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HANG FAT GINSENG

2015 INTERIM REPORT

Hang Fat Ginseng Holdings
Company Limited

(Incorporated in the Cayman Islands with
limited liability)

Stock Code: 911



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Company Profile

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Hang Fat Ginseng Holdings Company Limited
Interim Report 2015

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.

In May 2015, a Wild Ginseng selection center was established particularly for Wild Ginseng processing and selection. Wild Ginseng will be more efficiently separated into different grades and categories for wholesale and retail purpose through such center.

The Group will continue to promote Hang Fat brand and actively expand its product portfolio and to satisfy the demand from customers from different age groups. With the product differentiation driven by continuous innovation, the unique brand image of Hang Fat will be ultimately enhanced and its leading position in the industry will also be improved.

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Yeung Wing Yan
Chairman and Chief Executive Officer

Financial Highlights

HK\$'000 (Unaudited)	Six months ended 30 June		
	2015	2014	Changes
Revenue	1,245,170	851,768	46.2%
Gross Profit	527,661	266,309	98.1%
Net Profit for the period attributable to owners of the Company	438,390	175,934	149.2%
Gross Profit Margin	42.4%	31.3%	11.1%
Net Profit Margin	35.2%	20.7%	14.5%
Earnings per share – Basic*	2.19 HK cents	1.16 HK cents	88.8%
Earnings per share – Diluted*	2.13 HK cents	1.16 HK cents	83.6%
Dividend per share			
– Interim dividend*	0.6 HK cents	0.5 HK cents	

* adjusted for the effect of the sub-division (the “Share sub-division”) of one share of par value of HK\$0.01 each into 10 shares of par value of HK\$0.001 each in May 2015.





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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 ADVISERS AS TO HONG KONG LAWS

CHIU & PARTNERS

40th Floor, Jardine House
1 Connaught Place
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

G/F, Nam Pak Hong Commercial Centre
44 Bonham Strand West, Hong Kong

PRINCIPAL SHARE REGISTRAR

CODAN TRUST COMPANY (CAYMAN) LIMITED

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

Corporate Information

(Continued)

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

ir@hangfath.com

STOCK CODE

0911

WEBSITE

www.hangfatg.com

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HANG FAT GINSENG



Management Discussion and Analysis

The Group, the largest first-level American Ginseng (which comprises Cultivated Ginseng and Wild Ginseng) wholesaler in Hong Kong, is principally engaged in the sourcing and wholesaling of American Ginseng from Canada and the United States of America ("United States") and sell American Ginseng to the second level wholesaler in Hong Kong, China and overseas. As the leading player in American Ginseng wholesale market, the Group continues to enjoy a relatively strong bargaining power with its customers as well as the growers and suppliers.

For the first half of 2015, the total revenue of the Group amounted to approximately HK\$1,245.2 million, represented an increase of approximately 46.2% as compared with the corresponding period of last year; the Group's net profit amounted to HK\$438.4 million, represented an 2.5 times of the same period of last year.

REVENUE

	2015		2014		Increase of revenue (approximate %)
	Revenue HK\$'million	% of total	Revenue HK\$'million	% of total	
Cultivated Ginseng	944.5	75.9%	768.2	90.2%	+23.0%
Wild Ginseng	38.5	3.1%	83.0	9.7%	-53.6%
Ginseng wine	260.5	20.9%	–	0%	N/A
Others	1.7	0.1%	0.6	0.1%	+183.3%
TOTAL	1,245.2	100%	851.8	100%	+46.2%

For the six months ended 30 June 2015, the American Ginseng market continued to grow in a stable, sustainable and healthy manner. While the demand in American Ginseng remained strong, with the management's rich industry experience and well established close relationships with the suppliers and customers for over 20 years, the Group was able to secure a stable supply of quality American Ginseng. Sales of Cultivated Ginseng increased by approximately 23.0% to approximately HK\$944.5 million in the first six months of 2015 when compared to that of the same period in 2014 with the increase in sales volume.

Management Discussion and Analysis

(Continued)

The Group has also proactively diversified its product categories by launching ginseng by-products. Ginseng wine is one of the Group's highlighted products during the six months ended 30 June 2015 (the "Interim Period"), which achieved a sales amount of more than HK\$260.5 million, which accounted for approximately 20.9% of the total revenue. The Group used fresh Wild Ginseng, which was directly



imported from the United States, for the production of Ginseng wine. The launch of Ginseng wine has been very well received by the customers in both Hong Kong and China.

GROSS PROFIT

The gross profit increased to approximately HK\$527.7 million in the first half of 2015, which accounted for approximately 98.1% increment as compared with that of the same period in 2014. The gross profit margin increased to approximately 42.4% from 31.3% in the Interim Period. The increment was mainly attributable to the increase in sales of high gross profit products.

EXPENSE

Administrative expenses increased by approximately 3.2 times to HK\$43.2 million for the six months ended 30 June 2015, mainly due to the increase in employees' compensation expenses, professional fee, rental expenses resulting from business expansion. An additional one-off legal and professional fee and commission was recorded with an amount of approximately HK\$10.5 million for the issuance of bonds.

INVENTORIES

The inventories decreased by approximately HK\$344.7 million or 42.4% from approximately HK\$813.6 million as at 31 December 2014 to approximately HK\$468.8 million as at 30 June 2015. The decrease was mainly attributable to the seasonal sales in the first half of 2015.





Management Discussion and Analysis

(Continued)

TRADE RECEIVABLES

The Group's trade receivables as at 30 June 2015 increased to approximately HK\$1,218.7 million from approximately HK\$540.2 million as at 31 December 2014, all of which fell within the credit period. The increase was mainly due to seasonal sales and increase in sales in the first half year of 2015. The Group generally grants credit periods ranging from 30 to 365 days (2014: 30 to 180 days) to its customers. The Group extended credit periods to 365 days to certain customers in current period in order to drive the expansion of the Group's business in Wild Ginseng and Ginseng wine. The Group has very good and long history trading relationship with its customers. There was no recent history of default. The management regularly reviews the recoverability, creditworthiness of its customers and the age of the trade receivables. The management considered that the trade receivables are recoverable.

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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 ("HKD") and Renminbi ("RMB") and the Group receives all its trade receivables from customers in HKD. The purchases of Cultivated Ginseng are mainly made in Canadian dollars ("CAD") and the purchases of Wild Ginseng are mainly made in United States dollars ("USD"). As at 30 June 2015, the Group has approximately HK\$1,388.5 million of RMB bank deposit (as at 31 December 2014: HK\$1,388.5 million), which was exposed to foreign exchange risk. As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. In the current Interim Period, the Group incurred a gain of foreign exchange differences amounted to approximately HK\$35.0 million for the six months ended 30 June 2015 (for the six months ended 30 June 2014: a loss of foreign exchange differences amounted to approximately HK\$10.4 million), which mainly due to depreciation of CAD. The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial and liquidity position for the six months ended 30 June 2015. The net current assets increased by approximately 31.8% to approximately HK\$1,270.1 million (31 December 2014: approximately HK\$963.7 million), and the cash and cash equivalents of the Group amounted to approximately HK\$1,669.6 million (31 December 2014: approximately HK\$1,552.0 million). During the Interim Period, the Group has net cash proceeds of approximately HK\$121.7 million raised from the issuance of bonds.

Management Discussion and Analysis

(Continued)

As at 30 June 2015, the Group had floating interest-bearing loans of approximately HK\$1,666.6 million (31 December 2014: approximately HK\$1,646.1 million), and a fixed 6% interest corporate bonds of approximately HK\$132.2 million (31 December 2014: nil) of which HK\$1,709.5 million (95.0%) was denominated in HKD, while HK\$84.6 million (4.7%) was denominated in CAD and the remaining HK\$4.7 million denominated in USD (0.3%). Certain borrowings were secured by the Group's buildings, investment properties and bank deposits, having the carrying value of approximately HK\$1,620.6 million.

The net gearing ratio of the Group as at 30 June 2015, 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 8.7% (31 December 2014: 8.6%). The net gearing ratio was remained relatively stable as at 30 June 2015 as compared to that of 31 December 2014.

CAPITAL EXPENDITURE

The capital expenditure of the Group was approximately HK\$65.0 million (31 December 2014: HK\$29.0 million), which was mainly used in acquisition of warehouses for the Group's self-use.

SHARE OPTIONS

At 30 June 2015, a total of 1,121,000,000 (adjusted for the effect of the Share Sub-division) share options were granted under the share option scheme adopted by the Company on 9 June 2014 are remained outstanding.

PROSPECT AND STRATEGIES

PROSPECT

The Group is optimistic about the prospect of the American Ginseng markets. With its intrinsic medical values, American Ginseng has been widely used as a nourishing stimulant to increase diet and physical efficiency. With the increase in health awareness by the public, the demand in American Ginseng and Ginseng related health-care products stay strong.

STRATEGIES

The Group, being a leading player in American Ginseng market, continues to adopt an active approach to expand its business and diversify its products mix.





Management Discussion and Analysis

(Continued)

STRENGTHENING MARKET SHARES OF AMERICAN GINSENG AND KEEPING LEADING POSITION

The Group will continue to focus on expanding its market share in wholesale of both Cultivated Ginseng and Wild Ginseng. The Group strengthens its purchase power by keeping strong network and relationship with the growers and exporters and to explore opportunities with new suppliers, thus to increase the supplies of American Ginseng.



The Group believes that there is a potential market for Wild Ginseng products. Thus, the Company has devoted more effort in the expansion of Wild Ginseng market. A Wild Ginseng selection center was established particularly for Wild Ginseng processing and selection. Wild Ginseng will be more efficiently separated into different grades and categories for wholesale and retail purpose through such center.

DIVERSIFYING PRODUCT CATEGORIES AND ENHANCING BRAND IMAGE

The Group will actively expand its product portfolio and promote Hang Fat brand by taking full advantage of values in American Ginseng and targeting to launch a series of premium American Ginseng products to satisfy the demand of customers from different age groups. By actively seeking cooperation with scientific research institutions and experts, with over 30 years of accumulated experience and the deep knowledge in American Ginseng and combining with advanced scientific technology, the Group applies saponin component of American Ginseng into healthcare products, health foods, skin care products, daily necessities and Chinese medicine, so as to make full use of the unique value of saponin component of American Ginseng. The new product will change the traditional image of American Ginseng, and bring new experience to consumers. With the product differentiation driven by continuous innovation, the unique brand image of Hang Fat will be ultimately enhanced and its leading position in the industry will also be improved.

A new food processing factory is under construction in Hong Kong for manufacturing American Ginseng functional health-care related products, and such new products are targeted to be launched in the third quarter of 2015. For certain special products, the Group will consider whether to subcontract the manufacturing of such special products to superior manufacturers to reduce production cost and ensure such special products will be manufactured in high-quality at the same time.

Ginseng wine is another highlighted product for the Group, which fermented high quality white wine and cognac with fresh Wild Ginseng. Hang Fat's Ginseng wine has been very well received by customers since its launch. With strong and long relationship with the exporters, the Group was able to secure stable supplies of the high quality fresh Wild Ginseng for the production of Ginseng wine, so as to produce specific Ginseng wine.

Management Discussion and Analysis

(Continued)

FOCUSING ON CULTIVATING CHANNELS AND DIRECTIONAL MARKETING MODEL

The first Wild Ginseng flagship shop is expected to be opened in Beijing in September 2015 in order to promote the knowledge and medicinal value of Wild Ginseng. The Group is also targeting to open flagship shops in other important cities in China, including Shanghai and Shenzhen, in order to promote “Hang Fat” branded Wild Ginseng. The Wild Ginseng flagship shop will help raise public awareness of the Hang Fat (恒發) brand and further promote the use of Wild Ginseng for health conscious consumption, which in turn will stimulate the continued growth in market demand and ultimately drive the growth in sales of products of the Group.



The Company will actively seek cooperation with national distributors to promote the sales and brand awareness of Hang Fat’s products. In order to strengthen the customers’ brand awareness of Hang Fat’s products, Hang Fat will actively set up a professional sales team targeting high-end customer base. The Group will also explore new model for sales of the Group’s products starting from food and cosmetic products, on network platform and further expand the sales channel for the products of the Group and increase the diversification of the products.

The Group will continue to make its best effort in exploring other American Ginseng related business opportunities in other countries, including China, and will establish a comprehensive system for human resources through strategically employ, cultivate and retain talents, meanwhile the Group will also perfect the business structure to improve our overall production efficiency and cost effectiveness, thus to maximise shareholders’ returns.

INTERIM DIVIDEND

Pursuant to the resolution passed at the meeting of the Board on 21 August 2015, the Directors declared the interim dividend for the six months ended 30 June 2015 of HK\$0.006 (for the six months ended 30 June 2014: HK\$0.005 (as adjusted for the effect of the Share Sub-division) per ordinary share of the Company to shareholders of the Company whose names appear on the register of members of the Company on 21 September 2015, totaling HK\$120,000,000 (for the six months ended 30 June 2014: HK\$100,000,000).





Management Discussion and Analysis

(Continued)

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend for the six months ended 30 June 2015, the register of members of the Company will be closed from Friday, 18 September 2015 to Monday, 21 September 2015 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend for the six months ended 30 June 2015, all transfer documents accompanied by the relevant share certificates 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 Thursday, 17 September 2015. The interim dividend will be paid on or about Monday, 12 October 2015.

LISTING AND USE OF PROCEEDS

The shares of the Company were listed on the Stock Exchange on 27 June 2014. The net proceeds amounted to approximately HK\$923.0 million. As at 30 June 2015, the net proceeds were used for the purposes which were consistent with those set out in the prospectus of the Company dated 17 June 2014. As at 30 June 2015, the net proceeds were used for the following purposes:

Use of Proceeds	Net Proceeds	Proceed used	% of Utilized
	HK\$ million	HK\$ million	
For purchase of Cultivated Ginseng and Wild Ginseng	646.1	646.1	100%
For repayment of bank loan	156.9	156.9	100%
For brand promotion	27.7	5.5	19.9%
For working capital	92.3	92.3	100%
Total	923.0	900.8	97.6%

As at 30 June 2015, the unused net proceeds were placed with banks in Hong Kong as short-term deposits or term deposits.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES

As at 30 June 2015, 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/SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Director	Long/Short Position	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Mr. Yeung Wing Yan	Long	Personal	20,000,000 Shares (Note 1)	0.10%
	Long	Interest of controlled corporations	13,890,000,000 Shares (Note 2)	69.45%
	Short	Interest of controlled corporations	2,220,000,000 Shares	11.10%
Mr. Yeung Wing Kong	Long	Personal	20,000,000 Shares (Note 1)	0.10%
	Long	Interest of controlled corporations	900,000,000 Shares (Note 3)	4.50%
Ms. Fu Fung Sau	Long	Personal	20,000,000 Shares (Note 1)	0.10%
	Long	Interest of controlled corporations	210,000,000 Shares (Note 4)	1.05%

Notes:

- These shares were the shares which would be allotted and issued upon exercise in full of the options granted to such Director under the share option schemes of the Company.
- These Shares consist of 12,000,000,000 Shares held by Cervera Holdings Limited ("Cervera") and 1,890,000,000 Shares hold 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.
- These Shares consist of 900,000,000 Shares held by Dragon Jump Global Limited ("Dragon Jump"), which was wholly owned by Mr. Yeung Wing Kong.
- These Shares consist of 210,000,000 Shares held by Ace Fame Management Limited, which was wholly owned by Ms. Fu Fung Sau.





Corporate Governance and Other Information

(Continued)

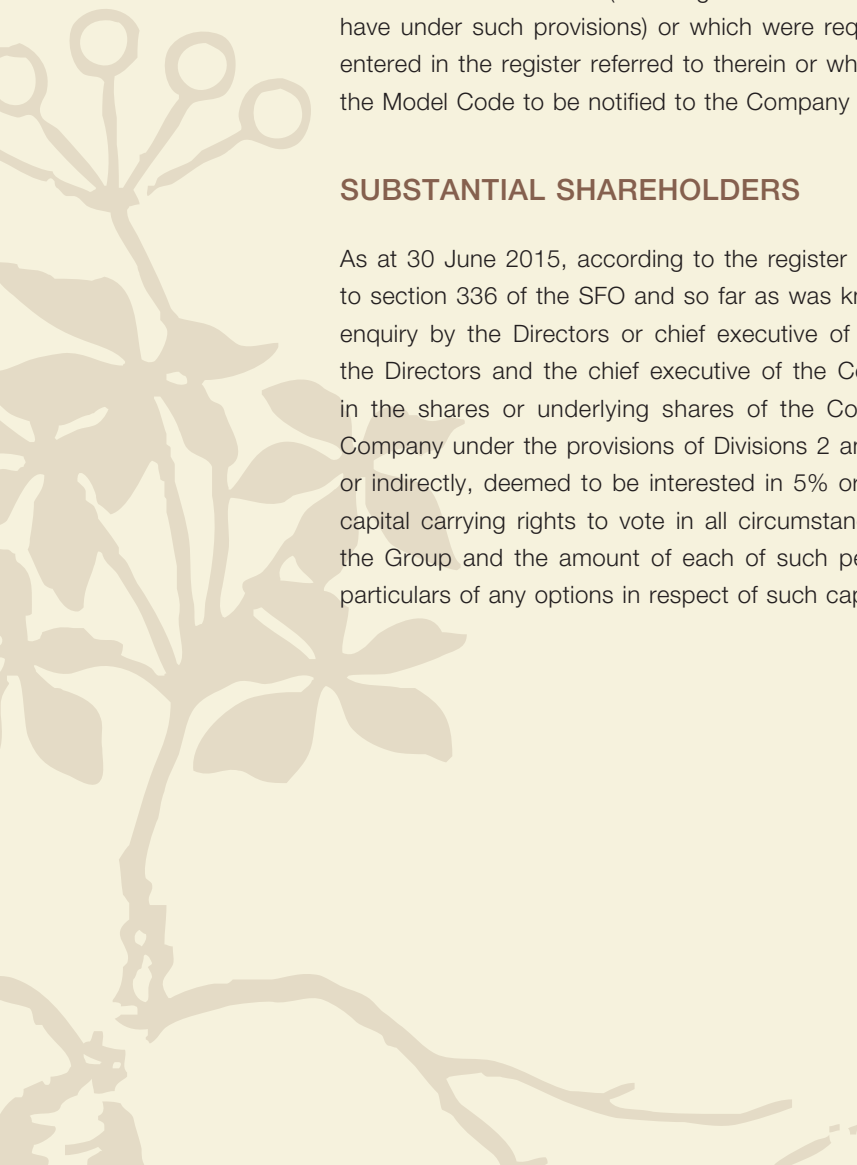
(II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY – CERVERA

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%

Save as disclosed above, as at 30 June 2015, 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 30 June 2015, 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:



Corporate Governance and Other Information

(Continued)

LONG/SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Director	Long/Short		Number of shares	Percentage of shareholding
	Position	Capacity		
Ms. Wong Mei Kuen Joan	Long	Interest of spouse	13,910,000,000 Shares (Note 1)	69.55%
	Short	Interest of spouse	2,220,000,000 Shares	11.10%
Cervera	Long	Beneficial owner	12,000,000,000 Shares	60.00%
	Short	Beneficial owner	2,220,000,000 Shares	11.10%
Athena Power	Long	Beneficial owner	1,890,000,000 Shares	9.45%

Notes:

1. Ms. Wong Mei Kuen Joan is the wife of Mr. Yeung Wing Yan.

Saved as disclosed above, as at 30 June 2015, 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 19 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.

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Corporate Governance and Other Information

(Continued)

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.

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 (1,121,000,000 Shares at the exercise price of HK\$0.188 after adjusted for the effect of the Share Sub-division). The estimated fair value of the options granted during the Interim Period was HK\$74,753,000.

Corporate Governance and Other Information

(Continued)

As at 30 June 2015, options to subscribe for an aggregate of 1,121,000,000 shares (adjusted for the effect of share subdivision in May 2015) granted to the Directors, certain employees and other participants pursuant to the Scheme remained outstanding, details of which are as follows:

Category and name of participant(s)	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK\$	Outstanding at 1.1.2015	Granted during the period	Lapsed/ cancelled during the period	Exercised during the period	Outstanding at 30.6.2015
Executive Directors								
Mr. Yeung Wing Yan	6 January 2015	6 January 2015 – 5 January 2018	0.188	-	20,000,000	-	-	20,000,000
Mr. Yeung Wing Kong	6 January 2015	6 January 2015 – 5 January 2018	0.188	-	20,000,000	-	-	20,000,000
Ms. Fu Fung Sau	6 January 2015	6 January 2015 – 5 January 2018	0.188	-	20,000,000	-	-	20,000,000
Associates of Director								
	6 January 2015	6 January 2015 – 5 January 2018	0.188	-	13,333,330	-	-	13,333,330
		6 January 2016 – 5 January 2018	0.188	-	13,333,330	-	-	13,333,330
		6 January 2017 – 5 January 2018	0.188	-	13,333,340	-	-	13,333,340
Other employees								
	6 January 2015	6 January 2015 – 5 January 2018	0.188	-	16,200,000	-	-	16,200,000
		6 January 2016 – 5 January 2018	0.188	-	2,400,000	-	-	2,400,000
		6 January 2017 – 5 January 2018	0.188	-	2,400,000	-	-	2,400,000
Other participants								
	6 January 2015	6 January 2015 – 5 January 2018	0.188	-	1,000,000,000	-	-	1,000,000,000
				-	1,121,000,000	-	-	1,121,000,000

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

During the six months ended 30 June 2015, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Board is committed in achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. During the six months ended 30 June 2015, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except in relation to CG Code provision A.2.1, as more particularly described below.





Corporate Governance and Other Information

(Continued)

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 in place an internal control system to perform the check and balance function. There are also three independent non-executive Directors on the Board offering strong, 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 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, and that having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code during the six months ended 30 June 2015.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial statements for the Interim Period with the Directors.

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.

On behalf of the Board

Yeung Wing Yan

Chairman & Chief Executive Officer

Hong Kong, 21 August 2015

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF HANG FAT GINSENG HOLDINGS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Hang Fat Ginseng Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 21 to 40, which comprises the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements *(Continued)*

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 August 2015



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	1,245,170	851,768
Costs of sales		(717,509)	(585,459)
Gross profit		527,661	266,309
Other income, gains and losses	4	61,127	(9,190)
Selling and distribution costs		(5,917)	(3,597)
Administrative expenses		(43,237)	(13,368)
Listing expenses		-	(16,728)
Change in fair value of investment properties		1,638	(2,500)
Finance costs	5	(20,209)	(6,205)
Profit before taxation	6	521,063	214,721
Income tax expense	7	(82,797)	(38,787)
Profit for the period		438,266	175,934
Other comprehensive expense for the period			
Exchange differences arising on translation of foreign operation		(24)	-
Total comprehensive income for the period		438,242	175,934
Profit for the period attributable to:			
- owners of the Company		438,390	175,934
- non-controlling interests		(124)	-
		438,266	175,934
Total comprehensive income attributable to:			
- owners of the Company		438,366	175,934
- non-controlling interests		(124)	-
		438,242	175,934
			(Restated)
Earnings per share			
- basic	9	2.19 cents	1.16 cents
- diluted	9	2.13 cents	1.16 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Notes	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	70,933	39,809
Investment properties	11	120,322	88,400
Prepayment	12	33,222	–
Deposits paid for acquisition of property, plant and equipment		7,910	7,180
		232,387	135,389
Current assets			
Inventories		468,828	813,563
Trade and other receivables	12	1,300,858	651,243
Pledged bank deposits		1,442,973	1,417,950
Bank balances and cash		226,631	134,039
		3,439,290	3,016,795
Current liabilities			
Trade and other payables	13	151,132	360,766
Obligations under finance leases		492	1,100
Bank borrowings	14	1,666,643	1,646,071
Bonds	15	132,200	–
Dividend payable		100,000	–
Taxation payable		118,676	45,153
		2,169,143	2,053,090
Net current assets		1,270,147	963,705
Total assets less current liabilities		1,502,534	1,099,094
Non-current liabilities			
Obligations under finance leases		–	1,472
Deferred tax liabilities		8,580	8,580
		8,580	10,052
Net assets		1,493,954	1,089,042
Capital and reserves			
Share capital	16	20,000	20,000
Reserves		1,473,881	1,069,070
Equity attributable to owners of the Company		1,493,881	1,089,070
Non-controlling interests		73	(28)
Total equity		1,493,954	1,089,042

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Share capital	Share premium	Capital reserve	Exchange reserve	Share options reserve	Accumulated profits	Subtotal	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note b)						
At 1 January 2015 (audited)	20,000	931,527	8,553	-	-	128,990	1,089,070	(28)	1,089,042
Profit and total comprehensive income (expense) for the period	-	-	-	(24)	-	438,390	438,366	(124)	438,242
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	225	225
Recognition of equity-settled share-based payments	-	-	-	-	66,445	-	66,445	-	66,445
Dividend recognised as distribution	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
At 30 June 2015 (unaudited)	20,000	931,527	8,553	(24)	66,445	467,380	1,493,881	73	1,493,954
At 1 January 2014 (audited)	1	-	8,562	-	-	233,637	242,200	-	242,200
Profit and total comprehensive income for the period	-	-	-	-	-	175,934	175,934	-	175,934
Arising from group restructuring (Note a)	9	-	(9)	-	-	-	-	-	-
Issue of shares by capitalisation of share premium account (Note 16e)	14,990	(14,990)	-	-	-	-	-	-	-
Issue of new shares (Note 16d)	5,000	985,000	-	-	-	-	990,000	-	990,000
Expenses incurred in connection with the issue of new shares	-	(38,483)	-	-	-	-	(38,483)	-	(38,483)
Dividend recognised as distribution	-	-	-	-	-	(210,000)	(210,000)	-	(210,000)
At 30 June 2014 (unaudited)	20,000	931,527	8,553	-	-	199,571	1,159,651	-	1,159,651

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 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 30 June 2015 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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Net cash from operating activities	48,479	89,155
Net cash used in investing activities		
Repayment from a director	–	10,950
Withdrawal of pledged bank deposits	26,700	644
Proceeds from disposal of property, plant and equipment	2,140	76
Placement of pledged bank deposits	(51,723)	(59,586)
Advance to a director	–	(23,563)
Purchase of investment properties	(27,284)	–
Purchase of property, plant and equipment	(30,537)	(17,295)
Deposit paid on acquisition of property, plant and equipment	(7,910)	(524)
Interest received	26	10
	(88,588)	(89,288)
Net cash from financing activities		
Proceeds from issue of new shares	–	990,000
New bank loans raised	360,559	296,398
New bonds issued	132,200	–
Repayments of bank loans	(339,526)	(361,979)
Expenses incurred in connection with issue of new shares	–	(38,483)
Capital contributions from non-controlling interests	225	–
Increase (decrease) in bank overdrafts	76	(9,158)
Interest paid	(18,753)	(5,273)
Repayments of obligations under finance leases	(2,080)	(643)
	132,701	870,862
Net increase in cash and cash equivalents	92,592	870,729
Cash and cash equivalents at beginning of the period	134,039	47,368
Cash and cash equivalents at end of the period, represented by bank balances and cash	226,631	918,097

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

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

The Company is an investment holding company. The principal activities of its subsidiaries are sourcing, wholesale and retail of ginseng and dried foods. During the current interim period, the Group has entered into a new segment by self-manufacturing and selling of Ginseng wine.

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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In addition, the following new accounting policies became applicable to the Group during the current interim period.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2015

2. Principal accounting policies (Continued)

Share-based payment arrangements (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

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

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

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

In addition, in the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. 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 its performance which focus on the different types of product. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) Cultivated American Ginseng ("Cultivated Ginseng");
- (ii) Wild Ginseng from the United States ("Wild Ginseng");
- (iii) Ginseng wine;
- (iv) Others: trading of other foods (including dried cordyceps, dried cubilose and dried seafood).

During the current interim period, the Group has entered into a new segment of self-manufacturing and selling of Ginseng wine.

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2015

3. Segment information (Continued)

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

	Six months ended 30 June			
	Segment revenue		Segment results	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Cultivated Ginseng	944,545	768,171	279,080	260,807
Wild Ginseng	38,469	82,965	16,077	5,227
Ginseng wine	260,464	–	232,259	–
Others	1,692	632	245	275
	1,245,170	851,768	527,661	266,309
Gain on disposal of property, plant and equipment			439	199
Listing expenses			–	(16,728)
Change in fair value of investment properties			1,638	(2,500)
Exchange gain (loss)			35,019	(10,359)
Unallocated corporate income			25,669	970
Unallocated corporate expenses			(49,154)	(16,965)
Finance costs			(20,209)	(6,205)
Profit before taxation			521,063	214,721

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period.

Segment profit during the period represents the profit earned by each segment without allocation of gain on disposal of property, plant and equipment, listing expenses, changes in fair value of investment properties, exchange gain (loss), unallocated corporate 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

(Continued)

For the six months ended 30 June 2015

4. Other income, gains and losses

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest income on bank deposits	24,242	10
Rental income	1,270	960
Exchange gain (loss), net	35,019	(10,359)
Gain on disposal of property, plant and equipment	439	199
Sundry income	157	–
	61,127	(9,190)

5. Finance costs

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest on:		
Bank loans and overdrafts wholly repayable within five years	18,738	6,076
Bonds wholly repayable within five years	1,456	–
Finance leases wholly repayable within five years	15	129
	20,209	6,205

6. Profit before taxation

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	1,892	1,119
Operating lease rental in respect of office premises	1,494	758

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2015

7. Income tax expense

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
The taxation comprises:		
Hong Kong Profits Tax:		
Current period	82,797	38,923
Deferred tax:		
Current period	-	(136)
	82,797	38,787

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

8. Dividends

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Dividend recognised as distribution during the period:		
Final dividend for the year ended 31 December 2014 (Note a)	40,000	-
Special dividend for the year ended 31 December 2014 (Note b)	60,000	-
Other dividend (Note c)	-	210,000
	100,000	210,000

Notes:

- During the current interim period, the Directors declared the payment of a final dividend of HK\$0.02 per share (representing HK\$0.002 per share after the share sub-division as detailed in note 16) amounting to HK\$40,000,000 for the year ended 31 December 2014.
- A special dividend of HK\$0.03 per share (representing HK\$0.003 after the share sub-division as detailed in note 16) amounting to HK\$60,000,000 in aggregate for the year ended 31 December 2014.
- During the six months ended 30 June 2014 and prior to the group restructuring on 21 May 2014, Hang Fat Group Holdings Limited declared a dividend of HK\$210,000,000 of its equity owners. The dividend was satisfied by current account with a Director.

Pursuant to a resolution passed at the Board meeting on 21 August 2015, the Directors declared the interim dividend for the six months ended 30 June 2015 of HK\$0.006 (six months ended 30 June 2014: HK\$0.05 per share representing HK\$0.005 after the share sub-division) per ordinary share totaling HK\$120,000,000 (six months ended 30 June 2014: HK\$100,000,000). Dividends declared after the end of the reporting period are not recognised as a liability at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2015

9. Earnings per share

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

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	438,390	175,934

	Six months ended 30 June	
	2015	2014 (Restated)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	20,000,000,000	15,110,500,000
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	547,533,376	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	20,547,533,376	15,110,500,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2014 has been retrospectively adjusted to reflect 14,990,000,000 shares issued upon capitalisation on 27 June 2014 as disclosed in note 16.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted retrospectively for the share sub-division on 26 May 2015.

For the six months ended 30 June 2014, there is no potential ordinary shares of the Company and the diluted earnings per share equals basic earnings per share.

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2015

10. Movements in property, plant and equipment

During the period, the Group acquired leasehold land and buildings situated in Hong Kong under medium lease term of approximately HK\$35,195,000 (six months ended 30 June 2014: HK\$20,130,000) and other property, plant and equipment of approximately HK\$2,522,000 (six months ended 30 June 2014: HK\$1,407,000). Part of the consideration of approximately HK\$7,180,000 were settled through deposits paid in prior year (six months ended 30 June 2014: HK\$3,567,000 and HK\$675,000 were settled through deposits paid in the prior year and by entering into finance lease contracts).

Also, during the period, the Group disposed of certain property, plant and equipment with the aggregate carrying amount of approximately HK\$1,701,000 (six months period ended 30 June 2014: HK\$888,000) which was settled in cash amounting to HK\$2,140,000 (six months ended 30 June 2014: HK\$1,087,000 of which HK\$76,000, HK\$811,000 and HK\$200,000 were settled in cash, release of obligation under finance lease and current account with a Director respectively), and resulting in a gain on disposal of approximately HK\$439,000 (six months ended 30 June 2014: HK\$199,000).

11. Investment properties

The fair value of the Group's investment properties at 30 June 2015 and 31 December 2014 was HK\$120,322,000 and HK\$88,400,000 respectively. During the six months ended 30 June 2015, the Group acquired investment properties of HK\$27,284,000, which resulted from the acquisition of Luck Power (Hong Kong) Limited ("LPHK") and Luck Power Development Limited ("LPDL"). Major assets of LPHK and LPDL are land and building situated in Hong Kong under medium-term leases and do not have any operation, which did not constitute a business combination in accordance with HKFRS 3 "Business combinations". As such, the acquisition has been accounted for acquisition of assets and liabilities through acquisition of a subsidiary. In addition, the Group also transferred properties with carrying amount of HK\$3,000,000 which approximates the fair value at the date of transfer from property, plant and equipment to investment properties during the current interim period.

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 and whose address is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The fair value of the investment properties 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 and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The resulting increase in fair value of the investment properties of HK\$1,638,000 has been recognised directly in profit or loss for the six months ended 30 June 2015 (2014: decrease in fair value of HK\$2,500,000).

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2015

12. Trade and other receivables/prepayment

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Prepayment on consultants' share option – non-current portion (Note 1)	33,222	–
Trade receivables	1,218,703	540,229
Prepayment on consultants' share option – current portion (Note 1)	19,023	–
Deposit paid for purchase of ginseng	34,362	105,657
Advances to a bulk exporter (Note 2)	15,725	–
Interest receivables	6,430	634
Prepayments and others	6,615	4,723
	82,155	111,014
Total trade and other receivables	1,300,858	651,243

Notes: (1) Amount represents share options granted to the consultants for services to be rendered to the Group on business advice and market information regarding to ginseng for a term of three years commencing from the date of 6 January 2015 to 5 January 2018. The three-year service fee was wholly paid in advance in the form of share options. The Group shall have the right to terminate the service agreement by giving the other not less than three months' prior written notice. If the service agreement is terminated, the share options granted will lapse automatically. And for those share options already exercised in advance without service performed upon termination of the service agreement, the consultants are required to refund in cash on the pro-rata basis with reference to the fair value of the options determined at grant date.

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

The Group generally grants credit periods ranging from 30 days to 365 days (2014: 30 days to 180 days) to its customers. The Group extended credit periods to 365 days to certain customers in the current interim period in order to drive the expansion of the Group's business in wild ginseng and ginseng wines. 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.

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2015

12. Trade and other receivables/prepayment (Continued)

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:

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Within 30 days	383,650	297,393
31 to 90 days	350,065	19,010
91 to 180 days	417,400	38,669
181 days to 365 days	67,588	185,157
	1,218,703	540,229

13. Trade and other payables

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Trade payables	121,200	316,874
Other payables		
– Cash rebates from bank	16,749	35,170
– Accrued expenses	12,211	5,406
– Amount due to a bulk exporter (note)	–	2,579
– Rental deposit	527	320
– Customer's deposit received	276	250
– Others	169	167
Total trade and other payables	151,132	360,766

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

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2015

13. Trade and other payables (Continued)

The following is an aged analysis of trade payables based on the invoice date at the end of each reporting period:

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
0 to 30 days	14,576	310,972
31 to 90 days	25,618	3,023
91 to 180 days	13,498	2,879
Over 180 days	67,508	–
	121,200	316,874

14. Bank borrowings

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Bank overdrafts – secured	76	–
Bank loans		
– Trust receipts loans	260,855	275,002
– Mortgage loans	39,696	17,472
– Revolving loans	1,358,100	1,333,100
– Other bank loans	7,916	20,497
	1,666,567	1,646,071
	1,666,643	1,646,071
Carrying amount repayable within one year*	260,855	275,002
Carrying amount of bank loans that are repayable within one year and contain a repayment on demand clause	1,374,147	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)	31,641	14,422
Less: Amounts due within one year shown under current liabilities	(1,666,643)	(1,646,071)
Amounts shown under non-current liabilities	–	–

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

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2015

14. Bank borrowings (Continued)

The bank loans of the Group comprised variable-rate loans which carry interest with reference to Hong Kong Interbank Offered Rate/London Interbank Offered Rate and Prime rate and the ranges of effective interests of the bank loans are as follows:

	As at 30 June 2015	As at 31 December 2014
Variable-rate loans	1.23% to 4.41%	1.22% to 4.39%

The Group has pledged buildings, investments properties and bank deposits having a carrying value of approximately HK\$1,620,562,000 at 30 June 2015 (HK\$1,536,857,000 at 31 December 2014) to secure general banking facilities granted to the Group. The banking facilities were also supported by corporate guarantee of the group entities.

15. Bonds

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Carrying amount repayable:		
More than two years, but not more than five years	132,200	–

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

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

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

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2015

16. Share capital

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

Notes	Nominal value per share HK\$	Number of shares '000	Amount HK\$'000
Ordinary shares			
Authorised:			
At 1 January 2014	0.01	1,000	10
Increase on 9 June 2014	0.01	4,999,000	49,990
<hr/>			
At 31 December 2014 and 1 January 2015	0.01	5,000,000	50,000
Share sub-division and increase in authorised share capital	–	45,000,000	–
<hr/>			
At 30 June 2015	0.001	50,000,000	50,000
<hr/>			
Issued and fully paid:			
At 1 January 2014	0.01	1,000	–
Arising from group restructuring	–	–	10
Issue of new shares upon the global offering	0.01	500,000	5,000
Issue of shares by capitalisation of share premium account	0.01	1,499,000	14,990
<hr/>			
At 31 December 2014 and 1 January 2015	0.01	2,000,000	20,000
Share sub-division	–	18,000,000	–
<hr/>			
At 30 June 2015	0.001	20,000,000	20,000

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

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

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2015

16. Share capital (Continued)

- (c) Pursuant to the group restructuring, on 23 May 2014, the Company acquired entire issued share capital of Hang Fat Group Holdings Limited 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.
- (d) On 27 June 2014, 500,000,000 ordinary shares of HK\$0.01 each of the Company were issued at HK\$1.98 per share by way of public offer upon Listing ("Global Offering").
- (e) Pursuant to a resolution passed by all shareholders of the Company on 9 June 2014, conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors were authorised to capitalise HK\$14,990,000 standing to 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.

17. Share-based payment transactions

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

At 30 June 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,121,000,000 (31 December 2014: Nil), representing 5.6% (31 December 2014: Nil %) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options may be exercised at any time from the date of grant of the share option to the 10 anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the period ended 30 June 2015, options were granted at an exercise price of HK\$1.88 on 6 January 2015. The estimated fair value of the options granted on this date is HK\$74,753,000. On 26 May 2015, the exercise price was adjusted from HK\$1.88 to HK\$0.188 per share with effective from 26 May 2015 as a result of share sub-division and the total number of share options was adjusted from 112,100,000 to 1,121,000,000.

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2015

17. Share-based payment transactions (Continued)

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

Type of participates	Date of grant	Exercisable period	Exercise price	Outstanding at 1.1.2015	Granted during the period	Adjustment on share sub-division	Outstanding at 30.6.2015
Directors and its associates	6.1.2015	6.1.2015 to 5.1.2018	HK\$0.188	-	7,333,333	65,999,997	73,333,330
	6.1.2015	6.1.2016 to 5.1.2018	HK\$0.188	-	1,333,333	11,999,997	13,333,330
	6.1.2015	6.1.2017 to 5.1.2018	HK\$0.188	-	1,333,334	12,000,006	13,333,340
Employees	6.1.2015	6.1.2015 to 5.1.2018	HK\$0.188	-	1,620,000	14,580,000	16,200,000
	6.1.2015	6.1.2016 to 5.1.2018	HK\$0.188	-	240,000	2,160,000	2,400,000
	6.1.2015	6.1.2017 to 5.1.2018	HK\$0.188	-	240,000	2,160,000	2,400,000
Consultants	6.1.2015	6.1.2015 to 5.1.2018	HK\$0.188	-	100,000,000	900,000,000	1,000,000,000
				-	112,100,000	1,008,900,000	1,121,000,000

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

The closing price of the Company's shares immediately before 6 January 2015, the date of grant, was HK\$1.86.

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

	6 January 2015
Share price on grant date (before share sub-division)	HK\$1.88
Exercise price (before share sub-division)	HK\$1.88
Expected volatility	58.69%
Expected life	3 years
Risk-free rate	0.92%
Expected dividend yield	1.70%
Early exercise multiple – Directors:	N/A
– Employees and consultants:	2.2X

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

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2015

17. Share-based payment transactions (Continued)

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

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

The Group recognised the total expense of HK\$14,200,000 for the six months ended 30 June 2015 in relation to share options granted by the Company.

18. Capital commitments

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	2,397	57,380

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2015

19. Related party transactions

	Six months ended 30 June 2015 HK\$'000 (unaudited)	Six months ended 30 June 2014 HK\$'000 (unaudited)
Director's fee	242	21
Other emoluments		
– basic salaries and allowance	5,746	2,952
– retirement benefits scheme contributions	18	16
– equity-settled share-based payment transactions	2,072	–
	8,078	2,989

During the period, 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 by Mr. Yeung Wing Yan and Mr. Yeung Wing Kong.

	Six months ended 30 June 2015 HK\$'000 (unaudited)	Six months ended 30 June 2014 HK\$'000 (unaudited)
Rental expense paid	558	–

20. Fair value measurements of financial instruments

- There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets or any reclassification of financial assets in the period.
- Fair value of financial instruments that are recorded at amortised cost.

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