



恒發洋參
HANG FAT GINSENG

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

2014

Annual Report



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Company Profile

Hang Fat Ginseng Holdings Company Limited (the “Company”) and its subsidiaries (collectively “Hang Fat” or the “Group”) is primarily engaged in the sourcing and wholesaling of American Ginseng (*Panax quinquefolius* L., a herbaceous perennial plant in the Araliaceae family, which comprises cultivated American Ginseng (the “Cultivated Ginseng”) and wild American Ginseng (“Wild Ginseng”), collectively the “American Ginseng”). Hang Fat is the leading American Ginseng wholesaler in Hong Kong and enjoys relative strong bargaining power with its customers as well as growers and suppliers.

Hang Fat’s first Wild Ginseng flagship store was opened in Sheung Wan, which serves to promote the knowledge and medicinal value of Wild Ginseng.



Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yeung Wing Yan (*Chairman*)
Mr. Yeung Wing Kong
Ms. Fu Fung Sau

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Senta
Mr. Kwok Lam Kwong Larry
Mr. Cheung Chung Wai Billy

AUDIT COMMITTEE

Mr. Cheung Chung Wai Billy (*Chairman*)
Mr. Wong Senta
Mr. Kwok Lam Kwong Larry

REMUNERATION COMMITTEE

Mr. Wong Senta (*Chairman*)
Mr. Yeung Wing Yan
Mr. Cheung Chung Wai Billy

NOMINATION COMMITTEE

Mr. Wong Senta (*Chairman*)
Mr. Yeung Wing Yan
Mr. Cheung Chung Wai Billy

AUTHORISED REPRESENTATIVES

Mr. Yeung Wing Yan
Ms. Yip Tak Yung Teresa

COMPANY SECRETARY

Ms. Yip Tak Yung Teresa

AUDITOR

DELOITTE TOUCHE TOHMATSU

35/F One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

CMB INTERNATIONAL CAPITAL LIMITED

Unit 1803-04, 18/F Bank of American Tower
12 Harcourt Road,
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

CHIU & PARTNERS

40th Floor, Jardine House
1 Connaught Place
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REGISTERED OFFICE

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P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

G/F, Nam Pak Hong Commercial Centre
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PRINCIPAL SHARE REGISTRAR

CODAN TRUST COMPANY (CAYMAN) LIMITED

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR

TRICOR INVESTOR SERVICES LIMITED

Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

*THE HONG KONG AND SHANGHAI BANKING
CORPORATION LIMITED*

Level 9, HSBC Main Building,
1 Queens Road Central, Hong Kong

*CHINA CONSTRUCTION BANK (ASIA)
CORPORATION LTD*

3/F, CCB Tower
3 Connaught Road
Central, Hong Kong

BANK OF COMMUNICATIONS COMPANY LIMITED

1/F, Commercial Banking Centre
67-71 King's Road
North Point, Hong Kong

THE BANK OF EAST ASIA

38th Floor, BEA Tower
Millennium City 5
418 Kwun Tong Road
Kowloon, Hong Kong

INVESTORS RELATIONS

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STOCK CODE

0911

WEBSITE

www.hangfatg.com

Financial Highlights

RESULTS

A Summary of the consolidated results of the Group for year ended 31 December 2013 and 2014:

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000	% Change Increase/ (Decrease)
Revenue		1,219,651	762,970	59.9%
Gross Profit		302,460	179,424	68.6%
Net Profit for the year attributable to owners of the Company		205,353	128,613	59.7%
Adjusted Net Profit for the year (excluding non-operating items)	1	219,930	127,560	72.4%
Gross Profit Margin		24.8%	23.5%	1.3%
Net Profit Margin	2	16.8%	16.9%	(0.1%)
Earnings per share – Basic		11.68 HK cents	8.57 HK cents	36.3%
Dividend per share	3			
– Paid interim dividend		5 HK cents	–	
– Proposed final dividend		2 HK cents	–	
– Proposed special dividend		3 HK cents	–	

Notes:

- Adjusted net profit for the year means net profit for the period excluding the non-operating items. Non-operating items include changes in fair values of property investment, rental incomes and listing expenses.
- Net profit margin is calculated as net profit attributable to equity holders of the Company divided by revenue.
- The dividend per share were calculated based on 2,000,000,000 shares of the Company as at 31 December 2014.

Financial Highlights

ASSETS AND LIABILITIES

A Summary of the consolidated balance sheet of the Group as at 31 December 2013 and 2014:

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000	% Change Increase/ (Decrease)
Non-current assets		135,389	104,884	29.1%
Current assets		3,016,795	907,973	232.3%
TOTAL ASSETS		3,152,184	1,012,857	211.2%
Non-current liabilities		10,052	11,350	(11.4%)
Current liabilities		2,053,090	759,307	170.4%
TOTAL LIABILITIES		2,063,142	770,657	167.7%
Shareholders' equity		1,089,042	242,200	349.6%

Chairman's Statement



Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Hang Fat Ginseng Holdings Company Limited (the "Company", together with the subsidiaries, the "Group" or "Hang Fat"), I am pleased to present to you the first set of annual results of the Group since its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 June 2014.

The year of 2014 was an important year for Hang Fat, a year in which was the 30th anniversary of Hang Fat and its predecessor, and the Group was successfully listed on the Main Board of the Stock Exchange. The successful listing has enhanced the Group's profile, strengthened its financial position and lays a solid foundation for future development of the Group.

PERFORMANCE OF THE YEAR

Hang Fat have achieved outstanding performance and generated attractive returns for our shareholders in the financial year ended 31 December 2014. Its revenue grew significantly by 59.9% to HK\$1,219,651,000 in financial year 2014 from last year's HK\$762,970,000 the Group's net profit amounted to HK\$205,324,000, representing a remarkable increase of 59.6% over last year's HK\$128,613,000.

Chairman's Statement

REVIEW OF THE YEAR

In 2014, with a number of new policies and regulations in mainland China were introduced, the pace in traditional Chinese medicine and healthcare industry further intensified. American Ginseng, being one of the most important Chinese medicine and healthcare products, the demand of American Ginseng was maintained a continuous growth momentum recent years. Hang Fat continues to thrust forward and further consolidate its leading position in the American Ginseng industry.

FINAL DIVIDEND AND SPECIAL DIVIDEND

I am pleased to announce that the Board is recommending a final dividend of HK\$0.02 per ordinary share (the "Share") and a special dividend of HK\$0.03 per Share in respect of 2014 to shareholders whose names appear on the register of members of the Company on 4 June 2015, subject to the shareholders' approval at the Company's annual general meeting to be held on 22 May 2015. I would like to express my heartfelt gratitude to the shareholders and the community for your great support and encouragement to Hang Fat.

LOOKING AHEAD

The Directors believe that the successful listing of the Shares on the Main Board of the Stock Exchange could enhance the Group's profile, while net proceeds raised from the global offering will strengthen the Group's financial position and enable the Group to implement its business plan. The Group intends to further enhance its Hang Fat brand recognition among the general public and reinforce its leading position in the American Ginseng industry in Hong Kong. Confident of the prospect of the markets in which it operates, the Group also aims to further extend its footprints in Hong Kong, Mainland China and overseas.

In the coming years, we will endeavor to strengthen our competitive advantage, enrich product portfolio, seize market opportunities and expand distribution network so as to increase our market shares and attain broader development horizons. We will adhere to the core value of Hang Fat to care for the public's health concern and spare no efforts in providing high quality American Ginseng and other health products for customers.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to all our staff for their tireless efforts and excellent performance, the shareholders, customers, business partners and suppliers for their strong support and contributions to the Group's success. We will continue to strive for excellence with a view to generating sustainable returns to our shareholders.

Yeung Wing Yan

Chairman and Chief Executive Officer

Hong Kong

11 March 2015

Corporate Social Responsibility

Over the years, we believe that good corporate governance is an indispensable ingredient for sustainable development. As a responsible corporate citizen, we conduct fair and equitable business transactions, maintain high ethical standards and comply with all laws and regulations by incorporating Corporate Social Responsibility (“CSR”) principals into our business practices. To nurture a harmonious society, we have also been actively involved in many charitable activities by utilizing our strengths and resources.

COMMUNITY INVOLVEMENT

Hang Fat upholds the philosophy of “Hang Fat’s Ginseng with a heart connected to Hong Kong”. In order to repay the community, we are devoted to show love and care to the society. Since 2012, we have been participating in the fund raising activities organised by Wai Yin Association, a charitable institution formed by former Miss Hong Kong Beauty Pageant titleholders and finalists, by donating our products to charity auction.

In addition, we are committed in promoting health concepts. During the year under review, we donated some of the Hang Fat healthy ginseng mooncakes to the elderlies so that they could enjoy a healthy, warm and joyful festival.

ENVIRONMENTAL PROTECTION

We strive to build an environment-friendly corporation that pays close attention to conserving the Earth’s resources. To incorporate the principle of environmental sustainability into our operations, we endeavor to minimize the negative impact on the environment while ensuring high standards for our product quality. We have close communication with our growers in Canada to ensure they have good agricultural practices on food safety and quality assurance. Canada’s clean water and minimal pollution helps to guarantee the high quality of our ginseng. Ongoing agronomic research enables growers to use biological controls; and recent disease control research will not only reduce the risk of plant disease in ginseng, but environmental risk as well, ensuring cultivation is sustainable in the future.

In addition, Canada is concerned about the conservation of North American Ginseng and has rules governing the relevant trade to ensure that trade does not threaten the continued wild existence of this species in Canada. Hence, trade in North American Ginseng from Canada requires Convention on International Trade in Endangered Species of Wild Fauna and Flora export permits (“CITES”). We have obtained all the required permits.

We have established “Reduce, Reuse and Recycle” environmental strategies for the water, electricity and paper consumption in our business processes. We have always been devoted to energy conservation. Aside from utilising energy-saving light bulbs and natural light, we also educate our employees to actively execute our environmental guidelines in order to raise their awareness on energy conservation and environmental protection. In addition, we closely monitor energy consumption at our offices, shops and warehouses and encourage our staff to make use of natural light. Permission is required for lighting and air-conditioning during non-business hours.

Corporate Social Responsibility

HARMONIOUS WORKPLACE

We believe employees are essential to the success of our business. Therefore, we are determined to promote workplace diversity, protect employees' rights and encourage a friendly corporate culture. With the aim of motivating our employees to demonstrate our core values and ultimately enhancing their sense of belonging to the Group, we strictly implement employment practices, equality and non-discrimination principles.

In order to assist employees in attaining a "keep moving" spirit, we support individual learning and self-improvement among employees of all levels by providing tailor-made training programmes and education subsidies. The trainings help our employees to improve professional knowledge and work efficiency, which ultimately increase their job satisfaction and morale. In addition, we implemented a fair performance evaluation mechanism to reward employees for their contributions.

Thanks to competitive remuneration packages and comprehensive fringe benefits, our staff turnover rate remains stable, and employees maintain outstanding performance and productivity. Apart from an attractive bonus scheme, staff discounts, meal subsidies, housing allowance, we have enlarge the scope of health assessment in our annual physical examinations for the senior management to help them effectively prevent diseases. To facilitate harmonious work culture, we set an open forum where our employees can voice opinions directly to the Chairman, so that we can discover and improve deficiencies.

CORPORATE GOVERNANCE

We have established relevant policies to ensure that our business operates in accordance with our well-defined corporate governance principles. We conduct efficient communications with our suppliers, customers, business partners and shareholders to ensure they comply with our corporate governance framework. We provide competent support, data analysis and updated market insights to our customers, business partners and suppliers to enhance their operations. These measures not only enable us to reinforce our continuous relationships with our business partners, but also help them to comply with our code of business ethics, and more importantly, achieve a win-win outcome.

In order to comply with changing trends and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), we constantly review our corporate governance practices in a timely, fair and transparent manner, so that our investors and the public can obtain up-to-date information of the Group. We understand effective communication and accurate disclosure not only uphold our credibility, but also facilitate the flow of constructive feedback, which will benefit investor relations and our future development. Besides annual reports, interim reports and announcements, we facilitate our communication with stakeholders by demonstrating financial and operational information through meetings and roadshows. Trade fair and store visits also allow them to have a better understanding of our business.

We have launched a website (<http://www.hangfatg.com>) so that stakeholders can obtain the latest information of us anywhere and anytime. We also instantly upload a wide range of relevant information onto our website such as annual and interim reports, press releases, announcements and presentations regarding interim and annual results.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in sourcing Cultivated Ginseng and Wild Ginseng (collectively, the “American Ginseng”) from Canada and the United States and sell American Ginseng to the second-level wholesaler in Hong Kong, China and overseas. The Group also operates two retail shops in Sheung Wan to provide knowledge of American Ginseng and retailing of American Ginseng to the general public consumers.

In 2014, China’s economy stabilised with positive growth momentum. As China embraces continuous rise in disposable income, accelerating urbanisation and aging demographics, the population attaches greater importance to health and quality of life, leading to the sustained demand for healthcare products, and in turn, a robust growth in the American Ginseng industry.

Through effective implementation of business strategies to capture the growing market in the American Ginseng industry, the Group achieved a strong revenue growth of approximately 59.9% in revenue over the same period last year.

For the year ended 31 December	2014		2013		Increase/(Decrease) of revenue (approximate %)
	Revenue HK\$ million	% of total	Revenue HK\$ million	% of total	
Cultivated Ginseng	1,124.5	92.2%	675.1	88.5%	66.6%
Wild Ginseng	92.7	7.6%	50.8	6.7%	82.5%
Others	2.5	0.2%	37.1	4.8%	(93.3%)
TOTAL	1,219.7	100.0%	763.0	100.0%	59.9%

In the light of the continuous growth in demand for American Ginseng in recent years, Hang Fat was able to respond to the market quickly and effectively in order to capture the opportunities. It is the Group’s business strategy to ride on the robust demand growth in both Cultivated Ginseng and Wild Ginseng and extend its leading position in the American Ginseng market.

The Group’s 30-year reputation for providing quality American Ginseng is a key factor of the Group’s continued success. The Group was able to secure stable supply of quality American Ginseng from growers in Canada and pickers and dealers in the United States who support the Group’s growth in sales, capture the increasing demand for American Ginseng.

In 2014, Hang Fat gradually built up a vertical integrated business model on the sale of Wild Ginseng which allows the Group to have an effective and tight control over the entire value chain, from procurement of raw materials and marketing to sales through our wholesales and retail network. At the same time, Hang Fat continued to upgrade the positioning and branding of its Hang Fat brand profile. A new Wild Ginseng shop was opened in December 2014, which located in Sheung Wan. The Wild Ginseng headquarter focuses on selling high quality Wild Ginseng, which helps promote the knowledge and medicinal value of Wild Ginseng.

Management Discussion and Analysis

The inventory balance as at 31 December 2014 reached approximately HK\$813.6 million, increased by approximately 44.3% when compared with that as at 31 December 2013 (approximately HK\$563.7 million). The increase was mainly contributed by rising inventory level in both Cultivated Ginseng and Wild Ginseng, for the strategic purpose of increasing purchase quantities in harvest season (last quarter of the year) in 2014 in order to cope with the anticipated increase in sales order in 2015.

Hang Fat strived to optimise the market footprint, and expand sales channels and networks. Together with its consistently sound management and flexible market strategies, the Group further consolidated and strengthened the existing business base, which will continue to drive further development.

FINANCIAL REVIEW

REVENUE OVERVIEW

The year ended 31 December 2014 was an exceptional year filled with excitement and endeavour to Hang Fat. The revenue for the year ended 31 December 2014 reached approximately HK\$1,219.7 million (2013: approximately HK\$763.0 million), representing an increase of approximately 59.9% over the same period last year.

REVENUE BY PRODUCT

Sales of Cultivated Ginseng were still 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 as a result of 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. As a result the market demand and limited supply of Wild Ginseng and high perceived medicinal value the Group considered it is the potential market for development, and it has devoted more effort on expansion of Wild Ginseng market in 2014. A Wild Ginseng headquarter shop was opened in December 2014 in Sheung Wan in order to cope with the Group's marketing strategy.

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.

EXPENSES

For the year ended 31 December 2014, the Group's administrative expenses were approximately HK\$37.2 million, representing an increase of approximately 85.9% compared with approximately HK\$20.0 million for the year ended 31 December 2013. The increase was mainly due to the rise of employees' compensation expenses, professional fee, rental expenses and depreciation expenses, resulting from business expansion.

Management Discussion and Analysis

For the listing expenses amounting to approximately HK\$17.9 million (2013: approximately HK\$0.9 million), it represented the one-off expenses regarding the professional fee incurred related to the fund raising in the Company's initial public offering in 2014 (the "IPO").

NET PROFIT AND NET PROFIT MARGIN

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.

INVENTORIES

The inventories increased by approximately HK\$249.9 million or 44.3% from approximately HK\$563.7 million as at 31 December 2013 to approximately HK\$813.6 million as at 31 December 2014. The increase was primarily due to the increase in inventory level of both Cultivated Ginseng and Wild Ginseng. The Group increased the purchase of Cultivated Ginseng in anticipation of increasing sales order in 2015 and increased the purchase of Wild Ginseng as the Group has devoted more effort on expansion of Wild Ginseng market in coming future.

TRADE RECEIVABLES

The Group's trade receivables as at 31 December 2014 increased to approximately HK\$540.2 million from approximately HK\$62.2 million as at 31 December 2013. The Group's total receivables turnover days increased from 29 days to 90 days. The outstanding balances in the current to 90 days category, and over 91 days to 180 days category increased by approximately HK\$254.6 million and HK\$38.3 million respectively, due to the increase in sales in second half year of 2014 when comparing with that of 2013. Outstanding balances in the over 180 days to 1 year category increased by approximately HK\$185.2 million was mainly due to a slowdown in payments from certain major customers. As at the date of this announcement, approximately 81.7% of the outstanding balances in the over 180 days to 1 year category were received. The management regularly reviews the recoverability, creditworthiness of customers and ages of the trade receivables. The management considered that the trade receivables are recoverable.

FOREIGN EXCHANGE EXPOSURE

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars and the sales of the Group are mainly denominated in Hong Kong dollars and Renminbi ("RMB") and the Group receives all its trade receivables from customers in Hong Kong dollars. The purchases of Cultivated Ginseng are mainly made in Canadian dollars ("CAD") and the purchases of Wild Ginseng are mainly made in United States dollars ("USD"). As at 31 December 2014, the Group had approximately HK\$1,388.5 million RMB bank deposit (2013: Nil), which was also exposed to foreign exchange risk. As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. With the depreciation of CAD and RMB, the Group incurred a loss of foreign exchange difference amounted to approximately HK\$8.0 million for 31 December 2014 (2013: a gain of foreign exchange differences amounted to approximately HK\$6.8 million). The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's treasury function formulated financial risk management procedures, which are also subject to periodic review by the senior management of the Company. This treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange rate risks, reallocating surplus financial resources within the Group, procuring cost-efficient funding and targeting yield enhancement opportunities. The treasury function regularly and closely monitors its overall cash and debt positions, proactively reviews its funding costs and maturity profiles to facilitate timely refinancing, if appropriate.

As at 31 December 2014, the operating cash outflow was approximately HK\$620.5 million (2013: operating cash inflow was approximately HK\$48.1 million), such outflow was mainly due to increase in the purchase of Cultivated Ginseng and Wild Ginseng by the Group for strategic purpose of increasing the purchase quantities in harvest season (last quarter of the year) in 2014, in order to meet the anticipated increasing sales order in 2015. The Group's daily operation was mainly financed by operating cash flow, and relied on short-term borrowing to satisfy inventory financing needs during peak seasons, working capital for further expansion plans and unexpected needs.

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 IPO.

The Group had interest-bearing loans of approximately HK\$1,646.1 million (2013: 361.7 million), of which HK\$1,371.1 million (83.3%) was denominated in HKD, while HK\$214.0 million (13.0%) was denominated in CAD and the remaining HK\$61.0 million (3.7%) denominated in USD.

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.

CHARGE OF ASSETS

Certain borrowings were secured by the Group's buildings, investment properties and bank deposits, having a carrying value of approximately HK\$1,536.9 million.

CAPITAL EXPENDITURE

The capital expenditure of the Group was approximately HK\$29.0 million (2013: approximately HK\$1.8 million), which was mainly used in the acquisition of office premises for the Group's self-use.

Management Discussion and Analysis

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2013 and 31 December 2014.

SUBSEQUENT EVENTS

In January 2015, the Company granted 112,100,000 share options to its employees and the Directors and their respective associates at an exercise price of HK\$1.88 per share with various vesting periods between January 2015 and January 2018. The Group is in the process of ascertaining the fair value of these share options.

On 19 January 2015, Sparkling Square Holdings Company Limited, a wholly owned subsidiary of the Company, acquired 100% equity interests of Luck Power (Hong Kong) Limited (“**LPHK**”) and 100% equity interests of Luck Power Development Limited (“**LPDL**”) from certain independent third parties for cash consideration of HK\$31,375,000 and HK\$31,375,000, respectively. Major assets of LPHK and LPDL are land and buildings situated in Hong Kong under medium-term leases and these acquisitions were funded by the Group’s internal generated working capital.

HUMAN RESOURCES

For the year ended 31 December 2014, the Group had 49 full-time employees (2013: 25). Total employee benefit expenses for the year ended 31 December 2014 was approximately HK\$16.6 million (2013: HK\$9.7 million). Employees are paid according to their position, performance, experience and prevailing market practices, and are provided with management and professional training. The Group has implemented a number of initiatives to enhance productivity of its employees. In particular, the Group conducts periodic performance reviews of most of the employees, and their compensation is tied to their performance. Further, the compensation structure is designed to incentivise the employees to perform well by linking a portion of their compensation to their performance. The performance-based portion depends on the employee’s job function and seniority.

Employees in Hong Kong are provided with retirement benefits under the Mandatory Provident Fund scheme, as well as medical insurance. The Company has adopted a share option scheme for the purpose of providing incentives to participants for their contribution to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

PROSPECT AND STRATEGIES

PROSPECTS

The Directors believe that the successful listing of the shares of the Company on the Main Board of the Stock Exchange on 27 June 2014 (the “**Listing Date**”) could enhance the Group’s profile and the net proceeds from the IPO will strengthen the Group’s financial position and enhance the Group to implement its business plan.

Going forward, the Group is optimistic about its prospect as well as the outlook of the markets in which it operates in the medium and long run. It has confidence in the economic development of China, and it believes Hong Kong can retain its leading role as the important hub for distribution of American Ginseng.

Management Discussion and Analysis

The Group believes, with the increase in health concerns, the demand for American Ginseng stay strong and popularity of ginseng related health care products will increase among not only the elderly but also the young.

STRATEGIES

As the business expands and diversifies rapidly, the Group adopts a holistic approach to implementing its brand, product and network expansion strategies. The Group will continue to focus on expansion on the market share on wholesale of both Cultivated Ginseng and Wild Ginseng; explore the opportunities in expanding the product portfolio; further strengthen the brand recognition and expand the business operations both in China and overseas. The Group's strategy is to (1) continue to step up efforts in the procurement of Cultivated Ginseng and Wild Ginseng so as to increase the Group's market share in the American Ginseng market; (2) explore advanced approach to co-operate with the professionals and experts, so as to develop its owned branded products; and (3) to expand the distribution channels.

STEP UP EFFORTS IN PROCUREMENT OF AMERICAN GINSENG

The Group continues building upon its network and relationships with the growers, pickers and exporters to maintain its leading position in securing stable supplies of quality American Ginseng. In addition, the Group seeks to strengthen its purchasing power for Wild Ginseng to further consolidate the Group's market share and attain a market leadership position in Wild Ginseng market. The Group will continue to train its staff to identify quality American Ginseng to ensure this knowledge is maintained and to sustain its success to quality supplies of American Ginseng going forward.

BRAND UPLIFTING AND PRODUCT PORTFOLIO ENHANCEMENT

The Group is actively exploring co-operation opportunities with professors and experts to develop its branded products. It implements its market-driven product strategy through product diversification and differentiation. It continues to seek co-operation opportunities to develop its products to offer more choices of products from American Ginseng health care related products to Wild American Ginseng wine, to cover customers of different age group. In particular, it targets to launch a series of functional health care products in 2015 in response to the growing demand from the public on healthy awareness. The "Hang Fat Wild Ginseng Wine", a healthy wine, is a successful attempt to both Hong Kong and China market, which has been very well received by the customers.

EXPAND THE DISTRIBUTION CHANNEL

In addition to its two retail stores, the Group intends to open a flagship shop in Beijing in order to build up the "Hang Fat" brand, which is targeted to be opened in the second quarter of 2015. The Group also intends to establish branches and offices in major cities across China, including Shenzhen and Shanghai, in order to emerge into the Mainland China market.

Other than the physical shop, it continues to develop e-commerce platform to distribute its products. The Group has a growing e-marketing team with staff members working in different regional offices. This enables the Group to communicate closely and interact timely with the locals, which is crucial to engagement, retain and growth of online customers and followers of the "Hang Fat" brand.

The management is optimistic as the business plan is moving ahead quite steadily on the right track, and various enterprises are attracted to conduct negotiation and cooperation with the Group due to its stable business development, so as to develop and distribute the Group's products and expand sales channels.

Management Discussion and Analysis

The Group, as a leading American Ginseng wholesaler, is well positioned to benefit from the growth in the demand for health care related product. The Group has the ability to lead a deeper and broader integration of American Ginseng industry.

LISTING AND USE OF PROCEEDS

Upon listing on the Stock Exchange on 27 June 2014, the Company issued 500,000,000 new shares at the offer price HK\$1.98 per share, with the net proceeds amounting to approximately HK\$923.0 million after deducting the broker commissions and other fees and expenses payable by the Company for the global offering. As at 31 December 2014, the net proceeds from the IPO were used for the purposes which were consistent with those set out in the prospectus of the Company dated 17 June 2014. As at 31 December 2014, the net proceeds were used for the following purposes:

Use of proceeds	HK\$ million		
	Net Proceeds	Proceed Used	% of Utilised
For purchase of Cultivated Ginseng and Wild Ginseng	646.1	435.9	67.5%
For repayment of certain outstanding bank loans	156.9	156.9	100.0%
For brand promotion	27.7	2.2	7.9%
For working capital	92.3	26.5	28.7%
Total	923.0	621.5	67.3%

As at 31 December 2014, the unused net proceeds were placed with banks in Hong Kong as short-term deposits or term deposits.

FINAL AND SPECIAL DIVIDEND

At the Board meeting held on 11 March 2015, the Directors proposed a final dividend of HK\$0.02 per share (2013: Nil), amounting to approximately HK\$40 million (2013: Nil) for the year ended 31 December 2014. In addition, in order to celebrate the 30th anniversary of the founding of Hang Fat and its predecessor, the Directors proposed a special dividend of HK\$0.03 per share (2013: Nil), amounting to approximately HK\$60 million (2013: Nil) at the same meeting. The proposed final dividend and the special dividend are subject to the approval by the shareholders of the Company at the forthcoming annual general meetings of the Company to be held on 22 May 2015 (the "AGM"), the proposed dividends will be payable on or about Wednesday, 22 July 2015 to the shareholders of the Company registered on the register of member of the Company (the "Register of Members") on Thursday, 4 June 2015. The dividends have not yet been recognised in the liabilities in the financial statements.

Management Discussion and Analysis

CLOSURE OF REGISTERS OF MEMBERS

For the purpose of ascertaining right of the shareholders of the Company to attend and vote at the AGM, the Register of Members will be closed from Thursday, 21 May 2015 to Friday, 22 May 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 20 May 2015.

Subject to the approval of the recommended final dividend and special dividend from the shareholders of the Company at the AGM, the final dividend and special dividend will be payable on or about Wednesday, 22 July 2015. In order to determine the entitlement to both the final dividend and special dividend for the year ended 31 December 2014, the Register of Members will be closed from Tuesday, 2 June 2015 to Thursday, 4 June 2015 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the both the final dividend and special dividend for the year ended 31 December 2014, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 1 June 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from the Listing Date and up to 31 December 2014.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Cheung Chung Wai Billy (Chairman of the Audit Committee), Mr. Wong Senta and Mr. Kwok Lam Kwong Larry. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 December 2014 with the Directors.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

MR. YEUNG WING YAN

Founder, Chairman, Chief Executive Officer and executive Director, aged 49

Mr. Matthew Yeung was appointed as our executive Director on 18 August 2011. He has over 30 years of experience in the American Ginseng industry and is primarily responsible for the corporate strategic planning and overall business development of our Group. In April 1989, Mr. Matthew Yeung founded the Group. He is the chairman of 江西省旅港同鄉會(第十三屆) (Hong Kong Jiangxi Clansmen Association (13th sessions)) and was the vice chairman of 11th and 12th sessions. In January 2013, Mr. Yeung also became a member of 第十一屆中國人民政治協商會議江西省委員會 (Jiangxi Provincial Committee of the Chinese People's Political Consultative Conference).

Mr. Matthew Yeung is the elder brother of Mr. Jeffrey Yeung and a son of Madam Fu, each being a Director.

MR. YEUNG WING KONG, JEFFREY

Executive Director, aged 44

Mr. Jeffrey Yeung was appointed as our executive Director on 18 August 2011. He has over 20 years of experience in the American Ginseng industry and is primarily responsible for operation, management and procurement of our Group. Mr. Jeffrey Yeung joined the Group in 1989. From 1989 to 1991, he was responsible to supervise the processing and sale and purchase of American Ginseng. Since 1991, he has been responsible for the procurement of the products from Canada and the United States of America. He contacts suppliers in Canada and the United States regularly to obtain information regarding the quality of Cultivated Ginseng and Wild Ginseng and assists in making purchase decision. Mr. Jeffrey Yeung has been a member of Po Sau Tong Ginseng & Antler Association Hong Kong Limited (香港參茸藥材寶壽堂商會有限公司) since December 1990.

Mr. Jeffrey Yeung is the younger brother of Mr. Matthew Yeung and a son of Madam Fu, each being a Director.

MADAM FU FUNG SAU

Executive Director, aged 69

Madam Fu Fung Sau was appointed as our executive Director on 4 March 2014. She has over 20 years of experience in the American Ginseng industry and is primarily responsible for the daily operation of the Group. Madam Fu joined our Group in 1989. Madam Fu is the mother of Mr. Matthew Yeung and Mr. Jeffrey Yeung.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. WONG SENTA

Independent non-executive Director, aged 72

Mr. Wong Senta was appointed as the independent non-executive Director on 9 June 2014. Mr. Wong is a founder of the group of Wong's Kong King International (Holdings) Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 532)). Such group principally engages in trading and distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards and electronic products and the manufacture of electrical and electronic products for original equipment manufacturer (OEM) customers. He has been a director, chairman and chief executive officer of such group since March 1989. Mr. Wong is responsible for such group's overall management and formulation of its corporate strategies.

Directors and Senior Management

MR. KWOK LAM KWONG LARRY

Independent non-executive Director, aged 59

Mr. Kwok Lam Kwong Larry's appointment as the independent non-executive Director became effective on 27 June 2014. Mr. Kwok graduated from the University of Sydney, Australia with a bachelor's degree in economics and laws in May 1979 and February 1981 respectively, and a master's degree in laws in December 1986. Mr. Kwok has been a practising solicitor in Hong Kong since May 1985, and is currently the Partner of Kwok Yin & Chan. Mr. Kwok has also been qualified to practise as a solicitor in New South Wales (Australia), England and Wales and Singapore in July 1981, December 1984 and January 1995 respectively. He has been a fellow member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants since February 1985 and February 1993, respectively. He has also been a member of the Institute of Chartered Accountants in England and Wales since January 2007.

Mr. Kwok has been serving as an independent non-executive director of Pacific Andes International Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 1174)) since July 1994, Shenyin Wanguo (H.K.) Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 218)) since March 1995, and Cafe de Coral Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 341)) and Starlite Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 403)) since July 2004.

MR. CHEUNG CHUNG WAI BILLY

Independent non-executive Director, aged 52

Mr. Cheung Chung Wai Billy was appointed as the independent non-executive Director on 9 June 2014. Mr. Cheung graduated from the University of Hong Kong with a bachelor's degree in social science in 1985. He also obtained a bachelor of laws degree from the University of London in 1999 and a master of laws degree from the City University of Hong Kong in 2006. He has become a fellow member of the Hong Kong Institute of Certified Public Accountants (previously known as Hong Kong Society of Accountants) and the Financial Services Institute of Australasia since July 1998 and June 2005 respectively. Mr. Cheung has over 15 years of experience in corporate finance, corporate reorganisation and regulatory compliance.

Since September 2008, Mr. Cheung assumed a managing director role in Pan Asia Corporate Finance Limited (formerly known as SBI E2-Capital (H.K.) Limited ("Pan Asia")), a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO). He is responsible for overseeing all business activities of Pan Asia and Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities. Mr. Cheung is also a principal licence holder with the SFC.

SENIOR MANAGEMENT

Ms. Yip Tak Yung, Teresa, aged 33, is the Chief Financial Officer and company secretary of the Company. She joined the Group in 2013, and is responsible for finance management, compliance assurance and company secretarial matters of the Group. Ms. Yip is an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Yip received a bachelor's degree of Business Administration (Honours) in Accountancy from the City University of Hong Kong and subsequently had worked at Deloitte Touche Tohmatsu for 7 years, where she gained extensive experience in accountancy, auditing and taxation.

Corporate Governance and Other Information

COMPLIANCE WITH THE COOPERATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the period from its Listing Date up to 31 December 2014, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except in relation to CG Code provision A.2.1, as more particular describe below:

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

The Group also has an internal control system in place serving the check and balance function. There are three independent non-executive Directors on the Board offering practical, independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code during the period between the Listing Date and 31 December 2014.

THE BOARD OF DIRECTORS

The Board takes responsibility for overseeing all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, monitoring senior management's performance and determining the policy for corporate governance. The Directors make decisions objectively in the interests of the Company.

Corporate Governance and Other Information

The Board currently comprises a total of 6 Directors, with 3 executive Directors and 3 independent non-executive Directors:

EXECUTIVE DIRECTORS

Mr. Yeung Wing Yan (*Chairman and Chief Executive Officer*)

Mr. Yeung Wing Kong

Ms. Fu Fung Sau

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Senta

Mr. Kwok Lam Kwong Larry

Mr. Cheung Chung Wai Billy

The biography details of the directors of the Company are set out under the section headed “Board of Directors and Senior Management” in this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman is responsible for leading the Board and is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures.

Whereas the role of chief executive officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the period between the Listing Date and 31 December 2014 (the “Period”), the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board. These independent non-executive Directors are individuals from diversified backgrounds and industries and one member has appropriate accounting and related financial management expertise.

The independent non-executive Directors serve the relevant function of bringing independent judgment and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise. The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all of the independent non-executive Directors meet the guidelines for assessing independence as set out in the Listing Rules and considers them to be independent.

NUMBER OF MEETINGS AND DIRECTORS’ ATTENDANCE

CG Code provision A.1.1 prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

Corporate Governance and Other Information

Details of Directors' attendance records during the Period are set out in the table below:

Directors	Board	Meetings Attended/Held		
		Audit Committee	Nomination Committee	Remuneration Committee
Executive Directors				
Mr. Yeung Wing Yan	3/3	N/A	1/1	1/1
Mr. Yeung Wing Kong	3/3	N/A	N/A	N/A
Ms. Fu Fung Sau	3/3	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Wong Senta	3/3	1/1	1/1	1/1
Mr. Kwok Lam Kwong Larry	2/3	1/1	N/A	N/A
Mr. Cheung Chung Wai Billy	3/3	1/1	1/1	1/1

Apart from regular Board meetings of the year, the Board will meet on other occasions when a Board level decision on a particular matter is required. The Directors receive agenda of each meeting in advance.

Notice of at least 14 days is given of a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are despatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

All minutes of the Board meetings are kept by the company secretary of the Company and are available to all Directors for inspection.

The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, Directors' appointment, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

TRAINING AND SUPPORT FOR DIRECTORS

In accordance with A.6.5 of the CG Code with regards to continuous professional development, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills.

To further ensure all Directors are adequately informed about the Company's business and operations as well as his/her responsibilities under relevant laws, rules and regulations, the company secretary of the Company provides all Directors with regular updates regarding the Company's performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time.

Corporate Governance and Other Information

The Directors received the following training for the year ended 31 December 2014 according to the records provided by the Directors:

Directors	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Yeung Wing Yan	√
Mr. Yeung Wing Kong	√
Ms. Fu Fung Sau	√
Independent non-executive Directors	
Mr. Wong Senta	√
Mr. Kwok Lam Kwong Larry	√
Mr. Cheung Chung Wai Billy	√

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "Board Committees") for overseeing particular aspects of the Company's affairs under its defined scope of duties and terms of reference. The terms of reference of each of the Board Committees are posted on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

AUDIT COMMITTEE

The Audit Committee's current members include:

Mr. Cheung Chung Wai Billy (*Chairman*)
Mr. Wong Senta
Mr. Kwok Lam Kwong Larry

All of the committee members are independent non-executive Directors with the chairman of which possesses the appropriate professional qualifications and accounting experience. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board, to develop and review policies and practices of the Group on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules, and to develop, review and monitor the code of conduct applicable to the employees of the Group.

Corporate Governance and Other Information

The terms of reference of the Audit Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

During the period, the Audit Committee held 1 meeting. The attendance records are set out under the section headed, "Number of Meetings and Directors' Attendance" in this report. The Audit Committee performed the following work during the Period:

- (a) reviewed the unaudited interim financial statements for the six months ended 30 June 2014, including the accounting principles and accounting standards adopted, and made recommendations to the Board for approval;
- (b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;
- (c) reviewed the Group's internal control system and related matters; and
- (d) considered and made recommendations on the re-appointment of the independent auditor of the Group and the terms of engagement.

The Audit Committee has reviewed the Group's interim condensed financial statement for the six months ended 30 June 2014 and had discussed the financial information with the management and the external auditors of the Company during the Period before submission to the Board for its approval.

REMUNERATION COMMITTEE

The Remuneration Committee's current members include:

Mr. Wong Senta (*Chairman*)
Mr. Yeung Wing Yan
Mr. Cheung Chung Wai Billy

The majority of the members are independent non-executive Directors. The Remuneration Committee makes recommendations to the Board on the policy and structure for all remuneration of Directors and senior management, reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives, and makes recommendations to the Board on the remuneration packages of Directors and senior management. Staff remuneration is determined by the Group's management by reference to the individual staff's qualifications, work experience, performance and prevailing market conditions.

The terms of reference of the Remuneration Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

The Remuneration Committee met once during the Period. During the meeting, the Remuneration Committee reviewed the remuneration packages of the executive Directors, independent non-executive Directors and senior management.

Corporate Governance and Other Information

NOMINATION COMMITTEE

The Nomination Committee's current members include:

Mr. Wong Senta (*Chairman*)
Mr. Yeung Wing Yan
Mr. Cheung Chung Wai Billy

The majority of the members are independent non-executive Directors. The principal duties of the Nomination Committee are to determine the policy of nomination of Directors and identify and nominate suitable candidates for appointment as Directors and make recommendations to the Board.

The terms of reference of the Nomination Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

The Nominate Committee has a policy concerning diversity of Board members which aims to maintain a diversified Board in terms of skills, experience, knowledge, expertise, culture, independence, age and gender, with a view to enhance the quality of performance of the Board.

The Nomination Committee met once during the Period. During the meeting, the Nomination Committee reviewed the structure and composition (including the skills, knowledge and experience) of the Board.

CONFLICT OF INTEREST

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, such Director is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction. The Group also adopted certain internal control policies to manage potential conflicts of interest.

COMPANY SECRETARY

Ms. Yip Tak Yung Teresa, the company secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. The company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the company secretary is set out in the section headed "Directors and Senior Management Profile" in the annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional and development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Corporate Governance and Other Information

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance and accounts department of the Company are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2014, the Directors have reviewed and applied suitable accounting policies, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which reflect the financial information of the Group with reasonable accuracy.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

EXTERNAL AUDITORS

External auditors' responsibility is to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditors' report.

Deloitte Touche Tohmatsu has been appointed as the Company's external auditor since the Company's incorporation. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The remuneration paid to the Company's external auditor, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services, for the year ended 31 December 2014 is set out below:

Nature of services	Fee paid/payable HK\$'000
Audit services	1,250
Non-audit services	
– initial public offering of the Company	1,822
– interim review services	300
– taxation	48
Total	3,420

Corporate Governance and Other Information

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system and for reviewing its effectiveness, particularly in respect of controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

The internal control system is designed to provide reasonable, but not absolute, assurance. The system aims to eliminate, or otherwise manage, risks of failure in achieving the Company's objectives.

The Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function. The Audit Committee oversees the internal control system of the Group and communicates any material issues to the Board.

REGULATORY COMPLIANCE

As disclosed under the section headed "Training and Support for Directors" in this annual report, the Directors have sufficient up-to-date knowledge of relevant laws and regulations.

The Company had engaged external professional advisers, including tax representatives and legal advisers, to render professional advice as to compliance with the statutory requirements applicable to the Group from time to time.

During the year under review, the Company had engaged CMB International Capital Limited as its compliance adviser to, among others, advise the Group on compliance issues with the Listing Rules.

NON-COMPETITION UNDERTAKING

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 (the "Controlling Shareholders"), being the controlling shareholders (as defined under the Listing Rules) of the Company, gave a non-competition undertaking in favour of the Company (the "Non-competition Undertaking"). Each of the Controlling Shareholders has undertaken under the Non-Competition Undertaking that he, she or it shall provide to the Company and the Directors from time to time (including the independent non-executive Directors) with all information necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertaking by the Controlling Shareholders and the enforcement of the Non-Competition Undertaking.

Corporate Governance and Other Information

Each of the Controlling Shareholders has confirmed compliance with the terms of the Non-competition Undertaking and that during the year under review, there was no matter requiring deliberation by the Board in relation to the compliance and enforcement of the Non-competition Undertaking. The Board comprising all the independent non-executive Directors is of the view that such Controlling Shareholders have been in compliance with the Non-competition Undertaking in favour of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make appropriate investment decisions.

The members of the Board and Board Committees and the external auditor will be present to answer shareholders' questions in the annual general meetings of the Company. Circulars will be distributed to all shareholders before the annual general meeting and any special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the articles of association of the Company. All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the relevant general meetings.

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong with any enquires.

Corporate Governance and Other Information

SHAREHOLDERS' RIGHTS

CONVENING OF SPECIAL GENERAL MEETINGS AND REQUISITION BY SHAREHOLDERS

Pursuant to article 64 of the articles of association of the Company, shareholders holding in aggregate not less than one-tenth (10%) of the paid up capital of the Company shall have the right to request the Board to convene a special general meeting ("SGM"). Such requisition shall be made by a written request to the Board, stating the business to be transacted and signed by the requisitionist(s). Shareholders shall follow the requirements and procedures set out in the articles of association of the Company.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: G/F, Nam Pak Hong Commercial Centre
44 Bonham Strand West, Hong Kong
(For the attention of the Company Secretary)
Fax: 2545 7999
E-mail: ir@hangfath.com

As regards to proposing a person other than the retiring Director for election as a Director in a general meeting, please refer to the procedures available on the website of the Company. Shareholders may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's articles of association during the period. A copy of the Company's articles of association is also available on the Company's website and the Stock Exchange website.

Directors' Report

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 18 August 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands (the "Companies Law"). The Company's shares (the "Shares") were listed on the Stock Exchange on 27 June 2014 (the "Listing" or the "Listing Date").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in sourcing and wholesaling of American Ginseng in Hong Kong.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 42 of the annual report.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past four financial years is set out on page 94 of this annual report. This summary does not form part of the audited consolidated financial statements.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.02 per Share and a special dividend of HK\$0.03 per Share for the year ended 31 December 2014 to Shareholders whose names appear on the register of members of the Company on 4 June 2015, subject to Shareholders' approval at the annual general meeting. The proposed final dividend and special dividend, if approved, is to be payable on or before 22 July 2015.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from 21 May 2015 to 22 May 2015, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers of Shares, accompanied by the relevant share certificates and transfer forms must be lodged with 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 for registration not later than 4:30 p.m. on 20 May 2015.

Directors' Report

Subject to the approval of the recommended final dividend and special dividend from the shareholders of the Company at the annual general meeting, the register of members of the Company will be closed from 2 June 2015 to 4 June 2015, both days inclusive, during which period no transfer of Shares will be registered for ascertaining Shareholders' entitlement to the proposed final dividend and special dividend. In order to qualify for the proposed final dividend and special dividend, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch Share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 1 June 2015.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 94. The summary does not form part of the audited consolidated financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at the end of the reporting period. The net fair value increase on investment properties arising on revaluation amounting to HK\$1,400,000 (2013: nil) has been recognized in profit or loss.

Details of this and other movements in investment properties are set out in Note 16 to the financial statements.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired land and buildings situated in Hong Kong at a cost of HK\$23,130,000, leasehold improvements at a cost of HK\$3,745,000, furniture, fixtures and office equipment at a cost of HK\$1,161,000 and motor vehicles at a cost of HK\$1,004,000.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the financial statements.

DONATION

Donation made by the Group during the year amounted to HK\$1,000,000.

SHARE CAPITAL

There was no movement in the authorised share capital of the Company during the year. Details of the movement in the issued share capital of the Company are set out in note 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws in Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries redeemed, purchased or cancelled any redeemable securities during the year ended 31 December 2014. As at 31 December 2014, there were no outstanding redeemable securities of the Company.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 44 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the largest one and five largest customers accounted for 26.4 % and 66.9% respectively of the total sales for the year. Purchases from the largest one and five largest suppliers accounted for 16.5% and 39.1% respectively of the total purchases for the year.

None of the directors, their associates or any shareholders of the Company (which to the knowledge of the directors of the Company own more than 5% of the Company's issued share capital) had any interest in the five largest suppliers or customers.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Yeung Wing Yan (*Chairman and Chief Executive Officer*)

Mr. Yeung Wing Kong

Ms. Fu Fung Sau

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Senta

Mr. Kwok Lam Kwong Larry

Mr. Cheung Chung Wai Billy

Biographical details of Directors of the Company are set out on page 19 under the section titled "Directors and Senior Management Profile".

At each annual general meeting, one third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Mr. Yeung Wing Yan and Mr. Senta Wong will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for election. All other Directors will continue in office.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of three years commencing on 9 June 2014. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter unless either party has given at least three months' written notice of non-renewal before the expiry of the then existing term.

Two of our independent non-executive Directors, namely Mr. Wong Senta and Mr. Cheung Chung Wai Billy, have been appointed for an initial term of two years commencing from 9 June 2014; while the other of our independent non-executive Director, being Mr. Kwok Lam Kwong Larry, was appointed for an initial term of two years commencing from the Listing Date. The term of each of our independent non-executive Directors is renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by our independent non-executive Director or our Company expiring at the end of the initial term or at any time thereafter.

Directors' Report

None of the Directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in Note 30 to the Financial Statements, no contract of significance to which the Company, its holding company or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in Note 30 to the Financial Statements, there was no other contract of significance between the Group and the Company's controlling shareholder or any of its subsidiaries subsisted at the end of the year or at any time during the year.

TAX RELIEF

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

REMUNERATION POLICY

The remuneration policy of the employees of the Group is set up by the Remuneration Committee and is based on merit, qualifications and competence of employees.

The remuneration policy of the Directors are decided by the Remuneration Committee having regard to the Group's operating results, individual performance and comparable market statistics.

Directors' Report

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 31 December 2014, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been 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 were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules and the Stock Exchange were as follows:

(I) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity/Nature of interest	Number of shares (Note 1)	Percentage of shareholding
Mr. Yeung Wing Yan	Interest of controlled corporations	1,389,000,000 Shares (L) (Note 2)	69.45%
Mr. Yeung Wing Kong	Interest of controlled corporations	90,000,000 Shares (L) (Note 3)	4.5%
Ms. Fu Fung Sau	Interest of controlled corporations	21,000,000 Shares (L) (Note 4)	1.05%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. These Shares consisted of 1,200,000,000 Shares held by Cervera Holdings Limited ("Cervera") and 189,000,000 Shares 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.
3. These Shares consisted of 90,000,000 Shares held by Dragon Jump Global Limited ("Dragon Jump"), which was wholly owned by Mr. Jeffrey Yeung.
4. These Shares consisted of 2,100,000 Shares held by Ace Fame Management Limited, which was wholly owned by Ms. Fu Fung Sau.

(II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY – CERVERA

Name of Director	Capacity	Number of shares	Percentage of shareholding
Mr. Yeung Wing Yan	Beneficial owner	63 Shares of US\$1 each	63%
Mr. Yeung Wing Kong	Beneficial owner	30 Shares of US\$1 each	30%
Ms. Fu Fung Sau	Beneficial owner	7 Shares of US\$1 each	7%

Directors' Report

Save as disclosed above, as at 31 December 2014, no Directors or chief executive of the Company had any interests or short position 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 would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 5% 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 and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholders	Capacity/Nature of interest	Number of shares (Note 1)	Percentage of shareholding
Ms. Wong Mei Kuen Joan	Interest of spouse	1,389,000,000 Shares (L) (Note 2)	69.45%
Cervera	Beneficial owner	1,200,000,000 Shares (L)	60.00%
Athena Power	Beneficial owner	189,000,000 Shares (L)	9.45%

Notes:

1. The letter "L" denotes the corporation/person's long position in the Shares.
2. Ms. Wong Mei Kuen Joan is the wife of Mr. Yeung Wing Yan.

Saved as disclosed above, as at 31 December 2014, so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, deemed to be interested in 5% 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 or has any options in respect of such capital.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 30 to the financial statements. As these related party transactions constitute fully exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules, none of them constitutes discloseable connected transactions as defined under the Listing Rules.

Directors' Report

OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted for a period of 10 years commencing 9 June 2014 pursuant to an Ordinary Resolution passed at the special general meeting of the Shareholders held on 9 June 2014 for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and 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 eligible suppliers, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the Board.

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 of 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 12-month period 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 granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be also approved by the Company's shareholders.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Shares.

No options have been granted under the Scheme as at 31 December 2014.

On 6 January 2015, the Company granted 112,100,000 share options to certain individuals to subscribe for up to 112,100,000 Shares at the exercise price of HK\$1.88.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on publicly available information and the best knowledge of the Directors, the Company had sufficient public float as required under Rule 8.08 of the Listing Rules.



Directors' Report

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance and Other Information" section in the annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2014.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Mr. Yeung Wing Yan

Chairman and Chief Executive Officer

Hong Kong, 11 March 2015

Independent Auditor's Report

TO THE MEMBERS OF HANG FAT GINSENG HOLDINGS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hang Fat Ginseng Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 93, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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



Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
11 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Revenue	7	1,219,651	762,970
Costs of sales		(917,191)	(583,546)
Gross profit		302,460	179,424
Other income	8	8,765	1,926
Other gains and losses	8	(7,832)	7,071
Administrative expenses		(37,152)	(19,981)
Selling and distribution costs		(6,957)	(3,635)
Listing expenses		(17,926)	(867)
Changes in fair value of investment properties	16	1,400	–
Finance costs	9	(12,018)	(10,999)
Profit before taxation	10	230,740	152,939
Income tax expense	12	(25,416)	(24,326)
Profit for the year and total comprehensive income for the year		205,324	128,613
Profit for the year and total comprehensive income for the year attributable to:			
– owners of the Company		205,353	128,613
– non-controlling interests		(29)	–
		205,324	128,613
Basic earnings per share	14	11.68 HK cents	8.57 HK cents

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	15	39,809	14,317
Investment properties	16	88,400	87,000
Deposits paid for acquisition of property, plant and equipment		7,180	3,567
		135,389	104,884
Current assets			
Inventories	18	813,563	563,718
Trade and other receivables	19	651,243	86,942
Amount due from a director	20	–	197,187
Pledged bank deposits	21	1,417,950	12,758
Bank balances and cash	21	134,039	47,368
		3,016,795	907,973
Current liabilities			
Trade and other payables	22	360,766	362,556
Obligations under finance leases	23	1,100	1,331
Bank borrowings	24	1,646,071	361,717
Taxation payable		45,153	33,703
		2,053,090	759,307
Net current assets		963,705	148,666
Total assets less current liabilities		1,099,094	253,550
Non-current liabilities			
Obligations under finance leases	23	1,472	2,770
Deferred tax liabilities	17	8,580	8,580
		10,052	11,350
Net assets		1,089,042	242,200
Capital and reserves			
Share capital	25	20,000	1
Reserves		1,069,070	242,199
Equity attributable to owners of the Company		1,089,070	242,200
Non-controlling interests		(28)	–
Total equity		1,089,042	242,200

The consolidated financial statements on pages 42 to 93 were approved and authorised for issue by the Board of Directors on 11 March 2015 and are signed on its behalf by:

Yeung Wing Yan
DIRECTOR

Yeung Wing Kong
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	<i>(Note b)</i>						
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 (<i>Note a</i>)	9	-	(9)	-	-	-	-
Issue of shares by capitalisation of share premium account (<i>Note 25c</i>)	14,990	(14,990)	-	-	-	-	-
Issue of new shares (<i>Note 25d</i>)	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 paid	-	-	-	(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

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 25b) 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 (the "Common Shareholders") and Hang Fat Group on 23 May 2014.
- (b) Capital reserve of the Group at 31 December 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 2014

	2014 HK\$'000	2013 HK\$'000
Operating activities		
Profit before taxation	230,740	152,939
Adjustments for:		
Depreciation of property, plant and equipment	2,536	1,999
Interest expense	12,018	10,999
Changes in fair value of investment properties	(1,400)	–
Gain on disposal of property, plant and equipment	(194)	(243)
Interest income	(6,793)	(6)
Effect of foreign exchange rate changes	9,193	(1,012)
Operating cash flows before movements in working capital	246,100	164,676
Increase in inventories	(249,845)	(238,896)
Increase in trade and other receivables	(562,911)	(9,844)
Increase in trade and other payables	(39,842)	154,581
Net cash (used in) from operations	(606,498)	70,517
Hong Kong profits tax paid	(24,887)	(22,436)
Hong Kong profits tax refunded	10,921	–
Net cash (used in) from operating activities	(620,464)	48,081
Investing activities		
Interest income	41,963	6
Purchase of property, plant and equipment	(25,473)	(1,287)
Deposits paid on acquisition of property, plant and equipment	(7,180)	(3,567)
Withdrawal of pledged bank deposits	3,960	7,327
Placement of pledged bank deposits	(1,419,449)	(3,923)
Proceeds from disposal of property, plant and equipment	78	327
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 used in investing activities	(1,418,914)	(21,900)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Financing activities		
Interest paid	(12,018)	(10,999)
Proceeds from issue of new shares	990,000	1
Expense incurred in connection with issue of news shares	(38,483)	–
Capital contributions of non-controlling interests	1	–
New bank loans raised	1,778,673	726,050
Repayments of bank loans	(482,565)	(712,903)
Repayments of obligations under finance leases	(401)	(1,218)
(Decrease) increase in bank overdrafts	(9,158)	5,934
Dividend paid	(100,000)	–
Net cash from financing activities	2,126,049	6,865
Net increase in cash and cash equivalents	86,671	33,046
Effect of exchange rate changes	–	77
Cash and cash equivalents at beginning of the year	47,368	14,245
Cash and cash equivalents at end of the year, represented by bank balances and cash	134,039	47,368

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL AND BASIS OF PREPARATION

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. The Company's immediate and ultimate holding company is Cervera Holdings Limited, a company incorporated in the British Virgin Islands ("BVI"). 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 32.

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

In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 23 May 2014. The details of the group restructuring are set out in the prospectus dated 17 June 2014 issued by the Company (the "Prospectus"). The Company and its subsidiaries have been under the common control of the Common Shareholders since 1 January 2013 or since their respective date of incorporation or establishment, where there is a shorter period and that control is not transitory.

The Group resulting from the group restructuring is regarded as a continuing entity. Accordingly, the consolidated statements of profit or loss and other comprehensive income and cash flows for the years ended 31 December 2014 and 31 December 2013 included the results and cash flows of the companies now comprising the Group which have been prepared by applying the principles of merger accounting, which is consistent with the principle as stated in the Accounting Guideline 5 "Merger accounting for common control combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as if the group structure upon the completion of the group restructuring had been in existence since 1 January 2013 or since their respective dates of incorporation or establishment where this is a shorter period. The consolidated statement of financial position as at 31 December 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at that date.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK (IFRIC*) – Int 21	Levies

* IFRIC represents the International Financial Reporting Standards Interpretations Committee.

The application of the above new and revised 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 ³
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁵
Amendments to HKAS 1	Disclosure initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁵
Amendments to HKAS 19	Defined benefit plans: Employee contributions ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle ⁶
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ⁵
Amendments to HKAS 27	Equity method in separate financial statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ⁵

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

- 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 2017.
- ⁴ Effective for annual periods beginning on or after 1 July 2014.
- ⁵ Effective for annual periods beginning on or after 1 January 2016.
- ⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

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 described below:

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

In July 2014, 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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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.

3. 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 and by the Hong Kong Companies Ordinance.

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 policies set out below.

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 combination, where there is a shorter period, regardless of the date of the common control combination.

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 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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 at the end of the reporting period.

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.

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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASEHOLD LAND AND BUILDING (CONTINUED)

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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

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, amount due from a director, 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).

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.

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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF LOANS AND RECEIVABLES (CONTINUED)

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.

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 and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS (CONTINUED)

DERECOGNITION (CONTINUED)

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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

FAIR VALUE OF INVESTMENT PROPERTIES

Investment properties are carried in the consolidated statement of financial position at 31 December 2014 at their fair value of HK\$88,400,000 (2013: HK\$87,000,000) (note 16). The fair value was based on valuation of these properties conducted by independent firms of professional valuers using direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property. Favourable or unfavourable changes to these adjustments would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

IMPAIRMENT OF TRADE RECEIVABLES

On assessing any impairment of the Group's trade receivables, the management regularly reviews the recoverability, creditworthiness of customers and ages of the trade receivables. Impairment on trade receivables is made on the estimation of the future cash flows discounted at an effective interest rate. If the financial condition of the customers of the Group were deteriorated, resulting in an impairment of their ability to make payments, additional impairment may be required. The carrying amounts of trade receivables as at 31 December 2014 are HK\$540,229,000 (2013: HK\$62,184,000).

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

5. 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.

6. 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 3.

CATEGORIES OF FINANCIAL INSTRUMENTS

THE GROUP

	2014 HK\$'000	2013 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	2,092,218	319,497
Financial liabilities		
Amortised cost	1,966,011	659,239
Obligations under finance leases	2,572	4,101
	1,968,583	663,340

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, obligations under finance leases and bank borrowings. 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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 customers. For the year ended 31 December 2014, aggregate sales to the top five customers of the Group accounted for approximately 67% (2013: 66%), of the total revenue. Amount due from them as at 31 December 2014 amounted to approximately HK\$463,000,000 (2013: HK\$53,333,000), representing 86% (2013: 86%) of the Group's total trade receivables as at 31 December 2014. Management of the Group considered that the credit risks of trade receivables are insignificant after considering the good trading relationship and the long history of business development with these customers and had no recent history of default.

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 2014, approximately 68% (2013: 77%) of the Group's sales 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 2014 approximately 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.

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, denominated monetary assets and liabilities for the Group's operating activities.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CURRENCY RISK (CONTINUED)

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies, which are mainly 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
US\$	306	10,102	67,274	159,563
RMB	1,638,272	45,807	–	–
CAD	19	63	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 after taxation for the years ended 31 December 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.

	2014 HK\$'000	2013 HK\$'000
(Decrease) increase in profit after taxation for the year		
RMB	(68,398)	(1,912)
CAD	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 MANAGEMENT

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CURRENCY RISK (CONTINUED)

INTEREST RATE RISK MANAGEMENT (CONTINUED)

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 when reporting interest rate risk internally to key management personnel 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, bank balances and bank borrowings at variables interest rates had been 30 basis points higher and all other variables were held constant, the potential effect on profit after taxation for the year is as follows:

	2014 HK\$'000	2013 HK\$'000
Decrease in profit after taxation for the year	242	766

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. Based on the good working relationship with its banks and to optimise the use of the Group's liquid funds, the Group will consider to renew the bank loans upon their maturities.

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 curve at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

	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 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\$1,371,069,000 as at 31 December 2014 (2013: HK\$10,946,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in one months to five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements and the aggregate principal and interest cash outflows will amount to HK\$1,383,950,000 as at 31 December 2014 (2013: HK\$12,193,000).

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

7. 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"), and (iii) Others: trading of other foods (including dried cordyceps, dried cubilose and dried seafood).

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION (CONTINUED)

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

	Segment revenue		Segment results	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cultivated ginseng	1,124,423	675,079	291,837	169,769
Wild ginseng	92,739	50,799	9,328	7,975
Others	2,489	37,092	1,295	1,680
	1,219,651	762,970	302,460	179,424
Gain on disposal of property, plant and equipment			194	243
Changes in fair value of investment properties			1,400	–
Listing expenses			(17,926)	(867)
Other income			8,765	1,926
Unallocated corporate expenses			(44,109)	(23,616)
Exchange (loss) gain, net			(8,026)	6,828
Finance costs			(12,018)	(10,999)
Profit before taxation			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 2014 and 31 December 2013.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

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 and finance costs. This is the measure reported to the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

SEGMENT ASSETS AND LIABILITIES

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION (CONTINUED)

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 of the Group are as follows:

	2014 HK\$'000	2013 HK\$'000
Customer A		
– Cultivated ginseng	N/A*	198,721
Customer B		
– Cultivated ginseng	319,612	99,688
– Others	–	269
	319,612	99,957
Customer C		
– Cultivated ginseng	152,464	79,568

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

8. OTHER INCOME, OTHER GAINS AND LOSSES

	2014 HK\$'000	2013 HK\$'000
Other income comprised the follows:		
Interest income on bank deposits	6,793	6
Rental income	1,920	1,920
Sundry income	52	–
	8,765	1,926

	2014 HK\$'000	2013 HK\$'000
Other gains and losses comprised the follows:		
Gain on disposal of property, plant and equipment	194	243
Exchange (loss) gain, net	(8,026)	6,828
	(7,832)	7,071

9. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	11,814	10,680
Finance leases wholly repayable within five years	204	319
	12,018	10,999

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

10. PROFIT BEFORE TAXATION

	2014 HK\$'000	2013 HK\$'000
Profit before taxation has been arrived at after charging:		
Director's remuneration (note 11)	8,328	5,015
Other staff costs	7,711	4,359
Retirement benefit scheme contributions for other staff	586	326
Total staff costs	16,625	9,700
Auditor's remuneration	1,250	1,000
Depreciation of property, plant and equipment	2,536	1,999
Operating lease rentals in respect of office premises	2,137	1,608
after crediting:		
Gross rental income from investment properties	1,920	1,920
Less: Direct operating expenses from investment properties during the year	(211)	(402)
Net rental income from investment properties	1,709	1,518

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

	2014 HK\$'000	2013 HK\$'000
Directors' fee	270	–
Other emoluments		
– basic salaries and allowance	8,024	4,985
– retirement benefits scheme contributions	34	30
	8,328	5,015

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(A) DIRECTORS' EMOLUMENTS (CONTINUED)

Details of emoluments paid by the Group to the directors of the Company are as follows:

	Mr. Yeung Wing Yan	Mr. Yeung Wing Kong	Ms. Fu Fung Sau	Mr. Wong Senta	Mr. Kwok Lam Kwong Larry	Mr. Cheung Chung Wai Billy	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 1)	HK\$'000
31 December 2014							
Fees	-	-	-	90	90	90	270
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	90	90	90	8,328
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

Note 1: The directors were appointed on 9 June 2014.

Note 2: The director was appointed on 27 June 2014.

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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(B) EMPLOYEES' EMOLUMENTS

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

	2014 HK\$'000	2013 HK\$'000
Employees		
– basic salaries and allowances	1,166	887
– retirement benefits scheme contributions	31	26
	1,197	913

The emoluments of the employees were within the following bands:

	Number of employees	
	2014	2013
HK\$0 to HK\$1,000,000	2	2

During the year (2013: nil), 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 year (2013: nil).

12. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
The taxation comprises:		
Hong Kong Profits Tax:		
Current year	(42,261)	(26,564)
Overprovision in prior years	16,845	1,566
Deferred tax (note 17) :		
Current year	–	672
	(25,416)	(24,326)

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

12. INCOME TAX EXPENSE (CONTINUED)

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 statements of profit or loss and other comprehensive income as follows:

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	230,740	152,939
Tax at the applicable income tax rate (16.5%)	(38,072)	(25,235)
Tax effect of expenses not deductible for tax purposes	(4,502)	(506)
Tax effect of income not taxable for tax purpose	1,121	–
Overprovision in respect of prior years (Note)	16,845	1,566
Tax effect of tax loss not recognised	(558)	(267)
Others	(250)	116
Taxation for the year	(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.

13. DIVIDENDS

Pursuant to a resolution passed at the Board meeting on 5 August 2014, the directors of the Company declared the interim dividends for 2014 of HK\$0.05 (2013: Nil) per ordinary share totaling HK\$100,000,000 (2013: Nil).

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.

The directors proposed the payment of a final dividend of HK\$0.02 per share amounting to HK\$40,000,000 and a special dividend of HK\$0.03 per share amounting to HK\$60,000,000 in aggregate in respect of the year ended 31 December 2014 (2013: Nil), which is subject to approval by the shareholders at the forthcoming annual general meeting.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

14. EARNINGS PER SHARE

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

	2014 HK\$'000	2013 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	205,353	128,613

	2014 '000	2013 '000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	1,757,534	1,500,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2014 and 2013 has been retrospectively adjusted to reflect 1,499,000,000 shares issued upon capitalisation on 27 June 2014 as disclosed in note 25.

No diluted earnings per share is presented as there is no potential ordinary shares of the Company outstanding during both years.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Fixtures and office equipment HK\$'000	Total 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
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
CARRYING AMOUNTS					
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 2014 and 2013, the Group's buildings were situated on land in Hong Kong under medium term leases.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 net book value of motor vehicles and equipment at 31 December 2014 of HK\$2,339,000 (2013: HK\$3,954,000) were assets held under finance leases. The net book values of leasehold land and buildings at 31 December 2014 of HK\$30,507,000 (2013: HK\$8,588,000) has been pledged to secure the banking facilities granted to the Group.

16. INVESTMENT PROPERTY

	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

The fair value of the Group's investment property at 31 December 2014 was HK\$88,400,000 (2013: HK\$87,000,000). 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 property was arrived by using direct comparison method based on market observable transactions of similar properties in the similar conditions and locations of the subject properties.

In estimating the fair value of the property, the highest and best use of the property is their current use.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

16. INVESTMENT PROPERTY (CONTINUED)

The following table gives information about how the fair value of this investment property is 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	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	HK\$'000				
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 property with carrying value of HK\$88,400,000 at 31 December 2014 (2013: HK\$87,000,000) have been pledged to secure banking facilities granted to the Group. The investment property shown above is situated on land in Hong Kong under medium-term leases.

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17. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Fair value changes of investment properties HK\$'000	Total HK\$'000
At 1 January 2013	1,149	8,103	9,252
Credit to profit or loss (<i>note 12</i>)	(672)	–	(672)
At 31 December 2013 and 2014	477	8,103	8,580

The Group has tax losses of HK\$20,083,000 at 31 December 2014 (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.

18. INVENTORIES

	2014 HK\$'000	2013 HK\$'000
Cultivated ginseng	534,652	469,905
Wild ginseng	253,582	90,824
Others	25,329	2,989
	813,563	563,718

Notes to the Condensed Consolidated Financial Statements

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19. TRADE AND OTHER RECEIVABLES

	2014 HK\$'000	2013 HK\$'000
Trade receivables	540,229	62,184
Other receivables		
Deposits paid for purchase of ginseng	105,657	21,626
Prepayments and others	5,357	3,132
	111,014	24,758
Total trade and other receivables	651,243	86,942

The Group generally grants credit periods ranging from 30 days to 180 days to its customers. 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 based on the invoice date, which approximates the respective revenue recognition dates at the end of each reporting period:

	2014 HK\$'000	2013 HK\$'000
Within 30 days	297,393	47,533
31 to 90 days	19,010	14,310
91 to 180 days	38,669	341
Over 180 days	185,157	–
	540,229	62,184

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

	2014 HK\$'000	2013 HK\$'000
Over 180 days	185,157	–

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For the year ended 31 December 2014

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the Group's trade receivable balance as at 31 December 2014 are debtors with aggregate carrying amount of HK\$185,157,000 (2013: nil), which are past due at the reporting date for which the Group has not provided for impairment loss as these receivables are due from certain major customers of which the Group had either good trading relationship and long history of business development with these customers and with no recent history of default or new customers with good credit quality rating assessed internally by the Group. The Group does not hold any collateral over these balances.

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with satisfactory settlement history. Based on the payment pattern of the customers of the Group, trade receivables which are past due but not impaired are generally collectable. No allowance for doubtful debts are recognised by the Group for the years ended 31 December 2014 and 2013.

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

	2014 HK\$'000	2013 HK\$'000
RMB	249,741	42,998

20. AMOUNT DUE FROM A DIRECTOR

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

	2014 HK\$'000	2013 HK\$'000
Mr. Yeung Wing Yan	-	197,187

Maximum amount outstanding during the year:

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

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

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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 2014 (2013: 0.01% to 0.1%).

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. At 31 December 2014, included in the pledged bank deposit is an amount of HK\$1,386,546,000 (2013: nil) which is entitled to a fixed interest rate of 0.85% per annum plus a one-off cash rebate of 2.6% on the principle amount received from the bank at inception. The effective interest rate is therefore 3.45% per annum (2013: 0.01% to 0.1%). The unamortised cash rebate at 31 December 2014 amounted to HK\$35,170,000 and reported under other payable in the consolidated statement of financial position.

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.

	2014 HK\$'000	2013 HK\$'000
US\$	306	10,012
RMB	1,388,532	2,809
CAD	19	63

22. TRADE AND OTHER PAYABLES

	2014 HK\$'000	2013 HK\$'000
Trade payables	316,874	296,108
Other payables		
– Customers' deposits received	250	58,509
– Accrued expenses	5,406	6,525
– Amount due to a bulk exporter (<i>note a</i>)	2,579	1,094
– Cash rebates from bank (<i>note 21</i>)	35,170	–
– Rental deposit	320	320
– Others	167	–
Total trade and other payables	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 is unsecured, interest-free and repayable on demand.

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22. TRADE AND OTHER PAYABLES (CONTINUED)

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:

	2014 HK\$'000	2013 HK\$'000
Within 30 days	310,972	290,319
31 to 90 days	3,023	5,786
91 to 180 days	2,879	–
Over 180 days	–	3
	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.

	2014 HK\$'000	2013 HK\$'000
US\$	6,247	44,765
CAD	301,165	243,854

23. OBLIGATIONS UNDER FINANCE LEASES

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

23. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

24. BANK BORROWINGS

	2014 HK\$'000	2013 HK\$'000
Bank overdrafts	–	9,158
Bank loans		
– Trust receipt loans	275,002	304,886
– Mortgage loans	17,472	12,845
– Revolving loans	1,333,100	15,000
– Other bank loans	20,497	19,828
	1,646,071	352,559
Secured	1,646,071	361,717
Carrying amount repayable within one year*	275,002	350,771
Carrying amount of bank loans that are repayable within one year and contain a repayment on demand clause	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)	14,422	10,946
Less: Amounts due within one year shown under current liabilities	(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:

	2014	2013
Variable-rate loans	1.22% to 4.39%	1.21% to 6%

The Group has pledged buildings, investment properties and bank deposits having an aggregate carrying value of approximately HK\$1,536,857,000 as at 31 December 2014 (2013: HK\$108,346,000) to secure general banking facilities granted to the Group (note 29). The banking facilities were also supported by corporate guarantee of group entities.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

24. BANK BORROWINGS (CONTINUED)

The banking facilities at 31 December 2013 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.

Also, the Group has unutilised available credit facilities of HK\$197,898,000 as at 31 December 2014 (2013: HK\$23,455,000).

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

	2014 HK\$'000	2013 HK\$'000
US\$	61,027	114,798
CAD	213,975	1,447

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

25. 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:

	<i>Notes</i>	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2013 and at 31 December 2013		1,000	10
Increase on 9 June 2014	<i>(a)</i>	4,999,000	49,990
<hr/>			
At 31 December 2014		5,000,000	50,000
Issued and fully paid:			
At 1 January 2013 and at 31 December 2013		1,000	–
Arising from group restructuring	<i>(b)</i>	–	10
Issue of new shares upon the global offering	<i>(c)</i>	500,000	5,000
Issue of shares by capitalisation of share premium account	<i>(d)</i>	1,499,000	14,990
<hr/>			
At 31 December 2014		2,000,000	20,000

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) 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, credited as fully paid the 1,000,000 nil-paid shares of HK\$0.01 each in aggregate of HK\$10,000.
- (c) 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").

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

25. SHARE CAPITAL (CONTINUED)

THE GROUP (CONTINUED)

- (d) 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.

26. 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:

	2014 HK\$'000	2013 HK\$'000
Buildings		
Within one year	1,097	983
In the second to fifth years inclusive	1,379	657
	2,476	1,640
Office equipment		
Within one year	-	11
In the second to fifth years inclusive	-	34
	-	45

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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

26. OPERATING LEASE COMMITMENTS (CONTINUED)

THE GROUP AS LESSOR

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

	2014 HK\$'000	2013 HK\$'000
Within one year	467	1,920
In the second to fifth years inclusive	–	480
	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.

27. CAPITAL COMMITMENTS

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

28. 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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

29. PLEDGE OF ASSETS

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

	2014 HK\$'000	2013 HK\$'000
Investment properties	88,400	87,000
Property, plant and equipment	30,507	8,588
Pledged bank deposits	1,417,950	12,758

30. 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.

	2014 HK\$'000	2013 HK\$'000
Rental expense paid	186	–

- (b) The remuneration of the directors and members of key management during the year is disclosed in note 11.

31. 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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 31 December 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
		2014	2013	2014	2013	
Flying Century Limited	Hong Kong	HK\$10	HK\$10	100%	100%	Property and other assets holding
Fortune Gaining Limited	Hong Kong	HK\$1,000,000	HK\$10,000	100%	100%	Property holding and leasing
Fortune Topping Limited	Hong Kong	HK\$10,000	–	100%	–	Property holding
Hang Fat Holdings Limited	Hong Kong	HK\$10,000	HK\$10,000	100%	100%	Administration of the Group
Hang Fat Ginseng (2014) Limited	Hong Kong	HK\$10,000	–	100%	–	Trading of ginseng and dried food
Hang Fat Ginseng (2015) Limited	Hong Kong	HK\$10,000	–	100%	–	Trading of ginseng and dried food
Hang Fat Ginseng Company Limited	Hong Kong	HK\$10,000	HK\$10,000	100%	100%	Trading of ginseng and dried food
Hang Fat Ginseng (Hong Kong) Company Limited	Hong Kong	HK\$10,000	–	100%	–	Provision of financing services for the Group
Hang Fat Ginseng Hong Limited	Hong Kong	HK\$5,000,000	HK\$5,000,000	100%	100%	Sourcing, wholesaling and retailing of American Ginseng and other product
Hang Fat Ginseng Importer (2013) Limited	Hong Kong	HK\$10,000	HK\$10,000	100%	100%	Retailing and wholesaling of American Ginseng and other product

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

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
		2014	2013	2014	2013	
Hang Fat Ginseng Importer Limited	Hong Kong	HK\$10,000	HK\$10,000	100%	100%	Retailing and wholesaling of American Ginseng and other product
Hang Fat Ginseng (Retail) Limited	Hong Kong	HK\$10,000	HK\$10,000	100%	100%	Trading of ginseng and dried food
Hang Fat Ginseng Trading Company Limited	Hong Kong	HK\$10,000	HK\$10,000	100%	100%	Trading of ginseng and dried food
Hang Fat Importer Limited	Hong Kong	HK\$10,000	HK\$10,000	100%	100%	Retailing and wholesaling American Ginseng and Other Product
Long Xi Group Company Limited	Hong Kong	HK\$10,000	HK\$10,000	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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Investment in subsidiaries (<i>note a</i>)		979,255	–
Current assets			
Other receivables		671	–
Amounts due from subsidiaries (<i>note b</i>)	20	17,910	–
Bank balances and cash		331	7
		18,912	7
Current liabilities			
Other payables		1,258	–
Amount due to a subsidiary		1,228	208
		2,486	208
Net current assets (liabilities)		16,426	(201)
Net asset (liabilities)		995,681	(201)
Capital and reserves			
Share capital	25	20,000	–
Reserves		975,681	(201)
		995,681	(201)

Note:

- 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.
- 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.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement of reserves:

	Share premium HK\$'000	Accumulated profits 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 25c)	(14,990)	–	(14,990)
Issue of new shares (Note 25d)	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

34. SUBSEQUENT EVENTS

- (a) In January 2015, the Company granted 112,100,000 share options to its employees and close family members of Common Shareholders at an exercise price of HK\$1.88 per share with various vesting periods between January 2015 to January 2018. The Group is in the process of ascertaining the fair value of these share options.
- (b) On 19 January 2015, Sparkling Square Holdings Company Limited, the Group's wholly owned subsidiary, acquired 100% equity interests of Luck Power (Hong Kong) Limited ("LPHK") and 100% equity interests of Luck Power Development Limited ("LPDL") from certain independent third parties for cash considerations of HK\$31,375,000 and HK\$31,375,000 respectively. Major assets of LPHK and LPDL are land and buildings situated in Hong Kong under medium-term leases and without any operation which did not constitute a business combination in accordance with HKFRS3 "Business Combinations" as such, the acquisition has been accounted for acquisition of assets and liabilities through acquisition of a subsidiary.

Four-Year Financial Summary

	Year ended 31 December			
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
RESULTS				
Revenue	1,219,651	762,970	492,276	446,380
Profit before taxation	230,740	152,939	60,770	58,054
Taxation	(25,416)	(24,326)	(28,428)	(13,645)
Profit for the year	205,324	128,613	32,342	44,409
Attributable to:				
– owners of the Company	205,353	128,613	32,342	44,409
– non-controlling interests	(29)	–	–	–
	205,324	128,613	32,342	44,409
As at 31 December				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
ASSETS AND LIABILITIES				
Total assets	3,152,184	1,012,857	710,870	854,660
Total liabilities	(2,063,142)	(770,657)	(597,284)	(665,618)
Net assets	1,089,042	242,200	113,586	189,042
Equity attributable to owners of the Company	1,089,070	242,200	113,586	189,042
Non-controlling interests	(28)	–	–	–
	1,089,042	242,200	113,586	189,042

Note: The results and summary of assets and liabilities for each of the three years ended 31 December 2011, 2012 and 2013 which were extracted from the Prospectus have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout those years.