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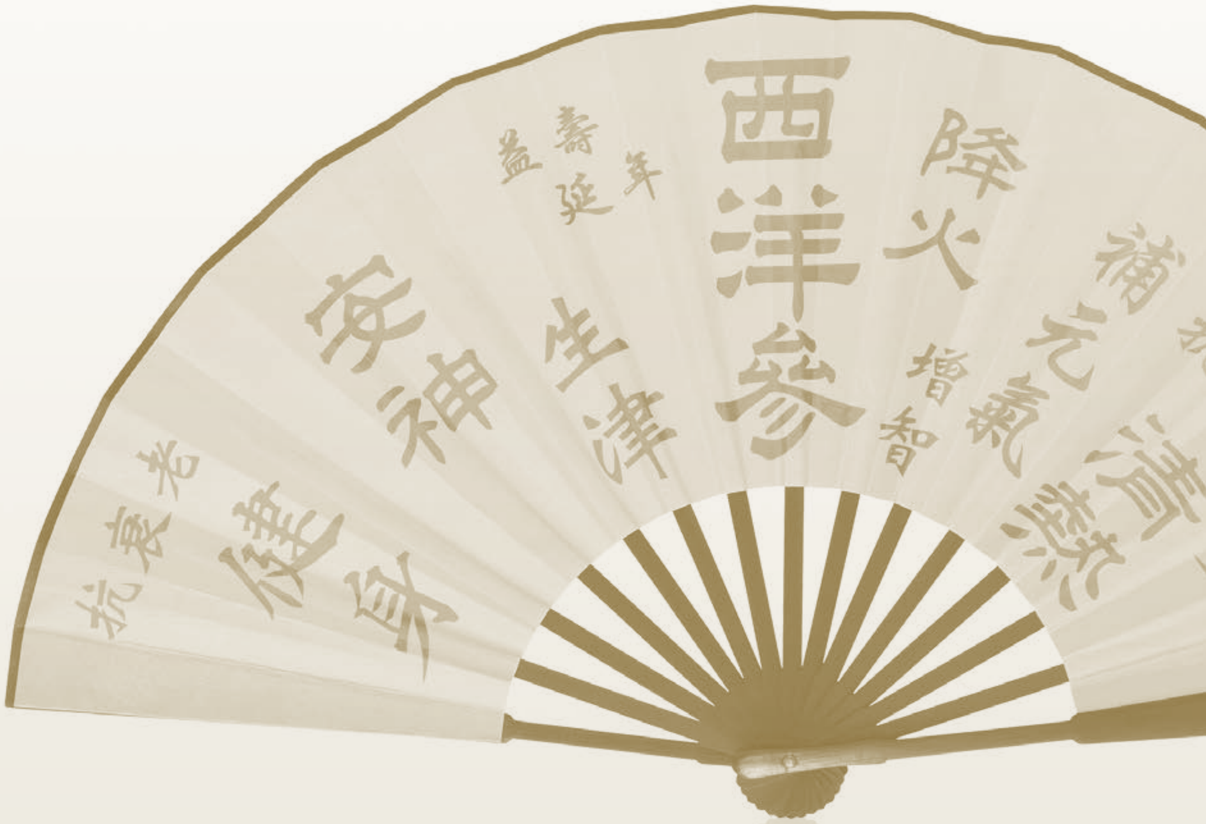
HANG FAT GINSENG

# Hang Fat Ginseng Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 911




Annual Report 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

*NON-EXECUTIVE DIRECTOR*

Mr. Shin Yick Fabian (appointed on 6 January 2016 and resigned on 3 February 2016)

*INDEPENDENT NON-EXECUTIVE DIRECTORS*

Mr. Wong Senta
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)
Mr. Yuen Chee Lap Carl (appointed on 29 February 2016)

## AUDIT COMMITTEE

Mr. Yuen Chee Lap Carl (*Chairman*) (appointed on 29 February 2016)
Mr. Wong Senta
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)

## REMUNERATION COMMITTEE

Mr. Wong Senta (*Chairman*)
Mr. Yeung Wing Yan
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)

## NOMINATION COMMITTEE

Mr. Wong Senta (*Chairman*)
Mr. Yeung Wing Yan
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)

## 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
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

# Corporate Information

## PRINCIPAL SHARE REGISTRAR

*CODAN TRUST COMPANY (CAYMAN) LIMITED*

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

## 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

*UNITED OVERSEAS BANK LIMITED*

23/F, 3 Garden Road,
Central, Hong Kong

*CHONG HING BANK*

Chong Hing Bank Centre,
24 Des Voeux Road
Central, Hong Kong

*STANDARD CHARTERED BANK (HONG KONG) LIMITED*

Standard Chartered Bank Building
4-4A Des Voeux 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*

Suit 604-611, 6/F, Tower 6
Gateway, Tsim Sha Tsui, Kowloon

## INVESTORS RELATIONS

ir@hangfath.com

## STOCK CODE

0911

## WEBSITE

www.hangfatg.com

# Management Discussion and Analysis

## BUSINESS REVIEW

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

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

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

However, since the publication of the announcement of the Company dated 2 February 2016 regarding a possible change in control of the Company, a turbulence has been caused in the American Ginseng market and customers of the Group have been conscious of the American Ginseng trading. The Group continues to monitor the market trends and take prompt actions to adjust its business and operation plan under different market conditions.

## FINANCIAL REVIEW

### *REVENUE AND GROSS PROFIT*

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

#### AMERICAN GINSENG

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

## GINSENG WINE

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

## *PROVISION FOR DISCOUNTS AND REBATES*

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

## *LOSS FOR THE YEAR*

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

(i) provision for discounts and rebates of approximately HK$352.0 million (2014: nil);

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

(iii) foreign exchange loss of approximately HK$67.0 million mainly arising from depreciation of Renminbi ("**RMB**");

(iv) the non-cash expenses of totaling approximately HK$72.5 million (2014: nil) arising from the grant of share options and share awards by the Company to eligible participants during the year ended 31 December 2015;

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

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

TRADE RECEIVABLES

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

*INVENTORIES*

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

## FOREIGN EXCHANGE EXPOSURE

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars ("**HKD**") and the sales of the Group are mainly denominated in HKD and RMB and the Group receives all its trade receivables from customers in HKD. The purchases of cultivated ginseng are mainly made in Canadian dollars ("**CAD**") and the purchases of wild ginseng are mainly made in United States dollars ("**USD**"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the year ended 31 December 2015, the Group incurred a loss of foreign exchange differences amounted to approximately HK$67.0 million (2014: a loss of foreign exchange differences amounted to approximately HK$8.0 million). The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group utilises a variety of forward foreign exchange contracts to manage its exchange rate exposures. During the year ended 31 December 2015, a loss from forward foreign exchange contracts of approximately HK$31.4 million (2014: nil) was incurred. The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2015, the Group incurred a loss of approximately HK$438.5 million and had a net operating cash outflow of approximately HK$89.3 million.

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

The Group had interest-bearing loans of approximately HK$1,440.9 million as at 31 December 2015 (2014: HK$1,646.1 million), of which approximately HK$1,334.5 million (92.6%) was denominated in HKD, while approximately HK$45.2 million (3.1%) was denominated in CAD and the remaining HK$61.1 million was denominated in USD (4.2%). As at the date of this report, all the banks of the Group have stopped the trade facilities granted to the Group. Certain banks of the Company have issued demand letters that the Group should make immediate repayment of the amounts outstanding, which included an aggregate amount of the principal of approximately HK$179 million and the interest so accrued.

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

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

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

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

## CHARGE OF ASSETS

Certain borrowings were secured by the Group's buildings, investment properties, deposit placed for life insurance policy and bank deposits, having a carrying value of approximately HK$1,144.3 million as at 31 December 2015.

## CAPITAL EXPENDITURE

The capital expenditure of the Group was approximately HK$76.4 million for the year ended 31 December 2015 (2014: approximately HK$29.0 million), which was mainly used in acquisition of office premises for the Group's self-use.

## CONTINGENT LIABILITIES

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

## SUBSEQUENT EVENTS

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

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

## HUMAN RESOURCES

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

## LOOKING AHEAD

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

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

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

## DIVIDENDS

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

## CLOSURE OF REGISTER OF MEMBERS

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## AUDIT COMMITTEE

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

# Directors and Senior Management

## DIRECTORS

### *EXECUTIVE DIRECTORS*

MR. YEUNG WING YAN

**Founder, Chairman, Chief Executive Officer and executive Director, aged 50**

Mr. Matthew Yeung was appointed as an 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 the 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 45**

Mr. Jeffrey Yeung was appointed as an 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 the 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 70**

Madam Fu Fung Sau was appointed as an 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 the 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 73**

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 of Hong Kong Limited ("**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.

### MR. WU WAI LEUNG, DANNY

**Independent non-executive director, aged 55**

Mr. Wu Wai Leung, Danny graduated from the University of Hong Kong with a Bachelor's degree in Social Sciences in 1985. Mr. Wu is currently the chief executive officer and an executive director of Greenheart Group Limited (stock code: 0094), a company listed on the Main Board of the Stock Exchange. Mr. Wu has over 20 years of experience in investing and business operations in Asia. Since 2003, Mr. Wu has been a director of First Gateway Capital Limited (formerly "First U.S. Capital Limited"), which engages in early stage investment, and investment advisory services to small and medium enterprises in Asia, with a focus in transportation, resource, manufacturing, technology and telecommunication companies. Mr. Wu was an independent non-executive director of Newton Resources Limited (stock code: 1231), a company listed on the Main Board of the Stock Exchange, from 25 January 2011 until 21 May 2015. He is currently a non-executive director of Newton Resources Limited.

### MR. YUEN CHEE LAP CARL

**Independent non-executive director, aged 41**

Mr. Yuen Chee Lap Carl graduated from the University of Houston, U.S. He attained a Bachelor's degree and a Master's degree in Business Administration in 1997 and 1998 respectively. Mr. Yuen is currently the financial controller of Courage Marine Group Limited (stock code: 1145), a company listed on the Main Board of the Stock Exchange and the Singapore Exchange Securities Trading Limited. Mr. Yuen has rich experience in finance and accounting in Hong Kong, Singapore and the United States. Mr. Yuen commenced his career in the United States and served as chief accountant and managerial position in several companies between 1998 and 2003. Mr. Yuen joined Courage Marine Group Limited in 2004 and was appointed as financial controller in May 2006. He is in charge of the company's finance and accounting control as well as the company's reporting, Singapore Exchange Securities Trading Limited and the Stock Exchange compliance. Mr. Yuen is currently a member of the Hong Kong Institute of Directors and the Association of Hong Kong Accountants.

## SENIOR MANAGEMENT

**Ms. Yip Tak Yung, Teresa**, aged 34, 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 COPOERATE 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 year ended 31 December 2015, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("**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 the 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 year ended 31 December 2015.

## 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.

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

## *NON-EXECUTIVE DIRECTORS*

Mr. Shin Yick Fabian (appointed on 6 January 2016 and resigned on 3 February 2016)

## *INDEPENDENT NON-EXECUTIVE DIRECTORS*

Mr. Wong Senta
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)
Mr. Yuen Chee Lap Carl (appointed on 29 February 2016)
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

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*

During the year ended 31 December 2015, 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.

Details of Directors' attendance records during the year ended 31 December 2015 are set out in the table below:

| Directors | Board | Meetings Attended/Held<br>Audit Committee | Nomination Committee | Remuneration Committee |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Mr. Yeung Wing Yan | 6/6 | N/A | 1/1 | 1/1 |
| Mr. Yeung Wing Kong | 6/6 | N/A | N/A | N/A |
| Ms. Fu Fung Sau | 6/6 | N/A | N/A | N/A |
| **Independent non-executive Directors** | | | | |
| Mr. Wong Senta | 6/6 | 2/2 | 1/1 | 1/1 |
| Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016) | 6/6 | 2/2 | N/A | N/A |
| Mr. Cheung Chung Wai Billy (resigned on 22 February 2016) | 6/6 | 2/2 | 1/1 | 1/1 |
| Mr. Wu Wai Leung Danny (appointed on 29 February 2016) | N/A | N/A | N/A | N/A |
| Mr. Yuen Chee Lap Carl (appointed on 29 February 2016) | N/A | N/A | N/A | N/A |

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.

The Directors received the following training for the year ended 31 December 2015 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. Wu Wai Leung Danny (appointed on 29 February 2016) | N/A |
| Mr. Yuen Chee Lap Carl (appointed on 29 February 2016) | N/A |
| Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016) | √ |
| Mr. Cheung Chung Wai Billy (resigned on 22 February 2016) | √ |

## *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. Yuen Chee Lap Carl (*Chairman,* appointed on 29 February 2016)
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)
Mr. Wong Senta
Mr. Cheung Chung Wai Billy (*previous Chairman,* resigned on 22 February 2016)
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)

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.

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 year ended 31 December 2015, the Audit Committee held 2 meetings. 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 year ended 31 December 2015:

(a) reviewed the interim financial statements and annual reports, 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 audited annual consolidated financial statement for the year ended 31 December 2014 and audited results for the year ended 31 December 2014 and unaudited interim condensed financial statement for the six months ended 30 June 2015 and had discussed the financial information with the management and the external auditors of the Company during the year ended 31 December 2015 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. Wu Wai Leung Danny (appointed on 29 February 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

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 year ended 31 December 2015. During the meeting, the Remuneration Committee reviewed the remuneration packages of the executive Directors and independent non-executive Directors and senior management.

The remunerations of Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl were adjusted to HK$176,000 (from the date of appointment) as approved by remuneration committee and board of directors on 31 March 2016.

## *NOMINATION COMMITTEE*

The Nomination Committee's current members include:

Mr. Wong Senta *(Chairman)*
Mr. Yeung Wing Yan
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

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 year ended 31 December 2015. 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.

## 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 2015, 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 2015 is set out below:

| **Nature of services** | **Fee paid/payable** |
|---|---|
| | HK$'000 |
| Audit services | 1,320 |
| Non-audit services | 400 |
| **Total** | 1,720 |

### *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 "**Substantial Shareholders**"), being the then 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 Substantial 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 Substantial Shareholders and the enforcement of the Non-Competition Undertaking.

Each of the Substantial 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 Substantial 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 recognises 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.

## 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 2015.

## 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 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 35 of this annual report.

For details regarding a fair review of the Company's business, please refer to the paragraph headed "Business review" of the section headed "Management discussion and analysis" of this annual report.

The Board does not recommend the payment of a dividend.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past five financial years is set out on page 100 of this annual report. This summary does not form part of the audited consolidated financial statements.

## 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 2 June 2016 to 6 June 2016, 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 1 June 2016.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 100. 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 decrease on investment properties arising on revaluation amounting to HK$2,108,000 (2014: increase of HK$1,400,000) has been recognised in profit or loss.

Details of this and other movements in investment properties are set out in Note 17 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired land and buildings situated in Hong Kong at a cost of HK$35,195,000 (2014: HK$23,130,000), leasehold improvements at a cost of HK$7,564,000 (2014: HK$3,745,000), furniture, fixtures and office equipment at a cost of HK$5,597,000 (2014: HK$1,161,000) and motor vehicles at a cost of HK$811,000 (2014: 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 16 to the financial statements.

## 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 27 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 2015. As at 31 December 2015, 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 37 of the annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the largest one and five largest customers accounted for 24.3 % and 68.7% respectively of the total sales for the year. Purchases from the largest one and five largest suppliers accounted for 9.6% and 23.8% 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

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. Wu Wai Leung Danny (appointed on 29 February 2016)
Mr. Yuen Chee Lap Carl (appointed on 29 February 2016)
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

Biographical details of Directors of the Company are set out on page 10 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 Kong and Ms. Fu Fung Sau will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for election. According to the Listing Rules, a director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. As each of Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl was appointed as an independent non-executive Director of the Company to fill the causal vacancy of Mr. Kwok Lam Kwong and Mr. Cheung Chung Wai Billy on 29 February 2016, each of Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl will be eligible for re-election at the forthcoming annual general meeting of the Company. 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.

One of our independent non-executive Directors, namely Mr. Wong Senta has been appointed for an initial term of two years commencing from 9 June 2014; while two of our independent non-executive Directors, being Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl, were appointed for an initial term of two years commencing from 29 February 2016. 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.

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 33 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 33 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' INTERESTS IN SHARES, UNDERLYING SHARES

As at 31 December 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 | 45,000,000 Shares *(Note 1)* | 0.22% |
| | Long | Interest of controlled corporations | 14,080,080,000 Shares *(Note 2)* | 70.34% |
| | Short | Interest of controlled corporations | 2,540,000,000 Shares | 12.69% |
| Mr. Yeung Wing Kong | Long | Personal | 20,000,000 Shares *(Note 5)* | 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 5)* | 0.10% |
| | Long | Interest of controlled corporations | 210,000,000 Shares *(Note 4)* | 1.05% |

*Notes:*

1. These shares consist of 25,000,000 Shares held by Mr. Yeung Wing Yan and 20,000,000 Shares were the shares which would be allotted and issued upon exercise in full of the options granted to him under the share option schemes of the Company.

2. 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.

3. 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.

4. These Shares consist of 210,000,000 Shares held by Ace Fame Management Limited, which was wholly owned by Ms. Fu Fung Sau.

5. These Shares were the shares which would be alloted and issued upon exercise in full of the options granted to such Director under the share option schemes of the Company.

*(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 31 December 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 31 December 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:

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

| Name of Director | Long/Short Position | Capacity | Number of shares | Percentage of shareholding |
|---|---|---|---|---|
| Ms. Wong Mei Kuen Joan | Long | Interest of spouse | 14,125,080,000 Shares *(Note 1)* | 70.56% |
| | Short | Interest of spouse | 2,540,000,000 Shares | 12.69% |
| Cervera | Long | Beneficial owner | 11,662,610,000 Shares | 58.27% |
| | Short | Beneficial owner | 2,540,000,000 Shares | 12.69% |
| Athena Power | Long | Beneficial owner | 2,417,470,000 Shares | 12.08% |

*Notes:*

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

Saved as disclosed above, as at 31 December 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 33 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.

## SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted for a period of 10 years commencing 9 June 2014 (which will expire on 8 June 2024) pursuant to an ordinary resolution passed at the special general meeting of the then shareholders of the Company 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 of 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 in issue at any point of time (being 6,004,860,000 Shares as at the date of this report), 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 per Share (1,121,000,000 Shares at the exercise price of HK$0.188 per Share after adjusted for the effect of the share sub-division, which took effect on 21 April 2015), whereby the closing price per Share was HK$0.186 immediately before the date in which the share options were granted. The estimated fair value of the options granted during year ended 31 December 2015 was HK$74,753,000.

On 2 October 2015, the Company granted 2,000,000 share options to an individual to subscribe for up to 2,000,000 Shares at the exercise price of HK$0.59 per Share, whereby the closing price per Share was HK$0.580 per Share immediately before the date on which such share options were granted.

As at 31 December 2015, options to subscribe for an aggregate of 1,123,000,000 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 31.12.2015 |
|---|---|---|---|---|---|---|---|---|
| **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 | – | (14,200,000)(1) | 2,000,000 |
| | | 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 |
| | 2 October 2015 | 2 October 2015 - 1 October 2016 | 0.590 | – | 2,000,000 | – | (2,000,000)(1) | – |
| | | | | – | 1,123,000,000 | – | (16,200,000) | 1,106,800,000 |

*Notes*:

(1) The weighted average closing price per Share immediately before the date on which the options were exercised was HK$0.58.

## 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.

## DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

As disclosed in the announcements of the Company dated 29 February 2016 and 9 March 2016 (collectively, the "**Demand Letters Announcements**"), demand letters (the "**Demand Letters**") were received by the Group from the Banks (as defined in the Demand Letters Announcements, the Banks were claim for immediate repayment of an aggregate sum of outstanding principal of approximately HK$179 million and accrued interest. As set out in the Demand letters, if the aforesaid sum is not repaid, legal proceedings may be instituted against the Group by the Banks, which include filing a writ of summons with the court.

Further, as disclosed in the announcement of the Company dated 10 March 2016, a writ of summons dated 9 March 2016 ("**Writ of Summons**") was issued by a bank against three subsidiaries of the Company, namely (i) Hang Fat Ginseng Trading Company Limited; (ii) Hang Fat Ginseng (2014) Limited; and (iii) Hang Fat Ginseng (Hong Kong) Company Limited (collectively, the "**Subsidiaries**") claiming for, among other things, payment of the sum of HK$26,137,394.61 and the interest. The Writ of Summons was received by each of the Subsidiaries on 10 March 2016.

The Group is in the process of negotiation with the Banks in order to avoid further legal actions to be taken by the Banks. Save as disclosed above, as at the date of this report, there were no further updates regarding the Demand Letters and the Writ of Summons.

## CORPORATE GOVERNANCE AND BUSINESS OPERATION

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

So far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts, if possible. The Group aims to maximise energy conversation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

## PRINCIPAL RISKS AND UNCERTAINTIES OF THE GROUP

The Directors consider that the principal risks and uncertainties faced by the Group during the year ended 31 December 2015 included credit risk, currency risk and liquidity risk. For further details, please refer to Note 7 to the consolidated financial statements.

## AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2015.

## 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, 31 March 2016

# Independent Auditor's Report

Deloitte.
德勤

**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 35 to 99, which comprise the consolidated statement of financial position as at 31 December 2015, 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 applicable 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 qualified audit opinion.

## BASIS FOR QUALIFIED OPINION

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

As disclosed in note 8 to the consolidated financial statements, the directors considered the Company's current situation is abnormal and the customers may request for discounts and rebates on the original invoiced amounts for the year ended 31 December 2015. The Group has therefore made a provision for discounts and rebates of HK$352,000,000. The directors of the Company have informed us that this provision for discounts and rebates represents their assessment based on the information available and current circumstances. The provision for discounts and rebates calculated by the directors was based on a number of assumptions including an assessment of the probability of the customers resuming payments, an estimate of the potential timing of these payments and the possibility that the customers will seek to agree alternate settlement plans, taking into account of the Group's circumstances, including the material uncertainty in respect of the Group's going concern as described in note 2 to the consolidated financial statements. However, due to the fact that the Group has received minimal payments from its customers since the Announcement, and at this stage no formal negotiations have commenced with the customers, we were unable to assess the appropriateness of the assumptions used by the directors in determining the valuation of provision for discounts and rebates made for the year ended 31 December 2015. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to whether the provision for discounts and rebates made is fairly stated. Any adjustment made to the provision for discounts and rebates would affect the net assets of the Group as at 31 December 2015 and the loss of the Group for the year then ended, and the related disclosures in the consolidated financial statements.

## QUALIFIED OPINION

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

## EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that in light of the possible change in control of the Company, the Group has encountered a number of financial difficulties including demands by its bankers for immediate repayments of amounts owing to them, a significant portion of the Group's bank balances being frozen, certain events of default in respect of the Group's bonds, and a significant slowdown in collection of the customers' debts owing to the Group. In addition the Group incurred a loss of HK$438,520,000 and negative cash flow from operations of HK$89,294,000 for the year ended 31 December 2015. The Group's ability to continue as a going concern is highly dependent upon the financial support from its bankers and the Group's ability to raise capital from new investors. The directors have performed an assessment of the Group's future liquidity and cash flows, which included a review of assumptions about the likelihood of success of the measures being implemented to ensure the Group's financing needs, as well as of assumptions about market factors that are likely to have a significant impact on the Group's future cash flows. Based on this assessment, the directors are satisfied that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due for the foreseeable future and are satisfied that all bank borrowing covenants will be met accordingly, upon the implementation of those measure as disclosed in note 2 to the consolidated financial statements. However, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*

Hong Kong
31 March 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

| | NOTES | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| Revenue | 8 | **1,187,531** | 1,219,651 |
| Provision for discounts and rebates | 8 | **(352,000)** | – |
| | | **835,531** | 1,219,651 |
| Costs of sales | | **(822,296)** | (917,191) |
| Gross profit | | **13,235** | 302,460 |
| Other income | 9 | **52,335** | 8,765 |
| Other gains and losses | 9 | **(296,047)** | (7,832) |
| Selling and distribution expenses | | **(31,644)** | (6,957) |
| Administrative expenses | | **(90,427)** | (37,152) |
| Listing expenses | | **–** | (17,926) |
| Changes in fair value of investment properties | 17 | **(2,108)** | 1,400 |
| Finance costs | 10 | **(42,200)** | (12,018) |
| (Loss) profit before taxation | 11 | **(396,856)** | 230,740 |
| Income tax expense | 13 | **(41,664)** | (25,416) |
| (Loss) profit for the year | | **(438,520)** | 205,324 |
| Other comprehensive income for the year | | | |
| Exchange differences arising on translation of foreign operation | | **373** | – |
| Total comprehensive (expense) income for the year | | **(438,147)** | 205,324 |
| (Loss) profit for the year attributable to: | | | |
| – owners of the Company | | **(438,396)** | 205,353 |
| – non-controlling interests | | **(124)** | (29) |
| | | **(438,520)** | 205,324 |
| Total comprehensive (expense) income attributable to: | | | |
| – owners of the Company | | **(438,023)** | 205,353 |
| – non-controlling interests | | **(124)** | (29) |
| | | **(438,147)** | 205,324 |
| | | | (Restated) |
| Basic (loss) earnings per share | 15 | **(2.19) cents** | 1.17 cents |

# Consolidated Statement of Financial Position

At 31 December 2015

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

The consolidated financial statements on pages 35 to 99 were approved and authorised for issue by the Board of Directors on 31 March 2016 and are signed on its behalf by:

| **Yeung Wing Yan** | **Yeung Wing Kong** |
|---|---|
| *DIRECTOR* | *DIRECTOR* |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

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

*Notes:*

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

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

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

## Consolidated Statement of Cash Flows

For the year ended 31 December 2015

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

# Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2015

## 1. GENERAL

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

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

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the going concern of the Group in light of the loss of HK$438,520,000 for the year and the negative cash flows from operations of HK$89,294,000, together with the possible change in control of the Company (as set out in the Company's announcement dated 2 February 2016, referred as "Announcement") which led to turbulence in the ginseng market. In addition, customers of the Group have been conscious of the ginseng trading as well as the settlement of the debts to the Group. The Group expects there will be delays in the collection of customers' debts owing to the Group, which will affect the cash flows of the Group. In addition, all the banks of the Group have stopped all the trade facilities granted to the Group as a result of the breach of certain bank covenants in February 2016. Certain bankers of the Company (the "Banks") have issued demand letters (the "Demand Letters") that the Group should make immediate repayment of the amounts outstanding, which included an aggregate amount of the principal of approximately HK$179 million and the interest so accrued as at 29 February 2016. As set out in the Demand Letters, the Banks may consider commencing legal proceedings against the Group, which include filing writs of summons with the court. On 9 March 2016, one of the Banks issued a writ of summons against three subsidiaries of the Company, namely (i) Hang Fat Ginseng Trading Company Limited; (ii) Hang Fat Ginseng (2014) Limited; and (iii) Hang Fat Ginseng (Hong Kong) Company Limited claiming for, among other things, payment of the sum of HK$26,137,394.61 and the interest. Indeed, some bank accounts (included in bank balances and cash in the consolidated statement of financial position) of the Group have already been frozen by the Banks. The bank balances (excluding pledged bank deposits) of which the usage was being frozen by the Banks accounted for approximately 76% of the aggregate bank balances (excluding pledged bank deposits) as at 26 February 2016. The Banks' actions led to a shortage of cash position.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Moreover, in accordance with the terms and conditions of the bonds (see note 25), encountering financial difficulties by the Group constitutes an event of default, entitling holders of the bonds holding not less than five per cent of the principal amount of the outstanding bonds to claim for immediate due and repayment of the relevant principal amount of the bonds together with accrued interests. Further, also in accordance with the terms and conditions of the bonds, in the event Cervera, Ace Fame Management Limited, Dragon Jump Global Limited, Athena Power Limited, Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau collectively ("Shareholders") own less than 40% aggregate beneficial interests in the Company, it would cause a change of control event where the holder of any bond will have the right, at such holder's option, to require the Company to redeem all, but not some only, of such holder's bonds at 100% of their principal amount, which amount to HK$132.2 million, together with accrued interest. The shareholding percentage of the said Shareholders falls below 40% since 22 February 2016.

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

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

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

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

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

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

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

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

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

### *APPLICATION OF NEW AND REVISED HKFRSs*

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

### *NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE*

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

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

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

### *HKFRS 9 FINANCIAL INSTRUMENTS*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and 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.

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

### *HKFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)*

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

All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

### *HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS*

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

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

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

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

### *HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)*

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

## 4. 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.

## 4. 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 consolidated 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 includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

### *REVENUE RECOGNITION*

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

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

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

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

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

## 4. 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 subsequent accumulated impairment losses, if any.

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

#### TRANSFER FROM OWNER-OCCUPIED PROPERTY TO INVESTMENT PROPERTY CARRIED AT FAIR VALUE

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

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

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

### *INVESTMENT PROPERTIES*

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties 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 property (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 property is derecognised.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### *LEASEHOLD LAND AND BUILDING*

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

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

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

### *INVENTORIES*

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

### *PROVISIONS*

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

### *FINANCIAL INSTRUMENTS*

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### *FINANCIAL INSTRUMENTS (CONTINUED)*

#### FINANCIAL ASSETS

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

#### EFFECTIVE INTEREST METHOD

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

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

#### LOANS AND RECEIVABLES

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

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

#### IMPAIRMENT OF LOANS AND RECEIVABLES

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### *FINANCIAL INSTRUMENTS (CONTINUED)*

#### FINANCIAL ASSETS *(CONTINUED)*

##### IMPAIRMENT OF LOANS AND RECEIVABLES *(CONTINUED)*

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

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

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

#### FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

##### EQUITY INSTRUMENTS

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

##### EFFECTIVE INTEREST METHOD

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

Interest expense is recognised on an effective interest basis.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### *FINANCIAL INSTRUMENTS (CONTINUED)*

#### FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS *(CONTINUED)*

##### FINANCIAL LIABILITIES

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

#### DERIVATIVE FINANCIAL INSTRUMENTS

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

#### DERECOGNITION

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

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

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

### *IMPAIRMENT LOSSES ON TANGIBLE ASSETS*

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### *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 'loss before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### *TAXATION (CONTINUED)*

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

### *FOREIGN CURRENCIES*

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

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

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

### *LEASING*

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

#### THE GROUP AS LESSOR

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

#### THE GROUP AS LESSEE

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### *BORROWING COSTS*

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

### *RETIREMENT BENEFIT COSTS*

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

### *SHARE-BASED PAYMENT ARRANGEMENTS*

#### EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

#### SHARE OPTIONS GRANTED TO DIRECTORS AND EMPLOYEES

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

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

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

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

#### SHARE OPTIONS GRANTED TO CONSULTANTS AND SERVICE PROVIDER

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

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### *CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICES*

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

#### REVENUE RECOGNITION

Note 4 describes the revenue recognition criteria for sale of goods, including bulk sale of ginseng wine. These goods were delivered to the customer (a distributor) during 2015. Following negotiations, on 8 March 2016, the distributor issued a notice of request of bulk returning of the unsold ginseng wine to the Group as the distributor claimed that due to the deterioration of the "Hang Fat" brand following the Company's publication of the Announcement (defined and explained in note 2) regarding a possible change in control of the Company, there are difficulties to sell these ginseng wine to its business contacts.

In the light of the above, the directors of the Company reconsidered whether the revenue recognition criteria set out in Note 4 were fulfilled at the time of delivery of the ginseng wine to the distributor. The invoiced amount of the unsold ginseng wine returned by the distributor to the Group amounted to HK$188,800,000.

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

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

### *KEY SOURCES OF ESTIMATION UNCERTAINTY*

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

#### FAIR VALUE OF INVESTMENT PROPERTIES

Investment properties are carried in the consolidated statement of financial position at 31 December 2015 at their fair value of HK$116,576,000 (2014: HK$88,400,000) (note 17). The fair value was based on valuation of these properties conducted by independent firms of professional valuers using direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property. Favourable or unfavourable changes to these adjustments would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

### *PROVISION FOR DISCOUNTS AND REBATES*

As set out in note 8, the Group has experienced a significant slowdown in settlement of the trade receivables from the Group's customers. In addition, the major customers have expressed concerns about the potential negative impact of the matters published in the Announcement (defined and explained in note 2) on their sales. The directors of the Company considered the Company's current situation is abnormal and the customers may request for discounts and rebates on the original invoiced amounts for the year ended 31 December 2015.

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

In the opinion of the directors of the Company, the provision for discounts and rebates represents their assessments based on the information available and current circumstances. The provision for discounts and rebates calculated by the directors was based on a number of assumptions including an assessment of the probability of the customers resuming payments, an estimate of the potential timing of these payments and the possibility that the customers will seek to agree alternative settlement plans, taking into account of the Group's circumstances, including the material uncertainty in respect of the Group's going concern as described in note 2.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

### *IMPAIRMENT OF TRADE RECEIVABLES*

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

### *WRITE DOWN ON INVENTORIES*

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

## 6. CAPITAL RISK MANAGEMENT

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

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

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

## 7. FINANCIAL INSTRUMENTS

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

### *CATEGORIES OF FINANCIAL INSTRUMENTS*

THE GROUP

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Financial assets | | |
| Loans and receivables (including cash and cash equivalents) | 1,337,044 | 2,092,218 |
| Financial liabilities | | |
| Fair value through profit or loss | | |
| Derivative financial instruments | 29,300 | – |
| Amortised cost | 1,728,746 | 1,966,011 |
| Obligations under finance leases | 475 | 2,572 |
| | 1,758,521 | 1,968,583 |

### *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES*

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

#### CREDIT RISK

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

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

## 7. FINANCIAL INSTRUMENTS *(CONTINUED)*

### *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)*

#### CREDIT RISK *(CONTINUED)*

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

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

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

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

#### CURRENCY RISK

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

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

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

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

## 7. 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, comprising deposit placed for a life insurance product, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings, at the end of the reporting period are as follows:

| | **Assets** | | **Liabilities** | |
|---|---|---|---|---|
| | **2015<br>HK$'000** | 2014<br>HK$'000 | **2015<br>HK$'000** | 2014<br>HK$'000 |
| US$ | **17,316** | 306 | **63,282** | 67,274 |
| RMB | **1,049,913** | 1,638,272 | **–** | – |
| CAD | **2,284** | 19 | **184,491** | 515,140 |

SENSITIVITY ANALYSIS

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

| | **2015<br>HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Increase in loss/decrease in profit after taxation for the year | | |
| RMB | **(43,834)** | (68,398) |
| CAD | **7,607** | 21,509 |

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.

## 7. FINANCIAL INSTRUMENTS *(CONTINUED)*

### *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)*

#### INTEREST RATE RISK

##### INTEREST RATE RISK MANAGEMENT

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

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

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

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

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

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

#### LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Specifically, the directors of the Company consider that after taking into account the relevant measures as set out in note 2, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future and are satisfied that all bank borrowing covenants will be met accordingly.

## 7. FINANCIAL INSTRUMENTS *(CONTINUED)*

### *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)*

#### LIQUIDITY RISK *(CONTINUED)*

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

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

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

## 7. FINANCIAL INSTRUMENTS *(CONTINUED)*

### *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)*

#### LIQUIDITY RISK *(CONTINUED)*

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

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

### *FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS*

#### FAIR VALUE OF THE GROUP'S FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

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

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

Fair value of financial instruments that are recorded at amortised cost.

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

## 8. SALES AND SEGMENT INFORMATION

### *SALES OF GINSENG WINE*

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

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

### *PROVISION FOR DISCOUNTS AND REBATES*

As set out in the Company's announcements dated 29 February 2016 and 9 March 2016, since the Company's publication of the Announcement (defined and explained in note 2) regarding a possible change in control of the Company, the Group has experienced a significant slowdown in settlement of the trade receivables from the Group's customers. In addition, the major customers have expressed concerns about the potential negative impact of the matters published in the Announcement on their sales. The directors considered the Company's current situation is abnormal and the customers may request for discounts and rebates on the original invoiced amounts for the year ended 31 December 2015.

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

In the opinion of the directors of the Company, the provision for discounts and rebates represents their assessments based on the information available and current circumstances. The provision for discounts and rebates calculated by the directors was based on a number of assumptions including an assessment of the profitability of the customers resuming payments, an estimate of the potential timing of these payments and the possibility that the customers will seek to agree alternative settlement plans, taking into account of the Group's circumstances, including the material uncertainty in respect of the Group's going concern as described in note 2.

### *SEGMENT INFORMATION*

The Group determines its operating segments based on internal reports reviewed by the chief operating decision maker, the Chairman of the Company, for the purpose of allocating resources to the segments and to assess their performance which focus on the 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.

## 8. SALES AND SEGMENT INFORMATION *(CONTINUED)*

### *SEGMENT INFORMATION (CONTINUED)*

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) Ginseng wine and (iv) Others: trading of other foods (including dried cordyceps, dried cubilose and dried seafood).

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

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

| | Segment revenue | | Segment results | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cultivated ginseng | **717,189** | 1,124,423 | **(69,999)** | 291,837 |
| Wild ginseng | **42,086** | 92,739 | **18,747** | 9,328 |
| Ginseng wine | **72,485** | 780 | **62,655** | 716 |
| Others | **3,771** | 1,709 | **1,832** | 579 |
| | **835,531** | 1,219,651 | **13,235** | 302,460 |
| Gain on disposal of property, plant and equipment | | | **406** | 194 |
| Changes in fair value of investment properties | | | **(2,108)** | 1,400 |
| Listing expenses | | | **–** | (17,926) |
| Other income | | | **52,335** | 8,765 |
| Unallocated expenses | | | **(188,566)** | (44,109) |
| Write down on inventories | | | **(131,568)** | – |
| Exchange loss, net | | | **(66,984)** | (8,026) |
| Finance costs | | | **(42,200)** | (12,018) |
| Loss on change in fair value of financial assets/ liabilities classified as derivative financial instruments | | | **(31,406)** | – |
| (Loss) profit before taxation | | | **(396,856)** | 230,740 |

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

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

## 8. SALES AND SEGMENT INFORMATION *(CONTINUED)*

### *SEGMENT INFORMATION (CONTINUED)*

Segment profit during the year represents the gross 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, other income, unallocated corporate expenses such as central administrative expenses, finance costs and loss on forward foreign exchange. This is the measure reported to the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

#### SEGMENT ASSETS AND LIABILITIES

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

#### GEOGRAPHICAL INFORMATION

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

#### INFORMATION ABOUT MAJOR CUSTOMERS

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Customer A | | |
| – Cultivated ginseng | 174,117 | N/A* |
| Customer B | | |
| – Cultivated ginseng | 161,624 | N/A* |
| Customer C | | |
| – Cultivated ginseng | 127,307 | 152,464 |
| Customer D | | |
| – Wild ginseng | 29,238 | N/A* |
| – Ginseng wine | 63,200 | – |
| | 92,438 | N/A* |
| Customer E | | |
| – Cultivated ginseng | N/A* | 319,612 |

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

## 9. OTHER INCOME, OTHER GAINS AND LOSSES

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Other income comprised the follows: | | |
| Interest income on bank deposits | 49,715 | 6,793 |
| Rental income | 2,620 | 1,920 |
| Sundry income | – | 52 |
| | 52,335 | 8,765 |
| Other gains and losses comprised the follows: | | |
| Gain on disposal of property, plant and equipment | 406 | 194 |
| Exchange loss, net | (66,984) | (8,026) |
| Write down on inventories *(note 20)* | (131,568) | – |
| Consultancy service fee *(Note)* | (66,495) | – |
| Loss on change in fair value of financial assets/liabilities classified as derivative financial instruments *(note 26)* | (31,406) | – |
| | (296,047) | (7,832) |

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

## 10. FINANCE COSTS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Interest on: | | |
| Bank loans and overdrafts | 36,728 | 11,814 |
| Bonds | 5,455 | – |
| Finance leases | 17 | 204 |
| | 42,200 | 12,018 |

## 11. (LOSS) PROFIT BEFORE TAXATION

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

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (A) DIRECTORS' EMOLUMENTS

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

DIRECTORS' EMOLUMENTS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Directors' fee | 507 | 270 |
| Other emoluments | | |
| – basic salaries and allowance | 12,707 | 8,024 |
| – share-based payments | 4,146 | – |
| – retirement benefits scheme contributions | 36 | 34 |
| | 17,396 | 8,328 |

EXECUTIVE DIRECTORS

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

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

### (A) DIRECTORS' EMOLUMENTS *(CONTINUED)*

EXECUTIVE DIRECTORS *(CONTINUED)*

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

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

NON-EXECUTIVE DIRECTORS

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

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

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

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

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

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

### *(B) EMPLOYEES' EMOLUMENTS*

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

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

The emoluments of the employees were within the following bands:

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

During the years ended 31 December 2015 and 2014, 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 both years.

## 13. INCOME TAX EXPENSE

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| The taxation comprises: | | |
| Hong Kong Profits Tax: | | |
| Current year | (41,446) | (42,261) |
| (Under)overprovision in prior years | (177) | 16,845 |
| Deferred tax *(note 18)* | | |
| Current year | (41) | – |
| | (41,664) | (25,416) |

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

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

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

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

## 14. DIVIDENDS

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

(a) During the current year, the directors of the Company declared the payment of a final dividend of HK$0.02 per share (representing HK$0.002 per share after the share sub-division as detailed in note 27), amounting to HK$40,000,000 for the year ended 31 December 2014.

(b) A special dividend of HK$0.03 per share (representing HK$0.003 after the share sub-division as detailed in note 27) amounting to HK$60,000,000 in aggregate for the year ended 31 December 2014.

(c) Pursuant to a resolution passed at the board of directors meeting on 21 August 2015, the directors of the Company declared the interim dividends for 2015 of HK$0.006 (2014: HK$0.05 per share representing HK$0.005 after the share sub-division) per ordinary share totalling HK$120,000,000 (2014: HK$100,000,000).

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

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

## 15. (LOSS) EARNINGS PER SHARE

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **(Loss) earnings** | | |
| (Loss) earnings for the purpose of basic (loss) earnings per share ((loss) profit for the year attributable to owners of the Company) | (438,396) | 205,353 |

| | 2015<br>'000 | 2014<br>'000<br>(Restated) |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | 20,002,796 | 17,575,340 |

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

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

For the year ended 31 December 2014, there was no potential ordinary shares of the Company and hence no diluted earnings per share figure was presented.

## 16. PROPERTY, PLANT AND EQUIPMENT

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

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

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

## 17. INVESTMENT PROPERTIES

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

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

## 17. INVESTMENT PROPERTIES *(CONTINUED)*

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

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

| Investment property held by the Group in the consolidated statements of financial position | Fair value<br>HK$'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| As at 31 December 2015 | | | | | |
| Properties 1 – properties in Hong Kong | 116,576 | 3 | Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property.<br>The key inputs are:<br>1) Property size<br>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<br>2) The higher the floor level, the higher the fair value. |
| As at 31 December 2014 | | | | | |
| Property 1 – property in Hong Kong | 88,400 | 3 | Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property.<br>The key inputs are:<br>1) Property size<br>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<br>2) The higher the floor level, the higher the fair value. |

## 17. INVESTMENT PROPERTIES *(CONTINUED)*

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

## 18. DEFERRED TAXATION

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

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

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

## 19. TRADE AND OTHER RECEIVABLES/PREPAYMENT

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

*Notes:*

(a) In August 2015, the Company's subsidiary, Hang Fat Ginseng Trading Company Limited ("HFG Trading"), entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is HFG Trading and the total insured sum is US$6,000,000 (approximately HK$46,500,000), HFG Trading is required to pay an upfront deposit of US$2,586,000 (approximately HK$20,061,000) including a premium charge at inception of the policy amounting to US$500,000 (approximately HK$3,875,000). HFG Trading can terminate the policy at any time and receive cash based on the cash value of the policy at the date of withdrawal which is determined by the upfront deposit payment of US$2,586,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value"). In addition, if withdrawal is made between the 1st to 29th policy year, there is a specified percentage of surrender charge. At the inception date, the upfront payment is separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The insurance company will pay HFG Trading a guaranteed interest rate of 3.65% per annum on the outstanding Cash Value of the policy for the first year. Commencing on 2nd year, the guaranteed interest will become 1.8% per annum plus a premium determined by the insurance Company on an annual basis.

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

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

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

## 19. TRADE AND OTHER RECEIVABLES/PREPAYMENT *(CONTINUED)*

*Notes: (continued)*

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

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

Subsequent to the reporting period, the management has determined not to proceed with the Proposed Acquisition and the vendor has agreed to refund the deposit by instalments on a monthly basis until the end of 2016.

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

The following is an aged analysis of trade receivables (net of discounts and rebates) based on the invoice date, which approximates the respective revenue recognition dates, at the end of each reporting period:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Within 30 days | 72,254 | 297,393 |
| 31 to 90 days | 18,897 | 19,010 |
| 91 to 180 days | 17,907 | 38,669 |
| Over 180 days to 365 days | 154,417 | 185,157 |
| | 263,475 | 540,229 |

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Over 180 days to 365 days | 18,210 | 185,157 |

## 19. TRADE AND OTHER RECEIVABLES/PREPAYMENT *(CONTINUED)*

Included in the Group's trade receivable balance as at 31 December 2015 are debtors with aggregate carrying amount of HK$18,210,000 (2014: HK$185,157,000), which are past due at the reporting date but not assessed as individually impaired as these receivables are due from certain major customers of which the Group had either good trading relationship and long history of business development with these customers with good credit quality rating assessed internally by the Group. The Group does not hold any collateral over these balances.

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with satisfactory settlement history. No allowance for doubtful debts are recognised by the Group for the years ended 31 December 2015 and 2014.

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| RMB | 243,772 | 249,741 |

## 20. INVENTORIES

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

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

## 21. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

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

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

As set out in note 2, in February 2016, some bank accounts of the Group have been frozen by the Banks. The bank balances (excluding pledged bank deposits) of which the usage was being frozen by the Banks accounted for nearly 76% of the aggregate bank balances (excluding pledged bank deposits) as at 26 February 2016.

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| US$ | 409 | 306 |
| RMB | 806,141 | 1,388,532 |
| CAD | 2,284 | 19 |

## 22. TRADE AND OTHER PAYABLES

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

*Note:*

(a) 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.

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

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

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

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| US$ | 2,154 | 6,247 |
| CAD | 139,250 | 301,165 |

## 23. OBLIGATIONS UNDER FINANCE LEASES

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Analysed for reporting purposes as: | | |
| Current liabilities | 126 | 1,100 |
| Non-current liabilities | 349 | 1,472 |
| | 475 | 2,572 |

The Group has leased certain motor vehicles and office equipment under finance leases. The lease terms range from 4 to 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from nil to 4.50% (2014: nil to 7.74%) per annum as at 31 December 2015. These leases have purchase options upon expiring of the leases.

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 2015<br>HK$'000 | 2014<br>HK$'000 | 2015<br>HK$'000 | 2014<br>HK$'000 |
| Amounts payable under finance leases | | | | |
| Within one year | 126 | 1,214 | 126 | 1,100 |
| In more than one year but not more than two years | 91 | 1,107 | 91 | 1,061 |
| In more than two years but not more than five years | 258 | 413 | 258 | 411 |
| | 475 | 2,734 | 475 | 2,572 |
| Less: Future finance charges | – | (162) | – | – |
| Present value of lease obligations | 475 | 2,572 | 475 | 2,572 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | (126) | (1,100) |
| Amount due for settlement after 12 months | | | 349 | 1,472 |

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

## 24. BANK BORROWINGS

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

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

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

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

The Group has pledged buildings, investment properties, deposit placed for a life insurance policy and bank deposits having a carrying value of approximately HK$1,144,296,000 as at 31 December 2015 (2014: HK$1,536,857,000) to secure general banking facilities granted to the Group (note 32). The banking facilities were also supported by corporate guarantee of group entities.

## 24. BANK BORROWINGS *(CONTINUED)*

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

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

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

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| US$ | 61,128 | 61,027 |
| CAD | 45,241 | 213,975 |

## 25. BONDS

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

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

At any time following the occurrence of a change of control with respect to the Company, the holder of any bond will have the right, at such holder's option, to require the Company to redeem all, but not some only, of such holder's bonds at 100% of their principal amount, together with accrued interest. The bonds are classified as current liabilities taking into account the breach of the covenant (see note 2).

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

## 26. DERIVATIVE FINANCIAL INSTRUMENTS

### *CURRENCY DERIVATIVES*

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

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

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

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Sell US$/Buy CAD at rate from 1.3159 to 1.3386 | 84,000 | – |

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

## 27. SHARE CAPITAL

*THE GROUP*

The share capital of the Group at 1 January 2014 represents the aggregate issued and paid up share capital of Hang Fat Group and issued nil-paid share capital of the Company.

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

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

## 27. SHARE CAPITAL *(CONTINUED)*

### *THE GROUP (CONTINUED)*

*Notes:*

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

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

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

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

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

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

## 28. SHARE-BASED PAYMENT TRANSACTIONS

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

At 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,106,800,000 (2014: Nil), representing 5.5% (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 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

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

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

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

## 28. SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

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

| | **6 January 2015** | **2 October 2015** |
|---|---|---|
| Share price on grant date | HK$1.88 (before share sub-division) | HK$0.59 |
| Exercise price | HK$1.88 (before share sub-division) | HK$0.59 |
| Expected volatility | 58.69% | 41.39% |
| Expected life | 3 years | 1 year |
| Risk-free rate | 0.92% | 0.08% |
| Expected dividend yield | 1.7% | 0.88% |
| Early exercise multiple | | |
| – Directors: | N/A | N/A |
| – Employees, consultants and service provider: | 2.2X | 2.2X |

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

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

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

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

## 29. OPERATING LEASE COMMITMENTS

### *THE GROUP AS LESSEE*

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **Leasehold land and buildings** | | |
| Within one year | 4,052 | 2,027 |
| In the second to fifth years inclusive | 3,580 | 1,379 |
| | 7,632 | 3,406 |

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

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **Leasehold land and buildings** | | |
| Within one year | 1,968 | – |
| In the second to fifth years inclusive | 2,788 | – |
| | 4,756 | – |

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

## 29. 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:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Within one year | 2,858 | 467 |
| In the second to fifth years inclusive | 8,149 | – |
| | 11,007 | 467 |

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

## 30. CAPITAL COMMITMENTS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment | 1,555 | 57,380 |

## 31. RETIREMENT BENEFITS SCHEME

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

## 32. PLEDGE OF ASSETS

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Investment properties | 113,336 | 88,400 |
| Property, plant and equipment | 59,582 | 30,507 |
| Deposit placed for a life insurance policy | 16,907 | – |
| Pledged bank deposits | 954,471 | 1,417,950 |
| | 1,144,296 | 1,536,857 |

## 33. RELATED PARTY TRANSACTIONS

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Rental expense paid | 1,116 | 186 |

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

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

## 34. MAJOR NON-CASH TRANSACTIONS

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

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

## 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

| Name of subsidiary | Place of incorporation/ registration and operation | Issued and fully paid share capital | | Proportion of ownership interest held by the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 | |
| 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$1,000,000 | 100% | 100% | Property holding and leasing |
| Fortune Topping Limited | Hong Kong | HK$10,000 | HK$10,000 | 100% | 100% | Property holding |
| Hang Fat Holdings Limited | Hong Kong | HK$10,000 | HK$10,000 | 100% | 100% | Administration of the Group |
| Hang Fat Ginseng (2014) Limited | Hong Kong | HK$10,000 | HK$10,000 | 100% | 100% | Trading of ginseng and dried food |
| Hang Fat Ginseng (2015) Limited | Hong Kong | HK$10,000 | HK$10,000 | 100% | 100% | Trading of ginseng and dried food |
| Hang Fat Ginseng Company Limited | Hong Kong | HK$10,000 | HK$10,000 | 100% | 100% | Trading of ginseng and dried food |
| Hang Fat Ginseng (Hong Kong) Company Limited | Hong Kong | HK$10,000 | HK$10,000 | 100% | 100% | Provision of financing services for the Group |
| Hang Fat Ginseng Hong Limited | Hong Kong | HK$5,000,000 | HK$5,000,000 | 100% | 100% | Souring, wholesaling and retailing of American Ginseng and other product |

## 35. 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 |
|---|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 | |
| 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 |
| 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 of 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.

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

*Notes:*

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

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

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Movement of reserves:

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

## 37. SUBSEQUENT EVENTS

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

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

# Financial Summary

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **RESULTS** | | | | | |
| Revenue | 835,531 | 1,219,651 | 762,970 | 492,276 | 446,380 |
| (Loss) profit before taxation | (396,856) | 230,740 | 152,939 | 60,770 | 58,054 |
| Taxation | (41,664) | (25,416) | (24,326) | (28,428) | (13,645) |
| (Loss) profit for the year | (438,520) | 205,324 | 128,613 | 32,342 | 44,409 |
| Attributable to: | | | | | |
| – owners of the Company | (438,396) | 205,353 | 128,613 | 32,342 | 44,409 |
| – non-controlling interests | (124) | (29) | – | – | – |
| | (438,520) | 205,324 | 128,613 | 32,342 | 44,409 |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | 2,333,557 | 3,152,184 | 1,012,857 | 710,870 | 854,660 |
| Total liabilities | (1,823,291) | (2,063,142) | (770,657) | (597,284) | (665,618) |
| Net assets | 510,266 | 1,089,042 | 242,200 | 113,586 | 189,042 |
| Equity attributable to owners of the Company | 507,390 | 1,089,070 | 242,200 | 113,586 | 189,042 |
| Non-controlling interests | 2,876 | (28) | – | – | – |
| | 510,266 | 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.