Company, as the vendor; and

(b) Wai Fung as the purchaser.

In respect of the 51% Interest Disposal

(a) Hop Fung Group Company Limited, a wholly-owned subsidiary of the Company, as the vendor; and

(b) City Trend as the purchaser.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, each of Wai Fung and City Trend and their respective ultimate beneficial owner(s) is a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) as at the date of this circular.

Assets to be disposed of

The assets to be disposed of by the Vendor are the Sale Shares, representing 49% of the issued share capital of the Disposal Company under the 49% Interest Disposal Agreement and 51% of the issued share capital of the Disposal Company under the 51% Interest Disposal Agreement. The Disposal Company is a wholly-owned subsidiary of the Company as at the date of this circular.

The Disposal will be made in the following manner:

(a) transfer of 24% and 25% of the issued share capital of the Disposal Company to Wai Fung and City Trend, respectively, under the Disposal Agreements on the First Completion Date; and

(b) transfer of 25% and 26% of the issued share capital of the Disposal Company to Wai Fung and City Trend, respectively, under the Disposal Agreements on the Second Completion Date.

Immediately upon the First Completion, the Company will hold 51% of the issued share capital of the Disposal Company and the Disposal Company will remain to be a subsidiary of the Company.

As at the date of this circular, the principal assets of the Disposal Company include the Assets and a vehicle and the Disposal Company is the legal and beneficial owner of the Assets.

The PRC Property has been used by the Group as its production plant for its corrugated products whereas the Hong Kong Property has been used by the Group as its office for its accounting, financing and administrative services to the Group.

Consideration

The consideration to be paid by each of Wai Fung and City Trend to the Vendor is RMB186.2 million (equivalent to HK$236.3 million) and RMB193.8 million (equivalent to HK$245.9 million), respectively. The consideration will be paid in cash to the Group in the following manner:

(a) deposit in the amount of RMB25.0 million (equivalent to HK$31.7 million) and RMB25.0 million, respectively, by Wai Fung and City Trend upon the signing of the Disposal Agreements (the "**Deposit**");

(b) RMB66.2 million (equivalent to HK$84.0 million) and RMB70.0 million (equivalent to HK$88.8 million) by Wai Fung and City Trend, respectively, upon the First Completion; and

(c) RMB95.0 million (equivalent to HK$120.6 million) and RMB98.8 million (equivalent to HK$125.4 million) by Wai Fung and City Trend, respectively, upon the Second Completion.

The consideration was determined after arm's length negotiations between the Vendor and each of Wai Fung and City Trend with reference to income generated from the management service business in the amount of approximately HK$5.8 million for the nine months ended 30 September 2014, valuation of the Assets in the aggregate amount of approximately HK$404.0 million as at 30 September 2014, estimated costs in the amount of approximately HK$15.0 million to relocate the group offices and production facilities, if required and a reasonable gain over the above. The Hong Kong stamp duty arising from the share transfers contemplated in the Disposal Agreements shall be solely borne by the Vendor.

The Directors (including the independent non-executive Directors) confirm that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent of the First Completion and the Second Completion

The First Completion is conditional upon fulfilment of, among other things, the following conditions:

(a) all financial derivative purchased by the Disposal Company having either expired or terminated;

(b) all loans of the Disposal Company obtained from banks, shareholders or associated companies having been repaid or transferred to third party;

(c) there has been no tax or debt liabilities (other than those disclosed to and consented by the Purchasers);

(d) the Company being the beneficial owner of the entire interest in the Assets;

(e) there has been no existing litigation, arbitration or investigation by any governmental organisation involving the Disposal Company (save and except those disclosed to the Purchasers);

(f) the Company having issued an announcement in respect of the transactions contemplated under the Disposal Agreements as required under the Listing Rules;

(g) the passing by the requisite majority of Shareholders in a general meeting of all resolutions required under the Listing Rules of the transactions contemplated under the Disposal Agreements;

(h) all consent, permission, authorisation and approval which are required for the Disposal Agreements and the transactions contemplated thereunder having been obtained by the Vendor, the Purchasers and the Disposal Company;

(i) the Shareholders' Agreement, Escrow Agreement and Deed of Indemnity having been duly entered into;

(j) the Purchasers having been reasonably satisfied with the results of the legal and financial due diligence performed on the Disposal Company;

(k) to the extent permissible by law, the Vendor having cancelled the issued non-voting deferred shares of the Disposal Company and the rights attached thereto. If such cancellation has not been completed, the Vendor having agreed to transfer the issued non-voting deferred shares to the Purchasers at the consideration of HK$1.0; and

(l) the Vendor having provided the Purchasers the management account of the Disposal Company as at the First Completion Date and the representations remain true and accurate in material respect.

The Purchasers may at its absolute discretion at any time waive in writing any of the conditions precedent (other than condition (g), (h), and (j) above).

The parties agree to use their best endeavours to procure the fulfilment of all of the above conditions on or before 31 December 2014.

If the Vendor is not able to fulfil all of the conditions for which it is responsible (other than condition (g) above) on or before the First Completion Date, the Vendor shall return the Deposit to the Purchasers and pay each of the Purchasers RMB25.0 million (equivalent to HK$31.7 million) as liquidated damages. If condition (g) could not be fulfilled by the Vendor on or before the First Completion Date, the Vendor shall return the Deposit to the Purchasers.

The Deposit shall be forfeited by the Vendor if all the conditions have been fulfilled or waived (as the case may be) but the Purchasers do not proceed with the First Completion as contemplated under the Disposal Agreements or condition (h) is not fulfilled on the part of the Purchasers before the First Completion Date. In any of such events, the rights and obligations of the parties under the Disposal Agreements will automatically lapse and be of no further effect.

The First Completion is expected to take place within two Business Days upon the fulfilment of the conditions to the First Completion.

The Second Completion is expected to take place on the second anniversary of the First Completion. If the Vendor does not proceed with the Second Completion as contemplated under the Disposal Agreements, the Vendor shall return all monies paid by the each of the Purchasers together with an additional amount of damages in the amount of RMB50.0 million (equivalent to HK$63.5 million) within three Business Days of the contemplated Second Completion. If any of the Purchasers does not proceed with the Second Completion as contemplated under the Disposal Agreements, the Vendor shall return RMB41.2 million (equivalent to HK$52.3 million) to Wai Fung and RMB45.0 million (equivalent to HK$57.1 million) to City Trend (as the case may be) and be entitled to retain an aggregate of RMB100.0 million (equivalent to HK$126.9 million) (Wai Fung and City Trend RMB50.0 million (equivalent to HK$63.5 million) each) as damages pursuant to each of the Disposal Agreements. In any of such events, the Purchasers agree to transfer its respective interest in issued share capital of the Disposal Company being the subject at the First Completion in accordance with the terms and conditions of the Escrow Agreement.

Undertakings by the Vendor and cap on liabilities of the Vendor

In addition to the customary undertakings given by the Vendor, the Vendor agrees to pay within 12 months from the First Completion Date all the land management fee due to 深圳市公明合水口股份合作公司 incurred up till the First Completion Date. If the Vendor does not make such payment, the Vendor and Purchasers may negotiate further on the payment and the sum may be deducted from the amount to be paid by the Purchasers upon the Second Completion.

In any event, the maximum amount to be paid by the Vendor for damages of breach of each of the Disposal Agreements will be RMB50.0 million (equivalent to HK$63.5 million).

Governing law and dispute resolution

The Disposal Agreements are governed by the laws of Hong Kong with the non-exclusive jurisdiction of the courts in Hong Kong.

SHAREHOLDERS' AGREEMENT

Pursuant to the Disposal Agreements, the Shareholders' Agreement will be entered into between the Vendor, the Purchasers and the Disposal Company on or before the First Completion Date. The principal terms of the Shareholders' Agreement are set out below:-

1. **Object of the Disposal Company**

   The Disposal Company will not carry out business other than the management of the Assets within two years from the date of the Shareholders' Agreement.

2. **Restriction on transfer of shares of the Disposal Company**

   No shareholder of the Disposal Company shall transfer, sell, mortgage, charge, pledge or otherwise dispose of their respective shares without the prior written consent of all the other shareholders of the Disposal Company.

3. **Financing**

   The parties to the Shareholders' Agreement agree not to carry out any financing activities or providing any mortgage or guarantee to third party within two years from the date of the Shareholders' Agreement, unless such financing activities are requested by Wai Fung and/or City Trend and prior written consent to the financing activities is given by the Vendor, Wai Fung and City Trend. The proceeds from the financing activities and interests costs incurred therefrom will be appropriated according to the respective shareholding in the Disposal Company of each of the Vendor, Wai Fung and City Trend. Save as to the above, each of the shareholders of the Disposal Company does not have obligation to provide additional capital contribution or guarantee to the Disposal Company.

4. **Composition of the board of the Disposal Company**

   The board of directors of the Disposal Company shall comprise five directors, of whom three shall be appointed by the Vendor, one shall be appointed by Wai Fung and one shall be appointed by City Trend.

5. **Quorum of meetings of the board**

   The quorum of a meeting of the board of directors of the Disposal Company shall be three directors provided that one of the directors present is a nominee of Wai Fung or City Trend.

6. Undertakings

Wai Fung and City Trend unconditionally agree to lease the factory on the PRC Property at nil consideration for two years from the First Completion Date to the Vendor or its affiliates, in breach of which the Vendor is entitled to claim for the damages in respect of the expenses involving in renting and moving into a similar factory on the market.

Wai Fung and City Trend further agree that upon the second anniversary of the First Completion, the Vendor or its affiliates shall have the right to extend the lease of the PRC Property for an additional term of up to three years. This right granted to the Vendor shall be exercised within the expiry of the first anniversary of the First Completion. Terms and conditions of the lease so extended shall be determined upon negotiation of the parties.

Wai Fung, City Trend and the Disposal Company agree to lease the Hong Kong Property to the Vendor or its affiliates at market rate since the date of the Shareholders' Agreement. Term of the lease is to be negotiated by the parties.

7. Duration of the Shareholders' Agreement

The Shareholders' Agreement shall take effect from the First Completion Date and shall continue in full force and effect against each shareholder of the Disposal Company throughout so long as such shareholder holds shares in the Disposal Company.

DEED OF INDEMNITY

In connection with the Disposal Agreements, the Company will enter into the Deed of Indemnity in favour of the Purchasers pursuant to which the Company shall indemnify the Purchasers from and against, and agree to hold each of them harmless from, any and all economic loss suffered arising from, among others, tax liability as may be adjudicated by the Inland Revenue Department of Hong Kong within six financial years prior to the Second Completion Date.

INFORMATION ON THE GROUP, THE DISPOSAL COMPANY AND THE PURCHASERS

The Group is principally engaged in the manufacture and sale of containerboard and corrugated packaging. The Disposal Company is a wholly-owned subsidiary of the Group and the principal business of which is the provision of intra-group management service to the Group such as the leasing of the PRC Property to a Group company for use as production plant for the corrugated packaging business, the leasing of the Hong Kong Property to another Group company for use as administrative, accounting and financing office and acting as the financing arm of the Group. There have been or will be other Group companies providing similar intra-group management service to the Group after completion of the Disposals.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, the principal business activities of Wai Fung and City Trend are investment holding and each of Wai Fung and City Trend and their respective ultimate beneficial owner(s) is a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) as at the date of this circular.

REASONS FOR AND BENEFIT OF THE DISPOSALS

The Directors consider that the Disposals are a good opportunity to realise a considerable gain and generate cash inflow for the Group thereby strengthening the cash position of the Group. Improvement of the cash position of the Group will enable the Group to capture business growth which may arise in the long run. As at the date of this circular, the Company has not identified any specific targets to be acquired and therefore currently intends to use the net proceeds from the Disposals for the general working capital of the Group.

The Group currently has six production plants. Four of the productions plants are used for the manufacture of corrugated packaging and two of them used for the manufacture of containerboard. The production plant located on the PRC Property is currently used for the manufacture of corrugated packaging accounting for approximately 30% of the production capacity for the manufacture of corrugated packaging. After the Disposals, manufacture of corrugated packaging will be taken up by the other three production plants of the Group. Based on the utilization rate as at 30 September 2014, it is estimated that the utilization rate of the other three plants for corrugated packaging after the Disposals and having taken up the manufacture function of the production plant under the Disposals will be approximately 92%. For purpose of a smooth transition, the Purchasers have agreed to lease the Assets to the Vendor or its affiliates for two years from the First Completion Date and hence, the Group could continue its business activities thereon accordingly. Even if the above leases of the Assets to the Group were not renewed upon expiry of the two-year term, the Directors believe that the current production process carried out at the PRC Property could be taken up by the other three production plants owned by the Group or alternatively, be relocated to another leased production plant. Similarly, the Group would search for other similar office premises in Hong Kong should the lease of the Hong Kong Property was not renewed upon expiry. As such, the Directors (including the independent non-executive Directors) confirm that completion of the Disposals would not have any adverse impact on the business activities of the Group.

As at 31 December 2013, the audited net asset value of the Disposal Company was HK$42,747,543. For the years ended 31 December 2012 and 2013, the net profit/(loss) before taxation attributable to the Disposal Company was HK$6,600,063 and HK$(1,211,393), respectively. For the years ended 31 December 2012 and 2013, the net profit/(loss) after taxation attributable to the Disposal Company was HK$5,836,204 and HK$(2,044,770), respectively.

Based on the unaudited net book value of the Disposal Company as at 30 September 2014, it is estimated that the Group will record a gain of approximately HK$438.0 million from the Disposals.

Upon completion of the Disposals, the Group would continue to be principally engaged in the manufacture and sale of containerboard and corrugated packaging on its five owned production plants in the PRC. The Group currently has no intention to dispose of the other production plants of the Group in the PRC.

In light of the reasons above, the Directors (including the independent non-executive Directors) confirm that the terms of the Disposals are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios set out under Rule 14.07 of the Listing Rules in respect of the Disposals are 75% or more, the Disposals constitute a very substantial disposal for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal Agreements and the transactions contemplated thereafter. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Wai Fung and City Trend and its ultimate beneficial owner is an Independent Third Party and hence no Shareholder shall be required to abstain from voting on the resolution to be proposed at the EGM to approve the Disposals on the terms and conditions of the Disposal Agreements and other transactions contemplated thereunder.

RECOMMENDATION

The Directors are of the view that the Disposal Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. If a general meeting was to be convened for the approval of the Disposal Agreements and the transaction contemplated thereunder, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Disposal Agreements and the transaction contemplated thereunder at such general meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully
By order of the Board
Hop Fung Group Holdings Limited
Hui Sum Kwok
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2011, 2012 and 2013 are disclosed in the annual reports of the Company for each of the three years ended 31 December 2011, 2012 and 2013 which can be accessed on both the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at http://www.hopfunggroup.com.

2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

Borrowings

At the close of business on 30 September 2014, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had in aggregate outstanding borrowings of approximately HK$513.4 million.

The following table illustrates the Group's unsecured bank borrowings and obligations under finance lease as at 30 September 2014:

	HK$'000
Unsecured bank borrowings	
Bank loans	299,139
Other bank borrowings	208,118
Trust receipt loans	5,413
Obligations under finance lease secured by property, plant and equipment	704
	513,374

Contingent liabilities

The tax audits conducted by the Inland Revenue Department ("IRD") on the Company and its subsidiaries in respect of the years of assessment 2004/2005 to 2010/2011 are still on-going.

The IRD had previously issued additional assessments to Gong Ming Hop Fung Paper Ware Factory Limited ("GMHF") for the years of assessment 2004/2005 and 2005/2006 on 2nd June, 2006 and 19th October, 2006 respectively. The taxes demanded under the additional assessments amounted to HK$11,220,917 in aggregate. The Group had lodged objections with the IRD against these additional assessments.

Subsequent to the lodgement of objections by GMHF, tax payment of HK$1,992,965 was made during the year ended 31st December, 2006. Further, tax reserve certificates of HK$1,717,279 in respect of the 2005/2006 assessments for GMHF, pending the outcome of the tax audits and the objections, were purchased in December 2006 and included in "deposits and prepayments" as at 31 December, 2013 and 31 December, 2012. Furthermore, bank undertakings in the amount of HK$3,828,453 had been arranged by the Group and were accepted by the IRD as security for payment of the mentioned tax. The remaining amounts of tax of HK$3,682,220 demanded by the IRD have been held over unconditionally.

In addition, the IRD issued protective assessments to certain subsidiaries of the Group, namely Chun Yik (Macao Commercial Offshore) Limited ("CYMCO"), Man Shung (Macao Commercial Offshore) Limited ("MSMCO"), Fung Kong Hop Fung Paper Ware Factory Limited ("FKHF"), for the year of assessment 2005/2006 in March 2012, amounted to HK$525,000 in aggregate. The Group lodged objections with the IRD against these protective assessments.

Furthermore, the IRD issued protective assessments to the Company and certain subsidiaries of the Group, namely CYMCO, MSMCO, FKHF, and GMHF, for the year of assessment 2006/2007 and 2007/2008 in March 2013 and March 2014 respectively, amounted to HK$1,664,958 in aggregate. A tax reserve certificate of HK$175,000 in respect of the 2007/2008 assessments for the Company, CYMCO, MSMCO, FKHF and GMHF, pending the outcome of the tax audits and the objections, was purchased in June 2014. In September 2014, the IRD further issued protective assessment to GMHF for the year of assessment 2008/2009 to 2010/2011 amounted to HK$106,614 in aggregate of which a tax reserve certificate was purchased in November 2014. The Group lodged objections with the IRD against these protective assessments.

The Directors believe that no additional provision for Hong Kong Profits Tax in respect of the tax audit for the years of assessment 2004/2005 and onwards is necessary at the present stage. The Directors consider that the inquiries from the IRD are still at a fact-finding stage and the IRD has yet expressed any formal opinion on the potential tax liability, if any. The potential tax liability, if any, cannot be readily ascertained at this stage.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 30 September 2014, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after taking into account the financial resources available including the existing banking facilities of the Group, internally generated funds and the proceeds from the Disposals, are of the opinion that the Group has sufficient working capital for its present requirements and for at least 12 months following the date of this circular in the absence of any unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECTS

The Group currently has six production plants. Four of the productions plants are used for the manufacture of corrugated packaging and two of them used for the manufacture of containerboard. The production plant located on the PRC Property is currently used for the manufacture of corrugated packaging accounting for approximately 30% of the production capacity for the manufacture of corrugated packaging.

After the Disposals, manufacture of corrugated packaging will be taken up by the other three production plants of the Group. Based on the utilization rate as at 30 September 2014, it is estimated that the utilization rate of the other three plants for corrugated packaging after the Disposals and having taken up the manufacture function of the production plant under the Disposals will be approximately 92%.

For purpose of a smooth transition, the Purchasers have agreed to lease the Assets to the Vendor or its affiliates for two years from the First Completion Date and hence, the Group could continue its business activities thereon accordingly. Even if the above leases of the Assets to the Group were not renewed upon expiry of the two-year term, the Directors believe that the current production process carried out at the PRC Property could be taken up by the other three production plants owned by the Group or alternatively, be relocated to another leased production plant. Similarly, the Group would search for other similar office premises in Hong Kong should the lease of the Hong Kong Property was not renewed upon expiry. As such, the Group could continue its current production activities at the PRC Property for the supply of its finished products to its customers located in Shenzhen and hence, the Directors do not consider that there would be any material adverse impact to the trading relationship with its customers for at least two years from the First Completion Date. However, in the event that the lease of the PRC Property was not renewed upon expiry of the two-year term and the Group needs to supply to its existing customers in Shenzhen with its finished products manufactured at the other three production plants, the Directors expect that the selling and distribution costs would increase thereby lowering our net profit margin. In such circumstance, the Group would search for other similar production plants in the proximity to the PRC Property in Shenzhen. The Directors (including the independent non-executive Directors) also confirm that completion of the Disposals would not have any adverse impact on the business activities of the Group.

Upon completion of the Disposals, the Group would continue to be principally engaged in the manufacture and sale of containerboard and corrugated packaging on its five owned production plants in the PRC.

Based on the unaudited net book value of the Disposal Company as at 30 September 2014, it is estimated that the Group will record a gain of approximately HK$438.0 million from the Disposals. The Disposals are also considered a good opportunity to realise a considerable gain and generate cash inflow for the Group thereby strengthening the cash position of the Group.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Business Review

The global economic recovery remained slow in the first half of 2014. The European economy saw modest growth in the first half, and the economies of China and the United States ("US") both stalled in the first quarter, with growth resuming only in the second quarter. The Renminbi depreciated and the US Federal Reserve's reduction in bond purchases put even more pressure on the Renminbi. Only some domestic Chinese exporters benefited from this trend. The uncertain outlook in exchange rates resulted in slower economic growth.

The corrugated packaging industry has been in oversupply in recent years, and fierce competition has put a cap on prices. Demand growth remains modest due to a lack of growth in the wider economy, resulting in a number of closures and a business environment that remains difficult as a whole. Thankfully, the Group's management have been able to deliver overall sales growth in the first half of 2014 on the back of our experience and market acumen, a shift in our marketing strategy and the aggressive development of new customers.

Although the Group's average selling price fell slightly as a result of market demand and competition, the increase in domestic sales volume resulted in a 18% increase in domestic sales, accounting for approximately 90% of total sales. Though both export sales volume and average selling prices for exports fell, exports' share of overall sales remained low and its impact was limited. As a whole, the Group's overall sales revenue rose by 8.4% on a year on year basis in the first half of 2014.

The Group's upstream containerboard and downstream corrugated packaging accounted for 24% and 76% of sales, respectively. The upstream saw sales growth of 8% while downstream sales fell 4%. The change in sales mix between the upstream and the downstream reflected the Group's flexible sales strategy on the back of market and demand changes.

The Group's main raw material, waste paper, saw prices fall slightly compared to the same period of last year. As around 50% of our wastepaper came from domestic purchases, the slight depreciation of the Renminbi saw production costs fall slightly. Improvements in production processes provided relief to cost pressure coming from the inflation in wages and other costs, keeping overall production costs relatively stable.

The Group's inventory levels are seasonally higher at the end of the first half compared to the end of the second half due to the need to prepare for the upcoming peak season. Total liabilities and total bank borrowings both fell, and came in at relatively low levels. Accounts receivables fell and bad debts remained negligible. The Group's financial situation remains healthy with an abundance of liquidity.

Financial Review

Operating results

The Group recorded a rise in revenue by 8.4%, from HK$458 million in the first half of 2013 to HK$496.4 million in the first half of 2014, primarily resulting from the increase in sales volume. The rise in cost of sales was in line with the growth in revenue. Gross profit margin slightly improved from 16.8% to 17.2%.

Other income climbed by HK$1.2 million from HK$5.1 million to HK$6.3 million. It was mainly attributable to the bank interest income earned from the increased bank deposits.

The rise in selling and distribution costs was in line with the growth in revenue. The increase of 8.4% was mainly due to the delivery cost for increasing sales volume.

There was an increase of 12.8% in administrative expenses from HK$32.1 million to HK$36.2 million. Such increment was mainly caused by the accounting treatment for the share options granted in the second half of 2013.

Other expenses increased by HK$2.6 million from HK$10.2 million to HK$12.8 million. The rise was predominantly due to exchange loss arising from the depreciation of Renminbi. No provision for bad debts was considered necessary.

EBITDA (earnings before interest, tax, depreciation and amortization and unrealized change in fair value of derivative financial instruments) slightly fell HK$0.4 million, from HK$54.6 million to HK$54.2 million.

The decline in finance costs by 5.7%, from HK$12.2 million to HK$11.5 million was owing to lower average borrowing level in the first half of 2014.

Unrealized change in fair value of derivative financial instruments of HK$0.8 million was recognized only for accounting purpose. It was non-cash in nature and would be reversed to zero at maturity date.

Profit from operation (profit for the period before unrealized change in fair value of derivative financial instruments) slightly increased from HK$2.45 million to HK$2.51 million. The profit margin from operation maintained at 0.5%.

Profit for the period rose by 41.1% from HK$1.24 million to HK$1.75 million. Basic earnings per share increased from 0.17 HK cents to 0.24 HK cents.

Liquidity, financial and capital resources

As at 30 June 2014, the Group's total cash and cash equivalents were HK$224.6 million (31st December 2013: HK$239.8 million), mostly denominated in Renminbi and Hong Kong Dollars.

Net current assets and current ratio of the Group were HK$30.5 million (31 December 2013: HK$31.1 million) and 1.06 (31 December 2013: 1.06) respectively.

The Group spent HK$17.1 million on capital expenditures for maintenance and technical upgrades to production lines and facilities.

The average inventory turnover was 57 days. Two-month shipment is basically required for delivering waste paper from Europe or the United States to the plants in China.

The total bank borrowings fell HK$45.6 million. Gearing ratio fell from 56.2% to 53.2%. The current bank borrowings were down by HK$20.0 million and the non-current bank borrowings were down by HK$25.6 million. The balance for total bank borrowings net of bank balances and cash fell by HK$30.5 million. Net gearing ratio declined from 35.3% to 33.3%.

Contingent liabilities

The tax audits conducted by the IRD on the Company and its subsidiaries for the years of assessment 2004/2005 to 2010/2011 are still ongoing. The IRD had issued protective assessments for the years of assessment 2004/2005 to 2007/2008 to the Group and certain of its subsidiaries. Objections were lodged against all these assessments. Tax reserve certificate of HK$175,000 in respect of the 2007/2008 assessment for the Company, pending the outcome of the tax audits and the objections, were purchased in June 2014. 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

At present, loose monetary policies and stable fiscal policies on the part of many countries should facilitate economic growth. The Renminbi has returned to a path of modest appreciation and the Chinese economy is expected to see sustained improvements. Chinese policies tightening environmental protection regulations and eliminating enterprises with outdated capacity should allow the current oversupply issues to see improvements. That said, competition should remain fierce in the short term.

We expect to see gradual improvements in the business environment in the second half with growth in demand. The Group will grasp the advantages and opportunities from our vertically integrated business model, expand market share, improve production efficiency and reduce wastage, maintain our prudent financial situation and operating infrastructure, in order to deliver satisfactory returns to our shareholders.

The Company's auditor was engaged to review the unaudited financial information of the Disposal Company set out on pages 21 to 26 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on their review, nothing has come to their attention that causes them to believe that the unaudited financial information of the Disposal Company for the relevant years and periods is not prepared, in all material respects, in accordance with the basis of preparation set out below.

The amounts included in the unaudited financial information of the Disposal Company have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the financial statements of the Company and its subsidiaries for the relevant years and periods, which conform with Hong Kong Financial Reporting Standards issued by the HKICPA. The unaudited financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard ("HKAS") 1 "Presentation of Financial Statements" nor condensed financial statements as described in HKAS 34 "Interim Financial Reporting" issued by the HKICPA.

Statements of Profit or Loss and Other Comprehensive Income

For the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2013 and 2014

	Six months ended 30 June		Year ended 31 December		
	2014	**2013**	**2013**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	2,670	2,670	5,340	7,140	8,400
Other income	1,139	1,149	2,298	2,253	2,187
Selling and distribution costs	—	—	—	(3)	(10)
Administrative expenses	(911)	(1,038)	(2,153)	(6,014)	(5,357)
Other expenses	(1,378)	(1,396)	(2,543)	(2,612)	(1,160)
Finance costs	(2,660)	(3,114)	(6,497)	(6,407)	(4,552)
Changes in fair value of derivative financial instruments	31	(46)	2,343	12,243	(4,339)
(Loss) profit before taxation	(1,109)	(1,775)	(1,212)	6,600	(4,831)
Income tax expense	—	—	(833)	(764)	(880)
(Loss) profit and total comprehensive (expense) income for the period/year	(1,109)	(1,775)	(2,045)	5,836	(5,711)

Statements of Financial Position
As at 31 December 2011, 2012 and 2013 and 30 June 2014

	As at 30 June	As at 31 December		
	2014	**2013**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)	(audited)
Non-current assets				
Property, plant and equipment	16,439	17,360	19,234	10,706
Prepaid lease payments on land use rights	7,238	7,369	7,630	1,811
	23,677	24,729	26,864	12,517
Current assets				
Deposits and prepayments	26	32	33	117
Prepaid lease payments on land use rights	261	261	261	61
Amount due from an intermediate holding company	126,385	171,355	195,454	159,975
Amount due from a fellow subsidiary	189	191	188	183
Derivative financial instruments	—	415	316	108
Bank balances and cash	4,403	5,129	3,682	5,171
	131,264	177,383	199,934	165,615
Current liabilities				
Other payables	851	822	836	705
Taxation payable	2,972	3,098	3,075	4,011
Derivative financial instruments	—	30	196	8,336
Unsecured bank borrowings	74,596	87,324	95,672	94,740
	78,419	91,274	99,779	107,792
Net current assets	52,845	86,109	100,155	57,823
Total assets less current liabilities	76,522	110,838	127,019	70,340

	As at 30 June	As at 31 December		
	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)	(audited)
Capital and reserves				
Share capital	3,000	3,000	3,000	3,000
Other reserve	16,718	16,718	16,718	—
Retained profits	21,920	23,029	25,074	19,238
Total equity	41,638	42,747	44,792	22,238
Non-current liabilities				
Unsecured bank borrowings	34,811	68,018	82,160	48,072
Deferred taxation	73	73	67	30
	34,884	68,091	82,227	48,102
	76,522	110,838	127,019	70,340

Statements of Changes in Equity

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014

	Share capital *HK$'000*	Other reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2011 (audited)	3,000	—	24,949	27,949
Loss and total comprehensive expense for the year	—	—	(5,711)	(5,711)
At 31 December 2011 (audited)	3,000	—	19,238	22,238
Waiver of amount due to a fellow subsidiary	—	16,718	—	16,718
Profit and total comprehensive income for the year	—	—	5,836	5,836
At 31 December 2012 (audited)	3,000	16,718	25,074	44,792
Loss and total comprehensive expense for the year	—	—	(2,045)	(2,045)
At 31 December 2013 (audited)	3,000	16,718	23,029	42,747
Loss for total comprehensive expense for the period	—	—	(1,109)	(1,109)
At 30 June 2014 (unaudited)	3,000	16,718	21,920	41,638
For the six months ended 30 June 2013 (unaudited)				
At 1 January 2013	3,000	16,718	25,074	44,792
Loss and total comprehensive expense for the period	—	—	(1,775)	(1,775)
At 30 June 2013	3,000	16,718	23,299	43,017

Statements of Cash Flows

For the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2013 and 2014

	Six months ended 30 June		Year ended 31 December		
	2014	**2013**	**2013**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Operating activities					
(Loss) profit before taxation	(1,109)	(1,775)	(1,212)	6,600	(4,831)
Adjustments for:					
Finance costs	2,660	3,114	6,497	6,407	4,552
Depreciation of property, plant and equipment	921	951	1,874	1,910	975
Release of prepaid lease payments on land use rights	131	131	261	261	61
Interest income	(1)	(1)	(3)	(11)	(2)
Changes in fair value of derivative financial instruments	(31)	46	(2,343)	(12,242)	4,339
Operating cash flows before movements in working capital	2,571	2,466	5,074	2,925	5,094
Decrease in deposits and prepayments	6	—	1	84	1,011
Increase (decrease) in other payables	29	35	(14)	131	(326)
Decrease (increase) in amount due from a fellow subsidiary	2	(2)	(3)	(5)	(183)
Settlement of derivative financial instruments, net	416	1,166	2,078	3,894	2,882
Cash generated from operations	3,024	3,665	7,136	7,029	8,478
Income tax paid	(126)	(325)	(804)	(1,663)	(563)
Net cash from operating activities	2,898	3,340	6,332	5,366	7,915

	Six months ended 30 June		Year ended 31 December		
	2014	**2013**	**2013**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Investing activities					
Repayment from (advance to) an intermediate holding company	44,970	32,539	24,099	(35,479)	40,662
Interest received	1	1	3	11	2
Purchases of property, plant and equipment	—	—	—	—	(29)
Net cash from (used in) investing activities	44,971	32,540	24,102	(35,468)	40,635
Financing activities					
New bank loans raised	—	20,000	75,000	150,000	54,800
Repayment of bank loans	(45,935)	(49,738)	(97,490)	(114,980)	(94,723)
Interest paid	(2,660)	(3,114)	(6,497)	(6,407)	(4,552)
Net cash (used in) from financing activities	(48,595)	(32,852)	(28,987)	28,613	(44,475)
Net (decrease) increase in cash and cash equivalents	(726)	3,028	1,447	(1,489)	4,075
Cash and cash equivalents at 1 January	5,129	3,682	3,682	5,171	1,096
Cash and cash equivalents at 30 June/31 December represented by bank balances and cash	4,403	6,710	5,129	3,682	5,171

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.
德勤

To the Board of Directors of Hop Fung Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hop Fung Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consisted of the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2014, the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows for the six months ended 30 June 2014 and related notes as set out on pages 32 to 37 of the circular issued by the Company dated 27 November 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 30 to 31 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed disposal of the issued share capital of Fung Kong Hop Fung Paper Ware Factory Limited ("Proposed Disposal") on the Group's financial position as at 30 June 2014 and the Group's financial performance and cash flows for the six months ended 30 June 2014 as if the Proposed Disposal had taken place at 30 June 2014 and 1 January 2014, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's condensed financial statements for the six months ended 30 June 2014, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2014 or 1 January 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 November 2014

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

The following is a summary of an illustrative and unaudited pro forma condensed consolidated statement of financial position, unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows (collectively referred to as the "Unaudited Pro Forma Financial Information") of the Group (hereinafter referred to as the "Remaining Group"), which have been prepared on the basis of the notes set out below for the purpose of illustrating the effects of Proposed Disposal as if the Proposed Disposal were completed on 30 June 2014 for the unaudited pro forma condensed consolidated statement of financial position and as if the Proposed Disposal were completed on 1 January 2014 for the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows.

This Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 30 June 2014 or at any future date or the results and cash flows of the Group for the six months ended 30 June 2014 or for any future period.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014 as disclosed in the published interim report of the Company for the six months ended 30 June 2014, and other financial information included elsewhere in the Circular.

Unaudited pro forma condensed consolidated statement of financial position of the Remaining Group

The unaudited pro forma condensed consolidated statement of financial position of the Remaining Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2014, which has been extracted from the published interim report of the Company for the six months ended 30 June 2014, with the pro forma adjustments relating to the Proposed Disposal as explained in notes below and other adjustments directly attributable to the Proposed Disposal and factually supportable.

Unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group

The unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group have been prepared based on the unaudited condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed statement of cash flows of the Group for the six months ended 30 June 2014, which have been extracted from the published interim report of the Company for the six months ended 30 June 2014, with the pro forma adjustments relating to the Proposed Disposal as explained in notes below and other adjustments directly attributable to the Proposed Disposal and factually supportable.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	The Group as at 30 June 2014	Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)				(unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Property, plant and equipment	1,382,587	(16,439)	7,293	—	1,373,441
Prepaid lease payments on land use rights	22,285	(7,238)	1,658	—	16,705
Consideration receivable	—	—	—	214,993	214,993
Prepaid rent	—	—	—	5,145	5,145
	1,404,872				1,610,284
Current assets					
Inventories	157,254	—	—	—	157,254
Trade and other receivables	174,718	(189)	189	—	174,718
Deposits and prepayments	6,639	(26)	26	—	6,639
Prepaid lease payments on land use rights	621	(261)	61	—	421
Derivative financial instruments	350	—	—	—	350
Amount due from immediate holding company	—	(126,385)	126,385	—	—
Bank balances and cash	224,621	(4,403)	4,403	203,150	427,771
	564,203				767,153

	The Group as at 30 June 2014	Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)				(unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Current liabilities					
Trade, bills and other payables	193,912	(851)	851	—	193,912
Taxation payable	11,461	(2,972)	2,972	—	11,461
Derivative financial instruments	160	—	—	—	160
Unsecured bank borrowings	328,169	(74,596)	74,596	—	328,169
	533,702				533,702
Net current assets	30,501				233,451
Total assets less current liabilities	1,435,373				1,843,735
Capital and reserves					
Share capital	72,439	—	—	—	72,439
Share premium and reserves	1,054,399	—	—	408,362	1,462,761
Total equity	1,126,838				1,535,200
Non-current liabilities					
Unsecured bank borrowings	271,802	(34,811)	34,811	—	271,802
Deferred taxation	36,733	(73)	73	—	36,733
	308,535				308,535
	1,435,373				1,843,735

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	The Group for the six months ended 30 June 2014	**Pro forma adjustments**			**Pro forma Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)				(unaudited)
	(Note 1)	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Revenue	496,358	—	—	—	496,358
Cost of sales	(411,084)	418	(418)	—	(411,084)
Gross profit	85,274				85,274
Other income	6,327	(3,809)	3,809	6,814	13,141
Selling and distribution costs	(29,070)	—	—	—	(29,070)
Administrative expenses	(36,191)	911	(2,147)	—	(37,427)
Other expenses	(12,834)	960	—	—	(11,874)
Finance costs	(11,463)	2,660	(2,660)	—	(11,463)
Changes in fair value of derivative financial instruments	39	(31)	—	—	8
Gain on disposal of a subsidiary	—	—	—	407,751	407,751
Profit before taxation	2,082	—	—	—	416,340
Income tax expense	(335)	—	—	—	(335)
Profit for the period	1,747				416,005
Other comprehensive expense for the period:					
Items that may be subsequently reclassified to profit or loss:					
Exchange difference arising from translation of foreign operations	(27,943)				(27,943)
Total comprehensive (expense) income for the period	(26,196)				388,062

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	The Group for the six months ended 30 June 2014		Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)					(unaudited)
	(Note 1)	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	
Net cash from operating activities	58,878	(2,897)	2,897	(141)	—	58,737
Investing activities						
Proceeds on disposal of property, plant and equipment	165	—	—	—	—	165
Purchases of property, plant and equipment	(17,075)	—	—	—	—	(17,075)
Net cash inflow from disposal	—	—	—	—	203,150	203,150
(Repayment from) advance to an intermediate holding company	—	(44,970)	44,970	—	—	—
Interest received	1,921	(1)	1	—	—	1,921
Net cash (used in) from investing activities	(14,989)	(44,971)	44,971	—	203,150	188,161
Financing activities						
Decrease in trust receipt loans	(2,119)	—	—	—	—	(2,119)
Bank advances drawn	505,603	—	—	—	—	505,603
Repayment of bank advances	(478,408)	—	—	—	—	(478,408)
New bank loans raised	67,500	—	—	—	—	67,500
Repayment of bank loans	(134,053)	45,935	(45,935)	—	—	(134,053)
Interest paid	(11,463)	2,660	(2,660)	—	—	(11,463)
Net cash used in financing activities	(52,940)	48,595	(48,595)	—	—	(52,940)
Net (decrease) increase in cash and cash equivalents	(9,051)	727	(727)	(141)	203,150	193,958
Cash and cash equivalents at 1 January	239,767	—	—	—	—	239,767
Effect of foreign exchange rate changes	(6,095)	—	—	—	—	(6,095)
Cash and cash equivalents at 30 June	224,621	727	(727)	(141)	203,150	427,630

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

(1) Figures are extracted from the unaudited condensed consolidated financial statements of the Group as set out in the published interim report of the Company for the six months ended 30 June 2014.

(2) The adjustment reflects the exclusion of the assets and liabilities of Fung Kong Hop Fung Paper Ware Factory Limited ("Disposal Company") assuming the transaction had taken place on 30 June 2014. Figures are based on the unaudited condensed financial information of the Disposal Company for the six months ended 30 June 2014 as extracted from Appendix II to the Circular.

(3) The adjustment reflects the transfer of net assets of the Disposal Company of approximately HK$26,712,000 to the Remaining Group as agreed in the Shareholders' Agreement assuming the transactions had taken place on 30 June 2014.

(4) The adjustment represents the cash inflow and gain on disposal of the Disposal Company, assuming the transaction had taken place on 30 June 2014. The net cash inflow arising on the Proposed Disposal of approximately HK$203,150,000 is calculated by deducting the estimated legal and professional fees attributable to the Proposed Disposal of approximately HK$29,600,000 from the gross cash proceeds of RMB186,200,000 (equivalent to approximately HK$232,750,000), as provided in the Disposal Agreements.

The pro forma gain on disposal of the Disposal Company of approximately HK$408,362,000 is calculated based on (i) the net assets of the Disposal Company of approximately HK$14,926,000 as extracted from the unaudited financial information of the Disposal Company as at 30 June 2014 set out in Appendix II, and after deducting the transfer of net assets of Disposal Company of approximately HK$26,712,000 as agreed in the Shareholders' Agreement; (ii) estimated legal and professional fees attributable to the Proposed Disposal of approximately HK$29,600,000; (iii) estimated market rental for using the PRC Property at nil consideration for the period between First Completion Date and Second Completion Date of approximately HK$5,145,000; (iv) gross cash proceeds at First Completion Date of RMB186,200,000 (equivalent to approximately HK$232,750,000) and (v) present value of gross consideration receivable at Second Completion Date of RMB193,800,000 (equivalent to approximately HK$242,250,000) amounting to HK$214,993,000 adopting discount rate of 6.15% per annum for two years.

	HK$'000
Proposed Disposal at 30 June 2014:	
Total cash consideration on First Completion Date	232,750
Total consideration to be received on Second Completion Date	214,993
Net assets of the Disposal Company	(14,926)
Legal and professional fees	(29,600)
Effective market rental for using the PRC Property at nil consideration	5,145
Pro forma gain on disposal recognised in profit or loss	408,362

The final gain or loss on the Proposed Disposal may be different from the amount described above and would be subject to the carrying amount of the assets and liabilities of the Disposal Company on the date of Proposed Disposal.

(5) The adjustment reflects the exclusion of the income and expenses and cash flows of the Disposal Company, assuming the transaction had taken place on 1 January 2014. Figures are based on the unaudited condensed financial information of the Disposal Company for the six months ended 30 June 2014 as extracted from Appendix II to the Circular.

(6) The adjustment represents reclassification of the income and expenses of the Disposal Company arising from the transactions with the Remaining Group, which have been eliminated in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2014 and incurring rental expense for the Hong Kong Property and PRC Property for HK$141,000 and HK$1,286,000 respectively for six months ended 30 June 2014.

(7) The adjustment represents the cash inflow and gain on disposal of the the Disposal Company, assuming the transaction had taken place on 1 January 2014. The net cash inflow arising on the Proposed Disposal of approximately HK$203,150,000 is calculated by deducting the estimated legal and professional fees attributable to the Proposed Disposal of approximately HK$29,600,000 from the gross cash proceeds of RMB186,200,000 (translated to approximately HK$232,750,000 using exchange rate as at 30 June 2014 of HK$1: RMB0.8), as provided in the Disposal Agreements.

The pro forma gain on disposal of the Disposal Company of approximately HK$407,751,000 is calculated based on (i) the net assets of the Disposal Company of approximately HK$15,537,000 as extracted from the unaudited financial information of the Disposal Company as at 30 June 2014 set out in Appendix II, and after deducting the transfer of net assets of Disposal Company of approximately HK$27,211,000 as agreed in the Shareholders' Agreement; (ii) estimated legal and professional fees attributable to the Proposed Disposal of approximately HK$29,600,000; (iii) estimated market rental for using the PRC Property at nil consideration for the period between First Completion Date and Second Completion Date of approximately HK$5,145,000; (iv) gross cash proceeds at First Completion Date of RMB186,200,000 (translated to approximately HK$232,750,000 using exchange rate as at 30 June 2014 of HK$1: RMB0.8) and (v) present value of gross consideration receivable at Second Completion Date of RMB193,800,000 (translated to approximately HK$242,250,000 using exchange rate as at 30 June 2014 of HK$1: RMB0.8) amounting to HK$214,993,000 adopting discount rate of 6.15% per annum for two years. Imputed interest income of HK$6,814,000 on consideration for the six months was recognised in the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income.

	HK$'000
Proposed Disposal at 1 January 2014:	
Total cash consideration on First Completion Date	232,750
Total consideration to be received on Second Completion Date	214,993
Net assets of the Disposal Company	(15,537)
Legal and professional fees	(29,600)
Effective market rental for using the PRC Property at nil consideration	5,145
Pro forma gain on disposal recognised in profit or loss	407,751

The final gain or loss on the Proposed Disposal may be different from the amount described above and would be subject to the carrying amount of the assets and liabilities of the Disposal Company on the date of Proposed Disposal.

(8) The adjustments reflects the exclusion of the cash flows of the Disposal Company for the six months ended 30 June 2014, which are extracted from the unaudited condensed financial information of the Disposal Company for the six months ended 30 June 2014, as if the Proposed Disposal had taken place on 1 January 2014.

(9) The adjustments represent elimination of the cash flows between the Remaining Group and the Disposal Company which have been eliminated in the unaudited condensed consolidated financial statements of the six months ended 30 June 2014.

(10) The adjustment represents the cash outflow of rental expense on Hong Kong Property for the Remaining Group for the six months ended 30 June 2014.

(11) The adjustment represents the net cash inflow amounting to approximately HK$203,150,000 resulting from the Proposed Disposal on 1 January 2014, as if the Proposed Disposal had taken place on 1 January 2014, which is calculated by cash consideration for the Proposed Disposal of HK$232,750,000 and the estimated legal and professional fees of approximately HK$29,600,000.

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuations as at 31 October 2014 of the property.

ROMA

Unit 3806, 38/F, China Resources Building
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http:// www.romagroup.com

27 November 2014

Hop Fung Group Holdings Limited
Block 22 E, F & H,
Phase 2, Superluck Industrial Centre,
57 Sha Tsui Road,
Tsuen Wan, Hong Kong

Dear Sir/Madam,

Re: Valuation of various properties located in Hong Kong and the People's Republic of China

In accordance with your instruction for us to value the properties held by Hop Fung Group Holdings Limited (the "Company") and/or its subsidiaries (together with the Company referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 October 2014 (the "Date of Valuation") for the purpose of incorporation in the circular of the Company dated 27 November 2014.

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. PROPERTY CATEGORIZATION

In the course of our valuations, the properties owned by the Group are categorized into the following groups:

- Group I — Property held and occupied by the Group in Hong Kong; and
- Group II — Property held and occupied by the Group in the PRC

3. VALUATION METHODOLOGIES

For the property in Group I, we have valued the property by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For the property in Group II which has redevelopment potential, we have assumed that it will be redeveloped and completed in accordance with the latest planning policy and relevant regulations of development proposal provided to us. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have taken into account the expended development costs and the costs including estimated land premium (估計補地價) that will be expended to complete the development.

4. TITLE INVESTIGATION

For the property in Hong Kong, we have conducted land searches at the Land Registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

For the property in the PRC, we have been provided with copies of extracts of title documents relating to the property in the PRC. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and the Group's PRC legal advisor, Jian Da Law Firm (廣東景達律師事務所) regarding the title to the property in the PRC. All documents have been used for reference only.

In valuing the property, we have relied on the advice given by the Group and its PRC legal advisor that the Group has valid and enforceable title to the property which is freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite estimated land use compensation fee/purchase consideration payable have been fully settled.

5. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

6. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

7. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations are prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

8. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi (RMB). Where appropriate, the exchange rates that we have adopted are HK$1 to RMB0.7898.

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Dr. Alan W K Lee
BCom(Property) MFin PhD(BA)
MHKIS RPS(GP) AAPI CPV
CPV(Business)
Associate Director

Frank F Wong
BA (Business Admin) MSc (Real Estate)
MRICS Registered Valuer
Associate Director

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 10 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

Note: Mr. Frank F Wong is a Chartered Surveyor and Registered Valuer who has 15 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 7 years' experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

SUMMARY OF VALUES

Group I — Property held and occupied by the Group in Hong Kong

No.	Property	Market Value in Existing State as at 31 October 2014
1.	Workshops E, F and H on 22nd Floor and Car Parking Space Nos. 14 and 17 on Ground Floor, Superluck Industrial Centre (Phase 2), No. 57 Sha Tsui Road & Nos. 30–38 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong	RMB14,200,000.
	Sub-Total:	**RMB14,200,000.**

Group II — Property held and occupied by the Group in the PRC

No.	Property	Market Value in Existing State as at 31 October 2014
2.	An industrial complex at No. 5 Industrial District (Lot no. A626–0034), Heshuikou Juwei, Gong Ming Road, Baoan District, Shenzhen City, Guangdong Province, The PRC 位於中國廣東省深圳市寶安區公明街道合水口居委第五工業區(地號A626–0034)之工業綜合廠房	RMB320,000,000.
	Sub-Total:	**RMB320,000,000.**
	Grand-Total:	**RMB334,200,000.**

VALUATION CERTIFICATE

Group I — Property held and occupied by the Group in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2014
1.	Workshops E, F and H on 22nd Floor and Car Parking Space Nos. 14 and 17 on Ground Floor, Superluck Industrial Centre (Phase 2), No. 57 Sha Tsui Road & Nos. 30–38 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong 14/1,464th shares of and in Lot No. 328 in D.D. 355, the Remaining Portion of Lot No. 399 in D.D. 355 and Tsuen Wan Inland Lot No. 44.	The property comprises 3 industrial units on the 22nd floor and 2 car parking spaces on the ground floor of a 26-storey industrial building completed in 1979. The property has a gross floor area of about 646.88 sq.m. (or about 6,965.02 sq.ft.). The property is held under New Grant No. TW3710 for a term of 75 years renewable for 24 years commencing on 1 July 1898 for Lot No. 328 in D.D. 355, New Grant No. TW3829 for a term of 99 years for the Remaining Portion of Lot No. 339 in D.D. 355; and Conditions of Exchange No. UB5210 for a term of 75 years renewable for 24 years, all commencing on 1 July 1898 which have been statutorily extended to 30 June 2047. The government rent payable for the property is an amount equal to 3% of rateable value for the time being of the property per annum.	The property is occupied by the Group for ancillary office purpose.	RMB14,200,000.

Notes:

1. The registered owner of the property is Fung Kong Hop Fung Paper Ware Factory Limited, vide Memorial Nos. UB8995649 and UB8815238, dated 22 August 2003 and 29 October 2002 respectively.

2. Deed of Mutual Covenant of the development vide Memorial Nos. TW181963 and UB1736196 both dated 27 June 1979.

3. Fung Kong Hop Fung Paper Ware Factory Limited is a wholly-owned subsidiary of the Group.

4. Our inspection was performed by Mr. Kelvin K F Lan, B. Sc(Hons) in Surveying, in November 2014.

VALUATION CERTIFICATE

Group II — Property held and occupied by the Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2014
2.	An industrial complex located at No. 5 Industrial District (Lot no. A626–0034), Heshuikou Juwei, Gong Ming Road, Baoan District, Shenzhen City, Guangdong Province, The PRC 位於中國廣東省深圳市寶安區公明街道合水口居委第五工業區（地號A626–0034）之工業綜合廠房	The property comprises a parcel of land with a site area of approximately 44,553.7 sq.m. where various buildings and structures are erected thereon in about 2000s. The property has a total gross floor area of approximately 26,392.56 sq.m. (Please refer to Note No. 1 for details). The generator room has a gross floor area of approximately 1,540 sq.m. without relevant building certificate. The property is held under a land use rights for a term expiring on 2 January 2043 for industrial use.	As advised by the Group, the property is occupied by the Group as production plants, warehouses and ancillary office uses.	RMB320,000,000. (Please refer to Note No.7)

Notes:

1. Pursuant to 8 Real Estate Title Certificates（房地產証）issued by Shenzhen City People's Government（深圳市人民政府）dated 2 March 2010, the land use rights of the property with a site area of 44,553.7 sq.m. and 8 buildings erected thereon are held by Fung Kong Hop Fung Paper Ware Factory Limited（鳳崗合豐紙品廠有限公司）("Fung Kong Hop Fung") with a term expiring on 2 January 2043 for industrial use. The details of which are as follows:

Real Estate Title Certificate	Use	Gross Floor Area *(sq.m.)*
Shen Fang Di Zi No.8000100341	Factory	20,881.45
Shen Fang Di Zi No.8000100342	Staff Quarter	709.80
Shen Fang Di Zi No.8000100343	Staff Quarter	709.80
Shen Fang Di Zi No.8000100344	Canteen	611.45
Shen Fang Di Zi No.8000100345	Office	1,160.05
Shen Fang Di Zi No.8000100346	Office	1,006.10
Shen Fang Di Zi No.8000100347	Canteen	611.45
Shen Fang Di Zi No.8000100348	Staff Quarter	702.46
	Total:	**26,392.56**

2. According to the information provided by the Group, Fung Kong Hop Fung is an indirect wholly-owned subsidiary of the Group.

3. The status of the title and grant of major approvals and licenses in accordance with the information provided to us is as follows:

   Real Estate Ownership Certificate Yes

4. Our inspection was performed by Mr. Frank F Wong, in November 2014.

5. Pursuant to an intergroup tenancy agreement, the property has a total gross floor area of approximately 26,392.56 sq.m. leased to 合豐紙品(深圳)有限公司 commencing from 1 January 2012 and expiring on 31 December 2014 at monthly rent of RMB150,000.

6. We have adopted direct market comparison approach. As per our latest market research, the unit rate of different types of properties in the subject locality has a unit rate range as follows:

		Unit Rate *(RMB per sq.m.)*
a.	Residential Flats	18,000 to 20,000
b.	Retails Shops	25,000 to 50,000

7. Our valuation has taken into account on the existing state of the property with consider its highest and best use of development potential. The expected development cost including estimated land premium, relevant renewal policies and planning regulations as advised by the Group's PRC legal adviser which is stipulated in Note No. 8.

8. We have been instructed to value the property based on the following assumptions as at the Date of Valuation:

   a. Fung Kong Hop Fung is the sole owner of the property and has right to occupy, use, lease, transfer, and mortgage or otherwise dispose of the property with legal protection under the PRC law;

   b. The property is not subject to any mortgage and other encumbrances;

   c. The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities;

   d. As advised by the Group's Feasibility Consultant, the property could be redeveloped into a residential and retail composite development with total planned GFA of approximately 155,937.95 sq.m. (residential of approximately 124,750.36 sq.m., and retail podium aboveground development (which is for shops) of approximately 31,187.59 sq.m.) In our opinion, the development potential is in accordance with the measures of the Demolition and Redevelopment of Urban Renewal(拆除重建類城市更新), Shenzhen City Renewal Measures (深圳市城市更新辦法)by Urban Planning Land and Resources Commission of Shenzhen Municipality(深圳市規劃和國土資源委員會)and other relevant regulations. Furthermore, according to No. 193 Shen Fu 2010(深府(2010)193號)dated 18 December 2010, the Opinion of Shenzhen Municipal People's Government Further Promote on Urban Renewal Works 《深圳市人民政府關於深入推進城市更新工作的意見》 and Trial of Strengthen Measures on Implementation of Urban Renewal 《關於加強和改進城市更新實施工作的暫行措施》 dated 27 May 2014 both by Shenzhen Municipal People's Government(深圳市人民政府). It clearly states that the policy requires relevant local district government authorities to make a great effort on urban renewal progress of old villages and industrial zone(要求各區政府及直屬政府部門大力推進城中村和舊工業區改造). Shenzhen Municipal Government encourages the renewal project such as redevelopment which is in line with the relevant policy and regulations. The renewal application would normally take one to two years to complete the procedure including: i) to apply the project to the Renewal Unit Program of the District(地區城市更新職能部門). ii) to prepare an Urban Renewal Unit Plan(城市更新單元規劃)and for authority to review. iii) to apply the Confirmation of the Qualification of Implementation Body(主體資格確認文件). Upon approval, then commence to demolish the existing buildings and structures for cancellation of registration of original Certificate of Real Estate Ownership. iv) to apply the approval of the construction and new Land Use Rights and tenure will be granted. Lastly, new construction can be commenced legally. There is no legal impediment in redevelopment project; and

e. As advised by the Group's PRC Valuer, the estimated land premium for change the usage on upgrading Industrial zone into the commercial and residential development(工業區升級改造商住用地應補地價)would be approximately RMB102,000,000 in compliance with Shenzhen Municipal People's Government Order No. 211(深圳市人民政府令(第211號))Shenzhen City Renewal Measures《深圳市城市更新辦法》 Chapter V, Article No. 38(第五章第三十八條), No. 12 Shen Gui Tu (2013) Rules (Trial) of Shenzhen City Land Parcels Premium Estimation (深規土(2013)12 號《深圳市宗地地價測算規則(試行)》); No. 336 Shen Gui Tu (2002) Reply Letter from Urban Planning Land and Resources Bureau of Shenzhen Municipal on the Issue of Multi-Functional Lands' Tenure(深圳市規劃與國土資源局關於多功能用地使用年限問題的復函(深規土(2002)336 號).

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules are listed as follows:

(a) Shares in the Company

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Hui Sum Kwok	Founder of a discretionary trust/interest of controlled corporations	385,058,793 Shares Long position *(Note)*	53.06%
Mr. Hui Sum Kwok	Beneficial owner	7,581,411 Shares Long position	1.04%
Mr. Hui Sum Kwok	Interest of spouse	750,000 Shares Long position	0.10%
Mr. Hui Sum Ping	Founder of a discretionary trust/interest of controlled corporations	385,058,793 Shares Long position *(Note)*	53.06%
Mr. Hui Sum Ping	Beneficial owner	2,952,000 Shares Long position	0.41%
Mr. Hui Sum Tai	Interest of a controlled corporation	Nil *(Note)*	—
Mr. Hui Sum Tai	Beneficial owner	416,189 Shares Long position	0.06%

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Ms. Hui Yuen Li	Beneficial owner	1,125,000 Shares Long position	0.16%
Mr. Chee Man Sang, Eric	Beneficial owner	96,000 Shares Long position	0.01%

Note:

The 385,058,793 shares are owned by Hop Fung Industries Limited. The issued share capital of Hop Fung Industries Limited is owned as to 74.74% and 25.26% by Hop Fung Industries (Holdings) Limited and Mr. Hui Sum Tai respectively.

The issued share capital of Hop Fung Industries (Holdings) Limited is owned as to 11.81%, 11.81%, 38.19% and 38.19% by Mr. Hui Sum Kwok, Mr. Hui Sum Ping, Fullwood Holdings Limited ("Fullwood") and Goldspeed Holdings Limited ("Goldspeed") respectively. Fullwood is wholly owned by Pinecity Investments Limited ("Pinecity") and Pinecity is wholly owned by HSBC International Trustee Limited ("HSBC") in its capacity as the trustee of Hui & Wong 2004 Family Trust, a discretionary trust the founder of which is Mr. Hui Sum Kwok and the discretionary objects of which include family members of Mr. Hui Sum Kwok. Goldspeed is wholly owned by Goldkeen Assets Management Limited ("Goldkeen") and Goldkeen is wholly owned by HSBC in its capacity as the trustee of HSP 2004 Family Trust, a discretionary trust the founder of which is Mr. Hui Sum Ping and the discretionary objects of which include family members of Mr. Hui Sum Ping. Accordingly, each of Mr. Hui Sum Kwok and Mr. Hui Sum Ping is deemed to be interested in the 385,058,793 shares under the SFO.

(b) Share options in the Company

Name of Director	Number of shares options granted	Date of grant	Exercise period	Exercise price
Mr. Hui Sum Kwok	19,000,000	24 October 2013	1 May 2014 to 30 April 2017	HK$0.28
Mr. Hui Sum Ping	19,000,000	24 October 2013	1 May 2014 to 30 April 2017	HK$0.28
Mr. Hui Sum Tai	19,000,000	24 October 2013	1 May 2014 to 30 April 2017	HK$0.28
Ms. Hui Yuen Li	3,000,000	24 October 2013	1 May 2014 to 30 April 2017	HK$0.28
Mr. Chee Man Sang, Eric	2,000,000	24 October 2013	1 May 2014 to 30 April 2017	HK$0.28
Mr. Yip Kwok Kwan	2,000,000	24 October 2013	1 May 2014 to 30 April 2017	HK$0.28
Mr. Wong Chu Leung	2,000,000	24 October 2013	1 May 2014 to 30 April 2017	HK$0.28

(c) Interest in associated corporation

Name of Director	Name of associated corporation	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Hui Sum Kwok	Hop Fung Industries Limited	Founder of a discretionary trust/interest of controlled corporations	7,474 shares of US$0.01 each Long position *(Notes 1 and 2)*	74.74%
Mr. Hui Sum Ping	Hop Fung Industries Limited	Founder of a discretionary trust/interest of controlled corporations	7,474 shares of US$0.01 each Long position *(Notes 1 and 2)*	74.74%
Mr. Hui Sum Tai	Hop Fung Industries Limited	Beneficial owner	2,526 shares of US$0.01 each Long position *(Notes 1 and 2)*	25.26%
Mr. Hui Sum Kwok	Hop Fung Industries (Holdings) Limited	Beneficial owner/founder of a discretionary trust/ interest of a controlled corporation	5,000 shares of US$0.01 each Long position *(Notes 1 and 3)*	50%
Mr. Hui Sum Ping	Hop Fung Industries (Holdings) Limited	Beneficial owner/founder of a discretionary trust/ interest of a controlled corporation	5,000 shares of US$0.01 each Long position *(Notes 1 and 3)*	50%
Mr. Hui Sum Kwok	Gong Ming Hop Fung Paper Ware Factory Limited	Interest of controlled corporations	3,000,000 non-voting deferred shares of HK$1 each Long and short positions *(Notes 1 and 4)*	100%
Mr. Hui Sum Ping	Gong Ming Hop Fung Paper Ware Factory Limited	Founder of a discretionary trust/interest of controlled corporations	3,000,000 non-voting deferred shares of HK$1 each Long and short positions *(Notes 1 and 4)*	100%
Mr. Hui Sum Tai	Gong Ming Hop Fung Paper Ware Factory Limited	Interest of a controlled corporation/short position of a controlled corporation	Nil *(Notes 1 and 4)*	—

Name of Director	Name of associated corporation	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Hui Sum Kwok	The Disposal Company	Interest of controlled corporations	3,000,000 non-voting deferred shares of HK$1 each Long and short positions *(Notes 1, 4 and 5)*	100%
Mr. Hui Sum Ping	The Disposal Company	Founder of a discretionary trust/interest of controlled corporations	3,000,000 non-voting deferred shares of HK$1 each Long and short positions *(Notes 1, 4 and 5)*	100%
Mr. Hui Sum Tai	The Disposal Company	Interest of a controlled corporation/short position of a controlled corporation	Nil *(Notes 1, 4 and 5)*	—
Mr. Hui Sum Kwok	Applewood Forest Limited	Founder of a discretionary trust	1 share of US$1 Long position *(Notes 1 and 6)*	100%
Mr. Hui Sum Kwok	Profit Luck Limited	Founder of a discretionary trust	100 shares of HK$1 each Long position *(Notes 1, 6 and 7)*	100%
Mr. Hui Sum Kwok	Profit Sun Limited	Founder of a discretionary trust	1 share of HK$1 Long position *(Notes 1, 6, 7 and 8)*	100%

Notes:

1. The 385,058,793 shares are owned by Hop Fung Industries Limited. The issued share capital of Hop Fung Industries Limited is owned as to 74.74% and 25.26% by Hop Fung Industries (Holdings) Limited and Mr. Hui Sum Tai respectively.

   The issued share capital of Hop Fung Industries (Holdings) Limited is owned as to 11.81%, 11.81%, 38.19% and 38.19% by Mr. Hui Sum Kwok, Mr. Hui Sum Ping, Fullwood and Goldspeed respectively. Fullwood is wholly owned by Pinecity and Pinecity is wholly owned by HSBC in its capacity as the trustee of Hui & Wong 2004 Family Trust, a discretionary trust the founder of which is Mr. Hui Sum Kwok and the discretionary objects of which include family members of Mr. Hui Sum Kwok. Goldspeed is wholly owned by Goldkeen and Goldkeen is wholly owned by HSBC in its capacity as the trustee of HSP 2004 Family Trust, a discretionary trust the founder of which is Mr. Hui Sum Ping and the discretionary objects of which include family members of Mr. Hui Sum Ping. Accordingly, each of Mr. Hui Sum Kwok and Mr. Hui Sum Ping is deemed to be interested in the 385,058,793 shares under the SFO.

2. Hop Fung Industries Limited is a holding company of the Company and therefore an associated corporation of the Company under the SFO. The entire issued share capital of Hop Fung Industries Limited is US$100 divided into 10,000 shares of US$0.01 each which is owned as to 7,474 and 2,526 shares by Hop Fung Industries (Holdings) Limited and Mr. Hui Sum Tai respectively. Under the SFO, each of Mr. Hui Sum Kwok and Mr. Hui Sum Ping is deemed to be interested in the 7,474 shares of US$0.01 each in Hop Fung Industries Limited.

3. Hop Fung Industries (Holdings) Limited is a holding company of Hop Fung Industries Limited and therefore an associated corporation of the Company under the SFO. The entire issued share capital of Hop Fung Industries (Holdings) Limited is US$100 divided into 10,000 shares of US$0.01 each which is owned as to 1,181, 1,181, 3,819 and 3,819 shares by Mr. Hui Sum Kwok, Mr. Hui Sum Ping, Fullwood and Goldspeed respectively. Under the SFO, each of Mr. Hui Sum Kwok and Mr. Hui Sum Ping is interested and/or deemed to be interested in an aggregate of 5,000 shares of US$0.01 each in Hop Fung Industries (Holdings) Limited.

4. Gong Ming Hop Fung Paper Ware Factory Limited ("Hop Fung GM") is a subsidiary of the Company and therefore an associated corporation of the Company under the SFO. The entire issued share capital of Hop Fung GM is HK$3,000,100 divided into 100 ordinary shares of HK$1 each and 3,000,000 non-voting deferred shares of HK$1 each. The 3,000,000 non-voting deferred shares of HK$1 each in Hop Fung GM are beneficially owned by Hop Fung Group (HK) Limited ("Hop Fung Group HK") which is owned as to 91.43% and 8.57% by Hop Fung Holdings Limited ("Hop Fung Holdings (BVI)") and Mr. Hui Sum Tai respectively.

   The issued share capital of Hop Fung Holdings (BVI) is owned as to 50%, 11.81% and 38.19% by Mr. Hui Sum Kwok, Mr. Hui Sum Ping and Goldspeed respectively. Under the SFO, each of Mr. Hui Sum Kwok and Mr. Hui Sum Ping is deemed to be interested in the 3,000,000 non-voting deferred shares of HK$1 each in Hop Fung GM.

   Pursuant to an option deed dated 19th August, 2003, Hop Fung Group HK and its nominee granted to the Vendor, an option to purchase from them such 3,000,000 non-voting deferred shares of HK$1 each in Hop Fung GM. Accordingly, each of Mr. Hui Sum Kwok and Mr. Hui Sum Ping is deemed to have a short position in the underlying shares of the option granted under the option deed pursuant to the SFO.

5. The Disposal Company is a subsidiary of the Company and therefore an associated corporation of the Company under the SFO. The entire issued share capital of the Disposal Company is HK$3,000,100 divided into 100 ordinary shares of HK$1 each and 3,000,000 non-voting deferred shares of HK$1 each. The 3,000,000 non-voting deferred shares of HK$1 each in the Disposal Company are beneficially owned by Hop Fung Group HK. Under the SFO, each of Mr. Hui Sum Kwok and Mr. Hui Sum Ping is deemed to be interested in the 3,000,000 non-voting deferred shares of HK$1 each in the Disposal Company.

   Pursuant to an option deed dated 19 August, 2003, Hop Fung Group HK and its nominee granted to the Vendor an option to purchase from them such 3,000,000 non-voting deferred shares of HK$1 each in the Disposal Company. Accordingly, each of Mr. Hui Sum Kwok and Mr. Hui Sum Ping is deemed to have a short position in the underlying shares of the option granted under the option deed pursuant to the SFO.

6. Applewood Forest Limited ("Applewood") is a company incorporated in the British Virgin Islands. The entire issued share capital of Applewood is US$1 comprising one share of US$1 which is wholly owned by Pinecity and is ultimately owned by HSBC in its capacity as the trustee of Hui & Wong 2004 Family Trust. Applewood is an associated corporation of the Company under the SFO. Under the SFO, Mr. Hui Sum Kwok is deemed to be interested in the one share of US$1 in Applewood.

7. Profit Luck Limited ("PLL") is a company incorporated in Hong Kong. The entire issued share capital of PLL is HK$100 comprising 100 shares of HK$1 each which is directly owned by Applewood, a company indirectly owned by HSBC through its wholly owned subsidiary, Pinecity. Under the SFO, Mr. Hui Sum Kwok is deemed to be interested in the 100 shares of HK$1 each in PLL ultimately owned by HSBC in its capacity as the trustee of Hui & Wong 2004 Family Trust. Details of Applewood are set out in note 6 above.

8. Profit Sun Limited ("PSL") is a company incorporated in Hong Kong. The entire issued share capital of PSL is HK$1 comprising one share of HK$1 which is directly owned by Applewood, a company indirectly owned by HSBC through its wholly owned subsidiary, Pinecity. Under the SFO, Mr. Hui Sum Kwok is deemed to be interested in the one share of HK$1 in PSL ultimately owned by HSBC in its capacity as the trustee of Hui & Wong 2004 Family Trust. Details of Applewood are set out in note 6 above.

Save as disclosed above, none of the Directors nor the chief executive of the Company has any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, the following persons had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity	Number of Shares	Number of share options held	Approximate percentage of shareholding
Hop Fung Industries Limited *(Note 1)*	Beneficial owner	385,058,793	—	53.06%
Hop Fung Industries (Holdings) Limited *(Notes 1 and 2)*	Interest of a controlled corporation	385,058,793	—	53.06%
Fullwood *(Notes 1, 2, 3 and 4)*	Interest of controlled corporations	385,058,793	—	53.06%
Pinecity *(Notes 1, 2, 3 and 4)*	Interest of controlled corporations	385,058,793	—	53.06%

Name	Capacity	Number of Shares	Number of share options held	Approximate percentage of shareholding
Goldspeed *(Notes 1, 2, 3 and 5)*	Interest of controlled corporations	385,058,793	—	53.06%
Goldkeen *(Notes 1, 2, 3 and 5)*	Interest of controlled corporations	385,058,793	—	53.06%
HSBC *(Notes 1, 2, 3, 4 and 5)*	Trustee of discretionary trust	385,058,793	—	53.06%
Mr. Hui Sum Kwok *(Notes 1, 2, 3, 4 and 6)*	Beneficial owner/ founder of a discretionary trust/ interest of controlled corporations/interest of spouse	393,390,204	19,000,000	56.82%
Mr. Hui Sum Ping *(Notes 1, 2, 3, 5 and 7)*	Beneficial owner/ founder of a discretionary trust/ interest of controlled corporations	388,010,793	19,000,000	56.08%

Notes:

1. The 385,058,793 shares are owned by Hop Fung Industries Limited.

2. The issued share capital of Hop Fung Industries Limited is owned as to 74.74% and 25.26% by Hop Fung Industries (Holdings) Limited and Mr. Hui Sum Tai respectively and Hop Fung Industries (Holdings) Limited is deemed to be interested in the 385,058,793 shares under the SFO.

3. The issued share capital of Hop Fung Industries (Holdings) Limited is owned as to 11.81%, 11.81%, 38.19% and 38.19% by Mr. Hui Sum Kwok, Mr. Hui Sum Ping, Fullwood and Goldspeed respectively.

4. The entire issued share capital of Fullwood is indirectly held by HSBC through its 100% controlled corporation, Pinecity in its capacity as the trustee of Hui & Wong 2004 Family Trust, a discretionary trust the founder of which is Mr. Hui Sum Kwok and the discretionary objects of which include family members of Mr. Hui Sum Kwok. Accordingly, each of Fullwood, Pinecity, HSBC and Mr. Hui Sum Kwok is deemed to be interested in the 385,058,793 shares under the SFO.

5. The entire issued share capital of Goldspeed is indirectly held by HSBC through its 100% controlled corporation, Goldkeen in its capacity as the trustee of HSP 2004 Family Trust, a discretionary trust the founder of which is Mr. Hui Sum Ping and the discretionary objects of which include family members of Mr. Hui Sum Ping. Accordingly, each of Goldspeed, Goldkeen, HSBC and Mr. Hui Sum Ping is deemed to be interested in the 385,058,793 shares under the SFO.

6. Of 393,390,204 shares, Ms. Wong Mui is directly interested in 750,000 shares and is deemed to be interested in 392,640,204 shares and 19,000,000 share options of the Company under the SFO as she is the spouse of Mr. Hui Sum Kwok, the Director and a substantial shareholder of the Company.

7. Ms. Jian Jian Yi is deemed to be interested in 388,010,793 shares and 19,000,000 share options under the SFO as she is the spouse of Mr. Hui Sum Ping, the Director and a substantial shareholder of the Company.

4. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors are not aware that any of them or any of their associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

5. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had: (i) any direct or indirect interests in any assets which have been since 31 December 2013 (being the date to which the latest published audited combined financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) any material interest in any contract or arrangement at the Latest Practicable Date which is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation (other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

The following contract (not being contracts entered into in the ordinary course of business of the Group) has been entered into by members of the Group within the two years immediately preceding the date of this circular which are or may be material:

the Disposal Agreements

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

10. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of experts whose advice or opinion is included in this circular:-

Name	**Qualification**
Deloitte Touche Tohmatsu ("Deloitte")	Certified Public Accountants
Roma Appraisals Limited ("Roma")	Independent valuers

As at the Latest Practicable Date, each of Deloitte and Roma,

(a) did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and

(b) did not have any interests, direct or indirect, in any assets which since 31 December 2013, the date to which the latest published audited accounts of the Company were made up, had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Deloitte and Roma has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its names in the form and context in which it is include.

11. GENERAL

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is Workshops E, F and H, 22nd Floor, Superluck Industrial Centre (Phase 2), No. 57 Sha Tsui Road and Nos. 30–38 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong.

(c) The company secretary of the Company is Ms. Hui Yuen Li. Ms. Hui is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

(d) The branch share registrar and transfer agent of the Company in Hong Kong is Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Workshops E, F and H, 22nd Floor, Superluck Industrial Centre (Phase 2), No. 57 Sha Tsui Road and Nos. 30–38 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong up to and including the date which is 14 days from the date of this circular:

(a) this circular;

(b) the memorandum and articles of association of the Company;

(c) the published audited consolidated financial statements of the Company for each of the two financial years end 31 December 2012 and 2013;

(d) the audited financial statements of the Disposal Company for the three years ended 31 December 2011, 2012 and 2013;

(e) the report from Deloitte on the unaudited financial information of the Disposal Company as set out in Appendix II to this circular;

(f) the report from Deloitte on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(g) the letter and valuation certificate prepared by Roma in respect of the Assets, the text of which as set out in Appendix IV to this circular;

(h) the consent letters of experts as referred to in the section headed "Qualifications and consents of experts" in this appendix; and

(i) the material contracts as referred to in the section headed "Material Contracts" in this appendix.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Hop Fung Group Holdings Limited (the "**Company**") will be held at Ming Room II, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on 15 December 2014 at 10:30 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT:**

(i) the Disposals (as defined in the circular (the "**Circular**") of the Company dated 27 November 2014, a copy of which is produced to the Meeting and marked "A" and initialled by the chairman of the Meeting for identification purpose) by Hop Fung Group Company Limited as vendor to each of Wai Fung Development Holding Limited and City Trend Holding Limited as purchasers on and subject to the terms and conditions of the Disposal Agreements (as defined in the Circular) and all transactions contemplated thereunder (including but without limitation the entering into of the Shareholders' Agreement (as defined in the Circular), the Deed of Indemnity (as defined in the Circular) and the Escrow Agreement (as defined in the Circular)) be and are generally and unconditionally approved in all respects; and

(ii) any one director of the Company (the "**Directors**") be and are hereby authorised to do all acts and things, to sign and execute all such agreements, deeds, instruments or any other documents, and to take such further steps as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to give effect to the Disposals and all transactions contemplated under the Disposal Agreements and anything in connection therewith and to agree to any variation, amendments and waivers of any of the terms and conditions of the Disposals as are, in his/her opinion, in the interests of the Company and shareholders of the Company as a whole."

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

Hong Kong, 27 November 2014

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the number of shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy.

2. In order to be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the appointed time for holding of the Meeting or any adjournment hereof (as the case may be). In calculating the aforesaid 48 hours period, no account will be taken of any part of a day that is a public holiday.

3. A form of proxy for use at the Meeting is enclosed. Completion and return of the form of proxy will not preclude you from attending and voting at the Meeting or any adjournment thereof.

4. To ascertain the entitlements to attend and vote at the Meeting, the relevant transfer document(s) and share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited no later than 4:30 p.m. on 12 December, 2014 for registration.

5. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint registered holders are present at the Meeting personally or by proxy, then one of the registered holders so present whose name stands first on the Company's register of members in respect of such shares will alone be entitled to vote in respect thereof.

6. Voting on the above resolution will be taken by poll.