Hang Fat Ginseng Holdings Company Limited
恒發洋參控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 911)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

- Revenue was approximately HK$1,187.5 million, representing a decrease of approximately 2.6% when compared to that corresponding period in 2014.

- The gross profit (excluded the provision of sale discounts) amounted to approximately HK$365.0 million, representing an increase of 20.8% compared to that corresponding period in 2014.

- The gross profit margin increased from approximately 24.8% for the year ended 31 December 2014 to approximately 30.8% for the year ended 31 December 2015.

- The loss for the year attributable to owners of the Company amounted to approximately HK$438.1 million (2014: profit for the year attributable to owners of the Company was approximately HK$205.4 million) which was mainly attributable to (i) provision of sales discount of approximately HK$352.0 million (2014: nil); (ii) provision for stock of approximately HK$131.6 million (2014:nil); and (iii) foreign exchange loss of approximately HK$67.0 million.

The board (the "**Board**") of directors (the "**Directors**") of Hang Fat Ginseng Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**Hang Fat**") for the year ended 31 December 2015 (the "**Year**") together with comparative figures for the corresponding year in 2014 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

		Year ended 31 December	
		2015	2014
	NOTES	***HK$'000***	*HK$'000*
Revenue	*4*	**1,187,531**	1,219,651
Provision of sales discount		**(352,000)**	–
Cost of sales		**(822,296)**	(917,191)
Gross profit		**13,235**	302,460
Other income	*5*	**52,335**	8,765
Other gains and losses	*5*	**(296,047)**	(7,832)
Administrative expenses		**(90,427)**	(37,152)
Selling expenses		**(31,644)**	(6,957)
Listing expenses		**–**	(17,926)
Change in fair value of investment properties		**(2,108)**	1,400
Finance costs		**(42,200)**	(12,018)
(Loss)/profit before taxation	*6*	**(396,856)**	230,740
Income tax expense	*7*	**(41,664)**	(25,416)
(Loss)/profit for the year		**(438,520)**	205,324
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operation		**373**	–
Total comprehensive (expense) income for the year		**(438,147)**	205,324
(Loss)/profit for the year attributable to:			
– owners of the Company		**(438,396)**	205,353
– non-controlling interests		**(124)**	(29)
		(438,520)	205,324

		Year ended 31 December	
		2015	2014
	NOTES	***HK$'000***	*HK$'000*
Total comprehensive (expense) income attributable to:			
– owners of the Company		**(438,023)**	205,353
– non-controlling interests		**(124)**	(29)
		(438,147)	205,324
			(Restated)
Basic (loss) earnings per share	*9*	**(2.19) cents**	1.17 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		As at 31 December	
		2015	2014
	NOTES	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**79,450**	39,809
Investment properties		**116,576**	88,400
Deposit placed for a life insurance	*10*	**16,907**	–
Deposits paid for acquisition of property, plant and equipment		**900**	7,180
		213,833	135,389
Current assets			
Inventories	*11*	**657,436**	813,563
Trade and other receivables	*10*	**432,186**	651,243
Pledged bank deposits	*12*	**954,471**	1,417,950
Bank balances and cash	*12*	**75,631**	134,039
		2,119,724	3,016,795
Current liabilities			
Trade and other payables	*13*	**176,658**	360,766
Obligations under finance leases		**126**	1,100
Bank borrowings	*14*	**1,440,868**	1,646,071
Bonds	*15*	**123,746**	–
Derivative financial instruments	*16*	**29,300**	–
Taxation payable		**43,623**	45,153
		1,814,321	2,053,090
Net current assets		**305,403**	963,705
Total assets less current liabilities		**519,236**	1,099,094
Non-current liabilities			
Obligations under finance leases		**349**	1,472
Deferred tax liabilities		**8,621**	8,580
		8,970	10,052
Net assets		**510,266**	1,089,042
Capital and reserves			
Share capital		**20,016**	20,000
Reserves		**487,374**	1,069,070
Equity attributable to owners of the Company		**507,390**	1,089,070
Non-controlling interest		**2,876**	(28)
Total equity		**510,266**	1,089,042

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Hong Kong Companies Ordinance.

In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the going concern of the Group in light of the possible change in control of the Company (as set out in the Announcement) which lead to a turbulence in the ginseng market. And customers of the Group have been conscious of the ginseng trading as well as the settlement of the debts to the Group. The Group expects there will be delays in the collection of customers' debts owing to the Group, which will affect the cash flow of the Group. In addition, all the banks of the Group have stopped all the trade facilities granted to the Group. Certain bankers of the Company (the "**Banks**") have issued demand letters (the "**Demand Letters**") that the Group should make immediate repayment of the amounts outstanding, which included an aggregate amount of the principal of approximately HK$208.8 million and the interest so accrued. As set out in the Demand Letters, the Banks may consider commencing legal proceedings against the Group, which include filing writs of summons with the court. On 9 March 2016, one of the Banks issued a writ of summons against three subsidiaries of the Company, namely (i) Hang Fat Ginseng Trading Company Limited; (ii) Hang Fat Ginseng (2014) Limited; and (iii) Hang Fat Ginseng (Hong Kong) Company Limited claiming for, among other things, payment of the sum of HK$26,137,394.61 and the interest. Indeed, some bank accounts (included in bank balances and cash in the consolidated statement of financial position) of the Group have already been frozen by the Banks. The amount of the bank accounts that have been frozen by the Banks (including the pledged bank deposits) was HK$290.4 million as at the latest practicable date The bank balances of which the usage was being frozen by the Banks accounted for nearly 92.4% of the aggregate bank balances as at the latest practicable date. The Banks' actions led to a shortage of cash position.

Moreover, in accordance with the terms and conditions of the bonds, encountering financial difficulties by the Group constitutes an event of default, entitling holders of the bond holding not less than five per cent of the principal amount of the outstanding bonds to declare for immediate due and repayment of the relevant principal amount of the bonds together with accrued interests. Further, also in accordance with the terms and conditions of the bonds, in the event Cervera, Ace Fame Management Limited, Dragon Jump Global Limited, Athena Power Limited, Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau collectively ("**Shareholders**") own less than 40% beneficial interests in the Company, it would cause a change of control event where, the holder of any bond will have the right, at such holder's option, to require the Company to redeem all, but not some only, of such holder's bonds at 100% of their principal amount, which amounting to HK$132 million, together with accrued interest. The shareholding percentage of the said Shareholders falls below 40% since 22 February 2016.

As part of this consideration, the Directors have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) The Group is in the process of negotiation with the Banks for the terms of repayments in order to avoid further legal actions to be taken by the Banks;

(ii) The Group will make its best endeavour to negotiate with its customers to collect the account receivables;

(iii) The Group is implementing active cost-saving measures to improve operating cash flows and financial position;

(iv) On 21 February 2016, the Company entered into a subscription agreement with an independent third party (the "**Subscriber**"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 31,200,000,000 ordinary shares of HK$0.001 each in the issued capital of the Company to the Subscriber at HK$0.01 per share (the "**Subscription**"). Completion of the Subscription depends on certain conditions as set out in the Company's announcement dated 29 February 2016; and

(v) On 21 February 2016, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best effort basis, up to 8,800,000,000 ordinary shares at a price of HK$0.01 per share to certain independent third parties ("**Placing**"). Completion of the Placing depends on certain conditions as set out in the Company's announcement dated 29 February 2016.

In respect of the measures described above, after making enquiries and based on progress to date, the Directors expect that each will be concluded successfully within the designated time frame.

The Directors consider that, after taking into account the above, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future and are satisfied that all covenant obligations will be met accordingly. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

However, if the Group were unable to successfully implement the measures described above including but not limited to the completion of Subscription and Placing, or the ginseng market conditions turn out to be significantly less favourable to the Group than predicted, the Group may not have sufficient working capital to finance its operations and its financial liquidity may be adversely impacted. This would have a significant impact on the Group's ability to continue as a going concern. In these circumstances, adjustments might be required to (i) reflect the situation that assets may need to be realised other than their carrying amounts; (ii) provide for further liabilities that may arise; and (iii) reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No adjustments have been made in the accompanying consolidated financial statements.

2. APPLICATION OF HKFRSs

Application of new and revised HKFRSs (disclosure of a detailed list of new and revised HKFRSs)

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

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

Amendments to HKFRS 8

The amendments to HKFRS 8 "Operating segments" require entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of HKFRS 8. The Group has aggregated several operating segments into a single operating segment based on the aggregation criteria set out in paragraph 12 of HKFRS 8 and made the required disclosures in Note 4 to the Group's consolidated financial statements.

The application of the other amendments has had no other impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16	Clarification of Acceptable Methods of and HKAS 38 Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10	Sale or Contribution of Assets between an and HKAS 28 Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting polices

The following is the critical judgement, apart from those involving estimates (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition

The revenue recognition criteria for the sales of ginseng wine. These goods were delivered to the customer during 2015. Following negotiations, on 8 March 2016, the customer issued a notice of request of bulk returning of certain unsold ginseng wine to the Group as the customer claiming that due to the deterioration of the "Hang Fat Brand" following the Company's publication of the announcement dated 3 February 2016 regarding a possible change in control of the Company, there are difficulties to sell these ginseng wine to its business contacts.

In the light of the above, the Directors considered whether it was appropriate to recognise the revenue from this transaction of HK$252,000,000 in the current year, in line with the Group's general policy of recognising revenue. Details of which are set out in note 4.

In making the judgement, the Directors considered the detailed criteria for the recognition of revenue from the sales of goods set out in HKAS18 Revenue and, in particular, whether it is probable that the economic benefits associated with the transaction will flow to the Group. Following a detailed assessment, the Directors are not satisfied that the criteria can be met and that recognition of the revenue in the current year is not appropriate.

Key sources of estimation of uncertainty

The following are the key estimations that the Directors has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2015 at their fair value of HK$116,576,000 (2014: HK$88,400,000). The fair value was based on valuation of these properties conducted by independent firms of professional valuers using direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property. Favourable or unfavourable changes to these adjustments would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

Impairment of trade receivables

On assessing any impairment of the Group's trade receivables, the management regularly reviews the recoverability, creditworthiness of customers and ages of the trade receivables. Impairment on trade receivables is made on the estimation of the future cash flows discounted at an effective interest rate. If the financial condition of the customers of the Group were deteriorated, resulting in an impairment of their ability to make payments, additional impairment may be required. The carrying amount of trade receivables as at 31 December 2015 was HK$263,475,000 (2014: HK$540,229,000).

Write down on inventories

Determining whether a write down on is necessary in the valuation of inventories is based on a comparison of whether the historical value of the inventories is greater than their estimated selling price less all the costs in relation to the selling process. In addition, a detailed physical examination and quality tests are also carried out in order to obtain an indication of realisable values. Once the carrying value of the inventories is higher than their net realisable values, a write down will be made so that the carrying value of inventories would not be higher than their net realisable values in the open market. As at 31 December 2015, the carrying amount of inventories was HK$657,436,000 (2014: HK$813,563,000).

4. SEGMENT INFORMATION

During the year ended 31 December 2015, the Group delivered and sold ginseng wines to a customer which act as the ginseng wine distributor of the Group in a total consideration of HK$252,000,000. These goods were delivered to the customer (a distributor) during 2015. Following negotiations, on 8 March 2016, the customer issued a notice of request of bulk returning of the unsold ginseng wine to the Group as the customer claimed that due to the deterioration of the "Hang Fat" brand following the Company's publication of the announcement dated 2 February 2016 regarding a possible change in control of the Company, there are difficulties to sell these ginseng wines to its business contacts.

In the light of the above, the directors of the Company considered whether the revenue recognition criteria were fulfilled at the time of delivery of the ginseng wine to the distributor. The invoice amount of the unsold ginseng wine returned by the distributor to the Group amounted to HK$188,000,000.

In making the judgement, the directors of the Company reconsidered the detailed criteria for the recognition of revenue from the sales of goods set out in HKAS18 Revenue and, in particular, whether the Group has transferred to the distributor the significant risks and rewards of ownership of the goods and whether it is probable that the economic benefits associated with the transaction will flow to the Group. Following a detailed assessment, the directors of the Company were of the view that the criteria were not met at the time of delivery of the ginseng wine to the distributor, nor even as at 31 December 2015. Accordingly, it is determine that the invoice amount of the ginseng wine return by the distributor should not be recognised as revenue in 2015.

For the remaining ginseng wines not returned to the Group, the Group has received full consideration by cash from the customer during the current year. Therefore, the directors of the Company considered that the revenue recognition criteria for sales of these ginseng wines to this customer are met before 31 December 2015.

Provision of sales discount

As set out in the Company's announcement dated 29 February 2016 and 9 March 2016, since the Company's publication of the announcement dated 2 February 2016 regarding a possible change in control of the Company, the Group has experienced a significant slowdown in settlement of the trade receivables from the Group's customers. By comparing the historical repayment pattern of the major customers and the actual settlement received of these customers up to the date of this announcement, the management noted delays in settlement of the trade receivables to the Group.

The directors considered the Company's current situation is abnormal and the customers may request for a sales discount in the original invoice amount for the year ended 31 December 2015.

In the light of the above, the directors of the Company considered whether the revenue recognition criteria were fulfilled at the time of delivery of the ginseng to the customers. In making the judgement, the directors of the Company reconsidered the detailed criteria for the recognition of revenue from the sales of goods set out in HKAS18 Revenue and, in particular, whether the Group has transferred to the customers the significant risks and rewards of ownership of the goods and whether it is probable that the economic benefits associated with the transaction will flow to the Group. Following a detailed assessment, the directors of the Company were of the view that the criteria were not met at the time of delivery of the ginseng to the customer, nor even as at 31 December 2015. Accordingly, it is determine that a provision of sales discount as at 31 December 2015 is required.

The Group determines its operating segments based on internal reports reviewed by the chief operating decision maker, the Chairman of the Company, for the purpose of allocating resources to the segment and to assess their performance which focus on different types of products. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows (i) Cultivated American ginseng ("**Cultivated Ginseng**"); (ii) Wild ginseng from the United States ("**Wild Ginseng**"); and (iii) Others: trading of other products (including dried cordyceps, dried cubilose and dried seafood).

During the current year, the Group has entered into a new segment of self-manufacturing and selling of ginseng wine.

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

	Segment revenue		Segment results	
	Year ended 31 December 2015	Year ended 31 December 2014	**Year ended 31 December 2015**	Year ended 31 December 2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cultivated Ginseng	**1,069,189**	1,124,423	**282,001**	291,837
Provision of sales discount	**(352,000)**	–	**(352,000)**	–
Wild Ginseng	**42,086**	92,739	**18,747**	9,328
Ginseng wine	**72,485**	780	**62,655**	716
Others	**3,771**	1,709	**1,832**	579
	835,531	1,219,651	**13,235**	302,460
Gain on disposal of property, plant and equipment			**406**	194
Changes in fair value of investment properties			**(2,108)**	1,400
Listing expenses			**–**	(17,926)
Other income			**52,335**	8,765
Unallocated corporate expenses			**(188,566)**	(44,109)
Write down on inventories			**(131,568)**	–
Exchange (loss) gain, net			**(66,984)**	(8,026)
Finance costs			**(42,200)**	(12,018)
Loss on change in fair value of financial assets/liabilities classified as derivative financial instruments			**(31,406)**	–
(Loss) profit before taxation			**(396,856)**	230,740

During the year ended 31 December 2015, the Group delivered and sold ginseng wine to a customer which act as the distributor of the Group in a total consideration of HK$252,000,000. Following negotiation, on 8 March 2016, the customer issued a notice of request of bulk returning of certain unsold ginseng wine to the Group as the customer claiming that due to the deterioration of the "Hang Fat" brand following the Company's publication of the announcement dated 3 February 2016 regarding a possible change in control of the Company, there are difficulties to sell these ginseng wine to its business contacts.

In light of the above, the Directors considered whether it was appropriate to recognise the revenue in the year ended 31 December 2015, in line with the Group's general policy of recognising revenue. Following a detail assessment, the Directors considered that one of the criteria for satisfying revenue recognition is not satisfied – "when it is probable that the economic benefits associated with the transaction will flow to the Group". Accordingly, recognition of the revenue for these returned ginseng wine in 2015 is not appropriate.

For the remaining ginseng wine not returning to the Group, the Group has received full consideration by cash from the customer during the year. The Directors considered that all the revenue recognition criteria for sales of those ginseng wine to this customer are met.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the two years ended 31 December 2015 and 31 December 2014.

Segment profit during the year represents the profit earned by each segment without allocation of gain on disposal of property, plant and equipment, changes in fair value of investment properties, listing expenses, other income, unallocated corporate expenses such as central administrative expenses, exchange (loss) gain and finance costs. This is the measure reported to the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

No segment assets and segment liabilities and other segment information are presented as such amounts are not reviewed by the Group's chief operating decision maker for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's chief operating decision maker.

Geographical information

No geographical segment information is presented as the Group's revenue is all derived from Hong Kong based on the location of goods delivered, and the Group's property, plant and equipment and investment properties are all physically located in Hong Kong.

5. OTHER INCOME, GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Other income comprised the follows:		
Interest income on bank deposits	**49,715**	6,793
Rental income	**2,620**	1,920
Sundry income	**–**	52
	52,335	8,765
Other gains and losses comprised the follows:		
Gain on disposal of property, plant and equipment	**406**	194
Exchange loss, net	**(66,984)**	(8,026)
Write down on inventories	**(131,568)**	–
Consultancy service fee *(Note 1)*	**(66,495)**	–
Loss on change in fair value of financial assets/liabilities classified as derivative financial instruments	**(31,406)**	–
	(296,047)	(7,832)

Note:

(1) Amount represents the share options granted to the consultants for services to be rendered to the Group on business advice and market information regarding to ginseng for a term of three years commencing from the date of 6 January 2015 to 5 January 2018.

6. (LOSS) PROFIT BEFORE TAXATION

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration	**17,396**	8,328
Other staff costs	**17,476**	7,711
Retirement benefit scheme contributions for other staff	**1,106**	586
Total staff costs	**35,978**	16,625
Auditor's remuneration	**1,320**	1,250
Depreciation of property, plant and equipment	**4,468**	2,536
Operating lease rentals in respect of office premises	**6,619**	2,137
After crediting:		
Gross rental income from investment properties	**2,620**	1,920
Less: Direct operating expenses from investment properties during the year	**(616)**	(211)
Net rental income from investment properties	**2,004**	1,709

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
The taxation comprises:		
Hong Kong Profits Tax:		
Current year	**(41,446)**	(42,261)
Overprovision in prior years	**(177)**	16,845
Deferred tax:		
Current year	**(41)**	–
	(41,664)	(25,416)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the year.

8. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend for the year ended 31 December 2014 *(note a)*	**40,000**	–
Special dividend for the year ended 31 December 2014 *(note b)*	**60,000**	–
Interim dividend *(note c)*	**120,000**	100,000
Other dividend *(note d)*	**–**	210,000
	220,000	310,000

(a) During the current year, the Directors declared the payment of a final dividend of HK$0.02 per share (representing HK$0.002 per share after the share sub-division) amounting to HK$40,000,000 for the year ended 31 December 2014.

(b) A special dividend of HK$0.03 per share (representing HK$0.003 after the share sub-division) amounting to HK$60,000,000 in aggregate for the year ended 31 December 2014.

(c) Pursuant to a resolution passed at the Board meeting on 21 August 2015, the Directors declared the interim dividends for 2015 of HK$0.006 (2014: HK$0.005 per share representing HK$0.005 after the share sub-division) per ordinary share totalling HK$120,000,000 (2014: HK$100,000,000).

(d) Prior to the group restructuring, on 21 May 2014, the Group declared a dividend of HK$210,000,000 to its then equity owners. The dividend is satisfied by current account with a Director.

No dividend has been proposed by the Directors subsequent to the end of the reporting period.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
(Loss) Earnings		
(Loss) Earnings for the purpose of basic (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	**(438,396)**	205,353

	Number of shares Year ended 31 December	
	2015	2014
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**20,002,796**	17,575,340

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2014 has been retrospectively adjusted to reflect the share sub-division on 26 May 2015.

The computation of diluted loss per share for year ended 31 December 2015 does not assume the exercise of outstanding share options of the Company since their assumed exercise would result in a decrease in loss per share.

For the year ended 31 December 2014, there is no potential ordinary shares of the Company and the diluted earnings per share equals basic earnings per share.

10. TRADE AND OTHER RECEIVABLES

	2015 *HK$'000*	2014 *HK$'000*
Life insurance product – non-current portion *(note 1)*	**16,907**	–
Trade receivables	**615,475**	540,229
Less: Provision of sales discount	**(352,000)**	–
	263,475	540,229
Deposits paid for purchase of ginseng	**133,179**	105,657
Advances to bulk exporter *(note 2)*	**6,681**	–
Other refundable deposit *(note 3)*	**24,400**	–
Interest receivables	**2,160**	634
Prepayments and others	**2,291**	4,723
	168,711	111,014
Total trade and other receivables	**432,186**	651,243

Notes:

(1) In August 2015, the Company's subsidiary, Hang Fat Ginseng Trading Company Limited ("HFG Trading"), entered into a life insurance policy with an insurance company to insure an executive Director.

The life insurance product was assigned to a bank to secure general banking facilities granted to the Group during the year ended 31 December 2015.

The life insurance product is denominated in US$, currency other than the functional currency of the respective group entity.

(2) Amount represents advances paid to a bulk exporter for purchase deposits to be paid on behalf of the Group to other suppliers.

(3) On 19 November 2015, the Group entered into a non-legally binding memorandum of understanding in relation to the proposed acquisition of a target group ("Proposed Acquisition"). Details of which has been disclosed in the Company's announcement on the same date. In respect of the Proposed Acquisition, the Group has paid a refundable deposit in the amount of RMB20,000,000 (approximately HK$24,400,000) as part of the consideration of the Proposed Acquisition.

Subsequent to the reporting period, the management has determined not to proceed with the Proposed Acquisition and the vendor has agreed to refund the deposit based on a payment schedule.

The Group generally grants credit periods ranging from 30 days to 365 days (2014: 30 days to 180 days) to its customers. The Group extended credit periods to 365 days to certain customers in the current year in order to drive the expansion of the Group's business. Before accepting any new customer, the Group will internally assess the potential customer's credit quality and define an appropriate credit limit. The management closely monitors the credit quality and follow-up action is taken if overdue debts are noted.

The following is an ageing analysis of trade receivables based on the invoice date, which approximates the respective revenue recognition dates at the end of each reporting period:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**72,254**	297,393
31 to 90 days	**18,897**	19,010
91 to 180 days	**17,907**	38,669
Over 180 days	**154,417**	185,157
	263,475	540,229

The following is an ageing analysis of trade receivables which are past due but not impaired:

	2015	2014
	HK$'000	*HK$'000*
Over 180 days to 365 days	**18,210**	185,157

Included in the Group's trade receivable balance as at 31 December 2015 are debtors with aggregate carrying amount of HK$18,210,000 (2014: HK$185,157,000), which are past due at the reporting date for which the Group has not provided for impairment loss as these receivables are due from certain major customers of which the Group had either good trading relationship and long history of business development with these customers and with no recent history of default or new customers with good credit quality rating assessed internally by the Group. The Group does not hold any collateral over these balances.

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with satisfactory settlement history. Based on the payment pattern of the customers of the Group, trade receivables which are past due but not impaired are generally collectable. No allowance for doubtful debts are recognised by the Group for the years ended 31 December 2014.

11. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Cultivated ginseng	**438,310**	534,652
Wild ginseng	**193,684**	253,582
Ginseng wine	**18,415**	22,218
Others	**7,027**	3,111
	657,436	813,563

As at 31 December 2015, allowance for inventories of HK$118,000,000 (2014: nil) and HK$13,568,000 (2014: nil) has been recognised for wild ginseng and ginseng wine respectively.

12. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.01% to 0.1% per annum as at 31 December 2015 (2014: 0.01% to 0.1%).

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group which carry interest ranging from 0.01% to 4.17% per annum as at 31 December 2015. At 31 December 2014, included in the pledged bank deposit is an amount of HK$1,386,546,000 (2015: nil) which is entitled to a fixed interest rate of 0.85% per annum plus a one-off cash rebate of 2.6% on the principal amount received from the bank at inception, and the effective interest rate is therefore 3.45% per annum. The unamortised cash rebate at 31 December 2014 amounted to HK$35,170,000 (2015: nil) and reported under other payable in the consolidated statement of financial position.

In February 2016, some bank accounts of the Group have been frozen by the Banks. The bank balances (excluding pledged bank deposits) of which the usage was being restricted by the Banks accounted for nearly 76% of the aggregate bank balances (excluding pledged bank deposits) as at 26 February 2016.

13. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**157,844**	316,874
Other payables		
– Customers' deposits received	**–**	250
– Accrued expenses	**11,767**	5,406
– Amount due to a bulk exporter *(Note)*	**–**	2,579
– Cash rebates from bank	**–**	35,170
– Rental deposit	**527**	320
– Freight charges	**4,287**	–
– Others	**2,233**	167
Total trade and other payables	**176,658**	360,766

Note: Amount due to a bulk exporter represents purchase deposits paid by a bulk exporter on behalf of the Group to other suppliers as at 31 December 2015. The amount is unsecured, interest-free and repayable on demand.

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**137,673**	310,972
31 to 90 days	**3,978**	3,023
91 to 180 days	**10,556**	2,879
Over 180 days	**5,637**	–
	157,844	316,874

14. BANK OVERDRAFTS/BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Bank overdrafts - secured	**1**	–
Bank loans		
– Trust receipt loans	**409,540**	275,002
– Mortgage loans	**37,327**	17,472
– Revolving loans	**944,000**	1,333,100
– Other bank loans	**50,000**	20,497
	1,440,867	1,646,071
Secured	**1,440,868**	1,646,071
Carrying amount repayable within one year*	**409,540**	275,002
Carrying amount of bank loans that are repayable within one year and contain a repayment on demand clause	**990,604**	1,356,647
Carrying amount of bank loans that are not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liability)	**40,724**	14,422
Less: Amounts due within one year shown under current liabilities	**(1,440,868)**	(1,646,071)
Amounts shown under non-current liabilities	**–**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The bank loans of the Group comprised variable-rate loans which carry interest with reference to HIBOR, LIBOR or Prime and the ranges of effective interests of the banks loans are as follows:

	2015	2014
Variable-rate loans	**1.19% to 3.75%**	1.22% to 4.39%

The Group has pledged buildings, investment properties, deposit placed for a life insurance policy and bank deposits having a carrying value of approximately HK$1,144,296,000 as at 31 December 2015 (2014: HK$1,536,857,000) to secure general banking facilities granted to the Group. The banking facilities were also supported by corporate guarantee of group entities.

The banking facilities at 31 December 2014 were also supported by corporate guarantee and/or personal guarantee and/or secured by certain assets owned by certain Directors. And the banking facilities secured by assets owned by certain Directors and guaranteed by certain Directors were released in June 2014.

In February 2016, the Banks have demanded in writing that the Group shall make immediate repayment of the amounts outstanding or they may consider commencing legal proceedings against the Group.

15. BONDS

	2015	2014
	HK$'000	*HK$'000*
Carrying amount repayable:		
More than two years, but not more than five years	**132,200**	–
Less: Direct issue cost	**(8,454)**	–
	123,746	–

On 24 April 2015, the Company completed the issuance of the unsecured bonds in an aggregate amount of HK$132,200,000, which is due 24 October 2018. The bonds carry fixed interest rate of 6.0% per annum, payable semi-annually in arrears.

At any time following the occurrence of a change of control with respect to the Company, the holder of any bond will have the right, at such holder's option, to require the Company to redeem all, but not some only, of such holder's bonds at 100% of their principal amount, together with accrued interest.

The net proceeds from the issuance of bonds are intended to be used by the Group as to satisfy the general working capital to support the expansion of the Group's business.

16. DERIVATIVE FINANCIAL INSTRUMENTS

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group utilises a variety of forward foreign exchange contracts to manage its exchange rate exposures. The instruments adopted are primarily to hedge the currencies used in the Group's principal markets.

During the current year, a loss from forward foreign exchange contracts of HK$31,406,000 (2014: nil) was recognised in profit or loss and included in other income, gains and losses.

At the end of the reporting period, notional amount of major outstanding forward foreign exchange contracts that the Group has committed are as below:

	2015	2014
	HK$'000	*HK$'000*
Sell US$/Buy CAD at rate from 1.3159 to 1.3386	**80,000**	–

As at 31 December 2015, the fair value of the Group's currency derivatives is estimated to be approximately HK$29,300,000 liabilities (2014: nil), based on the difference between the market forward rate at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates at the end of the reporting period. The contracts outstanding as at 31 December 2015 mainly related to buying of CAD with maturities in the first quarter of 2016.

EXTRACT OF 2015 INDEPENDENT AUDITOR'S REPORT

The auditor expressed a qualified opinion in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2015. The basis of the qualified opinion is extracted as follows:

Basis for qualified opinion

As stated in notes 2 and 8 to the consolidated financial statements, since the Company's publication of the announcement (the "Announcement") dated 2 February 2016 regarding a possible change in control of the Company, the Group has experienced a significant slowdown in settlement of the trade receivables from the Group's customers. In addition, the major customers have expressed concerns about the potential negative impact of the matters published in the Announcement on their sales.

As disclosed in note 8 to the consolidated financial statements, the directors considered the Company's current situation is abnormal and the customers may request for discounts and rebates on the original invoiced amounts for the year ended 31 December 2015. The Group has therefore made a provision for discounts and rebates of HK$352,000,000. The directors of the Company have informed us that this provision of discounts and rebates represents their assessment based on the information available and current circumstances.

The provision of discounts and rebates calculated by the directors was based on a number of assumptions including an assessment of the probability of the customers resuming payments, an estimate of the potential timing of these payments and the possibility that the customers will seek to agree alternate settlement plans, taking into account of the Group's circumstances, including the material uncertainty in respect of the Group's going concern as described in noted 2 to the consolidated financial statements. However, due to the fact that the Group has received minimal payments from its customers since the Announcement, and at this stage no formal negotiations have commenced with the customers, we were unable to assess the appropriateness of the assumptions used by the directors in determining the valuation of provision for discounts and rebates made for the year ended 31 December 2015. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to whether the amount of the provision of discounts and rebates made is fairly stated. Any adjustment made to the provision of discounts and rebates would affect the net assets of the Group as at 31 December 2015 and the loss of the Group for the year ended 31 December 2015, and the related disclosures in the consolidated financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that in light of the possible change in control of the Company, the Group has encountered a number of financial difficulties including demands by its bankers for immediate repayments of amounts owing to them, a significant portion of the Group's bank balances have been frozen, there were certain events of default in respect of the Group's bonds, and there has been a significant slowdown in collection of the customers' debts owing to the Group, together with the loss incurred for the year and the negative cash flows. The Group's ability to continue as a going concern is highly dependent upon the financial support from its bankers and the Group's ability of raising capital from new investors. The directors have performed an assessment of the Group's future liquidity and cash flows, which included a review of assumptions about the likelihood of success of the measures being implemented to ensure the Group's financing needs, as well as of assumptions about market factors that are likely to have a significant impact on the Group's future cash flows. Based on this assessment, the directors are satisfied that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due for the foreseeable future and are satisfied that all bank borrowing covenants will be met accordingly, upon the implementation of those measure as disclosed in note 2 to the consolidated financial statements. However, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in sourcing cultivated ginseng and wild ginseng (collectively, the "**American Ginseng**") from Canada and the United States and sell American Ginseng to the second level wholesaler in Hong Kong, China and overseas.

In 2015, the global economic growth recovery continued to slowdown, and China was experiencing continuous adjustment of economic structure with changes in mode of economic growth and slowdown in growth of gross domestic product. Under such adverse economic situation, there were numerous challenges in the health care product industry in China. However, with the aging demographics, the population remained aware of the great importance of health and quality of life, leading to the stable demand for American Ginseng in 2015. The Group recorded revenue of approximately HK$1,187.5 million in 2015 (2014: approximately HK$1,219.7 million), which slightly decreased by 2.6% compared with the same of the prior year.

In 2015, the Group was able to maintain its leading position in the American Ginseng market, while a total of approximately 1.1 million kilogramme of cultivated American Ginseng was sold. The Group was able to enjoy a relatively strong bargaining power with its customers as well as the growers and suppliers.

However, since the publication of the announcement of the Company dated 3 February 2016 regarding a possible change in control of the Company, a turbulence has been caused in the American Ginseng market and customers of the Group have been conscious of the American Ginseng trading. The Group continues to monitor the market trends and take prompt actions to adjust its business and operation plan under different market conditions.

FINANCIAL REVIEW

Revenue and gross profit

During the year ended 31 December 2015, the Group's overall revenue (excluded the provision of sales discounts) amounted to approximately HK$1,187.5 million, representing a decrease of 2.6% compared with the same of last year. While the Group's gross profit (excluded the provision of sales discounts) amounted to approximately HK$365.0 million, representing an increase of 20.8% compared with the same of last year. The gross profit margin increased to approximately 30.8% in 2015 from 24.8% in 2014. The increment was mainly attributable to the increase in sales of high gross profit products.

American Ginseng

As the leading player in American Ginseng wholesale market, the Group enjoys a relatively strong bargaining power with its customers as well as the growers and suppliers. During the year ended 31 December 2015, the Group's revenue (excluded the provision of sales discounts) generated from American Ginseng (including both cultivated and wild ginseng) amounted to approximately HK$1,111.3 million, representing a decrease of 8.7% compared with the same of last year. While the Group's gross profit (excluded the provision of sales discounts) of American Ginseng amounted to approximately HK$300.7 million, representing a slight decrease of 0.1% compared with the same of last year.

Ginseng wine

During the year ended 31 December 2015, the Group's revenue generated from ginseng wine amounted to approximately HK$72.5 million (2014: 0.8 million). Ginseng wine was a new product of Hang Fat in 2015. During the interim period ended 30 June 2015, sales of ginseng wine amounted to more than HK$260.5 million. However, due to the deterioration of the "Hang Fat Brand" in February 2016, as disclosed in the announcement of the Company dated 9 March 2016, a notice of request of bulk returning of ginseng wine (the "Bulk Return") was received by the Group from one of its customers on 8 March 2016, amounting to a total sales amount of approximately HK$188.8 million. Although the Group does not have a sales return policy, the Group has accepted the wine returning request for the reason that the Directors are of the view that such Wild Ginseng Wine could be sold on better commercial terms. Bulk Return was therefore excluded from the revenue recognition of ginseng wine for the year ended 31 December 2015 due to the economic benefits associated with the Bulk Return (one of the criterias of revenue recognition) could not be flew to the Group, and thus criteria of revenue recognition were not met.

Provision of sales discount

By comparing the historical repayment pattern of the major customers and the actual settlement received of these customers up to the date of this announcement, the management noted delays in settlement of the trade receivables to the Group. The directors considered the Company's current situation is abnormal and the customers may request for a sales discount in the original invoice amount for the year ended 31 December 2015. The directors of the Company were of the view that the revenue recognition criteria were not met at the time of delivery of the ginseng to the customer, nor even as at 31 December 2015. Accordingly, it is a provision of sales discount of approximately HK$352.0 million was recognised for the year ended 31 December 2015 (2014: nil).

Loss for the year

The loss for the year attributable to owners of the Company amounted to approximately HKD438.5 (2014: profit for the attributable to owners of the Company was approximately HK$205.3 million) which was mainly attributable from:

(i) provision for sales discount of approximately HK$352.0 million (2014:nil);

(ii) provision for stock of approximately HK$131.6 million (2014:nil);

(iii) foreign exchange loss of approximately HK$70.0 million mainly arising from depreciation of Renminbi ("**RMB**");

(iv) the non-cash expenses of totaling approximately HK$32.0 million (2014: nil) arising from the grant of share options and share awards by the Company to eligible participants during the year ended 31 December 2015;

(v) increase in selling and distribution expenses of approximately HK$31.6 million, which was due to an increase in marketing activities corresponding to business expansion; and

(vi) increase in administrative expense of approximately HK$90.4 million, which was mainly due to an increase in staff cost, professional expenses and other expenses due to business expansion.

Trade receivables

The Group's trade receivables as at 31 December 2015 increased to approximately HK$615.5 million from approximately HK$540.2 million as at 31 December 2014. The Group's trade receivables, net of provision of sales discount, as at 31 December 2015 was approximately HK$263.5 million (2014: approximately HK$540.2 million). As at the date of this announcement, approximately HK$111.8 million of the outstanding balances were received subsequently, which accounted for 18% of the trade receivables as at 31 December 2015. The Group has a long history of business development and has maintained a good relationship with customers. The management regularly reviews the recoverability, creditworthiness of customers and ages of the trade receivables. The management will make its best endeavour to negotiate with its customers to collect the account receivables.

Inventories

The Group's inventories as at 31 December 2015 was approximately HK$657.4 million (net of write off) (as at 31 December 2014: HK$813.6 million). The inventories of the Group were stated at lower of cost or net realisable value. With the lower of subsequent selling price of the wild American ginseng and the uncertainty of the marketability of the returned wines and extra cost might be required to be incurred on the returned wines, thus, a write off of inventories of approximately HK$118.0 million (2014: nil) and HK$13.6 million (2014: nil) has been recognised for wild American ginseng and wild American ginseng wine respectively for the year ended 31 December 2015.

FOREIGN EXCHANGE EXPOSURE

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars ("**HKD**") and the sales of the Group are mainly denominated in HKD and RMB and the Group receives all its trade receivables from customers in HKD. The purchases of cultivated ginseng are mainly made in Canadian dollars ("**CAD**") and the purchases of wild ginseng are mainly made in United States dollars ("**USD**"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the year ended 31 December 2015, the Group incurred a loss of foreign exchange differences amounted to approximately HK$70.0 million (2014: a loss of foreign exchange differences amounted to approximately HK$8.0 million). The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group utilises a variety of forward foreign exchange contracts to manage its exchange rate exposures. During the year ended 31 December 2015, a loss from forward foreign exchange contracts of approximately HK$31.4 million (2014: nil) was incurred. The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2015, the Group incurred a loss of approximately HK$438.5 million and had a net operating cash outflow of approximately HK$129.9 million.

As at 31 December 2015, cash and cash equivalents of the Group amounted to approximately HK$1,030.1 million (2014: approximately HK$1,552.0 million), and the Group's net current assets were approximately HK$305.4 million (2014: approximately HK$963.7 million).

The Group had interest-bearing loans of approximately HK$1,440.9 million as at 31 December 2015 (2014: HK$1,646.1 million), of which approximately HK$1,334.5 million (92.6%) was denominated in HKD, while approximately HK$29.8 million (2.1%) was denominated in CAD and the remaining HK$76.6 million was denominated in USD (5.3%). As at the date of this announcement, all the banks of the Group have stopped the trade facilities granted to the Group. Certain banks of the Company have issued demand letters that the Group should make immediate repayment of the amounts outstanding, which included an aggregate amount of the principal of approximately HK$208.8 million and the interest so accrued.

The Group's borrowings also included the 6% coupon rate bonds issued by the Company with outstanding principal totaling HKD$123.7 million (net of direct issue cost) (2014: nil) as at 31 December 2015 which is due in 2018. However, at any time following the occurrence of a change of control with respect of the Company, the holder of any Bond will have the right, at such holder's option, to require the Company to redeem all, but not some only, of such holder's Bonds at 100% of their principal amount, together with accrued interest. As at the date of this announcement, we had not received any redemption notice from the holders of the Bonds.

A series of plans and measures to mitigate liquidity pressure have been taken to improve the financial positions of the Group. As disclosed in the announcement of the Company dated 29 February 2016, on 21 February 2016, the Company and a subscriber (the "Subscriber") entered into a subscription agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 31,200,000,000 new shares of the Company to the Subscriber at the subscription price of HK$0.01 per new share of the Company to be issued and allotted to the Subscriber (the "Subscription"). Furthermore, on 21 February 2016, the Company and a placing agent (the "Placing Agent") entered into a placing agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 8,800,000,000 shares of the Company at a price of HK$0.01 per share of the Company to be placed by one Placing Agent for and on behalf of the Company (the "Placing").

The completion of the Subscription and Placing is conditional upon certain conditions precedent as disclosed in the announcement dated 29 February 2016.

Upon completion of the Subscription and Placing, the proceeds from the Subscription and Placing will be mainly used for repayment of existing bank loans and accounts payables, and the financial positions position of the Group are expected to improve significantly.

CHARGE OF ASSETS

Certain borrowings were secured by the Group's buildings, investment properties and bank deposits, having a carrying value of approximately HK$176.2 million as at 31 December 2015.

CAPITAL EXPENDITURE

The capital expenditure of the Group was approximately HK$49.1 million for the year ended 31 December 2015 (2014: approximately HK$29.0 million), which was mainly used in acquisition of office premises for the Group's self-use.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2014 and 31 December 2015.

SUBSEQUENT EVENTS

As disclosed in the announcement of the Company dated 29 February 2016, on 21 February 2016, the Company and the Subscriber entered into a subscription agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 31,200,000,000 new shares of the Company to the Subscriber at the subscription price of HK$0.01 per new share of the Company to be issued and allotted to the Subscriber.

Furthermore, on 21 February 2016, the Company and the Placing Agent entered into a placing agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 8,800,000,000 shares of the Company at a price of HK$0.01 per share of the Company to be placed by one Placing Agent for and on behalf of the Company.

HUMAN RESOURCES

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees. As at 31 December 2015, the Group had 91 full-time employees (including Directors). The total salaries and related costs (including the Directors' fees) amounted to approximately HK$30.1 million (2014: approximately HK$16.6 million).

LOOKING AHEAD

Facing the challenging market environment and the financial difficulties, the Group will continue the trading of American ginseng with a cautious approach. The Directors consider that although the Group's reputation, business operations and financial performance will be temporarily and adversely affected, given the leading position in the ginseng market and experienced management team of the Group, the Group can remain competitive in the future.

The Board will continue to make its best effort to develop current businesses and at the same time proactively exploring new business areas and seek suitable investment opportunities.

Besides, the Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining right of the shareholders of the Company to attend and vote at the annual general meeting of the Company (the "**AGM**"), the register of members of the Company will be closed from Thursday, 2 June 2016 to Monday, 6 June 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 1 June 2016.

CORPORATE GOVERNANCE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the year ended 31 December 2015, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing (the "**Listing Rules**") the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except in relation to CG Code provision A.2.1, as more particularly described below.

CG Code provision A.2.1 states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by Mr. Yeung Wing Yan. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Yeung Wing Yan to assume both roles as the chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organisation, the Board will consider splitting the two roles to be assumed by two individuals. With the strong business experience of the Directors, they do not expect any issues would arise due to the current combined role of Mr. Yeung Wing Yan.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the code of conduct rules (the "**Model Code**") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code during the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Yuen Chee Lap Carl (Chairman of the Audit Committee), Mr. Wong Senta and Mr. Wu Wai Leung Danny. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 December 2015 with the Directors.

PUBLICATION OF THE ANNUAL RESULTS AND 2015 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the annual report of the Company for the year ended 31 December 2015 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Hang Fat Ginseng Holdings Company Limited
Mr. Yeung Wing Yan
Chairman and Chief Executive Officer

Hong Kong, 31 March 2015

As at the date of this announcement, the executive Directors are Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau; and the independent non-executive Directors are Mr. Wong Senta, Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl.