THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Hang Fat Ginseng Holdings Company Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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)

(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED ISSUE OF NEW SHARES TO THE SUBSCRIBER UNDER SUBSCRIPTION MANDATE;
(3) APPLICATION FOR WHITEWASH WAIVER;
(4) PROPOSED PLACING OF NEW SHARES UNDER PLACING MANDATE; AND
(5) NOTICE OF EGM

CLC INTERNATIONAL LIMITED
創僑國際有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

前海證券有限公司
Qian Hai Securities Limited

Placing Agent

A letter from the Board is set out on pages 7 to 31 of this circular.

A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 32 to 33 of this circular.

A letter from the Independent Financial Adviser containing its advice in respect of the Subscription and the Whitewash Waiver to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 62 of this circular.

A notice convening the EGM to be held at 1804, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 6 May 2016, at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is also enclosed. Whether or not you are able to attend the EGM, please complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable, but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and, in such event, the instrument appointing a proxy will be deemed to be revoked.

18 April 2016

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

"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Announcement"	the announcement of the Company dated 29 February 2016, in connection with, among others, the Subscription, the Subscription Mandate, the Whitewash Waiver, the Placing and the Placing Mandate
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Bonds"	the bonds in the aggregate principal amount of HK$132.2 million issued by the Company on 24 April 2015 due in 2018 bearing interest at the rate of 6.0% per year
"business day"	a day on which licensed banks are generally open for business in Hong Kong, other than (i) a Saturday and Sunday; and (ii) a day on which a tropical cyclone warning No.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon in Hong Kong and remains in effect on or before 12:00 noon; or (iii) a day on which a black rainstorm warning signal is hoisted or remains hoisted before 12:00 noon in Hong Kong and remains in effect on or before 12:00 noon
"Company"	Hang Fat Ginseng Holdings Company Limited (恒發洋參控股有限公司), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange (Stock Code: 911)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules and the word "connected" shall be construed accordingly
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company

"EGM"	an extraordinary general meeting of the Company to be convened and held at 1804, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 6 May 2016 at 10:00 a.m. for the Shareholders to consider, if thought fit, approve, the Share Capital Increase, the Subscription Agreement, the Placing Agreement and the transactions contemplated under these agreements respectively including the grant of the Subscription Mandate, the Placing Mandate and the Whitewash Waiver
"Executive"	the executive director of the Corporate Finance Division of the SFC or any delegate of the executive director
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee" or "IBC"	the independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Wong Senta, Mr. Yuen Chee Lap Carl and Mr. Wu Wai Leung Danny, who have no direct or indirect interest in the Subscription and the Whitewash Waiver, established for the purpose of considering and advising: (i) the Independent Shareholders as to whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable and as to voting; and (ii) the Independent Shareholders as to whether the terms of the Subscription and the Subscription Mandate are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole and the voting action that should be taken by Independent Shareholders
"Independent Financial Adviser" or "IFA"	CLC International Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than those who are involved in or interested in the Subscription and/or the Whitewash Waiver
"Independent Third Party(ies)"	third party(ies) and its/their ultimate beneficial owner(s) which are independent of the Company and its connected persons and their respective associates
"Last Trading Day"	19 February 2016

"Latest Practicable Date"	15 April 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	31 August 2016, or such other date as may be agreed between the Company and the Subscriber in writing
"Mr. Lu"	Mr. George Lu (陸建明), the sole shareholder and sole director of the Subscriber
"Placee(s)"	any individuals, corporate, institutional investors or other investors to be procured by or on behalf of the Placing Agent under the Placing
"Placing"	the offer by way of private placing of the Placing Shares by the Placing Agent to not less than six Placees upon the terms and subject to the conditions set out in the Placing Agreement
"Placing Agent"	Qian Hai Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance) (Chapter 571 of the laws of Hong Kong), acting as the placing agent of the Placing Shares under the Placing Agreement
"Placing Agreement"	the conditional placing agreement dated 21 February 2016 entered into between the Company and the Placing Agent in relation to the Placing
"Placing Completion"	completion of the Placing
"Placing Mandate"	the specific mandate to be granted by the relevant Shareholders to the Board at the EGM for the allotment and issue of the Placing Shares
"Placing Price"	HK$0.01 per Placing Share
"Placing Shares"	a total of 8,800,000,000 Shares to be placed by the Placing Agent for and on behalf of the Company under the Placing Agreement
"PRC"	the People's Republic of China, except where the context requires otherwise excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

"Public Float Requirement"	the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the Shares which are listed on the Stock Exchange must be held by the public for the purpose of the Listing Rules
"Relevant Date"	2 February 2016, being the date of the commencement of the offer period of the Company
"Relevant Period"	the period from 3 August 2015 (being the date falling 6 months prior to the Relevant Date) up to and including the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share Capital Increase"	the proposed increase in the authorised share capital of the Company from HK$50,000,000 divided into 50,000,000,000 Shares to HK$200,000,000 divided into 200,000,000,000 Shares
"Share(s)"	ordinary share(s) of HK$0.001 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Super Generation Group Ltd., a company incorporated under the laws of the British Virgin Islands and is wholly-owned by Mr. Lu, an Independent Third Party
"Subscription"	the subscription of the Subscription Shares pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement entered into between the Company and the Subscriber on 21 February 2016 in relation to the Subscription
"Subscription Completion"	completion of the Subscription
"Subscription Completion Date"	the date when the Subscription Completion shall take place in accordance with the Subscription Agreement
"Subscription Mandate"	the specific mandate to be granted by the relevant Independent Shareholders to the Board at the EGM for the allotment and issue of the Subscription Shares

"Subscription Price"	HK$0.01 per Subscription Share
"Subscription Share(s)"	a total of 31,200,000,000 new Shares to be subscribed for by the Subscriber under the Subscription Agreement
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC in Hong Kong, as amended from time to time
"Trading Days"	the days on which the Shares are traded on the Stock Exchange
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by the Subscriber and any parties acting in concert with it which would, if the Subscription proceeds, otherwise arise as a result of the Subscription
"%"	per cent.

This glossary contains explanations of certain terms and definitions used in this circular in connection with our Group and business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

"American Ginseng"	Panax quinquefolius L., a herbaceous perennial plant in the Araliaceae family, which comprises Cultivated Ginseng and Wild Ginseng
"Cultivated Ginseng"	the dried roots of American Ginseng grown in tilled beds under shade of artificial structures or under natural shade
"ginseng"	any one of eleven species of slow-growing perennial plants with fleshy roots, belonging to the genus Panax of the Arliaceae family
"Wild Ginseng"	the dried roots of American Ginseng collected from the natural habitat

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)

Executive Directors:
Mr. Yeung Wing Yan
(Chairman & Chief Executive Officer)
Mr. Yeung Wing Kong
Ms. Fu Fung Sau

Independent non-executive Directors
Mr. Wong Senta
Mr. Wu Wai Leung Danny
Mr. Yuen Chee Lap Carl

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

Principal place of business in Hong Kong:
G/F, Nam Pak Hong Commercial Centre
44 Bonham Strand West
Hong Kong

18 April 2016

To the Shareholders,

Dear Sir or Madam,

(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; (2) PROPOSED ISSUE OF NEW SHARES TO THE SUBSCRIBER UNDER SUBSCRIPTION MANDATE; (3) APPLICATION FOR WHITEWASH WAIVER; (4) PROPOSED PLACING OF NEW SHARES UNDER PLACING MANDATE; AND (5) NOTICE OF EGM

INTRODUCTION

Reference is made to the Announcement.

On 21 February 2016, the Company and the Subscriber entered into the 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 Subscription Shares at the Subscription Price of HK$0.01 per Subscription Share. On the same date, the Company and the Placing Agent entered into the 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 Placing Shares at a price of HK$0.01 per Placing Share.

Upon Subscription Completion, the Subscriber will be interested in a total of 31,200,000,000 Shares representing approximately 60.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares) and (as the case may be) approximately 51.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and that there is no change in the issued share capital of the Company other than (i) the issue of the Subscription Shares between the Latest Practicable Date and the Subscription Completion; and (ii) the Placing Shares between the Latest Practicable Date and the Placing Completion. Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll.

On 21 February 2016, the Company and the Placing Agent entered into the 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 Placing Shares at a price of HK$0.01 per Placing Share.

The purpose of this Circular is to provide the Shareholders with, among other things, (i) further details of the Share Capital Increase; (ii) further details of the Subscription and the Whitewash Waiver; (iii) further details of the Placing; (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (vi) financial and other information of the Group; and (vii) the notice of EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK$50,000,000 divided into 50,000,000,000 Shares, of which 20,016,200,000 Shares have been allotted and issued as fully paid or credited as fully paid. In order for the Company to carry out the Subscription and the Placing, the Board proposes to increase the authorised share capital of the Company from HK$50,000,000 to HK$200,000,000 by authorising the creation of an additional 150,000,000,000 Shares. The proposed Share Capital Increase is subject to the approval of the Shareholders at the EGM.

Immediately after the Share Capital Increase, the authorised share capital of the Company will be HK$200,000,000 divided into 200,000,000,000 Shares.

An ordinary resolution, to be voted by way of a poll, to approve the Share Capital Increase will be proposed at the EGM.

THE SUBSCRIPTION

The Subscription Agreement

Date

21 February 2016

Issuer

The Company

Subscriber

Super Generation Group Ltd.

Further details about the Subscriber are set out in the sub-section headed "Information of the Subscriber" below.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscriber and its associates are Independent Third Parties and not connected with nor are acting in concert with any of the Directors, chief executive or Shareholders of the Company or its subsidiaries or their respective associates and parties acting in concert with any of them.

Prior to entering into the Subscription Agreement, neither the Subscriber nor any party acting in concert with it was interested in any Shares, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of shareholding interest in the Company.

The Subscription Shares

The 31,200,000,000 Subscription Shares represent (i) approximately 155.87% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 60.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares upon Subscription Completion; and (iii) approximately 51.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares upon Subscription Completion and Placing Completion (assuming the Placing is completed in full). The aggregate nominal value of the Subscription Shares is HK$31.2 million.

The Subscription Price

The Subscription Price of HK$0.01 per Subscription Share represents:

(a) a discount of approximately 80.39% to the closing price of HK$0.051 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 85.1% to the closing price of HK$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 84.3% to the average closing price of HK$0.064 per Share as quoted on the Stock Exchange for the last five consecutive Trading Days up to and including the Last Trading Day;

(d) a discount of approximately 92.3% to the average closing price of HK$0.1296 per Share as quoted on the Stock Exchange for the last ten Trading Days immediately up to and including the Last Trading Day;

(e) a discount of approximately 86.7% to the unaudited consolidated net asset value of approximately HK$0.075 per Share as at 30 June 2015; and

(f) a discount of approximately 60.0% to the consolidated net asset value of approximately HK$0.025 per Share as at 31 December 2015.

The Directors (including members of the Independent Board Committee after considering the advice from the Independent Financial Adviser) consider the Subscription and the Placing being the most appropriate way of fund raising for the Group. For the details of the basis of determining the Subscription Price and the terms in the Subscription Agreement, please refer to the sub-section headed "Basis of determining the terms in the Subscription Agreement and the Placing Agreement" in this Circular.

The Directors (including members of the Independent Board Committee after considering the advice from the Independent Financial Adviser) believe that the introduction of the Subscriber as a Shareholder will improve the financial position of the Group by providing additional funding for the Company to repay bank loans and accounts payables.

The gross proceeds of the Subscription amount to approximately HK$312,000,000 and the net proceeds from the Subscription will be approximately HK$301,200,000 (after deduction of relevant expenses of the Subscription). On such basis, the net issue price will be approximately HK$0.0097 per Subscription Share.

Mandate for the issue of the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Subscription Mandate to be sought from the Independent Shareholders at the EGM.

Ranking

The Subscription Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

Listing application

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Conditions precedent

The obligation of the Subscriber to subscribe for the Subscription Shares under the Subscription Agreement is conditional upon:

(a) the Company, in accordance with the relevant requirements of the Takeovers Code, the Listing Rules, the Companies Law of the Cayman Islands and its articles of association, having obtained the approvals at the EGM on (i) the increase of the authorised share capital of the Company in compliance with the Subscription; (ii) the Company's entering into the Subscription Agreement and the transactions contemplated thereunder; and (iii) the Subscription and the Subscription Mandate;

(b) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Subscription Shares to be issued (and such approval not being subsequently revoked prior to the Subscription Completion);

(c) the Executive granting the Whitewash Waiver to the Subscriber and the Whitewash Waiver remaining effective and all the conditions to the Whitewash Waiver being satisfied;

(d) there being no suspension on the trading of Shares on the Stock Exchange prior to and upon Subscription Completion (save for (i) trading halt or suspension which are not more than five (5) consecutive Business Days, other than suspension due to the Subscription Agreement and the transactions contemplated thereunder; or (ii) suspension for such period or circumstance which is agreed by the Subscriber);

(e) all applicable laws and regulations relevant to the Subscription (including the Listing Rules and the Takeovers Code) having been fully complied with by each party to the Subscription Agreement, and the Group having obtained all major approval, consent, filing and records (where applicable) for the transactions contemplated under the Subscription Agreement (including but not limited to such consent by third party(ies) as required under any material contracts or financing contracts as a result of the change of controlling shareholder of the Group or for the conducting of transactions contemplated under the Subscription Agreement), and having performed all necessary legal procedures;

(f) no judicial governmental or regulatory authorities making, issuing or ordering any order, judgement, limitations or decision to restrict or prohibit the transactions contemplated under the Subscription Agreement;

(g) no third party having applied to or threatening to apply to any court or governmental authorities of competent jurisdictions to claim for material compensation, to restrict or prohibit the transactions contemplated under the Subscription Agreement, or to declare the transactions contemplated under the Subscription Agreement illegal;

(h) the representations, warranties and undertakings given by the Company under the Subscription Agreement remaining true and accurate in all material respects, and not materially misleading, since the date of the Subscription Agreement up to the Subscription Completion;

(i) there being, in the reasonable opinion of the Subscriber, no material adverse change in the prospects, operation, financial and other aspects (and no development or event that may be expected to lead to material adverse change having happened) as set out below since the date of the Subscription Agreement up to the Subscription Completion:

1. the net asset value of the Group is less than HK$400 million;

2. any matters leading to the termination or possible termination of the principal operation of the Group;

3. any material modification of laws, regulations or government administrative decisions required to be complied with as regard to the operation of the principal businesses of the Group, and which would significantly influence the revenue or profits of the Group;

4. any material breach of laws, regulations and government administrative decisions (including but not limited to the material breach of food safety of the product of the Group), which would significantly influence the revenue or profits of the Group;

5. the business license or business certificate of any major member of the Group is revoked;

6. any order, judgment, restriction, decision or investigation has been made, promulgated or adopted by a judicial or governmental authority or regulatory authority for the Company or any major subsidiary of the Company, and any directors and senior management of the Group; and

7. the delivery of any order or petition or the passing of any resolution leading to the liquidation of the Company or any major subsidiary of the Group or appointment of provisional liquidator for the Company or any major subsidiary of the Group; and with respect to the assets or the business of the Company or any major subsidiary of the Group, any receiver, property administrator or others of the same nature is appointed as provisional liquidator; and the Company or any major subsidiary of the Group or any of their assets is subject to any outstanding attachment, writ of execution or other legal procedures;

(j) the Subscriber being reasonably satisfied with due diligence results on the legal (including the shareholding and ownership of properties of the members of the Group), operation and financial aspects (including the net assets, inventories, receivables and debts) of the Company; and

(k) the Company having provided to the Subscriber the Cayman Islands and the British Virgin Islands legal opinions in relation to the due incorporation and the ownership of shareholding of the Company and its subsidiaries, in such form and substance to the satisfaction of the Subscriber.

Save as and except for condition (j) above, none of the conditions precedent has been fulfilled or waived as at the Latest Practicable Date.

Waiver of the Subscription Conditions

The Company shall use its best endeavours to procure and assist in the fulfillment of the conditions (a), (b), (d) to (k) above before the Long Stop Date. None of the parties to the Subscription Agreement can waive the conditions (a) and (b) above, and save as aforesaid, all other conditions above (including condition (c) above in respect of the grant of the Whitewash Waiver) can be waived by the Subscriber at its discretion.

Notwithstanding the above, in relation to the due diligence review in condition (j) above, the Subscriber shall give notice to the Company and specify if it is satisfied with the due diligence review or it waives the condition within 14 days upon the date of the Subscription Agreement (or any other date as agreed by both parties). In the event that the Subscriber is unable to give notice specifying if it is satisfied with the due diligence review or waive the condition within 14 days upon the date of the Subscription Agreement or a date as agreed by both parties, the Subscription Agreement will be automatically terminated, and the parties shall be released from all liabilities and obligations thereunder (save for clauses with respect to indemnity, confidentiality, general provisions, counter-parts and governing law as stated in the Subscription Agreement), but without prejudice to any rights accrued by the parties prior to the termination. Neither party shall claim the other party for any damages, expenses and other costs. On 4 March 2016, the Subscriber issued a notice to the Company and has waived condition (j) above at its discretion in accordance with the Subscription Agreement.

Long Stop Date

In the event that any conditions have not been fulfilled or waived (as the case may be) by the Long Stop Date or a later date as agreed in writing by both parties, the Subscription Agreement will be automatically terminated, and the parties shall be released from all liabilities and obligations thereunder (save for clauses with respect to indemnity, confidentiality, general provisions, counter-parts and governing law as stated in the Subscription Agreement), but without prejudice to any rights accrued by the parties prior to the termination. Neither party shall claim the other party for any damages, expenses and other costs.

The Subscription Completion

Subscription Completion shall take place on the 5th Business Day after the date upon which all of the conditions precedent of the Subscription Agreement have been fulfilled and/or waived (or such other date as may be agreed by the Subscriber and the Company in writing). On the Subscription Completion Date, among other things, the Subscriber shall effect payment of the aggregate Subscription Price in full, and the Company shall simultaneously, among other things, allot and issue the Subscription Shares to the Subscriber.

Pursuant to the Subscription Agreement, Ms. Fu Fung Sau, executive Director, shall resign her directorship and position in the senior management with effect from the Subscription Completion. If required by the Subscriber, Mr. Yeung Wing Kong and other directors and/or other members of the senior management of the Group shall resign with effect from the Subscription Completion and such number of new Directors and/or senior management nominated by the Subscriber as it considers appropriate shall be appointed. The Subscriber intends to nominate candidates prior to the Subscription Completion for the nomination committee of the Board and the Board to consider and approve as appropriate. As at the Latest Practicable Date, the Subscriber has not identified any candidates to be nominated as the Directors. Details of any new Directors appointed will be announced by the Company upon such appointments taking effect. Pursuant to the articles of association of the Company, the Board has the power to appoint any person to act as a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board, and pursuant to the Code on Corporate Governance (Appendix 14 to the Listing Rules), any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. The Company will be in compliance with the Listing Rules and the Takeovers Code with respect to any appointment and/or resignation of Directors. Further announcement(s) will be made by the Company in this regard as and when appropriate.

Since completion of the Subscription is subject to the fulfilment or waiver of the condition(s) as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

Information of the Subscriber

The Subscriber is an investment holding company incorporated on 4 January 2016 under the laws of British Virgin Islands and is wholly owned by Mr. Lu, an Independent Third Party. Mr. Lu is also the sole director of the Subscriber. Mr. Lu, as the sole director and the beneficial owner of the Subscriber, is a party acting in concert with the Subscriber in respect of the Subscription. Mr. Lu was being introduced to members of the Board by a former director of the Company. Prior to that, to the best of the knowledge, information and belief of the Directors, there was no relationship between Mr. Lu and the Company's connected persons and their associates.

Mr. Lu has more than 15 years of entrepreneurial experience in strategic planning and general management of trading and manufacturing companies. Mr. Lu is the founder, director and chairman of Goldenmars Technology Holdings Limited, a company whose shares are listed on the Stock Exchange ("**Goldenmars**"; stock code: 3638), and has been responsible for its overall management, operations and strategic development. Goldenmars is principally engaged in manufacturing and sales of memory modules, USB flash drives and other data memory products, as well as trading of data memory related components including memory chips, NAND flash chips and CPU (central processing unit) chips and other computer peripheral products.

Intentions of the Subscriber regarding the Group

As at the Latest Practicable Date, the Subscriber intends to continue the existing business of the Group and does not intend to introduce any major changes to the existing operation and business of the Company or dispose of any of the assets of the Group or to discontinue the employment of the employees of the Group other than in the ordinary course of business. Up to the Latest Practicable Date, neither the Company nor the Subscriber has started any negotiation, discussion or has entered into any arrangement or undertaking for introduction of any new business to the Group or disposal of the existing business of the Group.

As at the Latest Practicable Date, the Subscriber has not yet decided whether it would nominate Mr. Lu as a new Director. Under the Subscription Agreement, Mr. Yeung Wing Yan is not required to resign from his directorship at the Company. Mr. Yeung Wing Yan will continue to serve as an executive Director under his current service agreement entered into with the Company with a term of three years of service commencing from 9 June 2014 for day-to-day management of the Group.

As mentioned above, the Subscriber would not discontinue the employment of the employees of the Group. Existing staff, including those who are responsible for day-to-day sourcing and sales of American Ginseng and other products of the Group are expected to continue their employment with the Group. Even if Mr. Yeung Wing Yan resigns or ceases to be a director of the Company for any reason, the Subscriber believes that it would not materially affect the business operation of the Group with the assistance of the experienced staff of the Group, who have the requisite knowledge, experience and business connections in respect of the Group's existing business, and if needed under Mr. Lu's leadership as a Director, who has considerable experience in trading business and general management of listed company. The Subscriber and the Group would also use their endeavour to identify and appoint suitable and qualified candidate(s) as executive Directors and senior management of the Group to the extent necessary or desirable to the Group's existing business.

Given the poor liquidity of the Group as at the Latest Practicable Date, the Subscriber intends to procure the Group to repay certain bank borrowings to improve the liquidity and financial position of the Group as well as for repayment of accounts payables. For details, please refer to the subsections headed "Reasons for the Subscription and the Placing" and "Use of Proceeds" below. The Company will comply with all applicable requirements of the Listing Rules and/or the Takeovers Code as and when appropriate.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

Dealing and interest of the Subscriber in the securities of the Company

The Subscriber has confirmed that it and party acting in concert with it (including Mr. Lu) did not hold and had not dealt in the Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period, and had not conducted and will not conduct any acts which may result in "disqualifying transactions" for the purpose of the Whitewash Waiver or "special deals" prohibited under Rule 25 and Note 2 to paragraph 3 of Schedule VI to the Takeovers Code).

Upon Subscription Completion, the Subscriber and party acting in concert with it will in aggregate be interested in a total of 31,200,000,000 Shares representing approximately 60.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares) and (as the case may be) approximately 51.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and the Placing Shares).

Under Rule 26.1 of the Takeovers Code, in the absence of the Whitewash Waiver, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. On 17 March 2016, an application was made by the Subscriber to the Executive for granting of the Whitewash Waiver pursuant to Note 1 on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Subscription Shares.

The Executive has indicated that it will grant the Whitewash Waiver, subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll. The Subscriber and parties acting in concert with it and any Shareholders who are interested in or are involved in the Subscription Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver and their respective associates and parties acting in concert with any of them shall abstain from voting on the resolutions approving the Subscription and the transactions contemplated thereunder and the Whitewash Waiver at the EGM. As Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau, our executive Directors, and Ms. Teresa Yip, our chief financial officer and secretary of the Company, who directly or indirectly own Shares, were involved in the discussion on the terms in the Subscription Agreement, Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau, and the companies controlled by Mr. Yeung Wing Yan and Mr. Yeung Wing Kong, namely, Cervera Holdings Limited, Athena Power Limited and Dragon Jump Global Limited, and Ms. Teresa Yip shall also abstain from voting on such resolutions.

If the Whitewash Waiver is approved by the Independent Shareholders, the potential holding of voting rights of the Company held by the Subscriber and parties acting in concert with it resulting from the Subscription will exceed 50% of the voting rights of the Company. The Subscriber may further increase its holding of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

If the Whitewash Waiver is not approved by the Independent Shareholders, the Subscription will not complete unless condition (c) above is waived by the Subscriber, which is at the Subscriber's sole discretion. The Subscriber may or may not waive such condition. If such condition is waived by the Subscriber and completion of the Subscription occurs, the Subscriber will be obliged to make a mandatory general offer for all issued Shares not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it under Rule 26.1 of the Takeovers Code as a result of the Subscription.

THE PLACING

The Placing Agreement

Date

21 February 2016

Issuer

The Company

Placing Agent

Qian Hai Securities Limited

The Placing Agent has conditionally agreed to place up to 8,800,000,000 Placing Shares, on a best effort basis, to the Placees. The Placing Agent will receive a placing commission of 5% of the aggregate Placing Price of the Placing Shares actually placed by the Placing Agent on behalf of the Company in pursuance of its obligations under the Placing Agreement. Such placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the market rate and after taking into account the size of the Placing.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries and as confirmed by the Placing Agent, the Placing Agent and its associates are (i) Independent Third Parties; and (ii) the Placing Agent is not interested in any Shares, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of shareholding interest in the Company.

Placees

The Placing Shares are currently expected to be placed to not less than six Placees, who will be individuals, corporate, institutional investors or other investors. The Placees, who and whose ultimate beneficial owners, shall be Independent Third Parties and not connected with nor are acting in concert with any of the Directors, chief executive or Shareholders of the Company or its subsidiaries or their respective associates, and the Subscriber or parties acting in concert with any of them. The Placing Agent undertook to take out all necessary steps to procure that all the Placees are third parties independent of and not acting in concert with the Company or the Subscriber and that they will not become a substantial Shareholder (within the meaning of the Listing Rules) immediately after the Subscription and the Placing.

The Placing Shares

The 8,800,000,000 Placing Shares represent (i) approximately 43.96% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 30.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (assuming the Placing is completed in full); and (iii) approximately 14.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (assuming the Placing is completed in full) and the Subscription Shares. The aggregate nominal value of the Placing Shares is HK$8.8 million.

The Placing Price

The Placing Price of HK$0.01 per Placing Share represents:

(i) a discount of approximately 85.1% to the closing price of HK$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 84.4% to the average closing price of approximately HK$0.064 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 92.3% to the average closing price of approximately HK$0.1296 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 86.7% to the unaudited consolidated net asset value per Share of approximately HK$0.075 as at 30 June 2015; and

(v) a discount of approximately 60.0% to the consolidated net asset value of approximately HK$0.025 per Share as at 31 December 2015.

The Directors consider the Subscription and the Placing being the most appropriate way of fund raising for the Group. The Directors also believe that the Placing will improve the financial position of the Group by providing sufficient funding for the Company to repay bank loans accounts payables. For the details of the basis of determining the Placing Price and the terms in the Placing Agreement, please refer to the sub-section headed "Basis of determining the terms in the Subscription Agreement and the Placing Agreement" in this circular.

The gross proceeds of the Placing amount to approximately HK$88,000,000 and the net proceeds from the Placing will be approximately HK$82,800,000 (after deduction of relevant expenses of the Placing). On such basis, the net issue price will be approximately HK$0.0094 per Placing Share.

Mandate for the issue of the Placing Shares

The Placing Shares will be allotted and issued pursuant to the Placing Mandate to be sought from the Shareholders at the EGM.

Ranking

The Placing Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Placing Shares.

Listing application

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Conditions precedent

Placing Completion is conditional upon fulfillment of the following conditions:

(a) the passing by the Shareholders who are allowed to vote under the Listing Rules of the relevant resolution(s) to approve the Placing Agreement and the transactions contemplated thereunder, including the grant of the Placing Mandate at the EGM;

(b) the Listing Committee granting or agreeing to grant listing of, and permission to deal in, the Placing Shares; and

(c) the obtaining by all parties concerned of all necessary consents or approvals (if any) from the relevant authorities in respect of the entry and consummation of the Placing Agreement and the transactions contemplated thereunder.

For the avoidance of doubt, the Placing is independent of the Subscription and is not conditional upon the Subscription Completion.

The Company shall:

(a) apply to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares; and

(b) forthwith upon the signing of this Agreement, use all reasonable endeavors to procure that the conditions precedent set out in the Placing Agreement are fulfilled in accordance with their terms on or before the 30th day from the date of the EGM or any adjournment thereof (or if such date is not a Business Day, the next Business Day immediately thereafter) and for that purpose will give all such undertakings, execute such documents and do such other things as may be necessary to procure the fulfillment of such conditions.

None of the above conditions precedent can be waived. If any of the conditions precedent above is not satisfied by the day falling on the 30th day from the date of the EGM or any adjournment thereof (or if such date is not a Business Day, the next Business Day immediately thereafter), the obligations and liabilities of the Company and the Placing Agent shall be released from all rights and obligations thereunder. Neither party shall have any right to damages for any costs and expenses that it may have incurred in connection with or arising out of the Placing Agreement save for any antecedent breach thereof (and save that the Company shall reimburse for the reasonable out of pocket expenses incurred by the Placing Agent in respect of the Placing).

None of the conditions precedent above has been fulfilled as at the Latest Practicable Date.

Placing Completion

Placing Completion shall take place on the third Business Day after the fulfilment and/or waiver of all the above conditions or on such other date as the Company and the Placing Agent may agree in writing.

Since completion of the Placing is subject to the fulfilment or waiver of the condition(s) as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

The Placing and the Subscription are not inter-conditional upon each other.

REASONS FOR THE SUBSCRIPTION AND THE PLACING

Basis of determining the terms in the Subscription Agreement and the Placing Agreement

The Subscription Price and the Placing Price were arrived at after arm's length negotiations between the Company and each of the Subscriber and the Placing Agent respectively. The Board is aware that the Subscription Price and the Placing Price are at a significant discount to the Company's share price and net asset value per Share as at 30 June 2015. However, in determining the terms of the Subscription and the Placing, including the Subscription Price, the Placing Price and the numbers of the Subscription Shares and the Placing Shares, the Board has taken into account the following factors:

(1) the closing price of approximately HK$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;

(2) the outstanding bank borrowings of over HK$1.67 billion as at 30 June 2015 which would be due within one year;

(3) the outstanding debts of over HK$132.2 million as at 30 June 2015 which would be due in 2018;

(4) the accounts payables of over HK$121.2 million as at 30 June 2015 which would be due within one year; and

(5) the Group would face an acceleration of immediate repayment obligations if it defaulted on the repayments of certain bank borrowings because of insufficient cash and in the event that the Group could not fulfil the immediate repayment obligations, the Group would encounter the risk of legal proceedings by the Banks;

(6) the Group would face the risk of redemption of all the Bonds by the holders, the total amount of which was HK$132.2 million;

(7) the net gearing ratio, being total bank borrowings and bonds, excluding pledged bank deposits and bank and cash balances, divided by total equity, was increased to 44.5% (2014: 8.6%) as at 31 December 2015, based on the management accounts of the Group dated 5 February 2016;

(8) the average trade receivables turnover days of American Ginseng was increased from 90 days as at 31 December 2014 to 189 days as at 31 December 2015;

(9) the Group has continuously been causing net cash outflow from the operating activities for the two years ended 31 December 2014 and 2015;

(10) the current cash position of the Group had been tight and the funding needs of the Group had been urgent, as disclosed in the sub-section headed "Current Development" in this circular;

(11) internal financing such as liquidating the assets of the Group might not be a feasible method of meeting urgent financial needs as it would not be easy to sell the assets of the Group within a short period at good prices;

(12) the Group would need new investor(s) to help with future financing and refinancing as well as to maintain business operation of the Group yet the Group had weak bargaining power given the tight cash position and urgent funding needs;

(13) the Group would need to offer a relatively deep discount so as to induce the Subscriber to subscribe for and the Placing Agent to place the Shares;

(14) the current market sentiment of the stock market in Hong Kong is volatile; and

(15) the Directors have considered various fund raising options, including debt financing, rights issue and open offer. The Directors considered that debt financing may incur an interest burden on the Group and also may subject the Group to lengthy due diligence review and negotiations with the banks in respect of the Group's financial position and the then financial market condition. Given the unsatisfactory financial performance of the Company, the Board considered debt financing to be relatively uncertain and time-consuming. On the other hand, the options of rights issue and open offer may involve relatively substantial time and cost to complete as compared to equity financing through the issue of new Shares. Moreover, the options of rights issue and open offer would usually require the commitment from the

controlling shareholder to participate and the engagement of an underwriter to underwrite the shares. The Company had approached an underwriter to discuss the possibility of rights issue or open offer and the underwriter rejected the Company's proposal given the current situation of the Company. The Directors considered that it would be difficult for the Company to identify any underwriter willing to underwrite all rights shares or offer shares in the same size as in the Subscription and the Placing, taking into account the current market situation and the financial performance and situation of the Group. Prior to the Subscription and the Placing, the Company had made enquiries with certain banks as to whether the Company could take out further loans but no banks showed a positive response. The Company had also made enquiries with certain money lenders but according to the terms they offered, the Directors believed that borrowing from a money lender was not a feasible method of raising funds or would not be in the interest of the Shareholders as a whole as it was likely to put further finance costs burden on the Group in the long run.

Accordingly, the Board considered that it would be more appropriate to determine the terms of the Subscription and the Placing in contemplation of all the factors mentioned above, and not just the significant discount of the Subscription Price and the Placing Price as compared to the net asset value per Share as at 30 June 2015. The Board had proposed to the Subscriber raising the same amount of proceeds from the Subscription and the Placing with other combinations of pricing and share ratios which would produce a less dilutive effect to the existing shareholders, which were not accepted by the Subscriber.

The Board was aware of the material dilution which the Subscription and the Placing would cause to the Shareholders (including the Directors who are interested in the Shares). However, given that the Group is in urgent need of funds for its operation and that there is a possibility that Banks and other creditors would take action to wind up the Company, the Board (including members of the Independent Board Committee after considering the advice from the Independent Financial Adviser) was of the view that the Subscription and the Placing, though with a material dilution, are in the interests of the Company and the Shareholders as a whole, compared with the Company or any of its subsidiaries being unable to operate or even being wound up.

Current Development

The Group is principally engaged in the sourcing and wholesaling of American ginseng.

The Group normally purchases most of the American ginseng in bulk during the harvest season once a year, which usually starts from the last quarter of each calendar year until the first quarter of the following calendar year. Most of our sales are normally conducted in the first and second quarters of each calendar year. As a result, our cash flows may vary substantially from period to period. As at 31 December 2015, the Group's stock of American ginseng, amount due to the suppliers and bank borrowings arising from the procurement of American ginseng all remain at high levels.

As at 29 February 2016, the Group had total outstanding bank borrowings of approximately HK$795.0 million, which was due within one year and, accounts payables due to the suppliers of approximately HK$134.0 million. Since the deep decrease in the price of the Shares of the Company on 28 January 2016 and a possible change in control of the Company as published in the announcement dated 2 February 2016, 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$596.1 million and the interest so accrued at the Latest Practicable Date. 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 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$252.1 million, which accounted for nearly 88.5% of the aggregate bank balances as at the Latest Practicable Date. The Banks' actions led to a shortage of cash position.

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 Holdings Limited, 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 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$132.2 million, together with accrued interest. The shareholding percentage of the said Shareholders falls below 40% since 22 February 2016. As at the Latest Practicable Date, the Company had not received any redemption notice from the holders of the Bonds.

The cash and cash equivalents was approximately HK$375.9 million as at 29 February 2016. The net proceeds was approximately HK$384.0 million from the Subscription and the Placing. The Group assumes that accounts receivables amounting to not less than HK$169.1 million will be collected in a few months subsequent to February 2016, which can be made available for the repayment of borrowings, and trade payables of the Group, the total amount of which was HK$929.0 million as at 29 February 2016, upon completion of the Subscription and the Placing.

The Directors are of the view that, based on the assessment as at the Latest Practicable Date, and on the assumptions that for the next 12 months from the date of the Announcement or as at the such period end, (i) the accounts receivables turnover days remains stable at approximately 189 days, which is the same as the turnover days as at 31 December 2015; (ii) no more further provision for sales discounts and bulk return of the Company's products needs to be made; (iii) the turnover remains at a similar level to that of February 2016 with no growth rate; and (iv) the cost-saving plans to improve the cash flow and the financial positions as well as to keep the selling and distribution costs and the general and administrative expenses of the Group at a steady level, as implemented by the Group are effective which results in a similar cost pattern for the next 12 months, the net proceeds from the Subscription and the Placing can satisfy the Company's expected funding needs for the next 12 months. As at the Latest Practicable Date, save for the Subscription and the Placing, the Company did not have any immediate plan and is not contemplating any further fund raising exercise for financing its existing operations or repayment of borrowings as described above in the next 12 months from the date of the Announcement. The management of the Company would assess the financial position of the Group from time to time to consider if any further fund raising exercise is needed.

The American ginseng industry is a highly competitive one. The Group is in the leading position in the ginseng market and one of the top key players in the American ginseng wholesale industry in Hong Kong. The matters which have happened to the Company, including but not limited to the deep decrease in the price of the Shares of the Company and a possible change in control of the Company, have caused a turbulence in the American ginseng market and may possibly affect the price of American ginseng as well. The Board believes that the customers of the Group ("**Customers**") have concerns over the business of the Group as a whole as well as the ginseng trading, which may lead to delays in the settlement of the trade receivables to the Group. By comparing the historical repayment pattern of the major Customers and the actual settlement received, the management noted delays in settlement of the trade receivables to the Group. The Directors considered the Company's current situation to be abnormal and the Customers may request discounts and rebates on the original invoiced amounts for the year ended 31 December 2015. Up to the Latest Practicable Date, no request for discounts or rebates had been received from the Customers.

In light of the above, the Directors considered whether the amount to be recognised as revenue from the sale of ginseng to Customers should be adjusted to take into account the foreseeable discounts and rebates. In making the judgment, the Directors reconsidered the requirement set out in HKAS18 Revenue and, in particular, the requirement that the Group should measure revenue at the fair value of the estimated consideration received or receivable, taking into account the amount of any discounts and rebates allowed by the Group.

Accordingly, following a detailed assessment, although the Group has no contractual obligation to accept the sales discount requests from its Customers, provision of sales discounts of approximately HK$352.0 million has been made for the year ended 31 December 2015. The provision of sales discounts had to be made for the purpose of preparing the consolidated audited accounts of the Group as well as having better arrangement for a possible eventuality that some Customers would refuse to settle their accounts receivables in full. Such provision of sales discounts did not, in any way, imply the Company's giving up taking any reasonable steps that could recover its accounts receivables. The delays in the settlement of the accounts receivables by Customers led to a further shortage of cash position of the Group. The Group has a long history of business development and, thus, has maintained a good relationship with Customers. The Group had been communicating with Customers and using its best endeavour to collect the accounts receivables from the Customers. Further, in mid-February, the Group sent letters to some of the Customers requesting settlement of their accounts receivables. As at the Latest Practicable Date, approximately HK$111.8 million out of the outstanding trade receivables as of 31 December 2015 were subsequently received. The Board considered earlier collection of the trade receivables to be vitally essential to the Group's operation. Hence, the Group had been using its best endeavour to collect the accounts receivables from the Customers and at the same time seeking legal advice regarding the delayed settlement of the trade receivables. In fulfilling their fiduciary duties to protect the Group's interests, the Board was of the view that for each individual case of the Customers who had delayed the settlement, the Group should take the appropriate action which would be more favourable to the Group, in terms of the success rate of recovering the accounts receivables, the amount of time involved, the legal fees that would be incurred as well as the maintenance of business relationships for future development. The Group is prepared to take legal actions against the Customers whenever necessary. In April, after taking advice from a legal advisor, we issued demand letters to those Customers, which the Company considered, were serious cases.

In addition, to the best information and knowledge of the Directors, certain Customers have lost the confidence in the brand of the Company. In March 2016, one of the Customers ("**Customer X**") issued a notice of request for bulk return of Wild Ginseng wine to the Group, the total sales amount of which amounted to HK$188.8 million. After a discussion with Customer X, the Directors considered the repayment of the outstanding debts from Customer X to be remote and the chance of the debts becoming bad to be high. 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 to other potential customers than to Customer X, and the chances of selling such Wild Ginseng wine to other potential customers would be higher than recollecting repayments from Customer X. It was considered that it would be easier to realize proceeds by on-selling the Wild Ginseng wine to other customers rather than having further negotiations with Customer X for the repayments. The whole batch of Wild Ginseng wine was returned to the warehouse of the Group in mid-March 2016 and the Group is still in the process of checking the quality of it. The Group is actively seeking new channels to sell the returned batch of Wild Ginseng Wine, whether through retailers or wholesalers. Up to the Latest Practicable Date, no sale of the returned batch of Wild Ginseng wine has been recorded. Given the material provision of sales discounts of HK$352.0 million and the significant amount of sales return, the Group recorded a loss of approximately HK$438.5 million for the year ended 31 December 2015.

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 after the repayment of borrowings.

Taking the above situation into account, the Directors consider there is an immediate need for fund raising for the Group and believe that the Subscription and the Placing would improve the financial position of the Group.

USE OF PROCEEDS

The gross proceeds of the Subscription amount to approximately HK$312,000,000 and the net proceeds from the Subscription will be approximately HK$301,200,000 (after deduction of relevant expenses of the Subscription), which shall be used for the following purposes:

(a) approximately HK$225,900,000 for the repayment of existing bank loans; and

(b) approximately HK$75,300,000 for the repayment of accounts payables.

The Company will not use any proceeds of the Subscription as payment to any Shareholder.

The Directors (including members of the Independent Board Committee after considering the advice from the Independent Financial Adviser) consider that the Subscription Agreement is entered into on normal commercial terms and the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and the Subscription is in the interest of the Company and the Independent Shareholders as a whole.

The gross proceeds of the Placing amount to approximately HK$88,000,000 and the net proceeds from the Placing will be approximately HK$82,800,000 (after deduction of relevant expenses of the Placing), which shall be used for the following purposes:

(a) approximately HK$49,680,000 for the repayment of the existing bank loans; and

(b) approximately HK$33,120,000 for procurement of American ginseng.

The Directors consider that the Placing Agreement is entered into on normal commercial terms and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and the Placing is in the interest of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS

The Company had not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the relevant securities of the Company comprise (i) 20,016,200,000 issued and fully-paid up ordinary Shares and (ii) 1,106,800,000 outstanding share options (the "**Share Options**") granted under the share option scheme of the Company adopted by a resolution in writing passed by all Shareholders on 9 June 2014. The Company has no other outstanding securities convertible or exchangeable into Shares. The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Subscription Shares but before the allotment and issue of the Placing Shares; (iii) immediately after the allotment and issue of the Placing Shares (assuming the Placing is completed in full) but before the allotment and issue of the Subscription Shares; (iv) immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full) and (v) immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and the Share Options are exercised in full) are as follows:

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Subscription Shares but before the allotment and issue of the Placing Shares		Immediately after the allotment and issue of the Placing Shares (assuming the Placing is completed in full) but before the allotment and issue of the Subscription Shares		Immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full)		Immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and the Share Options are exercised in full)	
	Number of Shares	*approximate shareholding %*	*Number of Shares*	*approximate shareholding %*	*Number of Shares*	*approximate shareholding %*	*Number of Shares*	*approximate shareholding %*	*Number of Shares*	*approximate shareholding %*
Cervera Holdings Limited[1]	2,076,450,000	10.38	2,076,450,000	4.05	2,076,450,000	7.20	2,076,450,000	3.46	2,076,450,000	3.40
Athena Power Limited[2]	487,000,000	2.43	487,000,000	0.95	487,000,000	1.70	487,000,000	0.82	487,000,000	0.80
Dragon Jump Global Limited[3]	182,790,000	0.91	182,790,000	0.36	182,790,000	0.63	182,790,000	0.30	182,790,000	0.30
Mr. Yeung Wing Yan[4]	25,000,000	0.12	25,000,000	0.05	25,000,000	0.09	25,000,000	0.04	45,000,000	0.07
Mr. Yeung Wing Kong[5]	–	–	–	–	–	–	–	–	20,000,000	0.03
Ms. Fu Fung Sau[6]	210,000,000	1.05	210,000,000	0.41	210,000,000	0.73	210,000,000	0.35	230,000,000	0.38
Subtotal	**2,981,240,000**	**14.89**	**2,981,240,000**	**5.82**	**2,981,240,000**	**10.35**	**2,981,240,000**	**4.97**	**3,041,240,000**	**4.98**
Other grantees of the Share Options[7]	–	–	–	–	–	–	–	–	1,046,800,000	1.71
The Subscriber	–	–	31,200,000,000	60.92	–	–	31,200,000,000	51.99	31,200,000,000	51.04
Placees	–	–	–	–	8,800,000,000	30.54	8,800,000,000	14.66	8,800,000,000	14.40
Other existing Shareholders[8]	17,034,960,000	85.11	17,034,960,000	33.26	17,034,960,000	59.11	17,034,960,000	28.38	17,034,960,00	27.87
Total	**20,016,200,000**	**100**	**51,216,200,000**	**100**	**28,816,200,000**	**100**	**60,016,200,000**	**100**	**61,123,000,000**	**100**
Non-public shareholders[10]										
Cervera Holdings Limited[1]	2,076,450,000	10.38	2,076,450,000	4.05	2,076,450,000	7.20	2,076,450,000	3.46	2,076,450,000	3.40
Athena Power Limited[2]	487,000,000	2.43	487,000,000	0.95	487,000,000	1.70	487,000,000	0.81	487,000,000	0.80
Dragon Jump Global Limited[3]	182,790,000	0.91	182,790,000	0.36	182,790,000	0.63	182,790,000	0.30	182,790,000	0.30
Mr. Yeung Wing Yan[4]	25,000,000	0.12	25,000,000	0.05	25,000,000	0.09	25,000,000	0.04	45,000,000	0.07
Mr. Yeung Wing Kong[5]	–	–	–	–	–	–	–	–	20,000,000	0.03
Ms. Fu Fung Sau[6]	210,000,000	1.05	210,000,000	0.41	210,000,000	0.73	210,000,000	0.35	230,000,000	0.38
The Subscriber	–	–	31,200,000,000	60.92	–	–	31,200,000,000	51.99	31,200,000,000	51.04
Mr. Wang Jian[9]	3,882,850,000	19.4	3,882,850,000	7.58	3,882,850,000	13.47	3,882,850,000	6.47	3,882,850,000	6.35
Subtotal	**6,864,090,000**	**34.29**	**38,064,090,000**	**74.32**	**6,864,090,000**	**23.82**	**38,064,090,000**	**63.42**	**38,124,090,000**	**62.37**
Public shareholders[10]	**13,152,110,000**	**65.71**	**13,152,110,000**	**25.68**	**21,952,110,000**	**76.18**	**21,952,110,000**	**36.58**	**22,998,910,000**	**37.63**
Total	**20,016,200,000**	**100**	**51,216,200,000**	**100**	**28,816,200,000**	**100**	**60,016,200,000**	**100**	**61,123,000,000**	**100**

Notes:

1. Cervera Holdings Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. 2,076,450,000 Shares were held by Cervera Holdings Limited, which in turn is directly held as to 63%, 30% and 7% by Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau, our Directors, respectively.

2. Athena Power Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. 487,000,000 Shares were held by Athena Power Limited, which in turn is directly wholly owned by Mr. Yeung Wing Yan, our Director.

3. Dragon Jump Global Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. 182,790,000 Shares were held by Dragon Jump Global Limited, which in turn is directly wholly owned by Mr. Yeung Wing Kong, our Director.

4. Mr. Yeung Wing Yan was granted 20,000,000 Share Options on 6 January 2015.

5. Mr. Yeung Wing Kong was granted 20,000,000 Share Options on 6 January 2015.

6. Ms. Fu Fung Sau was granted 20,000,000 Share Options on 6 January 2015.

7. Employees of the Company (other than the executive Directors) and other eligible grantees were granted in aggregate 1,046,800,000 Share Options on 6 January 2015.

8. Other existing Shareholders means existing Shareholders other than the Directors and Shareholders controlled by the Directors.

9. Pursuant to the relevant shareholding disclosure notices downloaded on the Latest Practicable Date from the website of the Stock Exchange, these Shares were held by Wang Jian.

10. The public and non-public shareholding shall have the meanings ascribed thereto under the Listing Rules.

LISTING RULES/TAKEOVERS CODE IMPLICATIONS

The Subscription Shares and Placing Shares will be issued under the Subscription Mandate and the Placing Mandate respectively to be sought at the EGM and the Subscription and Placing are therefore subject to Independent Shareholders' and Shareholders' approval (as the case may be).

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the proposed resolution(s) to approve the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver.

The Independent Financial Adviser has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

To the best of the Directors' knowledge, information and belief, no connected person of the Company has entered into any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) in relation to the Subscription with any Shareholders who were entitled to vote at the EGM.

To the best of the Directors' knowledge, information and belief, no Shareholder has a material interest in the Share Capital Increase and accordingly, no Shareholder is required to abstain from voting on the resolution approving the Share Capital Increase.

EGM

The EGM will be held at 1804, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong at 10:00 a.m. on Friday, 6 May 2016 for the purpose of considering and, if thought fit, passing the ordinary resolutions in relation to (i) Share Capital Increase; (ii) the Subscription Agreement, the transactions contemplated thereunder (including the Subscription Mandate) and the Whitewash Waiver; and (iii) the Placing Agreement and the transactions contemplated thereunder (including the Placing Mandate).

The Subscriber and parties acting in concert with it and any Shareholders who are interested in or are involved in the Subscription Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver and their respective associates and parties acting in concert shall abstain from voting on the resolutions approving the Subscription and the transactions contemplated thereunder and the Whitewash Waiver at the EGM.

As Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau, our executive Directors, Ms. Teresa Yip, our chief financial officer and secretary of the Company, who directly or indirectly own Shares, were involved in the discussion on the terms in the Subscription Agreement, Mr. Yeung Wing Yan, Mr. Yeung Wing Kong, Ms. Fu Fung Sau and the companies controlled by Mr. Yeung Wing Yan and Mr. Yeung Wing Kong, namely, Cervera Holdings Limited, Athena Power Limited and Dragon Jump Global Limited, and Ms. Teresa Yip will be required to abstain from voting on the relevant resolution(s) to be proposed at the EGM for approving the Subscription/Whitewash Waiver. As at the Latest Practicable Date, Ms. Teresa Yip had interest in 5,880,000 Shares which carry voting rights, representing an approximate total of 0.03% of the existing issued share capital of the Company. As at the Latest Practicable Date, Mr. Yeung Wing Yan, Mr. Yeung Wing Kong, Ms. Fu Fung Sau and the companies controlled by Mr. Yeung Wing Yan and Mr. Yeung Wing Kong, namely, Cervera Holdings Limited, Athena Power Limited and Dragon Jump Global Limited, had aggregate interests in 2,981,240,000 Shares which carry voting rights, representing an approximate total of 14.89% of the existing issued share capital of the Company. Please refer to the section headed "3.1 Directors' interest and short positions in the Company" in Appendix II to this circular for the details of the shareholdings of Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau in the Company. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save as disclosed above, no Shareholder is interested in or involved in the Subscription Agreement and the Placing Agreement. Should there be any Shareholders involved in or interested in (i) the Subscription Agreement, the transactions contemplated thereunder (including the Subscription Mandate) and/or the Whitewash Waiver; and (ii) the Placing Agreement and the transactions contemplated thereunder (including the Placing Mandate), such Shareholders are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM for approving (i) the Subscription Agreement, the transactions contemplated thereunder (including the Subscription Mandate) or the Whitewash Waiver; and (ii) the Placing Agreement and the transactions contemplated thereunder (including the Placing Mandate).

Neither the Directors nor the chief executive of the Company has entered into an agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with any Shareholders who are entitled to vote at the EGM. So far as any Directors are aware, neither any person who was a director of the Company or any of its subsidiaries in the last 12 months nor any substantial shareholder of the Company or any of its subsidiaries has entered into an agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with any shareholders who are entitled to vote at the EGM.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less 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 shall not preclude you from attending and voting in person at the EGM or any adjoined meeting should you so wish.

RECOMMENDATIONS

Your attention is drawn to:

(1) the letter of recommendation from the IBC set out on pages 32 to 33 of this circular which contains the recommendation of the IBC to the Independent Shareholders concerning, among others, the Subscription and the Whitewash Waiver; and

(2) the letter of advice form the IFA set out on pages 34 to 62 of this circular which contains its recommendations to the IBC and the Independent Shareholders on, among others, the Subscription and the Whitewash Waiver and the principal factors and reasons considered by the IFA in arriving at its recommendations.

The Board, (including members of the Independent Board Committee after considering the opinion of the Independent Financial Adviser), considers that the Share Capital Increase, the Subscription, the Subscription Mandate and the Whitewash Waiver, the Placing and the Placing Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of all the relevant resolutions to be proposed at the EGM.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the Shareholders who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 5 May 2016 to Friday, 6 May 2016 (both dates inclusive) during which period no transfer of Shares will be registered. Shareholders are reminded that in order to qualify for voting at the EGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 4 May 2016.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular and the notice of the EGM.

By order of the Board
Hang Fat Ginseng Holdings Company Limited
Yeung Wing Yan
Chairman & Chief Executive Officer

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)

18 April 2016

To the Independent Shareholders,

Dear Sir or Madam,

(1) PROPOSED ISSUE OF NEW SHARES TO THE SUBSCRIBER UNDER SUBSCRIPTION MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company to the Shareholders dated 18 April 2016 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular have the same meanings when used in this letter.

We, being the independent non-executive Directors, have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription, the Whitewash Waiver and the transactions contemplated thereunder are in the interests of the company and the Shareholders as a whole. Details of the Subscription and the Whitewash Waiver are set out in the letter from the Board contained in the Circular.

We wish to draw your attention to the "Letter from the Board" as set out on pages 7 to 31 of the Circular and the "Letter from the Independent Financial Adviser" which contains, among other things, the Independent Financial Adviser's advice, opinions and recommendations regarding the Subscription and the Whitewash Waiver, and the principal factors and reasons taken into consideration for its advice and recommendations, as set out on pages 34 to 62 of the Circular.

Having taken into account the principal factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we are of the opinion that the Subscription (including the Subscription Mandate), the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Subscription (including the Subscription Mandate), the Subscription Agreement and the Whitewash Waiver at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Hang Fat Ginseng Holdings Company Limited
Mr. Wong Senta **Mr. Wu Wai Leung Danny** **Mr. Yuen Chee Lap Carl**
Independent Non-executive Directors

The following is the full text of a letter of advice from CLC International Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

CLC INTERNATIONAL LIMITED
創僑國際有限公司

13/F, Nan Fung Tower
88 Connaught Place
Central, Hong Kong

18 April 2016

To the Independent Board Committee and the Independent Shareholders of Hang Fat Ginseng Holdings Company Limited

Dear Sirs,

(I) PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SUBSCRIPTION MANDATE; AND (II) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription (including the Subscription Mandate), the terms of the Subscription Agreement and the Whitewash Waiver. Details of the Subscription (including the Subscription Mandate), the terms of the Subscription Agreement and the Whitewash Waiver are set out in the Letter from the Board contained in the circular of the Company to the Shareholders dated 18 April 2016 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

On 21 February 2016, the Company and the Subscriber entered into the 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 Subscription Shares to the Subscriber at the Subscription Price of HK$0.01 per Subscription Share. On the same date, the Company and the Placing Agent entered into the 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 Placing Shares at a price of HK$0.01 per Placing Share.

Upon Subscription Completion, the Subscriber will be interested in a total of 31,200,000,000 Shares representing approximately 60.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than issue of the Subscription Shares) and (as the case may be) approximately 51.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and that there is no change in the issued share capital of the Company other than (i) the issue of the Subscription Shares between the date of this announcement and the Subscription Completion; and (ii) the Placing Shares between the date of this announcement and the Placing Completion). The Subscriber will incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory general offer to the Shareholders to acquire all the Shares other than those owned or agreed to be acquired by the Subscriber. The Subscriber has made an application to the Executive for the granting of the Whitewash Waiver, which if granted, will be subject to, among other things, approval by the Independent Shareholders in respect of the Subscription and the Whitewash Waiver at the EGM by way of poll.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Senta, Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl, has been established to advise the Independent Shareholders on (i) whether the Subscription (including the Subscription Mandate), the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) the voting action that should be taken by the Independent Shareholders at the EGM. The Independent Board Committee has approved our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not associated or connected with the Company, the Subscriber or any of their respective substantial shareholders or any party acting, or presumed to be acting in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders on the Subscription (including the Subscription Mandate), the terms of the Subscription Agreement and the Whitewash Waiver. Apart from the normal professional fees payable to us in connection with our appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Subscriber or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company are true, accurate and complete at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. We have reviewed the published information on the Company, including but not limited to, annual reports of the Company for the two years ended 31 December 2013 and 2014, annual results announcement of the Company for the year ended 31 December 2015 and other information contained in the Circular. We have reviewed the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. Should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible pursuant to Rule 9.1 of the Takeovers Code. We have also assumed that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. The 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. In accordance with the Listing Rules, the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular (other than information relating to the Subscriber) 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 in this circular or this circular misleading. In accordance with the Takeovers Code, the Directors jointly and severally accept full responsibility for the accuracy of the information in the Circular (other than information relating to the Subscriber) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than opinions expressed by the Subscriber) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us or to believe that any material facts have been omitted or withheld. We have not, however, carried out any independent verification of the information provided by the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, the Subscriber or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Subscription (including the Subscription Mandate), the terms of the Subscription Agreement and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

1. Review of the financial information of the Group

The Group, being the first-level American Ginseng (which comprises Cultivated Ginseng and Wild Ginseng) wholesaler in Hong Kong, which is defined as the wholesalers who directly import American Ginseng from growers, harvesters or bulk exporters, is principally engaged in the sourcing and wholesaling of American Ginseng from Canada and the United States of America ("**United States**") and selling American Ginseng to the secondary wholesalers in Hong Kong and China as well as overseas.

Set out below is a summary of the financial information of the Group as extracted from the annual report of the Company for the year ended 31 December 2014 (the "**2014 Annual Report**") and the annual result announcement of the Company for the year ended 31 December 2015 (the "**2015 Annual Result**"), details of which are as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	(Audited)	**(Audited)**	**(Audited)**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	762,970	1,219,651	1,187,531
– Cultivated Ginseng	675,079	1,124,423	1,089,189
– Wild Ginseng	50,799	92,739	42,086
– Others	37,092	2,489	3,771
– Provision for discounts and rebates	–	–	352,000
Gross Profit	179,424	302,460	13,235
Profit/(loss) for the year	128,613	205,324	(438,147)
Pledged bank deposits	12,758	1,417,950	954,471
Bank balances and cash	47,368	134,039	75,631
Net Current Assets	148,666	963,705	305,403
Net Assets	242,200	1,089,042	510,266

For the year ended 31 December 2015

a) Revenue

During the year ended 31 December 2015, the Group's overall revenue (excluding the Provision for discounts and rebates) amounted to approximately HK$1,187.5 million, representing a decrease of 2.6% compared with the same of last year.

b) Gross profit

The Group's gross profit amounted to approximately HK$13.2 million, representing a decrease of approximately 95.6% compared with the same of last year.

c) Loss for the year

The loss for the year attributable to owners of the Company amounted to approximately HK$438.1 million (2014: profit for the attributable to owners of the Company was approximately HK$205.3 million) which was mainly attributable from: (i) Provision for discounts and rebates 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$67.0 million mainly arising from depreciation of Renminbi ("RMB"); (iv) the non-cash expenses of totaling approximately HK$72.5 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 to approximately HK$31.6 million, which was due to an increase in marketing activities corresponding to business expansion; and (vi) increase in administrative expenses to approximately HK$90.4 million, which was mainly due to an increase in staff cost, professional expenses and other expenses due to business expansion.

d) Working capital

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 Circular, 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.

For the year ended 31 December 2014

a. Revenue

The revenue for the year ended 31 December 2014 reached approximately HK$1,219.7 million, representing an increase of approximately 59.9% from approximately HK$763.0 million for the year ended 31 December 2013. Sales of Cultivated Ginseng remain the major sources of revenue, accounting for approximately 92.2% of the Group's revenue in 2014 (2013: approximately 88.5%), which amounted to approximately HK$1,124.5 million (2013: approximately HK$675.1 million), representing an increment of approximately 66.6%. This was mainly attributable to (i) increase in average selling price by approximately 49.0% when comparing with the year ended 31 December 2013 driven by the constant increase in demand for Cultivated Ginseng; (ii) the sales volume of Cultivated Ginseng for the year ended 31 December 2014 increased by approximately 11.8% when compared to that of the year ended 31 December 2013. Sale of Wild Ginseng increased by approximately 82.5% to approximately HK$92.7 million in 2014 when compared to the sale of Wild Ginseng in 2013 of approximately HK$50.8 million. In view of the Wild Ginseng's demand, limited supply and high perceived medicinal value, the Group considered there is a potential market for development, and devoted more effort to the expansion of Wild Ginseng market in 2014. A Wild Ginseng headquarters shop was opened in December 2014 in Sheung Wan in order to cope with the Group's marketing strategy.

b. Gross profit

Gross profit for the year ended 31 December 2014 was approximately HK$302.5 million, representing an increase of approximately 68.6% as compared with that for the corresponding period in 2013. The gross profit margin of the Group for the year ended 31 December 2014 was approximately 24.8%, representing an increase of approximately 1.3% from approximately 23.5% for the year ended 31 December 2013.

c. Net profit

The net profit for the year attributable to the owners of the Company increased by approximately 59.7% from approximately HK$128.6 million in 2013 to approximately HK$205.4 million in 2014, with net profit margin remained stable, which was approximately 16.8% in 2014 and approximately 16.9% in 2013.

d. Working capital

As at 31 December 2014, cash and cash equivalents of the Group amounted to approximately HK$1,552.0 million (2013: approximately HK$60.1 million), and the Group's net current assets were approximately HK$963.7 million (2013: approximately HK$148.7 million). In 2014, the Group had net cash proceeds of approximately HK$923.0 million raised from the initial public offering ("**IPO**"). The Group had interest-bearing loans of approximately HK$1,646.1 million (2013: 361.7 million). The net gearing ratio of the Group as at 31 December 2014, calculated as aggregate of bank borrowing, net of pledged bank deposit, short-term bank deposits and bank balances and cash, divided by total equity, was approximately 8.6% (2013: 124.5%). The decrease in net gearing ratio as at 31 December 2014 was mainly due to an increase in the Group's total equity as a result of issue of new shares in the IPO.

2. Overview of the American Ginseng Industry

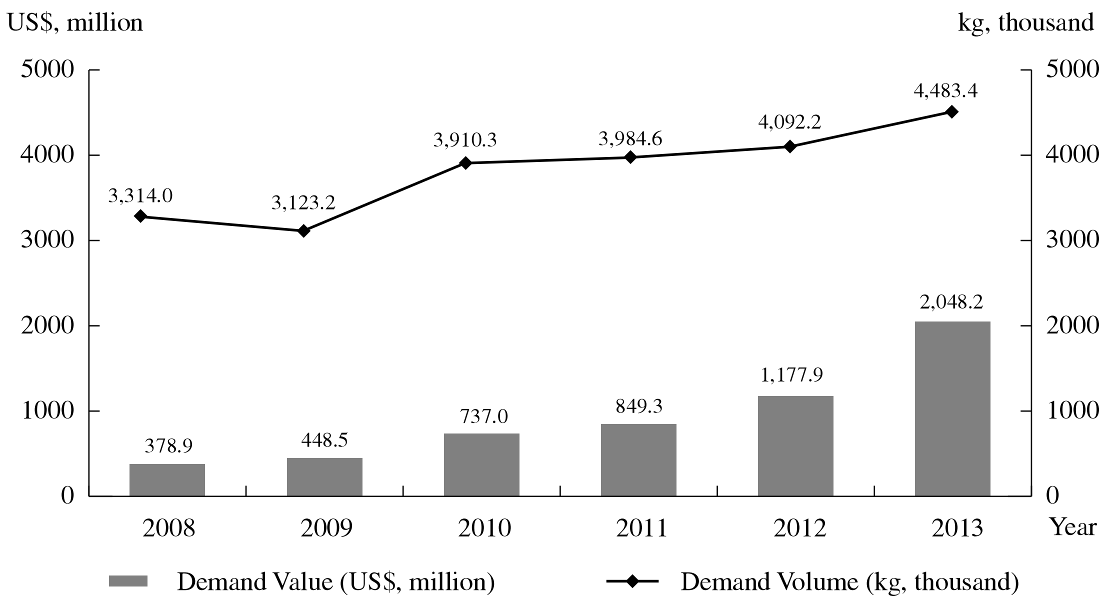
According to a report issued by Ipsos, an independent market research and consulting company engaged by the Group, as set out in the listing document of the Group dated 17 June 2014, American Ginseng is perceived as being one of the best types of ginseng in terms of quality and is commonly used as a medicinal herb in Asian countries, such as Hong Kong, the PRC and Singapore, to enhance one's health or treat illness. There are increasing numbers of clinical trials being conducted by health professionals to test the effectiveness of American Ginseng in treating illnesses and enhancing the immune system in the human body.

The main producers of American Ginseng are in Canada, the United States and the PRC. Hong Kong is one of the most important shipping and receiving ports in the world for American Ginseng.

The global demand for American Ginseng in terms of retail value increased by approximately 440.6%, or a CAGR of approximately 40.1%, from approximately US$378.9 million in 2008 to approximately US$2,048.2 million in 2013, respectively. On the other hand, the global demand for American Ginseng in terms of retail volume increased at a slower rate of approximately 35.3%, or a CAGR of approximately 6.2%, from approximately 3,314,000 kg in 2008 to approximately 4,483,400 kg in 2013. A reason for the larger increase in demand in terms of retail value is that the demand for American Ginseng has increased faster than its supply, and therefore has driven up the price.

The following chart sets forth the global market demand for American Ginseng in terms of retail value and volume for the periods indicated.

Global Market Value and Volume of Demand for American Ginseng (including Wild Ginseng and Cultivated Ginseng) from 2008 to 2013



Notes: Value is calculated based on the retail level; American Ginseng includes wild and cultivated American Ginseng from China, U.S. and Canada

Sources: Ipsos research, interviews and analysis from the report released by Ipsos on 17 June 2014

The following table sets forth the breakdown of global market demand for American Ginseng in terms of retail value and volume for the periods indicated.

Global Market Value and Volume of Demand for American Ginseng (breakdown of Wild Ginseng and Cultivated Ginseng) from 2008 to 2013

	Wild Ginseng			Cultivated Ginseng			Total American Ginseng		
Year	**Value** *US$ million*	**Volume** *kg, thousand*	**Value per Kg** *US$*	**Value** *US$ million*	**Volume** *kg, thousand*	**Value per Kg** *US$*	**Value** *US$ million*	**Volume** *kg, thousand*	**Value per Kg** *US$*
2008	134.2	70.1	1,914.0	244.7	3,243.9	75.4	378.9	3,314.0	114.3
2009	158.0	61.9	2,551.9	290.6	3,061.3	94.9	448.6	3,123.2	143.6
2010	272.1	87.2	3,120.6	464.9	3,823.1	121.6	737.0	3,910.3	188.5
2011	217.6	52.3	4,160.8	631.7	3,932.3	160.6	849.3	3,984.6	213.1
2012	401.2	67.5	5,944.0	776.7	4,024.7	193.0	1,177.9	4,092.2	287.8
2013	723.0	83.3	8,680.1	1,325.2	4,400.1	301.2	2,048.2	4,483.4	456.8

Notes: Value is calculated based on the retail level; American Ginseng includes American Ginseng from China, U.S. and Canada.

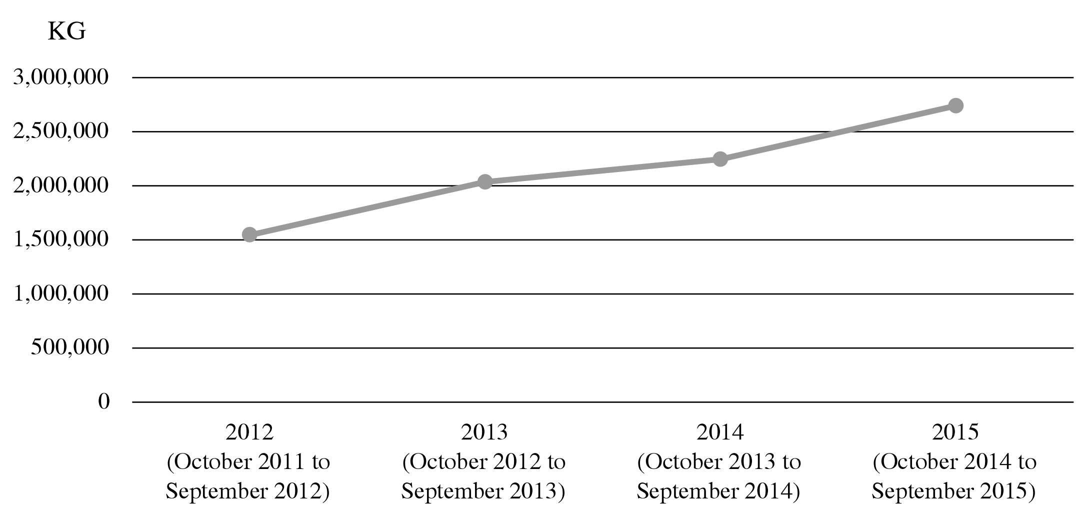
Sources: Ipsos research, interviews and analysis from the report released by Ipsos on 17 June 2014.

The market volume of American Ginseng has grown at the rate of approximately 35.29% between 2008 and 2013, from approximately 3,314,000 kg in total in 2008 to approximately 4,483,000 kg in 2013.

After discussing with the Company and performing our own research, including online search of the experience of Ipsos and reviewing the list of research cases performed by Ipsos, we believe that the historical data prepared by Ipsos are reliable. As such, we use those information to show a general picture of the American Ginseng industry and the general demand of the industry from 2008 to 2013. After discussing with the Company and Ipsos, we understand that Ipsos cannot provide us with an up-to-date analysis and information given that such report is solely for the purpose of the listing document of the Company dated 17 June 2014. Therefore, alternatively, we gather information from Census and Statistics Department of Hong Kong regarding the Hong Kong import volume of ginseng from America and Canada from October 2011 to September 2015 in order to show an up-to-date import volume or supply of ginseng from America and Canada in Hong Kong.

The following table sets forth the import volume of ginseng from America and Canada from October 2011 to September 2015:

Import volume of ginseng from America and Canada to Hong Kong



Source: Census and Statistics Department of Hong Kong

We understand from the management of the Company that the harvest season of ginseng is generally from the last quarter of each calendar year to the first quarter of the following calendar year while most of the sales are conducted in the first and second quarters of each calendar year. As such, it is more appropriate to compare the import volume of ginseng by the period from October to September. According to the Census and Statistics Department of Hong Kong, the import volume of ginseng from America and Canada increased from approximately 1.5 million kg in 2012 to approximately 2.7 million kg in 2015.

3. Information on the Subscriber

The Subscriber is an investment holding company incorporated on 4 January 2016 under the laws of British Virgin Islands and is wholly owned by Mr. Lu, an Independent Third Party. Mr. Lu is also the sole director of the Subscriber. Mr. Lu, as the sole director and the beneficial owner of the Subscriber, is a party acting in concert with the Subscriber in respect of the Subscription. Mr. Lu was being introduced to members of the Board by a former director of the Company. Prior to that, to the best of the knowledge, information and belief of the Directors, there was no relationship between Mr. Lu and the Company's connected persons and their associates.

Mr. Lu has more than 15 years entrepreneurial experience in strategic planning and general management of trading and manufacturing companies. Mr. Lu is the founder, director and chairman of Goldenmars Technology Holdings Limited, a company whose shares are listed on the Stock Exchange ("**Goldenmars**"; stock code: 3638), and has been responsible for its overall management, operations and strategic development. Goldenmars is principally engaged in the manufacturing and sales of memory modules, USB flash drives and other data memory products, as well as the trading of data memory related components including memory chips, NAND flash chips and CPU (central processing unit) chips and other computer peripheral products.

As at the Latest Practicable Date, Mr. Lu holds approximately 61.13% shareholding interest in Goldenmars, and the market capitalisation of the shares of Goldenmars as at the Latest Practicable Date are over HK$1.0 billion.

The Subscriber has confirmed that it and party acting in concert with it (including Mr. Lu) did not hold and had not dealt in the Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period, and had not conducted and will not conduct any acts which may result in "disqualifying transactions" for the purpose of the Whitewash Waiver or "special deals" prohibited under Rule 25 and Note 2 to paragraph 3 of Schedule VI to the Takeovers Code).

As at the Latest Practicable Date, the Subscriber intends to continue the existing business of the Group and does not intend to introduce any major changes to the existing operation and business of the Company or dispose of any of the assets of the Group or to discontinue the employment of the employees of the Group other than in the ordinary course of business. Up to the Latest Practicable Date, neither the Company nor the Subscriber has started any negotiation, discussion or has entered into any arrangement or undertaking for introduction of any new business to the Group or disposal of the existing business of the Group.

As at the Latest Practicable Date, the Subscriber has not yet decided whether it would nominate Mr. Lu as a new Director. Under the Subscription Agreement, Mr. Yeung Wing Yan is not required to resign from his directorship at the Company. Mr. Yeung Wing Yan will continue to serve as an executive Director under his current service agreement entered into with the Company with a term of three years of service commencing from 9 June 2014 for day-to-day management of the Group.

As mentioned above, the Subscriber would not discontinue the employment of the employees of the Group. Existing staff, including who are responsible for day-to-day sourcing and sales of American Ginseng and other products of the Group are expected to continue their employments with the Group. Even Mr.

Yeung Wing Yan resigns or ceases to be a director of the Company for any reason, the Subscriber believes that it would not materially affect the business operation of the Group with the assistance of the experienced staff of the Group who have the requisite knowledge, experience and business connections in respect of the Group's existing business, and if needed under Mr. Lu's leadership as a Director who has considerable experience in trading business as general management of listed company. The Subscriber and the Group would also use their endeavour to identify and appoint suitable and qualified candidate(s) as executive Directors and senior management of the Group to the extent necessary or desirable to the Group's existing business.

Given the poor liquidity of the Group as at Latest Practicable Date, the Subscriber intends to procure the Group to repay certain bank borrowings to improve the liquidity and financial position of the Group as well as for repayment of accounts payables.

Having considered the sound financial background of the Subscriber as disclosed above, the Directors believe that the Subscriber will provide sustainable financial support to the Group as a controlling shareholder of the Company upon completion of the Subscription.

4. Reasons for and Benefits of and Use of Proceeds from the Subscription

4.1 Reasons for and Benefits of the Subscription

As set out in the Letter from the Board, the Group normally purchases most of the American ginseng in bulk during the harvest season once a year, which usually starts from the last quarter of each calendar year until the first quarter of the following calendar year. Most of the sales are normally conducted in the first and second quarters of each calendar year. As a result, the cash flows may vary substantially from period to period. As at 31 December 2015, the Group's stock of American ginseng, amount due to the suppliers and bank borrowings arising from the procurement of American ginseng all remain at high levels.

As at 29 February 2016, the Group had total outstanding bank borrowings of approximately HK$795.0 million, which was due within one year and accounts payables due to the suppliers of approximately HK$134.0 million. Since the deep decrease in the price of the Shares of the Company on 28 January 2016 and a possible change in control of the Company as published in the announcement dated 2 February 2016, 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 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$267.3 million as at the Latest Practicable Date. The bank balances of which the usage was being restricted 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.

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 Holdings Limited, 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 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$132.2 million, together with accrued interest. The shareholding percentage of the said Shareholders falls below 40% since 22 February 2016. As at the Latest Practicable Date, the Company had not received any redemption notice from the holders of the Bonds.

The American ginseng industry is a highly competitive one. The Group is in the leading position in the ginseng market and one of the top key players in the American ginseng wholesale industry in Hong Kong. The matters which have happened to the Company, including but not limited to the deep decrease in the price of the Shares of the Company and a possible change in control of the Company, have caused a turbulence in the American ginseng market and may possibly affect price of American ginseng as well. The Board believes that the customers of the Group ("**Customers**") have concerns over the business of the Group as a whole as well as the ginseng trading, which may lead to delays in the settlement of the trade receivables to the Group. By comparing the historical repayment pattern of the major Customers and the actual settlement received, the management noted delays in settlement of the trade receivables to the Group. The Directors considered the Company's current situation to be abnormal and the Customers may request discounts and rebates on the original invoiced amounts for the year ended 31 December 2015. Up to the Latest Practicable Date, no request for discounts or rebates had been received from the Customers.

In light of the above, the Directors considered whether the amount to be recognised as revenue from the sale of ginseng to Customers should be adjusted to take into account the foreseeable discounts and rebates. In making the judgment, the Directors reconsidered the requirement set out in HKAS18 Revenue and, in particular, the requirement that the Group should measure revenue at the fair value of the estimated consideration received or receivable, taking into account the amount of any discounts and rebates allowed by the Group.

Accordingly, following a detailed assessment, although the Group has no contractual obligation to accept the sales discount requests from its Customers, provision for discounts and rebates of approximately HK$352.0 million has been made for the year ended 31 December 2015. The provision for discounts and rebates had to be made for the purpose of preparing the consolidated audited accounts of the Group as well as having better arrangement for a possible eventuality that some Customers would refuse to settle their accounts receivables in full. Such provision for discounts and rebates did not, in any way, imply the Company's giving up taking any reasonable steps that could recover its accounts receivables. The delays in the settlement of the accounts receivables by Customers led to a further shortage of cash position of the Group. The Group has a long history of business development and, thus, has maintained a good relationship with Customers. The Group had been communicating with Customers and using its best endeavour to collect the accounts receivables from the Customers. Further, in mid-February 2016, the Group sent letters to some Customers requesting settlement of their accounts receivables. As at the Latest Practicable Date, approximately HK$111.8 million of the outstanding trade receivables were subsequently received. The Board considered earlier collection of the trade receivables to be vitally essential to the Group's operation. Hence, the Group had been using its best endeavour to collect the accounts receivables from the Customers and at the same time seeking legal advice regarding the delayed settlement of the trade receivables. In fulfilling their fiduciary duties to protect the Group's interests, the Board was of the view that for each individual case of the Customers who had delayed the settlement, the Group should take the appropriate action which would be more favourable to the Group, in terms of the success rate of recovering the accounts receivables, the amount of time involved, the legal fees that would be incurred as well as the maintenance of business relationships for future development. The Group is prepared to take legal actions against the Customers whenever necessary. In April, after taking advice from a legal advisor, we issued demand letters to those Customers, which the Company considered, were serious cases.

In addition, to the best information and knowledge of the Directors, certain Customers have lost the confidence in the brand of the Company. In March 2016, one of the Customers ("**Customer X**") issued a notice of request of bulk return of Wild Ginseng wine to the Group, the total sales amount of which amounted to HK$188.8 million. After a discussion with Customer X, the Directors considered the repayment of the outstanding debts to be remote and the chance of the debts becoming bad to be high. 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 to other potential customers than to Customer X, and the chances of selling such Wild Ginseng wine to other potential customers would be higher than recollecting repayments from Customer X. It was considered that it would be easier to realize proceeds by on-selling the Wild Ginseng wine to other customers rather than having further negotiations with Customer X for the repayments. The whole batch of Wild Ginseng wine was returned to the warehouse of the Group in mid-March 2016 and the Group is still in the process of checking the quality of it. The Group is actively seeking new channels to sell the returned batch of Wild Ginseng wine, whether through retailers or wholesalers. Up to the Latest Practicable Date, no sale of the returned batch of Wild Ginseng wine has been recorded. Given the material provision for discounts and rebates of HK$352.0 million and the significant amount of sales return, the Group recorded a loss of approximately HK$438.5 million for the year ended 31 December 2015. 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 experienced management team of the Group, the Group can remain competitive after the repayment of borrowings.

Taking the above situation into account, the Directors consider an immediate need for fund raising for the Group and believe that the Subscription and the Placing would improve the financial position of the Group.

We have taken the following actions to substantiate our views that the Group is in severe financial difficulty with imminent funding needs.

(i) We have discussed with the management of the Company and were given to understand that the Company would face an acceleration of immediate repayments obligations if it defaulted on the repayments of certain bank borrowings and in the event that the Group could not fulfil the immediate repayment obligations, the Group would encounter the risk of legal proceedings by the Banks;

(ii) We have reviewed the financial results of the Group for the year ended 31 December 2015 and the bank statements of the Company as at 29 February 2016, which showed that the cash and cash equivalents of the Company was approximately HK$375.9 million, including HK$267.3 million pledged bank deposits and frozen bank deposits, which were insufficient to repay the debt which was approximately HK$929.0 million as at 29 February 2016 and the Group has continuously been causing net cash outflow from the operating activities for the past two years and for the year ended 31 December 2015;

(iii) We have reviewed the Demand Letters issued by the Banks which request the Group to 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; and

(iv) We have reviewed the Sales Return Note from the Group's customers and were given to understand that certain customers have lost the confidence in the brand of the Company and in March 2016, Customer X issued a notice of request for bulk return of Wild Ginseng wine to the Group, the total sales amount of which amounted to HK$188.8 million which have a negative impact on the Group's liquidity position.

Based on the above, we are of the view that the Company is in severe financial difficulty with imminent funding need.

Taking into account that (i) there is an imminent funding need of the Group, in particular for the repayment of borrowings; (ii) the Subscription represents an opportunity for the Group to raise and secure, in one go, a substantial amount of funding to continue its existing business; (iii) the demand for the American Ginseng is increasing, as discussed above under the paragraph headed "Overview of the American Ginseng Industry", and the Group owns an experienced management team, as disclosed in the 2014 Annual Report that all of its executive directors have over 20 years of experience in the American Ginseng Industry; and (iv) the Subscriber will provide, although not pledge to provide, sustainable financial support to the Group, based on the verbal discussion between the Group and the Subscriber, as a controlling shareholder of the Company upon completion of the Subscription, we consider that Subscription (including the Subscription Mandate) is in the interests of the Company and the Shareholders as a whole.

4.2 Use of Proceeds from the Subscription

As stated in the Letter from the Board, the gross aggregate proceeds and the net aggregate proceeds of the Subscription amounted to approximately HK$312 million and HK$301.2 million, respectively. The Company intends to apply the net proceeds to be raised from the Subscription as follows:

(a) approximately HK$225.9 million, representing approximately 75% of the net proceeds, will be used for the repayment of existing bank loans; and

(b) approximately HK$75.3 million, representing approximately 25% of the net proceeds, will be used for the repayment of accounts payables.

The Company will not use any proceeds of the Subscription as payment to any Shareholder.

4.3 Financing alternatives available to the Group

As disclosed in the Letter from the Board, apart from the Subscription and the Placing, the Directors have considered other options of fund raising activities, including rights issue or debt financing, and considered that the Subscription and the Placing are the most viable and preferrable fund-raising option for the Company.

The Group has considered various fund raising methods, including those without dilution effect on shareholdings, such as debt financing and rights issue. The Directors considered that debt financing may incur an interest burden on the Group and also may subject the Group to lengthy due diligence review and negotiations with banks in respect of the Group's financial position and the then financial market condition. Given the unsatisfactory financial performance of the Company, the Board considered debt financing to be relatively uncertain and time-consuming. On the other hand, the options of rights issue may involve relatively substantial time and cost to complete as compared to equity financing through the issue of new Shares. Moreover, the options of rights issue would usually require the commitment from the controlling shareholder to participate and the engagement of an underwriter to underwrite the shares. The Directors considered that it would be difficult for the Company to identify any underwriter willing to underwrite all rights shares in the same size as in the Subscription, taking into account the current market situation and the financial performance and situation of the Group. Prior to the Subscription, the Company had made enquiries with certain banks as to whether the Company could take out further loans but no banks showed a positive response. The Company had also made enquiries with certain money lenders but according to the terms they offered, the Directors believed that borrowing from a money lender was not a feasible method of raising funds or would not be in the interest of the Shareholders as a whole as it was likely to put further finance costs burden on the Group in the long run. Therefore, we are of the view that the Subscription is the fastest and appropriate action to rescue the Company.

The Group needs new investor(s) to help with future financing and refinancing as well as maintain business operation of the Group. The Group conducts the Subscription at a relatively deep discount so as to induce the Subscriber to subscribe.

In light of the above, we concur with the Directors that there are no other best available financing alternatives for the Group to consider other than the Subscription at the relevant time. In addition, taking into consideration that the Subscription (i) provides a good opportunity to raise substantial amounts of funds for the Group and (ii) will allow the Subscriber to become the controlling Shareholders and therefore the Group can take advantage of the Subscriber's sound financial background for future financing, business development and/or investment opportunities, we therefore consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Subscription Agreement

5.1 The Subscription

Set out below is a summary of principal terms of the Subscription Agreement. Further details of the terms of the Subscription Agreement are set out in the Letter from the Board.

Date: 21 February 2016

Parties: (a) The Company; and

(b) The Subscriber

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 31,200,000,000 Subscription Shares to the Subscriber at the Subscription Price of HK$0.01 per Subscription Share.

Completion of the Subscription is conditional upon the satisfaction (if applicable, waiver) of the various conditions set out in Letter from the Board.

If all the conditions precedent have been fulfilled and/or waived (if applicable) on or before the Long Stop Date, completion of Subscription under the Subscription Agreement shall take place on the Completion Date. On such date, the Company will issue the Subscription Shares to the Subscriber upon the payment of the total Subscription Price under the Subscription Agreement.

5.2 The Subscription Price

The Subscription Price of HK$0.01 per Subscription Share represents:

(a) a discount of approximately 80.39% to the closing price of HK$0.051 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

(b) a discount of approximately 85.1% to the closing price of HK$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 84.3% to the average closing price of approximately HK$0.064 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 92.3% to the average closing price of approximately HK$0.1296 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 86.7% to the unaudited consolidated net asset value per Share of approximately HK$0.075 as at 30 June 2015; and

(f) a discount of approximately 60.0% to the consolidated net asset value of approximately HK$0.025 per Share as at 31 December 2015.

As disclosed in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber after taking into account, among others, the following factors:

(a) the closing price of approximately HK$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) the outstanding bank borrowings of over HK$1.67 billion as at 30 June 2015 which would be due within one year;

(c) the outstanding debts of over HK$132.2 million as at 30 June 2015 which would be due in 2018; and

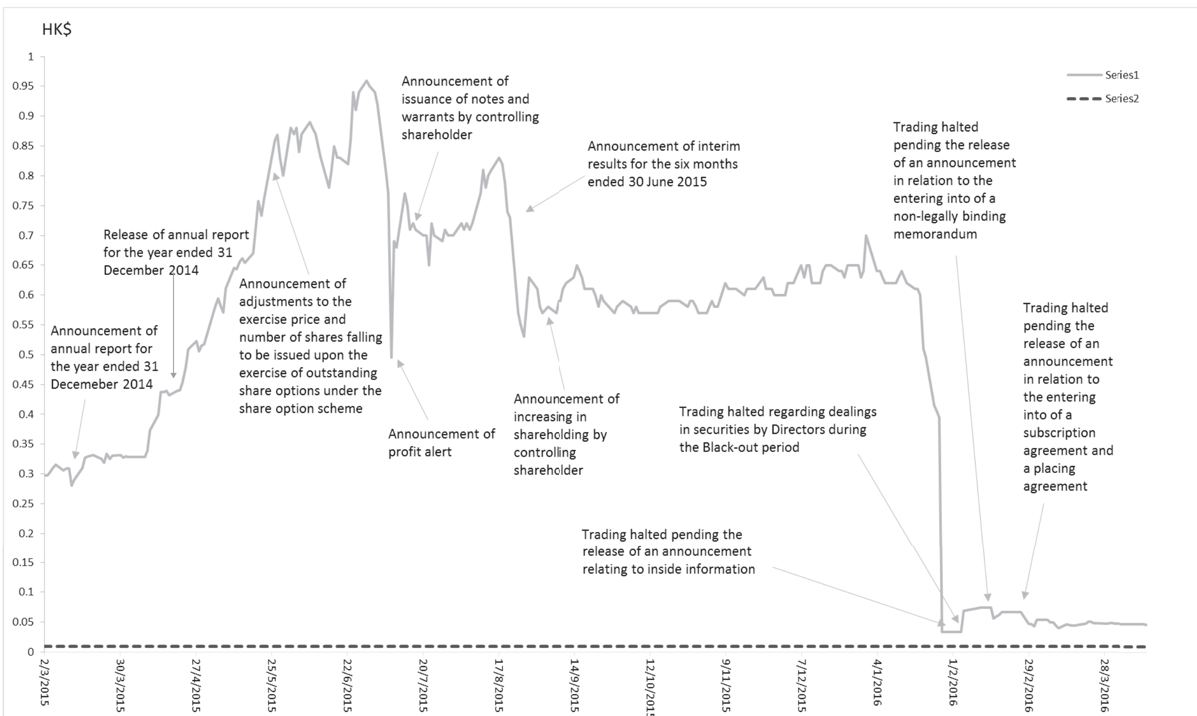
(d) the accounts payables of over HK$121.2 million as at 30 June 2015 which would be due within one year.

In order to assess the fairness and reasonableness of the Subscription Price, we have conducted the following analyses:

5.3 Evaluation of the Subscription Price

a. Comparison with historical price performance of the Shares

Set out below is a chart reflecting movements in the closing prices of the Shares from 2 March 2015 up to and including the Latest Practicable Date, being a one-year period which represents a sufficient period of time to provide a general overview on the recent price performance of the Shares (the "**Review Period**"):



Source: Website of the Stock Exchange

From the chart above, the closing prices of the Shares ranged from HK$0.034 to HK$0.96 per Share during the period from 2 March 2015 to 22 February 2016 (being the Last Trading Day prior to the suspension of trading in Shares pending the publication of the Announcement) (both dates inclusive, the "**Pre-Announcement Period**"), with an average of HK$0.596 per Share.

The Share price of the Company closed at HK$0.297 per Share on 2 March 2015 (being over 365 days before the Last Trading Date). The Share price climbed up from HK$0.297 to its highest HK$0.96 from March 2015 to end of June 2015 in relation to the release of first year financial report after listing, with outstanding performance and generated attractive returns for the shareholders. On 8 July 2015, the share price dropped sharply from HK$0.77 to HK$0.495 shortly before the Company made a profit alert announcement regarding a significant increase in profits for the six months ended 30 June 2015, which was expected to be not less than 2 times of the profits of the corresponding period in 2014.

Save as the profit alert announcement, having made such enquiry with respect to the Company as is reasonable in the circumstances, the Board confirms that it is not aware of any reasons for such decreases in the price of the Company or of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of the Hong Kong Special Administrative Region of the People's Republic of China).

The Share prices fluctuated vigorously from HK$0.495 to HK$0.82 per share at the period from 8 July 2015 to the end of September 2015 in relation to the announcement of issuance of notes and warrants by controlling shareholder and the release of interim results for the six months ended 30 June 2015.

On 28 January 2016, the share price dropped sharply from HK$0.395 to HK$0.034, Trading of Shares of the Company was halted immediately at 10:36 am. The Company released an announcement on 2 February regarding to (i) the unusual price and trading volume movements, (ii) clarification of media reports, (iii) dealings in securities by directors during black-out period, (iv) rule 3.7 of the takeovers code and rule 13.09 of the listing rules and inside information provision under part XIVA of the securities and futures ordinance and (v) resumption of trading. Trading of Shares of the Company resumed on 5 February 2016, the share price increased from HK$0.034 to HK$0.069, representing an increase of approximately 100% during the period but still represents a decrease of 82.5% from the closing price of $0.395 per share on 27 January 2016.

Trading of Shares of the Company was halted on 15 February 2016, the company released an announcement in relation to the entering into of a non-legally binding memorandum of understanding regarding a possible subscription of shares in the Company. Trading of Shares of the Company resumed on 16 February 2016 and announced the termination of subscription on 17 February 2016.

On 22 February 2016, Trading of Shares of the Company was halted, following the release of the announcement of a proposed Subscription and the resumption of trading in the Shares on 29 February 2016.

b. Comparison with the net asset value of the Group

As stated in the Letter from the Board, the Subscription Price of HK$0.01 represents a discount of approximately 60.0% to the consolidated net asset value attributable to owners of the parent (the "**NAV**") of approximately HK$0.025 per Share as at 31 December 2015, based on the 2015 Annual Result of the Company for the year ended 31 December 2015.

The Directors consider that the Subscription Price which was at a discount of 60% to the NAV per Share when taken on its own is not fair and reasonable.

For the references of the Independent Shareholders, we have discussed with the management of the Company and were given to understand that:–

– the Company incurred a net loss of HK$438.5 million for the year ended 31 December 2015, which was mainly due to: (i) bulk returning of Wild Ginseng wine and (ii) provision of sales accounts;

– the Company has considered other fund raising methods, but there were no other best available financing alternatives for the Group to consider other than the Subscription at the relevant time, details of which are disclosed in the sub-section headed "4.3 Financing alternatives available to the Group";

– save for the Subscriber, the Company was unable to secure other potential investors which could proceed to the entering into of a legally binding agreement at the relevant time;

– without the proceeds from the Subscription to meet the repayment of principal and interest of certain borrowings of the Group, the Group could have defaulted on such payments leading to an acceleration of immediate repayment obligations of the Group for the said borrowings amounting to an aggregate of approximately HK$1.67 billion as at 30 June 2015;

– should the Group fail to obtain external financing, it would be required to generate internally through, without limitation to, liquidating the assets of the Group. However, there is no guarantee that the assets of the Group could be sold at market price, or at all, or within a short period so as to meet the financial needs of the Group promptly; and

– without an introduction of a new investor with sound financial background, the Group would have less bargaining power in securing future financing and re-financing which in turn would have negative impact on the business operation and development of the Group.

Therefore, the Directors considered that the NAV per Share by itself did not and should not form a substantial part of consideration in judging the terms of the Subscription under the current severe situation and position as discussed above faced by the Group.

c. Comparable analysis

In order to further assess the fairness and reasonableness of the Subscription Price, we have identified 22 transactions (the "**Comparable Issues**") in relation to subscriptions/placing involving issue of new shares by companies listed on the Stock Exchange which would trigger mandatory general offer but applied for whitewash waiver and announced from 3 March 2015 up to the Latest Practicable Date. We believe that the samples represent the latest available information in the market and the Comparable Issues are exhaustive as far as we are aware of and hence fair and representative. We have compared the respective subscription/placing price of the Comparable Issues with the Subscription, details of which are set out in the table below:

Date of announcement	Stock code	Name of the issuer	Premium/(Discount) of the subscription/placing price over/to the closing price on the last trading day prior to the announcement *approximate %*	Premium/(Discount) of the subscription/placing price over/to the closing price of the last five trading days prior to the announcement *approximate %*	Premium/(Discount) of the subscription/placing price over/to the closing price of the last ten trading days prior to the announcement *approximate %*	Premium/(Discount) of the subscription/placing price over/to the closing price as at the latest practicable date *approximate %*	Issue size of the subscription/placing *HK$ million*
9-Mar-15	726	South East Group Limited	(42.9)	(35.1)	(31.3)	(75)	1,300.0
27-Mar-15	976	Chiho-Tiande Group Limited	33.9	55.9	65.6	25.14	4,116.7
15-Apr-15	730	Shougang Concord Grand (Group) Limited	(7.9)	(6.2)	(3.1)	(49.38)	377.2
13-May-15	1003	21 Holdings Limited	(79.2)	(70.37)	(67.97)	(88.13)	680.60
17-May-15	1365	China Rundong Auto Group Limited	(15)	(13.73)	(14.24)	(17.43)	1,549.00
20-May-15	1522	China City Railway Transportation Technology Holdings Company Limited	(36.94)	(37.24)	(36.98)	(32.87)	1,384.80
27-May-15	139	China Jinhai International Group Limited	(73.96)	(67.36)	(64.74)	(63.77)	1,000.00
29-May-15	376	Reorient Group Limited	(77.78)	(73.72)	(71.14)	(82.27)	3,885.00
31-Jul-15	136	Mascotte Holdings Limited	(97.9)	(97.6)	(97.5)	(98.30)	750.7
28-Aug-15	245	China Seven Star Holdings Limited	(89.9)	(87.7)	(86.6)	(84.30)	5,000
28-Aug-15	990	Theme International Holding Limited	(77.27)	(73.12)	(71.91)	n/a	1,800.00
30-Aug-15	809	Global Bio-Chem Technology Group Company Limited	(33.33)	(25.57)	(30.09)	(25.81)	1,820.00
12-Oct-15	1207	SRE Group Limited	(74.36)	(73.33)	(73.54)	(72.60)	1,490.00
10-Dec-15	419	China Jiuhao Health Industry Corporation Limited	(90.1)	(91.56)	(91.64)	(91.30)	547.00
15-Dec-15	704	Huscoke Resources Holdings Limited	(62.96)	(63.41)	(63.86)	n/a	210.00
16-Dec-15	729	FDG Electric Vehicles Limited	0	(3.93)	(5.1)	40.91	465.00
5-Jan-16	3344	Addchance Holding Limited	(60.84)	(66.86)	(61.38)	(49.55)	1,125.60
16-Feb-16	710	Varitronix International Limited	(33.71)	(34.53)	(33.38)	(8.26)	1,400.00
19-Feb-16	628	Sino Credit Holdings Limited	(55.5)	(56.55)	(54.5)	n/a	1,591.08
25-Feb-16	358	Jiangxi Copper Company Limited	(1.99)	(5.75)	(3.87)	n/a	4,150.00
7-Mar-16	2889	Nickel Resources International Holdings Company Limited	(23.1)	(15.1)	(15.1)	n/a	275
7-Mar-16	8279	AGTech Holdings Limited	(82.52)	(82.05)	(81.94)	n/a	1,675
		Average	**(49.24)**	**(46.59)**	**(45.19)**	**(48.31)**	**1,663.31**
		Maximum Discount	**(97.9)**	**(97.6)**	**(97.5)**	**(98.30)**	**n/a**
		Maximum Premium	**33.9**	**55.9**	**65.6**	**40.91**	**n/a**
		Minimum	**n/a**	**n/a**	**n/a**	**n/a**	**210**
		Maximum	**n/a**	**n/a**	**n/a**	**n/a**	**5,000**
		The Subscription	**(85.1)**	**(84.3)**	**(92.3)**	**(80.39)**	**312**

Source: Website of the Stock Exchange

Notes:

1. The transaction of Huscoke Resources Holdings Limited, the Subscription Price of HK$0.15 per Subscription Share assuming the Capital Reorganisation having become effective.

2. The subscription price of FDG Electric Vehicles Limited was determined with the reference to the trading price of the Shares on the last trading day prior to the transaction day, therefore, there is neither premium nor discount over the closing price on the last trading day prior to the announcement.

3. The transaction of Jiangxi Copper Company Limited involved the proposed issuance by the Company of not more than 298,380,221 new A Shares and not more than 527,318,932 new H Shares to JCC or its designated wholly-owned subsidiary on the terms and conditions set out in this announcement. The total funds to be raised from the H Share Issue will be not more than HK$4,150 million.

4. For Theme International Holding Limited, Huscoke Resources Holdings Limited, Sino Credit Holdings Limited, Jiangxi Copper Company Limited, Nickel Resources International Holdings Company Limited and AGTech Holdings Limited, the circulars of these comanies have not been published. Thus, the Premium/Discount rates of the subscription price are not available.

5. Simsen International Corporation Limited made an announcement on 23 March 2015. The company proposed subscription for new shares, application for the whitewash, proposed reduction of share premium, proposed reorganization and distribution in specie of shares in a private company and possible voluntary conditional securities exchange which also involved proposed subscription for new shares and application for the whitewash waiver. Although it fits in our selecting criteria for the Comparable Issues, the structure of such transaction was more complex than the Company. As such, it is not included in the above analysis.

It is noted that, among the 22 Comparable Issues, the discount/premium rates of the respective subscription/placing as compared to the closing prices on the last trading days prior to the respective announcements vary widely and range from a discount of approximately 97.9% to a premium of approximately 33.9%. The subscription prices of 20 out of the 22 Comparable Issues are set at discounts. While 12 of them are at the discount rate over 50%, the discount rates for six of the Comparable Issues are concentrated at the range from 65% to 85%. As such, in order not to distort the picture for the recent market practice in relation to the discount/premium rate of the subscription/placing prices, none of the Comparable Issues is excluded for assessing the fairness and reasonableness of the Subscription Price.

As shown in the above table, the subscription prices of 20 out of the 22 Comparable Issues are set at discounts to relevant market prices. The subscription/placing price of the Comparable Issues (i) as compared to their respective closing price on the last trading day ranges from a discount of approximately 97.9% to a premium of approximately 33.9%, with an average of a discount of approximately 49.24%; (ii) as compared to the last five trading days prior to the announcement ranges from a discount of approximately 97.6% to a premium of approximately 55.9%, with an average of a discount of approximately 46.59%; (iii) as compared to the last ten trading days prior to the release of the announcement ranges from a discount of approximately 97.5% to a premium of approximately 65.6%, with an average of a discount of approximately 45.19%; (iv) as compared to the Latest Practicable Date ranges from a discount of approximately 98.3% to a premium of approximately 40.91%, with an average of a discount of approximately 48.31%. The discount represented by the Subscription Price to the closing price of the Shares on each of (i) the Last Trading Day, (ii) the last five trading days prior to the release of the announcement and (iii) the last ten trading days prior to the release of the announcement is larger than the average discount but within the range of discounts of the Comparable Issues.

The discount represented by the Subscription Price to (i) the closing price of the Shares of HK$0.067 per Share on the last trading day prior to the date of the Announcement, (ii) the average closing price of approximately HK$0.064 per Share on the last five trading days prior to the date of the Announcement and (iii) the average closing price of the Shares approximately HK$0.1296 per Share on the last ten trading days prior to the date of the Announcement would be approximately 85.1%, 84.3% and 92.3% respectively.

It is noted that (i) the Subscription Price is at all time below the closing prices of the Shares during our review period from 2 March 2015 up to and including the Latest Practicable Date; (ii) the Subscription Price represents discounts to closing prices and average closing prices of the Shares prior to the Announcement; and (iii) the discounts of the Subscription Price to the closing prices of the Shares on the Last Trading Day, the average closing prices of the Shares for each of the last 5 trading days and 10 trading days immediately prior to and including the Last Trading Day are close to the high end of the range of discounts of the Comparable Issues.

These discounts are:

(1) within the range of discounts, although close to the high end of discount range, of the Comparable Issues for the closing share price as at the last trading day immediately prior to the announcement, as well as the average closing share price for each of the last five and ten trading days; and

(2) less favourable than the average of the range of discounts of the Comparable Issues for the closing share price as at the last trading day immediately prior to the Announcement, as well as the average closing share price for each of the 5 and 10 trading days.

Given the Group is in severe financial difficulty with imminent funding need, the risk of winding up of the Company is very high, if the Company fails to take remedial action in a timely manner, whereas most of the Comparable Issues do not have similar risk to the Company. As such, we consider that the range of discounts of the Comparable Issues by itself is only one of the consideration in judging the terms of the Subscription but should not rely solely on this analysis in judging the terms of the Subscription. We should also consider other factors as set out below in the paragraph headed “Discussion on the Subscription Price”.

d. Discussion on the Subscription Price

During the course of our analysis, we could not identify any companies listed on mainboard of the Stock Exchange with principal activities similar to the businesses of the Group as described above. Accordingly, we have not carried out a comparison between the Company and other similar Hong Kong listed companies. Instead, our analysis in this respect includes comparing the Subscription Price against historical price performance of the Shares as set out in the paragraph headed "Comparison with the historical price performance of the Shares" above and comparing the Subscription Price against the net asset value of the Group as set out in the paragraph headed "Comparison with the net asset value of the Group" above, and our view on the Subscription Price is formed after taking into consideration a number of factors as summarised below:

1) without the proceeds from the Subscription to meet the repayment of principal and interest of certain borrowings of the Group, the Group could have defaulted on such payments leading to an acceleration of immediate repayment obligations of the Group for the said borrowings amounting to an aggregate of approximately HK$1.67 billion as at 30 June 2015;

2) the risk of having legal proceedings as disclosed in the Demand Letters;

3) the risk of redemption of all the Bonds by the holders which amounting to HK$132.2 million;

4) should the Group fail to obtain external financing, it would be required to generate internally through, without limitation to, liquidating the assets of the Group. However, there is no guarantee that the assets of the Group could be sold at market price, or at all, or within a short period so as to meet the financial needs of the Group promptly;

5) the Company incurred a net loss of HK$438.5 million for the year ended 31 December 2015, which was mainly due to: (i) bulk returning of Wild Ginseng wine and (ii) provision of sales accounts;

6) we understand from the Company that during the negotiation with the Subscriber, it has been indicated to the Company that a subscription price with a relatively deep discount to the closing price is necessary to induce the Subscriber to subscribe the shares. Based on the foregoing, without deep discount to historical trading price and the net asset value, it will be unlikely for the Group to obtain the proceeds from the Subscriber. Hence, taking into account the fund raising size and the need for setting the Subscription Price at a relatively deep discount for inducing the Subscriber to subscribe the Shares, it has resulted in a deep discount to both the historical trading price and net asset value;

7) without an introduction of the Subscriber with sound financial background, the Group would have less bargaining power in securing future financing and refinancing which in turn would have negative impact on the business operation and development of the Group;

8) the discounts of the Subscription Price to the closing prices of the Shares on the Last Trading Day and the average closing prices of the Shares for each of the last 5 trading days and 10 trading days immediately prior to and including the Last Trading Day being within the range of the Comparable Issues; and

9) although the Subscription Price is less favourable than the average of the range of discounts of the Comparable Issues for the closing share price as at the last trading day immediately prior to the Announcement, as well as the average closing share price for each of the 5 and 10 trading days, most of the Comparable Issues do not have the risk of default leading to the immediate repayment obligations and the risk of legal proceedings similar to the Company.

In conclusion, after taking into consideration of all the factors above, we consider that the Subscription Price is fair and reasonable to the Independent Shareholders.

5.4 Dilution effect on the shareholding structure of the Company

The table below sets out the effect of the Subscription on the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Subscription Shares but before the allotment and issue of the Placing Shares; (iii) immediately after the allotment and issue of the Placing Shares (assuming the Placing is completed in full) but before the allotment and issue of the Subscription Shares; (iv) immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full) and (v) immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and the Share Options are exercised in full) are as follows:

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Subscription Shares but before the allotment and issue of the Placing Shares		Immediately after the allotment and issue of the Placing Shares (assuming the Placing is completed in full) but before the allotment and issue of the Subscription Shares		Immediately after the allotment and issue of the subscription Shares and the Placing Shares (assuming the Placing is completed in full)		Immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and the Share Options are exercised in full)	
	Number of Shares	*Approximate shareholding %*	*Number of shares*	*Approximate shareholding %*	*Number of Shares*	*Approximate shareholding %*	*Number of Shares*	*Approximate shareholding %*	*Number of Shares*	*Approximate shareholding %*
Cervera Holdings Limited[1]	2,076,450,000	10.38	2,076,450,000	4.05	2,076,450,000	7.20	2,076,450,000	3.46	2,076,450,000	3.40
Athena Power Limited[2]	487,000,000	2.43	487,000,000	0.95	487,000,000	1.70	487,000,000	0.82	487,000,000	0.80
Dragon Jump Global Limited[3]	182,790,000	0.91	182,790,000	0.36	182,790,000	0.63	182,790,000	0.30	182,790,000	0.30
Mr. Yeung Wing Yan[4]	25,000,000	0.12	25,000,000	0.05	25,000,000	0.09	25,000,000	0.04	45,000,000	0.07
Mr. Yeung Wing Kong[5]	–	–	–	–	–	–	–	–	20,000,000	0.03
Ms. Fu Fung Sau[6]	210,000,000	1.05	210,000,000	0.41	210,000,000	0.73	210,000,000	0.35	230,000,000	0.38
Subtotal	**2,981,240,000**	**14.89**	**2,981,240,000**	**5.82**	**2,981,240,000**	**10.35**	**2,981,240,000**	**4.97**	**3,041,240,000**	**4.98**
Other grantees of the Share Options[7]	–	–	–	–	–	–	–		1,046,800,000	1.71
The Subscriber	–	–	31,200,000,000	60.92	–	–	31,200,000,000	51.99	31,200,000,000	51.04
Placees	–	–	–	–	8,800,000,000	30.54	8,800,000,000	14.66	8,800,000,000	14.40
Other existing Shareholders[8]	17,034,960,000	85.11	17,034,960,000	33.26	17,034,960,000	59.11	17,034,960,000	28.38	17,034,960,000	27.87
Total	**20,016,200,000**	**100**	**51,216,200,000**	**100**	**28,816,200,000**	**100**	**60,016,200,000**	**100**	**61,123,000,000**	**100**
Non-public shareholders[9]										
Cervera Holdings Limited[1]	2,076,450,000	10.38	2,076,450,000	4.05	2,076,450,000	7.20	2,076,450,000	3.46	2,076,450,000	3.40
Athena Power Limited[2]	487,000,000	2.43	487,000,000	0.95	487,000,000	1.70	487,000,000	0.81	487,000,000	0.80
Dragon Jump Global Limited[3]	182,790,000	0.91	182,790,000	0.36	182,790,000	0.63	182,790,000	0.30	182,790,000	0.30
Mr. Yeung Wing Yan[4]	25,000,000	0.12	25,000,000	0.05	25,000,000	0.09	25,000,000	0.04	45,000,000	0.07
Mr. Yeung Wing Kong[5]	–	–	–	–	–	–	–	–	20,000,000	0.03
Ms. Fu Fung Sau[6]	210,000,000	1.05	210,000,000	0.41	210,000,000	0.73	210,000,000	0.35	230,000,000	0.38
The Subscriber	–	–	31,200,000,000	60.92	–	–	31,200,000,000	51.99	31,200,000,000	51.04
Mr. Wang Jian[9]	3,882,850,000	19.40	3,882,850,000	7.58	3,882,850,000	13.47	3,882,850,000	6.47	3,882,850,000	6.35
Subtotal	**6,864,090,000**	**34.29**	**38,064,090,000**	**74.32**	**6,864,090,000**	**23.82**	**38,064,090,000**	**63.42**	**38,124,090,000**	**62.37**
Public shareholders[10]	**13,152,110,000**	**65.71**	**13,152,110,000**	**25.68**	**21,952,110,000**	**76.18**	**21,952,110,000**	**36.58**	**22,998,910,000**	**37.63**
Total	**20,016,200,000**	**100**	**51,216,200,000**	**100**	**28,816,200,000**	**100**	**60,016,200,000**	**100**	**61,123,000,000**	**100**

Notes:

1. Cervera Holdings Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. 2,076,450,000 Shares were held by Cervera Holdings Limited, which in turn is directly held as to 63%, 30% and 7% by Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau, our Directors, respectively.

2. Athena Power Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. 487,000,000 Shares were held by Athena Power Limited, which in turn is directly wholly owned by Mr. Yeung Wing Yan, our Director.

3. Dragon Jump Global Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. 182,790,000 Shares were held by Dragon Jump Global Limited, which in turn is directly wholly owned by Mr. Yeung Wing Kong, our Director.

4. Mr. Yeung Wing Yan was granted 20,000,000 Share Options on 6 January 2015.

5. Mr. Yeung Wing Kong was granted 20,000,000 Share Options on 6 January 2015.

6. Ms. Fu Fung Sau was granted 20,000,000 Share Options on 6 January 2015.

7. Employees of the Company (other than the executive Directors) and other eligible grantees were granted in aggregate 1,046,800,000 Share Options on 6 January 2015.

8. Other existing Shareholders means existing Shareholders other than the Directors and Shareholders controlled by the Directors.

9. Pursuant to the relevant shareholding disclosure notices downloaded on the Latest Practicable Date from the website of the Stock Exchange, these Shares were held by Wang Jian.

10. The public and non-public shareholding shall have the meaning ascribed thereto under the Listing Rules.

As shown in the table above, the shareholding in the Company held by the existing public shareholders would be reduced from approximately 65.71% as at the Latest Practicable Date to approximately 37.63% immediately after the allotment and issue of the Subscription Shares but before the allotment and issue of the Placing Shares.

However, taking into account of (i) the overall benefits of the Subscription, including but not limited to the introduction of substantial funding for the Group's repayment of borrowings as discussed in details under the paragraphs headed "Reasons for and benefits of and use of proceeds from the Subscription" and "Information on the Subscriber", and (ii) the Subscription Price considered to be fair and reasonable so far as the Independent Shareholders are concerned as discussed in details under the sub-paragraph headed "Discussion on the Subscription Price", we are of the view that the dilution effect on the shareholding of existing public Shareholders in the Company is acceptable so far as the Independent Shareholders are concerned.

6. Financial effects of the Subscription

6.1 Working capital

According to the 2015 Annual Result, the Group had cash and cash equivalents of approximately HK$1,030.1 million as at 31 December 2015. The audited current assets and current liabilities of the Group amounted to approximately HK$2,119.7 million and HK$1,814.3 million respectively as at 31 December 2015, resulting in a current ratio (being the current assets over the current liabilities) of approximately 1.17 times and net current assets of approximately HK$305.4 million. As set out in the paragraph headed "Use of proceeds from the Subscription" in the Letter from the Board, the gross aggregate proceeds and the net aggregate proceeds of the Subscription amounted to approximately HK$312.0 million and HK$301.2 million respectively. It is expected that both the cash position and the current assets position of the Group will be enhanced temporarily at the completion of the Subscription prior to the repayment of the borrowings and payables.

6.2 Net asset value

As advised by the Directors, the Subscription is expected to result in (i) an increase in cash by the amount of the net proceeds received under the Subscription; and (ii) an increase by the relevant amount in the issued capital of the Company.

As at 31 December 2015, the net asset value attributable to owners of the parent (the "**NAV**") was at approximately HK$510.2 million and the Company has 20,016,200,000 issued Shares, resulting in the NAV per Share of approximately HK$0.025.

Upon issuance of 31,200,000,000 Subscription Shares and receipt of an aggregate net proceeds of HK$301.2 million under the Subscription, the NAV would be at approximately HK$811.4 million and the Company would have 51,216,200,000 issued Shares, resulting in the NAV per Share of approximately HK$0.016. As illustrated, it is expected that there would be a dilutive effect on the NAV per Share of approximately HK$0.009 per Share or 36.0% on a comparison basis.

6.3 Earnings

It is advised by the management of the Company that the Subscription would not have material adverse effect to the earnings of the Group immediately upon completion.

Based on the audited consolidated loss for the year ended 31 December 2015 of approximately HK$438.5 million and the total number of issued Shares of 20,016,200,000 as at the Latest Practicable Date, loss per Share was approximately HK$0.0219 per Share. Immediately upon the issue of the new Shares, loss per Share is expected to be approximately HK$0.0086 per Share.

6.4 Gearing ratio

The gearing ratio of the Group is measured as total interest-bearing bank and other borrowings over the total assets of the Group. As advised by the management of the Company, it is expected that upon the issue of new Subscription Shares for the Subscription, the Group's total assets will increase by the amount of the net proceeds received thereunder while the Group's liabilities will not be affected. Accordingly, it is expected that the gearing ratio of the Group would be improved immediately upon the completion of the Subscription.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position/results of the Group will be upon completion of the Subscription and the issuance the new Shares pursuant to the Subscription.

7. The Whitewash Waiver

The Subscriber and parties acting in concert with them do not (as at the Latest Practicable Date) own, control or direct any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares.

Upon Subscription Completion, the Subscriber will be interested in a total of 31,200,000,000 Shares representing approximately 60.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares) and (as the case may be) approximately 51.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and that there is no change in the issued share capital of the Company other than (i) the issue of the Subscription Shares between the Latest Practicable Date and the Subscription Completion; and (ii) the Placing Shares between the Latest Practicable Date and the Placing Completion. Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensation from Rule 26 of the Takeovers Code in respect of the Subscription. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll.

Based on the discussion above and taking into account (i) the overall benefits of the Subscription, including but not limited to the introduction of substantial funding for the Group's repayment of borrowings; (ii) the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) if the Whitewash Waiver is not approved by the Independent Shareholders or not granted by the Executive, the Subscriber will be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by the Subscriber under Rule 26.1 of the Takeovers Code if subscription completes, however, since the grant of the Whitewash Waiver is one of the conditions precedent to the completion of the Share Subscription, failure in obtaining the Whitewash Waiver may result in lapse of the Share Subscription unless such condition is waived by the Subscriber which is at the Subscriber's sole discretion. However, the Subscriber may or may not waive such condition. As at the Latest Practicable Date, the Subscriber has no intention to waive such condition save that the Subscriber reserves its rights to waive the conditions relating to the Independent Shareholders' approval as regards the Subscription and the Whitewash Waiver, and the granting of the Whitewash Waiver by the Executive. If such condition is not waived by the Subscriber, the Subscription will not proceed and the Company will lose all the benefits that are expected to be brought by the Subscription as set out in the section headed "Reasons for and Benefits of the Subscription" above of this letter, we are of the view that the grant of the Whitewash Waiver is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the factors and reasons as stated above, we consider that the Subscription (including the Subscription Mandate), the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the

Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Subscription (including the Subscription Mandate), the Subscription Agreement and the Whitewash Waiver at the EGM.

Yours faithfully,
For and on behalf of
CLC International Limited

Christine Chung	**Anthony Lai**
Managing Director	*Managing Director*

Ms. Christine Chung is a licensed person registered with the Securities and Futures Commission and as a responsible officer of CLC International Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry. Mr. Anthony Lai is a licensed person registered with the Securities and Futures Commission and as a responsible officer of CLC International Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

1. FINANCIAL SUMMARY

The following is a summary of (i) the financial results of the Group for each of the three financial years ended 31 December 2013, 2014 and 2015; and (ii) the assets and liabilities of the Group as at 31 December 2013, 2014 and 2015 as extracted from the annual reports of the Company for the year ended 31 December 2014 and the results announcement of the Company for the year ended 31 December 2015.

(a) Consolidated statement of profit or loss

	For the year ended 31 December		
	2015	**2014**	**2013**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Revenue	1,187,531	1,219,651	762,970
Gross Profit	13,235	302,460	179,424
(Loss) Profit before taxation	(396,856)	230,740	152,939
Income tax expense	(41,664)	(25,416)	(24,326)
(Loss) Profit for the year	(438,520)	205,324	128,613
(Loss) Profit for the year attributable to:			
– owners of the Company	(438,396)	205,353	128,613
– non-controlling interest	(124)	(29)	–
	(438,520)	205,324	128,613
		(Restated)	(Restated)
Basic (Loss) Earnings per Share *(Note)*	(2.19) HK cents	1.17 HK cents	0.86 HK cents

Note: The basic (loss) earnings per share for the years ended 31 December 2013 and 2014 has been retrospectively adjusted to reflect the share sub-division on 26 May 2015.

(b) Consolidated statement of financial position

	As at 31 December		
	2015	**2014**	**2013**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Total Assets	2,333,557	3,152,184	1,012,857
Total liabilities	1,823,291	2,063,142	770,657
Net assets	510,266	1,089,042	242,200
Equity attributable to owners of the Company	507,390	1,089,070	242,200

The Group recorded a significant in loss as a whole for the year ended 31 December 2015 as compared to the year ended 31 December 2014 which was mainly attributable to

(i) the provision for discounts and rebates of approximately HK$352.0 million due the Company's current abnormal situations, in which the customers may request for a sales discount in the original invoice amount and the revenue recognition were not met;

(ii) write down on inventories of approximately HK$131.6 million due to the lower of subsequent selling price of wild American ginseng and the return wines and extra cost might be required to be incurred on the returned wines.

(iii) foreign exchange loss of approximately HK$ 67.0 million due to the depreciation of Reminbi whereas the Group had HK$806.1 million Reminbi bank pledge deposit as at 31 December 2015.

(iv) non-cash expense of approximately HK$72.5 million arising from the grant of share options by the Company to eligible participants during the year ended 31 December 2015;

Save for the aforesaid, the Group did not have any items which are exceptional because of size, nature or incidence for each of the year ended 31 December 2013, 2014 and 2015.

The dividend per share for each of the three financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 was HK$nil, HK$0.01, and HK$0.006 (after the share sub-division on 26 May 2015) respectively. The amount set aside by the Company for the payment of dividend for each of the three financial years ended 31 December 2014 and 31 December 2015 was approximately HK$200,000,000 and HK$120,000,000 respectively. No final dividends have been declared by the Company for the year ended 31 December 2015.

The auditors of the Company, Deloitte Touche Tohmatsu, did not issue any qualified opinion on the financial statements of the Group for each of the two years ended 31 December 2013 and 2014; but issue an qualified opinion on the financial statements of the Group for the year ended 31 December 2015.

Extract of the 2015 audit report

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 for discounts and rebates represents their assessment based on the information available and current circumstances. The provision for 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 note 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 provision for discounts and rebates made is fairly stated. Any adjustment made to the provision for 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 then ended, 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 compliance 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 being frozen, certain events of default in respect of the Group's bonds, and a significant slowdown in collection of the customers' debts owing to the Group. In addition the Group incurred a loss of HK$438,520,000 and negative cash flow from operations of HK$89,294,000 for the year ended 31 December 2015. 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 to raise 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.

2. LATEST PUBLISHED FINANCIAL INFORMATION

Set out below are the latest published consolidated financial information of the Group for the two years ended 31 December 2015 and 2014 respectively together with the accompanying notes relating thereto and the comparative figures, for the two years ended 31 December 2015 and 2014 as extracted from the annual results announcement of the Company for the year ended 31 December 2015 and the annual report of the Company for the year ended 31 December 2014 respectively.

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	8	1,187,531	1,219,651	762,970
Provision for discounts and rebates	8	(352,000)	–	–
		835,531	1,219,651	762,970
Costs of sales		(822,296)	(917,191)	(583,546)
Gross profit		13,235	302,460	179,424
Other income	9	52,335	8,765	1,926
Other gains and losses	9	(296,047)	(7,832)	7,071
Administrative expenses		(90,427)	(37,152)	(19,981)
Selling and distribution costs		(31,644)	(6,957)	(3,635)
Listing expenses		–	(17,926)	(867)
Changes in fair value of investment properties	17	(2,108)	1,400	–
Finance costs	10	(42,200)	(12,018)	(10,999)
(Loss) profit before taxation	11	(396,856)	230,740	152,939
Income tax expense	13	(41,664)	(25,416)	(24,326)
(Loss) profit for the year		(438,520)	205,324	128,613
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	128,613
(Loss) profit for the year attributable to:				
– owners of the Company		(438,396)	205,353	128,613
– non-controlling interests		(124)	(29)	–
		(438,520)	205,324	128,613
Total comprehensive (expense) income attributable to:				
– owners of the Company		(438,023)	205,353	128,613
– non-controlling interests		(124)	(29)	–
		(438,147)	205,324	128,613
			(Restated)	(Restated)
Basic (loss) earnings per share	15	(2.19) HK cents	1.17 HK cents	0.86 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000	2013 HK$'000
Non-current assets				
Property, plant and equipment	16	79,450	39,809	14,317
Investment properties	17	116,576	88,400	87,000
Deposit paid for a life insurance policy	19	16,907	–	–
Deposits paid for acquisition of property, plant and equipment		900	7,180	3,567
		213,833	135,389	104,884
Current assets				
Inventories	20	657,436	813,563	563,718
Trade and other receivables	19	432,186	651,243	86,942
Amount due from a director	33	–	–	197,187
Pledged bank deposits	21	954,471	1,417,950	12,758
Bank balances and cash	21	75,631	134,039	47,368
		2,119,724	3,016,795	907,973
Current liabilities				
Trade and other payables	22	176,658	360,766	362,556
Obligations under finance leases	23	126	1,100	1,331
Bank borrowings	24	1,440,868	1,646,071	361,717
Bonds	25	123,746	–	–
Derivative financial instruments	26	29,300	–	–
Taxation payable		43,623	45,153	33,703
		1,814,321	2,053,090	759,307
Net current assets		305,403	963,705	148,666
Total assets less current liabilities		519,236	1,099,094	253,550
Non-current liabilities				
Obligations under finance leases	23	349	1,472	2,770
Deferred tax liabilities	18	8,621	8,580	8,580
		8,970	10,052	11,350
Net assets		510,266	1,089,042	242,200
Capital and reserves				
Share capital	27	20,016	20,000	1
Reserves		487,374	1,069,070	242,199
Equity attributable to owners of the Company		507,390	1,089,070	242,200
Non-controlling interests		2,876	(28)	–
Total equity		510,266	1,089,042	242,200

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note b)	Exchange reserve HK$'000	Share options reserve HK$'000	Accumulated profits (loss) HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	1	–	8,561	–	–	105,024	113,586	–	113,586
Profit and total comprehensive income for the year	–	–	–	–	–	128,613	128,613	–	128,613
Issue of shares	1	–	–	–	–	–	1	–	1
Arising from group restructuring	(1)	–	1	–	–	–	–	–	–
At 31 December 2013	1	–	8,562	–	–	233,637	242,200	–	242,200
Profit and total comprehensive income for the year	–	–	–	–	–	205,353	205,353	(29)	205,324
Capital contributions from non-controlling interest	–	–	–	–	–	–	–	1	1
Arising from group restructuring *(Note a)*	9	–	(9)	–	–	–	–	–	–
Issue of shares by capitalisation of share premium account *(Note 27e)*	14,990	(14,990)	–	–	–	–	–	–	–
Issue of new shares *(Note 27d)*	5,000	985,000	–	–	–	–	990,000	–	990,000
Expense incurred in connection with the issue of new shares	–	(38,483)	–	–	–	–	(38,483)	–	(38,483)
Dividends recognised as distribution	–	–	–	–	–	(310,000)	(310,000)	–	(310,000)
At 31 December 2014	20,000	931,527	8,553	–	–	128,990	1,089,070	(28)	1,089,042
Loss for the year	–	–	–	–	–	(438,396)	(438,396)	(124)	(438,520)
Other comprehensive income for the year	–	–	–	373	–	–	373	–	373
Total comprehensive income (expenses) for the year	–	–	–	373	–	(438,396)	(438,023)	(124)	(438,147)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	3,028	3,028
Recognition of equity-settled share-based payments	–	–	–	–	72,494	–	72,494	–	72,494
Exercise of share options	16	4,966	–	–	(1,133)	–	3,849	–	3,849
Dividend recognised as distribution	–	–	–	–	–	(220,000)	(220,000)	–	(220,000)
At 31 December 2015	20,016	936,493	8,553	373	71,361	(529,406)	507,390	2,876	510,266

Notes:

(a) The amount of HK$9,000 arising from group restructuring represents the net result of crediting the Company's share capital of HK$10,000 as fully paid upon group restructuring (see details in note 27e) and the elimination of HK$1,000 share capital of Hang Fat Group Holdings Limited ("Hang Fat Group"), the direct wholly-owned subsidiary of the Company, after interspersing the Company between Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau and Hang Fat Group on 23 May 2014.

(b) Capital reserve of the Group at 31 December 2015 and 2014 represents (i) an amount of HK$5,002,000 arising from the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the paid-in capital of subsidiaries acquired pursuant to the Group's restructuring in preparation for the listing of the Company's shares and (ii) deemed capital contribution from a shareholder amounting to HK$3,551,000.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
(Loss) profit before taxation	(396,856)	230,740	152,939
Adjustments for:			
Depreciation of property, plant and equipment	4,468	2,536	1,999
Interest expense	42,200	12,018	10,999
Changes in fair value of investment properties	2,108	(1,400)	–
Gain on disposal of property, plant and equipment	(406)	(194)	(243)
Interest income	(49,715)	(6,793)	(6)
Effect of foreign exchange rate changes	66,060	9,193	(1,012)
Share-based payments	72,494	–	–
Unrealised loss on change in fair value of financial assets/liabilities classified as derivative financial instruments	29,300	–	–
Provision for discounts and rebates	352,000	–	–
Write down on inventories	131,568	–	–
Operating cash flows before movements in working capital	253,221	246,100	164,676
Decrease (increase) in inventories	24,559	(249,845)	(238,896)
Increase in trade and other receivables	(126,387)	(562,911)	(9,844)
Decrease in trade and other payables	(197,534)	(39,842)	154,581
Net cash used in operations	(46,141)	(606,498)	70,517
Hong Kong profits tax paid	(43,153)	(24,887)	(22,436)
Hong Kong profits tax refunded	–	10,921	–
Net cash used in operating activities	(89,294)	(620,464)	48,081
Investing activities			
Interest income	47,555	41,963	6
Purchase of investment properties	(27,284)	–	–
Purchase of property, plant and equipment	(41,987)	(25,473)	(1,287)
Deposit placed for a life insurance policy	(16,907)	–	–
Deposits paid on acquisition of property, plant and equipment	(900)	(7,180)	(3,567)
Withdrawal of pledged bank deposits	1,579,646	3,960	7,327
Placement of pledged bank deposits	(1,147,846)	(1,419,449)	(3,923)
Proceeds from disposal of property, plant and equipment	2,464	78	327
Deposit paid for possible acquisition of a target Company	(24,400)	–	–
Repayment from a director	–	10,950	87,569
Advance to a director	–	(23,763)	(111,352)
Settlement of consideration receivable in respect of disposal of a subsidiary	–	–	3,000
Net cash from (used in) investing activities	370,341	(1,418,914)	(21,900)

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Financing activities			
Interest paid	(38,261)	(12,018)	(10,999)
Proceeds from issue of new shares	3,849	990,000	1
Expense incurred in connection with issue of news shares	–	(38,483)	–
Capital contributions from non-controlling shareholders	3,028	1	–
New bank loans raised	1,925,631	1,778,673	726,050
New bonds issued (net of expense)	121,696	–	–
Repayments of bank loans	(2,133,302)	(482,565)	(712,903)
Repayments of obligations under finance leases	(2,097)	(401)	(1,218)
Increase (decrease) in bank overdrafts	1	(9,158)	5,934
Dividend paid	(220,000)	(100,000)	–
Net cash (used in) from financing activities	(339,455)	2,126,049	6,865
Net (decrease) increase in cash and cash equivalents	(58,408)	86,671	33,046
Effect of exchange rate changes	–	–	77
Cash and cash equivalents at beginning of the year	134,039	47,368	14,245
Cash and cash equivalents at end of the year, represented by bank balances and cash	75,631	134,039	47,368

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 33 of 1961, as consolidated and revised) of Cayman Islands. As at 31 December 2015, the Company's immediate and ultimate holding company was Cervera Holdings Limited, a company incorporated in the British Virgin Islands ("BVI"). Cervera is directly held as to 63%, 30%, and 7% by Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau (collectively referred to as "Common Shareholders"), respectively. The address of the Company's registered office is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is G/F., Nam Pak Hong Commercial Center, 44 Bonham Strand West, Hong Kong.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 June 2014 ("Listing").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 loss of HK$438,520,000 for the year and negative cash flows from operations of HK$89,294,000 together with the possible change in control of the Company (as set out in the Company's announcement dated 2 February 2016 referred as "Announcement") which led to turbulence in the ginseng market. In addition, 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 flows of the Group. In addition, all the banks of the Group have stopped all the trade facilities granted to the Group as a result of the breach of certain bank convenants in February 2016. 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$179 million and the interest so accrued as at 29 February 2016. 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 bank balances (excluding pledged bank deposits) of which the usage was being frozen by the Banks accounted for approximately 76% of the aggregate bank balances as at 26 February 2016. The Banks' actions led to a shortage of cash position.

Moreover, in accordance with the terms and conditions of the bonds (see note 25), 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% aggregate 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 amount to HK$132.2 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 of the Company 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 trade 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 the Company at HK$0.01 per share (the "Subscription"). The completion of the Subscription is depend on certain conditions as set out in the Company's announcement dated 29 February 2016; and

(v) On 21 February 2016, the Company entered in 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"). The completion of the Placing is depend on certain conditions as set out in the Company's announcement dated 29 February 2016.

The directors of the Company 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 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 at 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.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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

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.

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 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 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

HKFRS 9 Financial instruments

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

Key requirements of HKFRS 9 that are relevant to the Group are:

All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors of the Company anticipate that the application of HKFRS 9 in the future is unlikely to have material impact on the amounts reported in respect of the Group's financial statements.

HKFRS 15 Revenue from contracts with customers

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

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

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future is unlikely to have material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company do not anticipate that the application of the other new and revised HKFRSs issued but not yet effective will have a material impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new CO (Cap. 622) regarding preparation of accounts and directors' reports and audits and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost basis except for investment properties which are carried at fair value, at the end of the reporting period, as explained in the accounting polices set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combination under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of rental income from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purpose are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Transfer from owner-occupied property to investment property carried at fair value

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposit placed for a life insurance policy, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

For loans and receivables carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For loans and receivables measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities including trade and other payables, bank borrowings, bank overdrafts and bonds are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivative are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to the fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors has reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

All borrowing costs for non-qualifying assets are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors and employees

For grants of share options that are conditional upon satisfying specified service conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will transfer to share premium.

Share options granted to consultants and service provider

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. Upon granting of share options, the fair values of the goods or services received or receivables are recognised as expenses or assets as appropriate, with a corresponding increase in equity (share options reserve).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company is required to make judgements, 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

Note 4 describes the revenue recognition criteria for the sales of goods, including bulk sale of ginseng wine. These goods were delivered to the customer (a distributor) during 2015. Following negotiations, on 8 March 2016, the distributor issue a notice of request of bulk returning of the unsold ginseng wine to the Group as the distributor claimed that due to the deterioration of the "Hang Fat brand" following the Company's publication of the Announcement (defined and explained in note 2) 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 of the Company reconsidered whether the revenue recognition criteria set out in Note 4 were fulfilled at the time of delivery of the ginseng wine to the distributor. The invoiced amount of the unsold ginseng wine returned by the distributor to the Group amounted to HK$188,800,000.

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 detail 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 determined that the invoiced amount of ginseng wine returned by the distributor should not be recognised as revenue in 2015.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of uncertainty at the end of reporting period that may have a significant risk of causing a material adjustment to the amounts of assets within next financial year.

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; 2013: HK$87,000,000) (note 17). 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.

Provision for discounts and rebates

As set out in note 8, 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 (defined and explained in note 2) on their sales. The directors of the Company 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.

In the light of the above, the directors of the Company considered whether the amount to be recognised as revenue for the sale of the ginseng to the customers should be adjusted to take account of the foreseeable discounts and rebates. In making the judgement, the directors of the Company reconsidered the requirement set out in HKAS18 Revenue and, in particular, that the Group should measure revenue at the fair value of the estimated consideration received or receivable taking into account the amount of any discounts and rebates allowed by the Group. Accordingly, following a detailed assessment, the directors of the Company made a provision for discounts and rebates in the consolidated financial statements for the year ended 31 December 2015.

In the opinion of the directors of the Company, the provision for discounts and rebates represents their assessments based on the information available and current circumstances. The provision for 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 alternative 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 note 2.

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 amounts of trade receivables as at 31 December 2015 are HK$263,475,000 (2014: HK$540,229,000; 2013: HK$62,184,000).

Write down on inventories

Determining whether a write down is necessary in the carrying amount 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 related costs related 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 amount of the inventories is higher than their net realisable values, a write down will be made so that the carrying amount of inventories would not be higher that their net realisable values. As at 31 December 2015, the carrying amount of inventories is HK$657,436,000 (2014: HK$813,563,000; 2013: HK$563,718,000).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of borrowings, net of bank deposits and cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and accumulated profits as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of bank loans.

7. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 4.

Categories of financial instruments

The Group

	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	1,337,044	2,092,218	319,497
Financial liabilities			
Fair value through profit or loss			
Derivative financial instruments	29,300	–	–
Amortised cost	1,728,746	1,966,011	659,239
Obligations under finance leases	475	2,572	4,101
	1,758,521	1,968,583	663,340

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, obligations under finance leases, derivative financial instruments, bank borrowings, bank overdrafts and bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group has a concentration of credit risk on top five customers. For the year ended 31 December 2015, aggregate sales (net of discounts and rebates) to the top five customers of the Group accounted for approximately 76% (2014: 67%; 2013: 66%), of the total revenue. Amount due from them as at 31 December 2015 amounted to approximately HK$184,341,000 (2014: HK$463,000,000; 2013: HK$53,333,000), representing 70% (2014: 86%; 2013: 86%) of the Group's total trade receivables as at 31 December 2015.

Four of the Group's five largest customers' principal operation location are mainly based in Guangdong Puning Chinese Herbal Medicine Market* (廣東普寧中藥材專業市場) which is one of the major traditional Chinese herbal medicine distribution centres in the PRC. These customers are mainly Chinese herbal medicine wholesalers and the Group have business relationships with all these customers for a long period. The remaining one of the Group's five largest customers is a distributor located in Hong Kong.

Before accepting any new customer, the Group will internally assess the potential customer's credit quality and defines an appropriate credit limit. Management of the Group considered that the credit risks of trade receivable from new customers are insignificant after considering the good credit quality assessed internally by the Group.

In order to minimise the credit risk, the management of the Group is responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the Group's bank balances are deposited with banks of high credit ratings in the Hong Kong.

Currency risk

Certain group entities have foreign currency sales, which expose the Group to foreign currency risk. During the year ended 31 December 2015, approximately 77% (2014: 68%; 2013: 77%) of the Group's sales (net of discounts and rebates) respectively are denominated in currency other than the functional currency of the group entities. The group entities also have foreign currency purchases, which also expose the Group to foreign currency risk. During the year ended 31 December 2015 approximately 94% (2014: 73%; 2013: 86%) of the Group's purchases are denominated in currencies other than the functional currency of the group entities. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

In addition, the Group enters into short-term forward foreign currency contracts (less than 3 months) for hedging purpose. The Group utilises a variety forward foreign currency contracts to hedge its exposure to foreign currencies on a regular basis.

As at 31 December 2015, total notional amount of outstanding forward foreign exchange contracts that the Group has committed is selling US$ and buying Canadian Dollars (2014 and 2013: nil), and their fair values are estimated to be approximately HK$29,300,000 liabilities (2014 and 2013: nil), and are include as derivative financial instruments (2014 and 2013: nil), at the end of the reporting period. The contracts with maturities in first quarter of the following year.

The Group mainly exposes to currency of United States dollar ("US$"), Renminbi ("RMB") and Canadian Dollars ("CAD"), which are arising from relevant group entities' foreign currency, i.e. currency other than the functional currency of the group entities, denominated monetary assets and liabilities for the Group's operating activities.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies, comprising deposit placed for a life insurance product, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings, at the end of the reporting period are as follows:

	Assets			**Liabilities**		
	2015	**2014**	**2013**	**2015**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
US$	17,316	306	10,102	63,282	67,274	159,563
RMB	1,049,913	1,638,272	45,807	–	–	–
CAD	2,284	19	63	184,491	515,140	245,301

Sensitivity analysis

The following table details the Group's sensitivity to a 5% appreciation and depreciation in RMB and CAD against HK$ for the operations. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. Under the linked exchange rate system, the financial impact on exchange difference between HK$ and US$ will be immaterial and therefore sensitivity analysis in US$ is not presented. A negative number below indicates a decrease in profit or increase in loss after taxation for the years ended 31 December 2015, 2014 and 2013 where the HK$ strengthen 5% against the relevant currencies and vice versa. For a 5% weakening of the HK$ against relevant currencies, there would be an equal and opposite impact on the profit, and amounts below would be positive.

	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Increase in loss/decrease in profit after taxation for the year			
RMB	(43,834)	(68,398)	(1,912)
CAD	7,607	21,509	10,239

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Interest rate risk management

The Group is exposed to fair value interest rate risk primarily from its fixed rate borrowings.

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing bank balances, pledged bank deposits and bank borrowings at variable interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and bank borrowings at variable interest rates at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year. 30 basis points increase was used and represents management's assessment of the reasonably possible change in interest rates. The management does not anticipate a decrease in interest rate in the next financial year having regard to the trends in Prime rate, London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR"). Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

If interest rates on pledged bank deposits and bank balances at variables interest rates had been 30 basis points higher and all other variables were held constant, the loss would decrease by HK$2,580,000 (2014: profit would increase by HK$3,888,000; 2013: profit would increase by HK$150,000).

If interest rates on variable-rate bank borrowings had been 30 basis point higher and all other variables were held constant, the loss would increase by HK$3,609,000 (2014: profit would decrease by HK$4,130,000; 2013: profit would decrease by HK$906,000).

If the interest rates had been 30 basis points lower for pledged bank deposits and bank balances, and 30 basis points lower for variable-rate bank borrowings, there would be equal and opposite impact on profit or loss for the year.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Specifically, the directors of the Company consider that after taking into account the relevant measures as set out in note 2, 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 bank borrowing covenants will be met accordingly.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the bank choosing to exercise their right. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment date. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial liabilities. The table has been drawn based on the undiscounted gross (inflows) and outflows on these derivatives that settle on a net basis. When the amount is not fixed, the amount disclosed has been determined by reference to the forward exchange rate existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year up to 4 years	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015							
Trade and other payables	–	164,132	–	–	–	164,132	164,132
Obligations under finance leases	4.50	19	39	68	349	475	475
Bank borrowings	3.75	1,033,626	265,882	149,262	–	1,448,770	1,440,869
Bonds	6.00	132,861	–	–	–	132,861	123,746
		1,330,638	265,921	149,330	349	1,746,238	1,729,222
Derivatives – net settlement Foreign exchange forward contracts		–	29,300	–	–	29,300	29,300
As at 31 December 2014							
Trade and other payables	–	4,555	315,385	–	–	319,940	319,940
Obligations under finance leases	6.35	101	202	911	1,520	2,734	2,572
Bank borrowings	2.15	1,371,069	66,152	212,720	–	1,649,941	1,646,071
		1,375,725	381,739	213,631	1,520	1,972,615	1,968,583
As at 31 December 2013							
Trade and other payables	–	–	297,522	–	–	297,522	297,522
Obligations under finance leases	6.64	131	261	1,176	2,964	4,532	4,101
Bank borrowings	3.83	361,717	–	–	–	361,717	361,717
		361,848	297,783	1,176	2,964	663,771	663,340

Borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. The aggregate undiscounted principal amounts of the Group's borrowings with a repayment on demand clause amounted to HK$1,031,328,000 as at 31 December 2015 (2014: HK$1,371,069,000; 2013: HK$10,946,000).

The amounts included above for variable rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value measurements of financial instruments

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following tables gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and input used), as well as level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

	Fair value as at			
Financial liabilities	**31.12.2015**	**31.12.2014 and 31.12.2013**	**Fair value hierarchy**	**Valuation technique(s) and key inputs**
Forward foreign exchange contracts as derivative financial instruments in the consolidated statement of financial position	Liabilities – HK$29,300,000	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets or any reclassification of financial assets in the period.

Fair value of financial instruments that are recorded at amortised cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities (except bonds) recorded at amortised cost in the consolidated statement of financial position approximate their fair values at the end of the reporting period. In addition, the carrying amount of bonds payable and accrued interest payable approximate the fair value of the bonds at the end of the reporting period.

8. SALES AND SEGMENT INFORMATION

Sales of ginseng wines

As described in Note 5, during the year ended 31 December 2015, the Group delivered and sold ginseng wine to a customer which acts as the ginseng wine distributor of the Group in a total consideration of HK$252,000,000. These goods were delivered to the customer during 2015. Subsequently in 2016, unsold ginseng wine were returned by the distributor to the Group, amounting to an aggregate invoiced amount of HK$188,800,000.

For the remaining ginseng wine not returned to the Group, the Group has received full consideration by cash from the distributor in 2015. Therefore, the directors of the Company considered that the revenue recognition criteria for sales of these ginseng wine to this distributor have been met before 31 December 2015.

Provision for discounts and rebates

As set out in the Company's announcements dated 29 February 2016 and 9 March 2016, since the Company's publication of the Announcement (defined and explained in note 2) 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 mattes published in the Announcement on their sales. The directors considered the Company's current situation is abnormal and the customers may request for discounts and rebates on the original invoice amount for the year ended 31 December 2015.

In light of the above, the directors of the Company considered whether the amount to be recognised as revenue for the sale of the ginseng to the customer should be adjusted to take account of foreseeable discounts and rebates. In making the judgement, the directors of the Company reconsidered the requirement set out in HKAS18 Revenue and, in particular, that the Group should measure revenue at the fair value of the estimated consideration received or receivable taking into account the amount of any discounts and retables allowed by the Group. Accordingly, following a detailed assessment, the directors of the Company made a provision for discounts and rebates in consolidated financial statements for the year ended 31 December 2015.

In the opinion of the directors of the Company, the provision for discounts and rebates represents their assessments based on the information available and current circumstances. The provision for discounts and rebates calculated by the directors was based on a number of assumptions including an assessment of the profitability of the customers resuming payments, an estimate of the potential timing of these payments and the possibility that the customers will seek to agree alternative 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 note 2.

Segment information

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 segments 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"), (iii) Ginseng wine, and (iv) Others: trading of other foods (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 reportable and operating segment:

	Segment revenue			Segment results		
	2015	2014	2013	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cultivated ginseng	717,189	1,124,423	675,079	(69,999)	291,837	169,769
Wild ginseng	42,086	92,739	50,799	18,747	9,328	7,975
Ginseng wine	72,485	780	–	62,655	716	–
Others	3,771	1,709	37,092	1,832	579	1,680
	835,531	1,219,651	762,970	13,235	302,460	179,424
Gain on disposal of property, plant and equipment				406	194	243
Changes in fair value of investment properties				(2,108)	1,400	–
Listing expenses				–	(17,926)	(867)
Other income				52,335	8,765	1,926
Unallocated expenses				(188,566)	(44,109)	(23,616)
Write down on inventories				(131,568)	–	–
Exchange (loss) gain, net				(66,984)	(8,026)	6,828
Finance costs				(42,200)	(12,018)	(10,999)
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	152,939

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2015, 2014 and 2013.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4.

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, exchange (loss) gain, other income, unallocated corporate expenses such as central administrative expenses, finance costs and loss on forward foreign exchange. 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.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue (net of discounts and rebates) of the Group are as follows:

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Customer A			
– Cultivated ginseng	174,117	N/A*	198,721
Customer B			
– Cultivated ginseng	161,624	N/A*	N/A*
– Wild ginseng	–	N/A*	N/A*
	161,624	N/A*	N/A*
Customer C			
– Cultivated ginseng	127,307	152,464	79,568
Customer D			
– Wild ginseng	29,238	N/A*	–
– Ginseng wine	63,200	–	–
	92,438	N/A*	–
Customer E			
– Cultivated ginseng	N/A*	319,612	99,688
– Others	N/A*	–	269
	N/A*	319,612	99,957

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME, OTHER GAINS AND LOSSES

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Other income comprised the follows:			
Interest income on bank deposits	49,715	6,793	6
Rental income	2,620	1,920	1,920
Sundry income	–	52	–
	52,335	8,765	1,926

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Other gains and losses comprised the follows:			
Gain on disposal of property, plant and equipment	406	194	243
Exchange (loss) gain, net	(66,984)	(8,026)	6,828
Write down on inventories *(note 20)*	(131,568)	–	–
Consultancy service fee *(Note)*	(66,495)	–	–
Loss on change in fair value of financial assets/liabilities classified as derivative financial instruments *(note 26)*	(31,406)	–	–
	(296,047)	(7,832)	7,071

Note: Amount represents the fair value of share options granted to the consultants for services to be rendered to the Group on business advice and market information relating to ginseng for a term of three years commencing from the date of 6 January 2015 to 5 January 2018 (see note 28).

10. FINANCE COSTS

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
Bank loans and overdrafts	36,728	11,814	10,680
Bonds	5,455	–	–
Finance leases	17	204	319
	42,200	12,018	10,999

11. (LOSS) PROFIT BEFORE TAXATION

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:			
Director's remuneration *(note 12)*	17,396	8,328	5,015
Other staff costs	17,476	7,711	4,359
Retirement benefit scheme contributions for other staff	1,106	586	326
Total staff costs	35,978	16,625	9,700
Auditor's remuneration	1,320	1,250	1,000
Depreciation of property, plant and equipment	4,468	2,536	1,999
Operating lease rentals in respect of office premises and equipment	6,619	2,137	1,608
after crediting:			
Gross rental income from investment properties	2,620	1,920	1,920
Less: Direct operating expenses from investment properties during the year	(616)	(211)	(402)
Net rental income from investment properties	2,004	1,709	1,518

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance is as follows:

Directors' emoluments

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Directors' fee	507	270	–
Other emoluments			
– basic salaries and allowance	12,707	8,024	4,985
– share-based payments	4,146	–	–
– retirement benefits scheme contributions	36	34	30
	17,396	8,328	5,015

Executive Directors

	Mr. Yeung Wing Yan *HK$'000*	Mr. Yeung Wing Kong *HK$'000*	Ms. Fu Fung Sau *HK$'000*	Total *HK$'000*
31 December 2015				
Fees	–	–	–	–
Salaries and other benefits	6,890	3,729	2,088	12,707
Share-based payment	1,382	1,382	1,382	4,146
Retirement benefits scheme contributions	18	18	–	36
Total directors' emoluments	8,290	5,129	3,470	16,889
31 December 2014				
Fees	–	–	–	–
Salaries and other benefits	3,778	2,728	1,518	8,024
Retirement benefits scheme contributions	17	17	–	34
Total directors' emoluments	3,795	2,745	1,518	8,058
31 December 2013				
Salaries and other benefits	2,436	1,685	864	4,985
Retirement benefits scheme contributions	15	15	–	30
Total directors' emoluments	2,451	1,700	864	5,015

Mr. Yeung Wing Yan is also the Chief Executive and his emolument disclosed above included those for services rendered by him as the Chief Executive.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

Non-executive Directors

	Mr. Wong Senta *HK$'000* *(Note 1)*	**Mr. Kwok Lam Kwong Larry** *HK$'000* *(Note 2)*	**Mr. Cheung Chung Wai Billy** *HK$'000* *(Note 3)*	**Total** *HK$'000*
31 December 2015				
Fees	169	169	169	507
Salaries and other benefits	–	–	–	–
Retirement benefits scheme contributions	–	–	–	–
Total directors' emoluments	169	169	169	507
31 December 2014				
Fees	90	90	90	270
Salaries and other benefits	–	–	–	–
Retirement benefits scheme contributions	–	–	–	–
Total directors' emoluments	90	90	90	270
31 December 2013				
Salaries and other benefits	–	–	–	–
Retirement benefits scheme contributions	–	–	–	–
Total directors' emoluments	–	–	–	–

Note 1: The director was appointed on 9 June 2014.

Note 2: The director was appointed on 27 June 2014 and resigned on 22 February 2016.

Note 3: The director was appointed on 9 June 2014 and resigned on 22 February 2016.

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

(b) Employees' emoluments

Among the five individuals with the highest emoluments in the Group, three (2014 and 2013: three) were the directors of the Company for the year ended 31 December 2015 whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining two (2014 and 2013: two) individuals were as follows:

	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Employees			
– basic salaries and allowances	1,488	1,166	887
– share-based payment	133	–	–
– retirement benefits scheme contributions	32	31	26
	1,653	1,197	913

The emoluments of the employees were within the following bands:

	Number of employees		
	2015	**2014**	**2013**
HK$0 to HK$1,000,000	1	2	2
HK$1,000,001 to HK$1,500,000	1	–	–

During the years ended 31 December 2015, 2014 and 2013, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including director and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. The directors have not waived any emoluments during the years.

13. INCOME TAX EXPENSE

	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
The taxation comprises:			
Hong Kong Profits Tax:			
Current year	(41,446)	(42,261)	(26,564)
(Under) overprovision in prior years	(177)	16,845	1,566
Deferred tax *(note 18)*:			
Current year	(41)	–	672
	(41,664)	(25,416)	(24,326)

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

The taxation for the year is reconciled to profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit before taxation	(396,856)	230,740	152,939
Tax credit (expense) at the applicable income tax rate (16.5%)	65,481	(38,072)	(25,235)
Tax effect of expenses not deductible for tax purposes	(109,411)	(4,502)	(506)
Tax effect of income not taxable for tax purpose	13,573	1,121	–
(Under) overprovision in respect of prior years *(Note)*	(177)	16,845	1,566
Tax effect of tax loss not recognised	(9,527)	(558)	(267)
Others	(1,603)	(250)	116
Taxation for the year	(41,664)	(25,416)	(24,326)

Note: Overprovision in respect of prior years mainly include reversal of provision on gain on disposal of a subsidiary of HK$8,300,000 for the year of assessment of 2011/12 and of HK$8,545,000 for the year of assessment of 2012/13 which are confirmed to be non-taxable pursuant to notice from the relevant tax authority issued in 2014.

14. DIVIDENDS

	2015	2014	2013
	HK$'000	*HK$'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 of the Company declared the payment of a final dividend of HK$ 0.02 per share (representing HK$0.002 per share after the share sub-division as detailed in note 27) 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 as detailed in note 27) amounting to HK$60,000,000 in aggregate for the year ended 31 December 2014.

(c) Pursuant to a resolution passed at the board of directors meeting on 21 August 2015, the directors of the Company 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, Hang Fat 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 of the Company subsequent to the end of the reporting period.

15. (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:

	2015	2014	2013
	HK$'000	*HK$'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	128,613

	2015	2014	2013
	'000	*'000*	*'000*
		(Restated)	(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	15,000,000

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share for the years ended 31 December 2015, 2014 and 2013 has been retrospectively adjusted to reflect the share sub-division on 26 May 2015 as disclosed in note 27.

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 and 2013, there is no potential ordinary shares of the Company and hence no diluted earnings per share figure was presented.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Motor vehicles	Fixtures and office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2013	9,706	669	8,867	5,098	24,340
Additions	–	505	741	571	1,817
Disposals	–	–	(2,401)	(2)	(2,403)
At 31 December 2013	9,706	1,174	7,207	5,667	23,754
Additions	23,130	3,745	1,004	1,161	29,040
Disposals	–	–	(1,461)	(343)	(1,804)
At 31 December 2014	32,836	4,919	6,750	6,485	50,990
Additions	35,195	7,564	811	5,597	49,167
Disposals	–	–	(5,110)	(461)	(5,571)
Transfer to investment properties	(3,000)	–	–	–	(3,000)
At 31 December 2015	65,031	12,483	2,451	11,621	91,586
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2013	861	669	3,462	3,683	8,675
Provided for the year	257	18	1,199	525	1,999
Disposals	–	–	(1,235)	(2)	(1,237)
At 31 December 2013	1,118	687	3,426	4,206	9,437
Provided for the year	567	248	1,113	608	2,536
Disposals	–	–	(573)	(219)	(792)
At 31 December 2014	1,685	935	3,966	4,595	11,181
Provided for the year	1,743	1,400	437	888	4,468
Disposals	–	–	(3,409)	(104)	(3,513)
At 31 December 2015	3,428	2,335	994	5,379	12,136
CARRYING AMOUNTS					
At 31 December 2015	61,603	10,148	1,457	6,242	79,450
At 31 December 2014	31,151	3,984	2,784	1,890	39,809
At 31 December 2013	8,588	487	3,781	1,461	14,317

At 31 December 2015, 2014 and 2013, the Group's leasehold land and buildings were situated on land in Hong Kong.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building	2% or over the unexpired lease term, whichever is shorter
Leasehold improvements	20%
Motor vehicles	20%
Fixtures and office equipment	20%

The carrying amount of motor vehicles and equipment at 31 December 2015 of HK$516,800 (2014: HK$2,339,000; 2013: HK$3,954,000) were held under finance leases. The carrying amount of leasehold land and buildings at 31 December 2015 of HK$59,582,000 (2014: HK$30,507,000; 2013: HK$8,588,000) has been pledged to secure the banking facilities granted to the Group.

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2013 and 31 December 2013	87,000
Increase in fair value recognised in profit or loss	1,400
At 31 December 2014	88,400
Acquired through acquisition of subsidiaries	27,284
Transfer from property, plant and equipment	3,000
Decrease in fair value recognised in profit or loss	(2,108)
At 31 December 2015	116,576

The fair value of the Group's investment properties at 31 December 2015 was HK$116,576,000 (2014: HK$88,400,000; 2013: HK$87,000,000). During the year ended 31 December 2015, the Group acquired investment properties of HK$27,284,000, which resulted from acquisition of Luck Power (Hong Kong) Limited ("LPHK") and Luck Power Development Limited ("LPDL"). Major assets of LPHK and LPDL are leasehold land and buildings situated in Hong Kong and do not have any operation, which did not constitute a business combination in accordance with HKFRS 3 "Business combinations". As such, the acquisition has been accounted for as acquisition of assets and liabilities through acquisition of a subsidiary. In addition, the Group also transferred properties with carrying amount of HK$3,000,000, which approximates the fair value at the date of transfer from property, plant and equipment to investment properties during the current year.

The fair value has been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer which is not connected to the Group whose address is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The fair value of the investment properties were arrived by using direct comparison method based on market observable transactions of similar properties in the similar conditions and locations of the subject properties and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The resulting decrease in fair value of the investment properties of HK$2,108,000 has been recognised directly in profit or loss for the year ended 31 December 2015 (2014: increase in fair value of HK$1,400,000; 2013: nil).

The following table gives information about how the fair value of these investment properties are determined (in particular the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

Investment property held by the Group in the consolidated statements of financial position	Fair value *HK$'000*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
As at 31 December 2015					
Properties 1 – properties in Hong Kong	116,576	3	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property The key inputs are: 1) Property size 2) Property floor level	Price per square metre, using market direct comparables and taking into account of size adjustment and floor level adjustment of the property	1) The larger the size, the lower the per unit fair value 2) The higher the floor level, the higher the fair value.
As at 31 December 2014					
Property 1 – property in Hong Kong	88,400	3	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property The key inputs are: 1) Property size 2) Property floor level	Price per square metre, using market direct comparables and taking into account of size adjustment and floor level adjustment of the property	1) The larger the size, the lower the per unit fair value 2) The higher the floor level, the higher the fair value.
As at 31 December 2013					
Property 1 – property in Hong Kong	87,000	3	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property The key inputs are: 1) Property size 2) Property floor level	Price per square metre, using market direct comparables and taking into account of size adjustment and floor level adjustment of the property	1) The larger the size, the lower the per unit fair value 2) The higher the floor level, the higher the fair value.

The Group's investment properties with carrying amount of HK$113,336,000 at 31 December 2015 (2014: HK$88,400,000; 2013: HK$87,000,000) have been pledged to secure banking facilities granted to the Group. The investment properties shown above are situated on land in Hong Kong.

18. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movement during the year:

	Accelerated tax depreciation	Fair value changes of investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2013	1,149	8,103	9,252
Credit to profit or loss *(note 13)*	(672)	–	(672)
At 31 December 2013 and 2014	477	8,103	8,580
Charge to profit or loss *(note 13)*	41	–	41
At 31 December 2015	518	8,103	8,621

The Group has tax losses of HK$77,822,000 at 31 December 2015 (2014: HK$20,083,000 and 2013: HK$16,702,000), available for offset against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

19. TRADE AND OTHER RECEIVABLES

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Life insurance product			
– non-current portion *(Note a)*	16,907	–	–
Trade receivables	615,475	540,229	62,184
Less: Provision for discounts and rebates *(Note 8)*	(352,000)	–	–
	263,475	540,229	62,184
Deposits paid for purchase	133,179	105,657	21,626
Advances to a bulk exporter *(Note b)*	6,681	–	–
Other refundable deposit *(Note c)*	24,400	–	–
Interest receivables	2,160	–	–
Prepayments and others	2,291	5,357	3,132
	168,711	111,014	24,758
Total trade and other receivables	432,186	651,243	86,942

Notes:

(a) 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. Under the policy, the beneficiary and policy holder is HFG Trading and the total insured sum is US$6,000,000 (approximately HK$46,500,000), HFG Trading is required to pay an upfront deposit of US$2,586,000 (approximately HK$20,061,000) including a premium charge at inception of the policy amounting to US$500,000 (approximately HK$3,875,000). HFG Trading can terminate the policy at any time and receive cash based on the cash value of the policy at the date of withdrawal which is determined by the upfront deposit payment of US$2,586,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value"). In addition, if withdrawal is made between the 1st to 29th policy year, there is a specified percentage of surrender charge. At the inception date, the upfront payment is separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The insurance company will pay HFG Trading a guaranteed interest rate of 3.65% per annum on the outstanding Cash Value of the policy for the first year. Commencing on 2nd year, the guaranteed interest will become 1.8% per annum plus a premium determined by the insurance Company on an annual basis.

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 carrying amount of the life insurance product as at 31 December 2015 approximates the Cash Value of the insurance policy and the expected life of the policy remained unchanged from the initial recognition.

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

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

(c) 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 by instalments on a monthly basis until the end of 2016.

The Group generally grants credit periods ranging from 30 days to 365 days (2014 and 2013: 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 in wild ginseng and ginseng wine. 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 aged analysis of trade receivables (net of discounts and rebates) based on the invoice date, which approximates the respective revenue recognition dates at the end of each reporting period:

	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	72,254	297,393	47,533
31 to 90 days	18,897	19,010	14,310
91 to 180 days	17,907	38,669	341
Over 180 days	154,417	185,157	–
	263,475	540,229	62,184

The following is an aged analysis of trade receivables (net of discounts and rebates) which are past due but not impaired:

	2015	2014	2013
	HK$'000	*HK$'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; 2013: nil), which are past due at the reporting date but not assessed as individually impaired 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 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. No allowance for doubtful debts are recognised by the Group for the years ended 31 December 2015, 2014 and 2013.

Included in the trade and other receivables (net of discounts and rebates) are the following amounts denominated in currencies other than functional currencies of the relevant group companies.

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
RMB	243,772	249,741	42,998

20. INVENTORIES

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Cultivated ginseng	438,310	534,652	469,905
Wild ginseng	193,684	253,582	90,824
Ginseng wine	18,415	22,218	–
Others	7,027	3,111	2,989
	657,436	813,563	563,718

As at 31 December 2015, write down on inventories of HK$118,000,000 (2014 and 2013: nil) and HK$13,568,000 (2014 and 2013: nil) has been recognised for wild ginseng and ginseng wine respectively.

21. 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%; 2013: 0.01% to 0.1%).

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group.

As set out in note 2, 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 frozen by the Banks accounted for nearly 76% of the aggregate bank balances (excluding pledged bank deposits) as at 26 February 2016.

Included in pledged bank deposits and bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group companies.

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
USD	409	306	10,012
RMB	806,141	1,388,532	2,809
CAD	2,284	19	63

22. TRADE AND OTHER PAYABLES

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	157,844	316,874	296,108
Other payables			
– Customers' deposits received	–	250	58,509
– Accrued expenses	11,767	5,406	6,525
– Amount due to a bulk exporter *(note a)*	–	2,579	1,094
– Cash rebates from bank	–	35,170	–
– Rental deposit	527	320	320
– Freight charges	4,287	–	–
– Others	2,233	167	–
Total trade and other payables	176,658	360,766	362,556

Notes:

(a) Amount represents purchase deposits paid by a bulk exporter on behalf of the Group to other suppliers as at 31 December 2014. The amount was unsecured, interest-free and repayable on demand.

The Group normally receives credit terms of 90 days to 150 days from its suppliers. The following is an aged analysis of trade payables based on invoice date at the end of each reporting period:

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	137,673	310,972	290,319
31 to 90 days	3,978	3,023	5,786
91 to 180 days	10,556	2,879	–
Over 180 days	5,637	–	3
	157,844	316,874	296,108

Included in the trade and other payables are the following amounts denominated in currencies other than the functional currencies of the relevant group companies.

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
USD	2,154	6,247	44,765
CAD	139,250	301,165	243,854

23. OBLIGATIONS UNDER FINANCE LEASES

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Analysed for reporting purposes as:			
Current liabilities	126	1,100	1,331
Non-current liabilities	349	1,472	2,770
	475	2,572	4,101

The Group has leased certain motor vehicles and office equipment under finance leases. The lease terms range from 4 to 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from nil to 4.0% (2014: nil to 7.74%; 2013: nil to 10.01%) per annum as at 31 December 2015. These leases have purchase options upon expiring of the leases.

	Minimum lease payments			Present value of minimum lease payments		
	2015	2014	2013	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases						
Within one year	126	1,214	1,568	126	1,100	1,331
In more than one year but not more than two years	91	1,107	1,558	91	1,061	1,417
In more than two years but not more than five years	258	413	1,406	258	411	1,353
	475	2,734	4,532	475	2,572	4,101
Less: Future finance charges	–	(162)	(431)	–	–	–
Present value of lease obligations	475	2,572	4,101	475	2,572	4,101
Less: Amount due for settlement within 12 months (shown under current liabilities)				(126)	(1,100)	(1,331)
Amount due for settlement after 12 months				349	1,472	2,770

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

24. BANK BORROWINGS

	2015 *HK$'000*	2014 *HK$'000*	2013 *HK$'000*
Bank overdrafts – secured	1	–	9,158
Bank loans			
– Trust receipt loans	409,540	275,002	304,886
– Mortgage loans	37,327	17,472	12,845
– Revolving loans	944,000	1,333,100	15,000
– Other bank loans	50,000	20,497	19,828
	1,440,867	1,646,071	352,559
Secured borrowings	1,440,868	1,646,071	361,717
Carrying amount repayable within one year*	409,540	275,002	350,771
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	10,946
Less: Amounts due within one year shown under current liabilities	(1,440,868)	(1,646,071)	(361,717)
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 of 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	2013
Variable-rate loans	1.19% to 3.75%	1.22% to 4.39%	1.21% to 6%

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; 2013: HK$108,346,000) to secure general banking facilities granted to the Group (note 32). The banking facilities were also supported by corporate guarantee of group entities.

The banking facilities at 31 December 2013 and 2014 were also supported by corporate guarantee and/or personal guarantee and/or secured by certain assets owned by certain directors of the Company. And the banking facilities secured by assets owned by certain directors of the Company and guaranteed by certain directors of the Company were released in June 2014.

As set out in note 2, in February 2016, the Banks have demanded in writing that the Group should make immediate repayment of the amounts outstanding which included an aggregate amount of the principal amount of approximately HK$179 million and the interest so accrued as at 29 February 2016 or they may consider commencing legal proceedings against the Group. Up to the date these consolidated financial statements were authorised for issuance, the repayment terms of the loans from the Banks are still under negotiations.

The Group had unutilised available credit facilities of HK$1,179,801,000 as at 31 December 2015 (2014: HK$197,898,000). As set out in note 2, all the banks of the Group have stopped all the trade facilities granted to the Group as a result of breach of certain bank covenant in February 2016.

Included in the bank borrowings are the following amounts denominated in currencies other than functional currencies of the relevant group companies.

	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
US$	61,128	61,027	114,798
CAD	45,241	213,975	1,447

25. BONDS

	2015	**2014**	**2013**
	HK$'000	*HK$'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 bonds are classified as current liabilities taking into account the breach of the covenant (see note 2).

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

26. 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 and 2013: 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	2013
	US$'000	*US$'000*	*US$'000*
Sell US$/Buy CAD at rate from 1.3159 to 1.3386	84,000	–	–

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 and 2013: 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 (2014 and 2013: nil) with maturities in the first quarter of 2016 (2014 and 2013: nil).

27. SHARE CAPITAL

The Group

The share capital of the Group at 31 December 2013 represents the aggregate issued and paid up share capital of Hang Fat Group and issued nil-paid share capital of the Company.

The movement in share capital of the Company are as follows:

	Notes	Nominal value per share	Number of shares	Amount
		HK$	*'000*	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January 2013 and at 31 December 2013		0.01	1,000	10
Increase on 9 June 2014	*(a)*	0.01	4,999,000	49,990
At 31 December 2014 and 1 January 2015		0.01	5,000,000	50,000
Share sub-division and increase in authorised share capital	*(b)*	–	45,000,000	–
At 31 December 2015		0.001	50,000,000	50,000
Issued and fully paid:				
At 1 January 2013 and at 31 December 2013	*(c)*	0.01	1,000	–
Arising from group restructuring		–	–	10
Issue of new shares upon the global offering	*(d)*	0.01	500,000	5,000
Issue of shares by capitalisation of share premium account	*(e)*	0.01	1,499,000	14,990
At 31 December 2014 and 1 January 2015		0.01	2,000,000	20,000
Share sub-division	*(b)*	–	18,000,000	–
Exercise of share options *(note 28)*		0.001	16,200	16
At 31 December 2015		0.001	20,016,200	20,016

Notes:

(a) Pursuant to the written resolutions passed by the shareholders of the Company on 9 June 2014, the authorised share capital of the Company was increased from HK$10,000 to HK$50,000,000 by the creation of an additional 4,999,000,000 new shares of HK$0.01 each in the capital of the Company.

(b) On 26 May 2015, the Company had completed a capital reorganisation in which each of the existing issued and unissued shares of HK$0.01 each in the share capital of the Company has been subdivided into 10 subdivided shares of par value of HK$0.001 each. Following the effective date of the share sub-division, the authorised share capital of the Company becomes HK$50,000,000 representing 50,000,000 subdivided shares of HK$0.001 each, of which 20,000,000,000 subdivided shares are in issue and fully paid.

(c) Pursuant to the group restructuring, on 23 May 2014, the Company acquired entire issued share capital of Hang Fat Group in consideration of which the Company, as directed by the Common Shareholders (defined in note 1), credited as fully paid the 1,000,000 nil-paid shares of HK$0.01 each in aggregate of HK$10,000.

(d) On 27 June 2014, 500,000,000 ordinary shares of HK$0.01 each of the Company were issued at HK$1.98 per share by way of public offer upon Listing ("Global Offering").

(e) Pursuant to a resolution passed by all shareholders of the Company on 9 June 2014, conditional on the share premium account of the Company being credited as a result of the Global Offering, the directors of the Company were authorised to capitalise HK$14,990,000 standing to the credit of the share premium account of the Company by applying that sum in paying in full at par, 1,499,000,000 shares for allotment and issue to the holders of shares of the Company. As such, 1,499,000,000 shares were issued and credited as fully paid on 27 June 2014.

The share issued rank pari passu with other shares in issue in all respects.

28. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 9 June 2014 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to third parties for settlement in respect of goods or services provided to the Group.

At 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,106,800,000 (2014 and 2013: Nil), representing 5.5% (2014 and 2013: Nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options may be exercised at any time from the date of grant of the share option to the 10 anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the year ended 31 December 2015, options were granted at an exercise price of HK$1.88 on 6 January 2015 and HK$0.59 on 2 October 2015. The estimated fair value of the options granted on these date were HK$74,753,000 and HK$188,000 respectively. On 26 May 2015, the exercise price for options granted on 6 January 2015 was adjusted downwards from HK$1.88 to HK$0.188 per share with effect from 26 May 2015 as a result of share sub-division and the total number of share options was adjusted upwards from 112,100,000 to 1,121,000,000.

The following table discloses movements of the Company's share options held by directors and its associates, employees and consultants during the period:

Type of participates	Date of grant	Exercisable period	Adjusted exercise price	Outstanding at 1.1.2015	Granted during the year	Adjustment on share subdivision	Exerciser during the year	Outstanding at 31.12.2015
Directors and its associates	6.1.2015	6.1.2015 to 5.1.2018	HK$0.188	–	7,333,333	65,999,997	–	73,333,330
	6.1.2015	6.1.2016 to 5.1.2018	HK$0.188	–	1,333,333	11,999,997	–	13,333,330
	6.1.2015	6.1.2017 to 5.1.2018	HK$0.188	–	1,333,334	12,000,006	–	13,333,340
Employees	6.1.2015	6.1.2015 to 5.1.2018	HK$0.188	–	1,620,000	14,580,000	(14,200,000)	2,000,000
	6.1.2015	6.1.2016 to 5.1.2018	HK$0.188	–	240,000	2,160,000	–	2,400,000
	6.1.2015	6.1.2017 to 5.1.2018	HK$0.188	–	240,000	2,160,000	–	2,400,000
Consultants	6.1.2015	6.1.2015 to 5.1.2018	HK$0.188	–	100,000,000	900,000,000	–	1,000,000,000
Service provider	2.10.2015	2.10.2015 to 1.10.2016	HK$0.59	–	2,000,000	–	(2,000,000)	–
				–	114,100,000	1,008,900,000	(16,200,000)	1,106,800,000

The 4,000,000 and 720,000 share options (before share sub-division) granted to associates (who are employee of the Group) and other employees of the Group, respectively, are vested on three lots on 6 January 2015, 2016 and 2017. Other share options are vested immediately at grant date.

The closing price of the Company's share immediately before 6 January 2015 and 2 October 2015, the dates of grant, were HK$1.86 and HK$0.58 respectively.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	6 January 2015	2 October 2105
Share price on grant date	HK$1.88 (before share sub-division)	HK$0.59
Exercise price	HK$1.88 (before share sub-division)	HK$0.59
Expected volatility	58.69%	41.39%
Expected life	3 years	1 year
Risk-free rate	0.92%	0.08%
Expected dividend yield	1.70%	0.88%
Early exercise multiple		
– Directors:	N/A	N/A
– Employees, consultants and service provider	2.2X	2.2X

Expected volatility was determined by using the historical volatility of the Company's share prices over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

In the opinion of directors of the Company, the fair value of services provided by consultants and a service provider cannot be measured reliably and therefore measured based on the fair value of share options granted.

The Group recognised the total expense of HK$72,494,000 for the year ended 31 December 2015 (2014 and 2013: nil) in relation to share options granted by the Company of which HK$66,495,000 is recorded as consultancy service fee where HK$5,999,000 is recorded as administrative expense.

29. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Leasehold land and buildings			
Within one year	4,052	2,027	983
In the second to fifth years inclusive	3,580	1,379	657
	7,632	3,406	1,640

Operating lease payments represent rentals payable by the Group for the office premises and office equipment. Leases are negotiated for an average term of three years and rentals are fixed.

The above operating lease commitment includes commitment with related companies amounting to HK$372,000 (2014: HK$930,000; 2013: nil) which falls due within one year, and a commitment for future minimum lease payments under non-cancellable operating lease jointly signed by the Group and a related company which falls due as follow:

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Leasehold land and buildings			
Within one year	1,968	–	11
In the second to fifth years inclusive	2,788	–	34
	4,756	–	45

Details of arrangement with related company are set out in note 33(i)(c) and on 17 February 2016, the Group and Hang Fat Capital Limited ("HFC") entered into a modification to the supplementary agreement of which the Group will no longer use the aforesaid premise and HFC would occupy the entire premise and bear all the related cost with effect from 1 March 2016.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Within one year	2,858	467	1,920
In the second to fifth years inclusive	8,149	–	480
	11,007	467	2,400

Operating lease income represents rental income receivable by the Group for the investment properties. Lease is negotiated for a term of two years and rentals are fixed.

30. CAPITAL COMMITMENTS

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	1,555	57,380	16,211

31. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,250 per month prior to June 2014 and revised to HK$1,500 per month for each employee thereafter.

32. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure the banking facilities granted to the Group.

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Investment properties	113,336	88,400	87,000
Property, plant and equipment	59,582	30,507	8,588
Deposit placed for a life insurance policy	16,907	–	–
Pledged bank deposits	954,471	1,417,950	12,758
	1,144,296	1,536,857	108,346

33. RELATED PARTY TRANSACTIONS/AMOUNT DUE FROM A DIRECTOR

(i) Related party transactions

(a) During the year, other than those transactions with related parties disclosed in respective notes, the Group had paid rental expense to related companies, which are under common control of Mr. Yeung Wing Yan and Mr. Yeung Wing Kong.

	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Rental expense paid	1,116	186	–

(b) The remuneration of the directors and members of key management during the year is disclosed in note 12.

(c) On 1 June 2015, the Group together with a related company, HFC, entered into a lease agreement with an independent third party for rent of an office premise at a monthly rental of HK$328,000 for the period from 1 June 2015 to 31 May 2018. HFC is under control of Mr. Yeung Wing Yan. Pursuant to a supplementary agreement signed between the Group and HFC, the usage of the office premises and related expense will be equally shared between the two parties.

(ii) Amount due from a director

Amount due from a director represents current account with a director:

	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Yeung Wing Yan	–	–	197,187

Maximum amount outstanding during the year:

Name of director	**2015**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Yeung Wing Yan	–	197,187	220,616

The amount is unsecured, interest-free and without fixed repayment terms.

34. MAJOR NON-CASH TRANSACTIONS

(a) On 21 May 2014, Hang Fat Group declared a dividend of HK$210,000,000 to its then equity owners. The dividend is satisfied by way of current amount with a director.

(b) During the year ended 31 December 2014, an amount of HK$1,128,000 sales proceed from disposal of property plant and equipment is used for settlement of obligations under finance lease.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 31 December 2015, 2014 and 2013, the details of the Group's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid share capital			Proportion of ownership interest held by the Company			Principal activities
		2015	2014	2013	2015	2014	2013	
Flying Century Limited	Hong Kong	HK$10	HK$10	HK$10	100%	100%	100%	Property and other assets holding
Fortune Gaining Limited	Hong Kong	HK$1,000,000	HK$1,000,000	HK$10,000	100%	100%	100%	Property holding and leasing
Fortune Topping Limited	Hong Kong	HK$10,000	HK$10,000	–	100%	100%	–	Property holding
Hang Fat Holdings Limited	Hong Kong	HK$10,000	HK$10,000	HK$10,000	100%	100%	100%	Administration of the Group
Hang Fat Ginseng (2014) Limited	Hong Kong	HK$10,000	HK$10,000	–	100%	100%	–	Trading of ginseng and dried food
Hang Fat Ginseng (2015) Limited	Hong Kong	HK$10,000	HK$10,000	–	100%	100%	–	Trading of ginseng and dried food
Hang Fat Ginseng Company Limited	Hong Kong	HK$10,000	HK$10,000	HK$10,000	100%	100%	100%	Trading of ginseng and dried food
Hang Fat Ginseng (Hong Kong) Company Limited	Hong Kong	HK$10,000	HK$10,000	–	100%	100%	–	Provision of financing services for the Group
Hang Fat Ginseng Hong Limited	Hong Kong	HK$5,000,000	HK$5,000,000	HK$5,000,000	100%	100%	100%	Souring, wholesaling and retailing of American Ginseng and other product
Hang Fat Ginseng Importer (2013) Limited	Hong Kong	HK$10,000	HK$10,000	HK$10,000	100%	100%	100%	Retailing and wholesaling of American Ginseng and other product
Hang Fat Ginseng Importer Limited	Hong Kong	HK$10,000	HK$10,000	HK$10,000	100%	100%	100%	Retailing and wholesaling of American Ginseng and other product
Hang Fat Ginseng (Retail) Limited	Hong Kong	HK$10,000	HK$10,000	HK$10,000	100%	100%	100%	Trading of ginseng and dried food
Hang Fat Ginseng Trading Company Limited	Hong Kong	HK$10,000	HK$10,000	HK$10,000	100%	100%	100%	Trading of ginseng and dried food
Hang Fat Importer Limited	Hong Kong	HK$10,000	HK$10,000	HK$10,000	100%	100%	100%	Retailing and wholesaling of American Ginseng and Other Product
Long Xi Group Company Limited	Hong Kong	HK$10,000	HK$10,000	HK$10,000	100%	100%	100%	Processing and sale of ginseng related product

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Investment in subsidiaries *(note a)*	586,201	979,255	–
Current assets			
Other receivables	3,461	671	–
Amounts due from subsidiaries *(note b)*	–	17,910	–
Bank balances and cash	32,511	331	7
	35,972	18,912	7
Current liabilities			
Other payables	4,295	1,258	–
Amount due to a subsidiary	–	1,228	208
Bonds	123,746	–	–
	128,041	2,486	208
Net current assets (liabilities)	(92,069)	16,426	(201)
Net asset (liabilities)	494,132	995,681	(201)
Capital and reserves			
Share capital	20,016	20,000	–
Reserves	474,116	975,681	(201)
	494,132	995,681	(201)

Notes:

a) The investment in subsidiaries included investment cost in an unlisted subsidiary of HK$1,000 and deemed contribution to subsidiaries amounting to HK$979,254,000 in 2014.

b) The amounts due from subsidiaries are unsecured, interest free and expected to be realised within one year from the end of the reporting period.

Movement of reserves:

	Share premium HK$'000	Share options reserve HK$'000	Accumulated profits (loss) HK$'000	Attributable to owners of the Company HK$'000
At 1 January 2013	–	–	–	–
Loss and total comprehensive expense for the year	–	–	(201)	(201)
At 31 December 2013	–	–	(201)	(201)
Profit and total comprehensive income for the year	–	–	144,355	144,355
Issue of shares by capitalisation of share premium account *(Note 27e)*	(14,990)	–	–	(14,990)
Issue of new shares *(Note 27d)*	985,000	–	–	985,000
Expense incurred in connection of new shares	(38,483)	–	–	(38,483)
Dividend paid	–	–	(100,000)	(100,000)
At 31 December 2014	931,527	–	44,154	975,681
Loss and total comprehensive expense for the year	–	–	(357,892)	(357,892)
Recognition of equity-settled share-based payments	–	72,494	–	72,494
Exercise of share options	4,966	(1,133)	–	3,833
Dividends paid	–	–	(220,000)	(220,000)
At 31 December 2015	936,493	71,361	(533,738)	474,116

37. SUBSEQUENT EVENTS

(a) 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.

(b) 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 ordinary 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.

3. INDEBTEDNESS

As at 29 February 2016, the Group had outstanding indebtedness with a total outstanding principal amount of approximately HK$927.6 million. The outstanding indebtedness comprised (i) secured and guaranteed bank borrowings of approximately HK$605 million and secured and unguaranteed bank borrowings of approximately HK$190 million; (ii) unsecured and unguaranteed 6% unlisted bonds with principal amount of approximately HK$132.2 million; and (iii) obligation under finance lease of approximately HK$0.4 million was unguaranteed and secured by the lessors' charge over leased assets. The aforesaid secured bank borrowings of HK$605 million in total were guaranteed by the Company and entities within the Group and secured bank borrowings of approximately HK795 million were secured by certain properties, life insurance product and bank deposits of the Group as at the close of business on 29 February 2016.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and accruals in the ordinary course of business, at the close of business on 29 February 2016, the Group did not have other outstanding debt securities, mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

Save for (i) the Subscription which will enhance the net assets and liquidity position of the Group; and (ii) the incoming of the Subscriber as the new controlling Shareholder; the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

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. In accordance with the Listing Rules, the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular (other than information relating to the Subscriber) 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 in this circular or this circular misleading.

In accordance with the Takeovers Code, the Directors jointly and severally accept full responsibility for the accuracy of the information in this circular (other than information relating to the Subscriber) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than opinions expressed by the Subscriber) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Subscriber, namely Mr. George Lu, accepts full responsibility for the accuracy of the information relating to the Subscriber contained in this circular and confirms having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by the Subscriber in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

2. SHARE CAPITAL

(a) The authorised share capital of the Company as at the Latest Practicable Date was HK$50,000,000 divided into 50,000,000,000 Shares of HK$0.001 each.

(b) The issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Subscription Shares but before the allotment and issue of the Placing Shares; (iii) immediately after the allotment and issue of the Placing Shares (assuming the Placing is completed in full) but before the allotment and issue of the Subscription Shares; and (iv) immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full) are as follows:

Authorised share capital		**Nominal value**
		HK$
50,000,000,000	Shares	50,000,000

Issued share capital as at the Latest Practicable Date:

20,016,200,000	Shares	20,016,200

Enlarged issued share capital of the Company immediately after the allotment and issue of the Subscription Shares but before the allotment and issue of the Placing Shares

51,216,200,000	Shares	51,216,200

Enlarged issued share capital of the Company immediately after the allotment and issue of the Placing Shares (assuming the Placing is completed in full) but before the allotment and issue of the Subscription Shares

28,816,200,000	Shares	28,816,200

Enlarged issued share capital of the Company immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full)

60,016,200,000	Shares	60,016,200

(c) The Subscription Shares and the Placing Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the Shares then in issue as regards voting, dividends, distributions and return of capital. The Company has not issued any Shares since 31 December 2015, being the date of the latest published audited accounts of the Group.

The Shares are listed and traded on the Stock Exchange. None of the Shares is listed, or dealt in, on any other stock exchange, nor is any listing or permission to deal in the Shares being, or proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, the Company has 1,106,800,000 outstanding share options (the "**Share Options**") granted under the share option scheme of the Company adopted by a resolution in writing passed by all Shareholders on 9 June 2014. The Company has no other shares, options, warrants, derivatives or other securities that carry a right to subscribe for or which are convertible into Shares.

3. DISCLOSURE OF INTERESTS

3.1 Directors' interests and short positions in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and 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 of the SFO) which were required: (a) 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 they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

Long position in Shares

Name of Director	Capacity/ Nature of interest	Number of shares	Percentage of shareholding[2]
Mr. Yeung Wing Yan	Interest in controlled corporation	2,563,450,000 Shares (L)[3]	12.81%
	Beneficial owner	45,000,000 Shares (L)[4]	0.22%
Mr. Yeung Wing Kong	Interest in controlled corporation	182,790,000 Shares (L)[5]	0.91%
	Beneficial owner	20,000,000 Shares (L)[6]	0.10%
Ms. Fu Fung Sau	Beneficial owner	210,000,000 Shares (L)	1.05%
	Beneficial owner	20,000,000 Shares (L)[7]	0.10%

Notes:

1. The letter 'L' denotes the person's long position in the Shares.

2. The total number of issued Shares was 20,016,200,000 as at the Latest Practicable Date.

3. Of these 2,563,450,000 Shares, 2,076,450,000 Shares were held by Cervera Holdings Limited. ("**Cervera**") and 487,000,000 Shares were held by Athena Power Limited ("**Athena Power**"). Cervera was owned as to 63% by Mr. Yeung Wing Yan, 30% by Mr. Yeung Wing Kong and 7% by Ms. Fu Fung Sau. Athena Power was wholly owned by Mr. Yeung Wing Yan.

4. These 45,000,000 Shares consisted of 20,000,000 Share Options granted to Mr. Yeung Wing Yan on 6 January 2015.

5. 182,790,000 Shares were held by Dragon Jump Global Limited, which was wholly owned by Mr. Yeung Wing Kong.

6. These are Share Options granted to Mr. Yeung Wing Kong on 6 January 2015.

7. These are Share Options granted to Ms. Fu Fung Sau on 6 January 2015.

Short position in Shares

Name of Director	Capacity/ Nature of interest	Number of shares	Percentage of shareholding[1]
Mr. Yeung Wing Yan	Interest in controlled corporation	2,540,000,000[2]	12.69%

Notes:

1. The total number of issued Shares was 20,016,200,000 as at the Latest Practicable Date.

2. Cervera was owned as to 63% by Mr. Yeung Wing Yan, 30% by Mr. Yeung Wing Kong and 7% by Ms. Fu Fung Sau. Cervera was interested in 320,000,000.00 Shares in short position pursuant to terms in an warrant agreement (the "**Warrant Agreement**") entered into between Cerevra and Sea Venture Investments Limited ("**SVIL**") on 17 July 2015. Pursuant to the Warrant Agreement, Cervera has agreed to issue secured and guaranteed notes in an aggregate principal amount up to HK$224,000,000 (the "**Notes**") and the SVIL has agreed to subscribe for the Notes. In consideration of the Investor agreeing to subscribe for the Notes, Cervera has agreed to issue warrants (the "**Warrants**") to SVIL, entitling SVIL to acquire Shares held by Cervera representing a maximum value of HK$224,000,000 at any time within 24 months from the date of the issue of the Warrants. Cervera was interested 2,220,000,000 Shares in short position pursuant to option agreements (the "**Option Agreements**") entered into between Cervera and individual investors (the "**Option Investors**"). Pursuant to the Option Agreements, Cervera has granted options to the Option Investors to acquire in aggregate 2,220,000,000 Shares held by Cervera.

Save as disclosed in this paragraph 3.1 of this Appendix, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required: (a) 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 they were deemed or taken to have under provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

As at the Latest Practicable Date, save as disclosed in the notes to paragraph 3.2 of this Appendix below, none of the Directors was a director or employee of a company which had any interest or short position in the Shares and 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.

3.2 Substantial shareholders' interests and short positions in shares and underlying shares

As at the Latest Practicable Date, so far as any Directors are aware, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered into the register to be kept by the Company pursuant to section 336 of the SFO:

Long position in Shares

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Percentage of shareholding[2]
Ms. Wong Mei Kuen Joan[3]	Interest of spouse	2,608,450,000 (L)	12.81%
Cervera Holdings Limited[4]	Beneficial owner	2,076,450,000 (L)	10.38%
Central Huijin Investment Ltd	Interest in controlled corporation	1,870,000,000 (L)[5]	9.34%
China Construction Bank Corporation	Interest in controlled corporation	1,870,000,000 (L)[5]	9.34%
Wang Jian	Beneficial owner	3,882,850,000 (L)[6]	19.4%
Super Generation Group Ltd.	Beneficial owner	31,200,000,000 (L)[7]	155.87%
Lu George	Interest in controlled corporation	31,200,000,000 (L)[7]	155.87%

Notes:

1. The letter 'L' denotes the corporation/person's long position in the Shares.

2. The total number of issued Shares was 20,016,200,000 as at the Latest Practicable Date.

3. Ms. Wong Mei Kuen Joan is the wife of Mr. Yeung Wing Yan. Accordingly, they are interested in each other's interest in Shares.

4. Cervera is directly held as to 63%, 30% and 7% by Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau, respectively.

5. Pursuant to the relevant shareholding disclosure notices we downloaded on the Latest Practicable Date from the website of the Stock Exchange, China Construction Bank Corporation is a corporation controlled by Central Huijin Investment Ltd.

6. Pursuant to the relevant shareholding disclosure notices downloaded on the Latest Practicable Date from the website of the Stock Exchange, these Shares were held by Wang Jian.

7. Super Generation Group Ltd. and Mr. George Lu are interested in the Subscription Shares pursuant to the Subscription Agreement. Super Generation Group Ltd. is wholly owned by Mr. George Lu.

Short position in Shares

Name of Shareholder	Capacity/ Nature of interest	Number of shares	Percentage of shareholding[1]
Ms. Wong Mei Kuen Joan[3]	Interest of spouse	2,540,000,000 (S)[4]	12.69%
Cervera Holdings Limited	Beneficial owner	2,540,000,000 (S)[4]	12.69%

Notes:

1. The total number of issued Shares was 20,016,200,000 as at the Latest Practicable Date.

2. The Letter "S" denotes the corporation/person's short position in the Shares.

3. Ms. Wong Mei Kuen Joan is the wife of Mr. Yeung Wing Yan. Accordingly, they are interested in each other's interest in Shares.

4. Cervera was owned as to 63% by Mr. Yeung Wing Yan, 30% by Mr. Yeung Wing Kong and 7% by Ms. Fu Fung Sau. Cervera was interested in (i) 320,000,000.00 Shares in short position pursuant to terms in the Warrant Agreement; and (ii) 2,220,000,000 Shares in short position pursuant to the Option Agreements. Details of which please refer to the section headed "Short position in Shares" in paragraph 3.1 above in this circular.

As at the Latest Practicable Date, so far as any Directors are aware, the following persons or entities (other than Directors or chief executives of the Company) were interested in 10% or more of 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 of member of the Group	Capacity/ Nature of interest	No. of Shares	Approximate percentage of interest held[1]
Wang Jian	Beneficial owner	3,882,850,000 (L)[3]	19.40%

Notes:

1. The total number of issued Shares was 20,016,200,000 as at the Latest Practicable Date.

2. The Letter "L" denotes the corporation/person's long position is the Shares.

3. Pursuant to the relevant shareholding disclosure notices downloaded on the Latest Practicable Date from the website of the Stock Exchange, these Shares were held by Mr. Wang Jian.

Save as disclosed in this paragraph 3.2 of this Appendix, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered into the register to be kept by the Company pursuant to section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. MARKET PRICES

The table below shows the closing price of the Shares as recorded on the Stock Exchange (i) during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	**Closing price per Share** *HK$*
31 August 2015	0.610
30 September 2015	0.580
30 October 2015	0.570
30 November 2015	0.600
31 December 2015	0.700
29 January 2016 (trading in Shares was suspended)	N/A
12 February 2016	0.074
19 February 2016 (being the Last Trading Day)	0.067
29 February 2016	0.048
31 March 2016	0.049
15 April 2016 (being the Latest Practicable Date)	0.051

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period between the Relevant Period were HK$0.830 per Share on 17 August 2015 and HK$0.034 per Share on 28 January 2016 respectively.

5. OTHER ARRANGEMENTS

As at the Latest Practicable Date, the Subscriber has confirmed that neither it nor any persons acting in concert with it:

(a) save as pursuant to the Subscription Agreement, has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the Relevant Period;

(b) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares, or has entered into any outstanding derivative in respect of securities in the Company; and

(c) has any agreements or arrangements to which the Subscriber (or any person acting in concert with it) is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable).

6. ADDITIONAL DISCLOSURE OF INTERESTS

6.1 Disclosure of interests under Schedule I to the Takeovers Code

As at the Latest Practicable Date, save for the Subscription, the Subscriber has confirmed that neither the Subscriber nor party acting in concert with it (including Mr. Lu):

(a) holds, owns, controls or has direction over any outstanding shares, options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or holds any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; Company;

(b) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Subscription and/or the Whitewash Waiver, with any other persons;

(d) has any agreement or arrangement or understanding with any of the Directors, recent directors of the Company, Shareholders or recent shareholders of the Company having any connection with or dependence upon the Subscription or the Whitewash Waiver;

(e) has any agreement or arrangement in which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver (save as the conditions precedent to the Subscription);

(f) has received any irrevocable commitment from anyone to vote for the Subscription and/or the Whitewash Waiver; and

(g) has dealt in Shares, outstanding options, derivatives or other securities convertible or exchangeable into Shares, during the Relevant Period.

6.2 Disclosures of interest under Schedule II to the Takeovers Code

As at the Latest Practicable Date:

(a) save as disclosed in the section headed "Disclosure of Interests" in this Appendix, none of the Directors were interested in any Shares, convertible securities, warrants, options or derivatives of the Company;

(b) neither the Company nor the Directors were interested in any shares, convertible securities, warrants, options or derivatives of the Subscriber;

(c) no subsidiary of the Company, nor any pension fund of the Group, nor any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code, owns or controls any Shares, convertible securities, warrants, options or derivatives of the Company;

(d) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

(e) neither the Company nor the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company;

(f) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code has been entered into between the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code, and any other person;

(g) no benefit had been given or will be given to any Director as compensation for loss of office or otherwise in connection with the Subscription and/or the Whitewash Waiver;

(h) there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Subscription and/or the Whitewash Waiver or otherwise connected therewith; and

(i) there was no material contract entered into by the Subscriber in which any Director had a material personal interest.

Since Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau were involved in the discussion on the terms in the Subscription Agreement, they and the companies controlled by Mr. Yeung Wing Yan and Mr. Yeung Wing Kong, namely, Cervera Holdings Limited, Athena Power Limited and Dragon Jump Global Limited, will be required to abstain from voting on the relevant resolution(s).

7. DEALINGS IN SECURITIES

7.1 Disclosure of dealings under Schedule II to the Takeovers Code

(a) During the Relevant Period, the Company has not dealt for value in the shares, convertible securities, warrants, options or derivatives of the Subscriber;

(b) Since the Relevant Date and up to and including the Latest Practicable Date, no subsidiary of the Company, nor any pension fund of the Group, nor any adviser to the Company as specified in class (2) of the definition of "associate" under the Code (but excluding exempt principal traders), has dealt for value in the Shares, convertible securities, warrants, options or derivatives of the Company;

(c) Since the Relevant Date and up to and including the Latest Practicable Date, no person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Code has dealt for value in the Shares, convertible securities, warrants, options or derivatives of the Company;

(d) Since the Relevant Date and up to and including the Latest Practicable Date, no fund manager (other than an exempt fund manager) connected with the Company and managing funds on a discretionary basis has dealt for value in the Shares, convertible securities, warrants, options or derivatives of the Company; and

(e) During the Relevant Period, save as disclosed in the table set out below, none of the Directors has dealt for value in the shares, convertible securities, warrants, options or derivatives of the Company or the Subscriber:

Name of Director/corporation controlled by Director(s)	**Aggregate number of Shares purchased during the Relevant Period**	**Aggregate number of Shares sold during the Relevant Period**
Cervera Holdings Limited[1]	196,610,000	9,760,160,000
Athena Power Limited[2]	527,470,000	1,930,470,000
Dragon Jump Global Limited[3]	0	717,210,000
Ace Fame Management Limited[4]	0	210,000,000
Mr. Yeung Wing Yan[5]	25,000,000	0
Ms. Fu Fung Sau[6]	210,000,000	0

Notes:

1. Cervera is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. Cervera is directly held as to 63%, 30% and 7% by Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau, our Directors, respectively.

2. Athena Power is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. Athena Power Limited is directly wholly owned by Mr. Yeung Wing Yan, our Director.

3. Dragon Jump Global Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. Dragon Jump Global Limited is directly wholly owned by Mr. Yeung Wing Kong, our Director.

4. Ace Fame Management Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. Ace Fame Management Limited is directly wholly owned by Ms. Fu Fung Sau.

5. Mr. Yeung Wing Yan is our Director.

6. Ms. Fu Fung Sau is our Director.

8. DIRECTORS' SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group or associated companies (i) which is not determinable by the Company within 12 months without payment of compensation, other than statutory compensation; (ii) which (including both continuous and fixed term contracts) had been entered into or amended within six months before the Relevant Date; (iii) which were continuous contracts with a notice period of 12 months or more; or (iv) which were fixed term contracts with more than 12 months to run irrespective of the notice period:

Name of Director	Term of service contract/ appointment	Amount of remuneration
Mr. Yeung Wing Yan	3 years, commencing from 9 June 2014	HK$4,800,000 per annum with a discretionary bonus[1]
Mr. Yeung Wing Kong	3 years, commencing from 9 June 2014	HK$2,200,000 per annum with a discretionary bonus[1]
Ms. Fu Fung Sau	3 years, commencing from 9 June 2014	HK$1,320,000 per annum with a discretionary bonus[1]
Mr. Wong Senta	2 years, commencing from 9 June 2014	HK$176,000 per annum
Mr. Wu Wai Leung Danny	2 years, commencing from 29 February 2016	HK$176,000 per annum
Mr. Yuen Chee Lap Carl	2 years, commencing from 29 February 2016	HK$176,000 per annum

Note:

1. Pursuant to the service contracts entered into between the Company and each of Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau, each of Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau is entitled to, in addition to an annual remuneration, a discretionary bonus. The discretionary bonus in each financial year to all executive Directors shall not exceed 15% of the audited consolidated net profit attributable to the equity holders of the Company of the relevant financial year.

9. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest (direct or indirect) in any asset which had been since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

10. DIRECTORS' INTEREST IN CONTRACTS AND ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

11. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses that competed or was likely to compete, whether directly or indirectly, with the business of the Remaining Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

12. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business of the Group carried on or intended to be carried on by the Group) were entered into by members of the Group within two years immediately preceding the Relevant Date and up to the Latest Practicable Date and are or may be material:

(a) a subscription agreement entered into between the Company and CMB International Capital Limited dated 21 April 2015 in respect of issuing the Bonds, of which the issue price is 100% of the aggregate principal amount of the Bonds, totaling HK$132,200,000, and the interest rate is 6.0% per annum, payable semi-annually. The Bonds are subject to the term of redemption for change of control with respect to the Company, under which 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. In addition, the Bonds may become immediately due and payable at their principal amount, together with accrued interest on the occurrence of certain events of default such as non-payment, breach of certain obligations owed by the Company, cross-default, winding-up and others;

(b) a placing agreement 21 February 2016 entered into between the Company and Qian Hai Securities Limited in relation to a conditional placing on a best effort basis of up to 8,800,000,000 Shares at the placing price of HK$0.01 per Share; and

(c) a subscription agreement dated 21 February 2016 entered into between the Company and Super Generation Group Ltd. In relation to the subscription of a total of 31,200,000,000 new Shares at the subscription price of HK$0.01 per Share.

13. LITIGATION

As at the Latest Practicable Date, save as disclosed in the section headed "Current Development" on pages 22 to 23 of this circular, neither the Company nor any member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

14. EXPERT AND CONSENT

The following are the qualifications of the professional expert who has given opinion or advice, which is contained in this circular:

Name	Qualification
CLC International Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its name and logo in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert had no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor does it have any interest (whether direct or indirect) in any assets which have been, since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of or leased to any member of the Group or are proposed to be acquired, disposed of or leased to any member of the Group.

15. GENERAL

(a) Reference is made to the announcement of the Company dated 29 February 2016.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Island and the Head office and principal place of business in Hong Kong is at G/F, Nam Pak Hong Commercial Centre, 44 Bonham Strand West, Hong Kong.

(c) The Company's principal share registrar and transfer office of the Company is Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

(e) The registered address of the Subscriber is Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

(f) The address of Mr. Lu is House 2, No. 56 Repulse Bay Road, Hong Kong.

(g) The registered address of the IFA is at 13/F, Nan Fung Tower, 88 Connaught Road C, Central Hong Kong.

(h) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

16. DOCUMENTS AVAILABLE FOR PUBLIC INSPECTION

Copies of the following documents are available for inspection from 9:00 am to 5:00 pm on any weekday other than public holidays, up to and including the date of the EGM at the principal place of business of the Company at G/F, Nam Pak Hong Commercial Centre, 44 Bonham Strand West, Hong Kong:

(a) the memorandum and articles of association of the Company, as amended from time to time;

(b) the audited consolidated accounts of the Company for each of the three financial years ended 31 December 2015, respectively;

(c) the "Letter from the Board", the text of which is set out in this circular;

(d) the "Letter from the IBC", the text of which is set out in this circular;

(e) the "Letter from the IFA", the text of which is set out in this circular;

(f) the written consents referred to in the paragraph headed "Expert and Consent" in this Appendix;

(g) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(h) the service contracts referred to under the paragraph headed "8. DIRECTORS' SERVICE CONTRACTS" in this Appendix; and

(i) this circular.

The documents above will be available on the website of the SFC at www.sfc.hk and the Company's website at www.hangfatg.com from the date of this circular up to and including the date of the EGM.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Hang Fat Ginseng Holdings Company Limited (the "**Company**") will be held at 1804, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 6 May 2016, at 10:00 a.m. for the purpose of considering and, if thought fit, passing each of the following resolutions, with or without amendments, as an ordinary resolution of the Company. Capitalised terms used herein without definition shall have the same meanings as in the circular issued by the Company on 18 April 2016 (the "**Circular**"), unless the context otherwise requires:

ORDINARY RESOLUTIONS

1. "**THAT** the authorised share capital of the Company be increased from HK$50,000,000 divided into 50,000,000,000 shares of par value HK$0.001 each (the "**Shares**") to HK$200,000,000 divided into 200,000,000,000 Shares with effect from the date of passing this resolution by the creation of an additional 150,000,000,000 new Shares and any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effect to the transactions contemplated under this resolution."

2. "**THAT**

   (a) subject to the fulfilment of the terms and conditions set out in the subscription agreement (the "**Subscription Agreement**") dated 21 February 2016 (a copy of the Subscription Agreement has been produced to this meeting marked "A" and initialed by the Chairman for the purpose of identification), and entered into between the Company and Super Generation Group Ltd. (the "**Subscriber**"), in relation to the subscription of 31,200,000,000 new shares (the "**Subscription Shares**") in the Company at the subscription price of HK$0.01 per Subscription Share by the Subscriber, the Subscription Agreement, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) subject to the fulfilment of the conditions of the Subscription Agreement, any one director of the Company ("**Director(s)**") be and is hereby authorized to exercise all the powers of the Company and to take all steps as might in his opinion be desirable or necessary in connection with the Subscription Agreement, including but without limitation, to allot and issue the Subscription Shares to the Subscriber in accordance with and subject to the terms and conditions of the Subscription Agreement; and

(c) any Director be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company ("**Secretary**")) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement or any transactions contemplated thereunder, the implementation of the Whitewash Waiver, and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

3. "**THAT** subject to the passing of the ordinary resolution no. 2 above, and subject to the granting of the Whitewash Waiver by the Executive and any conditions that may be imposed thereon, the wavier of the obligation on the part of the Subscriber and parties acting in concert with it to make a mandatory general offer to shareholders of the Company for all the issued shares of the Company not already owned or agreed to be acquired by them which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code be and is hereby approved."

4. "**THAT**

(a) the placing agreement dated 21 February 2016 (the "**Placing Agreement**") entered into between the Company as issuer and Qian Hai Securities Limited as the placing agent (the "**Placing Agent**") in connection with the allotment and issue by way of private placement through the Placing Agent, on a best effort basis, a maximum of 8,800,000,000 new ordinary shares (the "**Placing Shares**") of HK$0.01 each in the share capital of the Company (a copy of which has been produced to the EGM marked "B" and signed by the chairman of the EGM for the purpose of identification) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the Directors be and are hereby specifically authorised to allot and issue the Placing Shares in accordance with the terms of the Placing Agreement; and

(c) any one Director be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be in his discretion consider necessary, desirable or expedient to give effect to the Placing Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Placing Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Placing Agreement."

Yours faithfully
By order of the Board
Hang Fat Ginseng Holdings Company Limited
Yeung Wing Yan
Chairman & Chief Executive Officer

Hong Kong, 18 April 2016

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

Principal Place of Business in Hong Kong:
Ground Floor
Nam Pak Hong Commercial Centre
44 Bonham Strand West
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting or any adjourned meeting thereof convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, the proxy form together with any 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 Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Completion and return of the proxy form shall not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. For determining the entitlement to attend and vote at the meeting convened by the above notice, the register of members of the Company will be closed from Thursday, 5 May 2016 to Friday, 6 May 2016 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for voting at the meeting convened by the above notice, all transfers of shares accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 4 May 2016.

5. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), all votes of the shareholders of the Company must be taken by poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

6. Where there are joint registered holders of any shares of the Company, any one of such joint holders may vote either in person or by proxy in respect of such shares of the Company as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

As at the date hereof, the Board comprises three executive directors, namely Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau and three independent non-executive directors, namely Mr. Wong Senta, Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl.