



Hang Fat Ginseng Holdings Company Limited

恒發洋參控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 911

INTERIM REPORT

2016





# CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	7
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Condensed Consolidated Statement of Financial Position	14
Condensed Consolidated Statement of Changes in Equity	15
Condensed Consolidated Statement of Cash Flows	16
Notes to the Condensed Consolidated Financial Statements	17



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

Mr. George Lu (Chairman) (appointed on 17 May 2016)  
Mr. Yeung Wing Kong  
Mr. Wong Kwok Ming (appointed on 17 May 2016)  
Mr. Yeung Wing Yan (resigned on 5 July 2016)  
Ms. Fu Fung Sau (resigned on 17 May 2016)

#### NON-EXECUTIVE DIRECTORS

Ms. Shen Wei (appointed on 17 May 2016)  
Mr. Shin Yick Fabian (appointed on 6 January 2016  
and resigned on 3 February 2016)

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wei (appointed on 17 May 2016)  
Mr. Wu Wei Leung Danny (appointed on 29 February 2016)  
Mr. Yuen Chee Lap Carl (appointed on 29 February 2016)  
Mr. Wong Senta (resigned on 17 May 2016)  
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)  
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

### AUDIT COMMITTEE

Mr. Yuen Chee Lap Carl (*Chairman*)  
(appointed on 29 February 2016)  
Mr. Li Wei (appointed on 17 May 2016)  
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)  
Mr. Wong Senta (resigned on 17 May 2016)  
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)  
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

### REMUNERATION COMMITTEE

Mr. Li Wei (*Chairman*) (appointed on 17 May 2016)  
Mr. George Lu (appointed on 17 May 2016)  
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)  
Mr. Wong Senta (resigned on 17 May 2016)  
Mr. Yeung Wing Yan (resigned on 17 May 2016)  
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

### NOMINATION COMMITTEE

Mr. Li Wei (*Chairman*) (appointed on 17 May 2016)  
Mr. George Lu (appointed on 17 May 2016)  
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)  
Mr. Wong Senta (resigned on 17 May 2016)  
Mr. Yeung Wing Yan (resigned on 17 May 2016)  
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

### AUTHORISED REPRESENTATIVES

Mr. George Lu  
Ms. Yip Tak Yung Teresa

### COMPANY SECRETARY

Ms. Yip Tak Yung Teresa

### LEGAL ADVISERS AS TO HONG KONG LAWS

#### CHIU & PARTNERS

40th Floor, Jardine House  
1 Connaught Place  
Hong Kong

### REGISTERED OFFICE

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### PRINCIPAL SHARE REGISTRAR

#### CODAN TRUST COMPANY (CAYMAN) LIMITED

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

### HONG KONG BRANCH SHARE REGISTRAR

#### TRICOR INVESTOR SERVICES LIMITED

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

### WEBSITE

[www.hangfatg.com](http://www.hangfatg.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2016, the global economy 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. In view of such market condition, the Group focused on enhancing operation efficiency and cost control measures. The Group continues to monitor the market trends and take prompt actions to adjust its business and operation plan under different market conditions.

### REVENUE

	For the six months ended 30 June				
	2016		2015		Change in revenue (approximate %)
	Revenue HK\$'million	% of total	Revenue HK\$'million	% of total	
Cultivated ginseng	188.7	77.4%	944.5	75.9%	-80.0%
Wild ginseng	54.5	22.3%	38.5	3.1%	+41.6%
Ginseng wine	0.3	0.1%	260.5	20.9%	-99.9%
Others	0.5	0.2%	1.7	0.1%	-70.6%
<b>TOTAL</b>	<b>244.0</b>	<b>100%</b>	<b>1,245.2</b>	<b>100%</b>	<b>-80.4%</b>

During the six months ended 30 June 2016, the Group’s overall revenue amounted to approximately HK\$244.0 million, representing a decrease of approximately 80.4% compared with the same of last period. The main reason for the decline was that only minimal revenue was generated from sales of ginseng wine and there was a decrease in sales of American Ginseng.

### AMERICAN GINSENG

During the six months ended 30 June 2016, the Group’s revenue from sales of American Ginseng amounted to an aggregate of approximately HK\$243.2 million, representing a decrease of approximately 75.3% compared with the same of last period. Persistent slowdown in economy causing decrease in sales orders which negatively affects the revenue on American Ginseng. In addition, the publication of the announcements of the Company regarding the change in control of the Company during the Interim Period, have caused a turbulence in the American Ginseng market and affected the price of the American Ginseng as well. Customers of the Group have been conscious of the American Ginseng trading under such unstable market.



## MANAGEMENT DISCUSSION AND ANALYSIS

### GINSENG WINE

During the six months ended 30 June 2015, the Group's revenue generated from ginseng wine amounted to approximately 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 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. The revenue was not recognised for the year ended 31 December 2015. During six months ended 30 June 2016, revenue derived from sales ginseng wine was approximately HK\$0.3 million. The Group is actively seeking new channels to sell ginseng wine as well as the returned batch of ginseng wine, whether through retailers or wholesalers.

### GROSS PROFIT

The gross profit decreased to approximately HK\$21.4 million in the first half of 2016, which accounted for approximately 95.9% decrement as compared with that of the same period in 2015. The gross profit margin decreased from approximately 42.4% to approximately 8.8% in the Interim Period. The decrement was mainly attributable to the decrease in gross profit from sales of American Ginseng and the decrease in sale of the high profit margin product, i.e. ginseng wine.

### LOSS FOR THE PERIOD

Loss for the six months ended 30 June 2016 was mainly attributable to:

- (i) provision for stock of approximately HK\$56.6 million (six months ended 30 June 2015: nil);
- (ii) foreign exchange loss of approximately HK\$38.2 million mainly arising from depreciation of Renminbi ("RMB") (six months ended 30 June 2015: exchange gain of approximately HK\$35.0 million);
- (iii) impairment loss on property, plant and equipment of approximately HK\$8.2 million (six months ended 30 June 2015: nil); and
- (iv) loss on changes in fair value of the investment properties of approximately HK\$4.6 million was recognised for the six months ended 30 June 2016 (six months ended 30 June 2015: gain on changes in fair value of approximately HK\$1.6 million).

### INVENTORIES

The Group's inventories as at 30 June 2016 was approximately HK\$485.1 million (net of write down on inventories) (as at 31 December 2015: approximately HK\$657.4 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 cultivated American ginseng, thus, a write down of inventories of approximately HK\$56.6 million has been recognised for the six months ended 30 June 2016.

### TRADE RECEIVABLES

The Group's trade receivables as at 30 June 2016 increased to approximately HK\$624.5 million from approximately HK\$615.5 million as at 31 December 2015. The Group's trade receivables, net of provision of sales discount and rebates, as at 30 June 2016 was approximately HK\$273.5 million (31 December 2015: approximately HK\$263.5 million). During the six months ended 30 June 2016, a total of approximately HK\$183.7 million was received from the customers for settlement of trade receivables. The management will continue to monitor the creditworthiness of customers, recoverability and ages of every individual case of trade receivables. The management will make its best endeavour to negotiate with its customers to collect the account receivables. The Group is prepared to take legal actions against the customers whenever necessary.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 six months ended 30 June 2016, the Group incurred a loss of foreign exchange differences amounted to approximately HK\$38.2 million (six months ended 30 June 2015: a gain of foreign exchange differences amounted to approximately HK\$35.0 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 six months ended 30 June 2016, a gain from forward foreign exchange contracts of approximately HK\$4.2 million (six months ended 30 June 2015: nil) was recognised. 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 six months ended 30 June 2016, the Group incurred a loss of approximately HK\$129.8 million.

As at 30 June 2016, cash and cash equivalents of the Group amounted to approximately HK\$314.8 million (31 December 2015: approximately HK\$1,030.1 million), and the Group’s net assets amounted to approximately HK\$764.8 million (31 December 2015: approximately HK\$510.3 million).

During the six months ended 30 June 2016, the Group had settled a total of HK\$1,130.1 million bank loans. The Group had interest-bearing bank loans of approximately HK\$336.0 million as at 30 June 2016 (31 December 2015: HK\$1,440.9 million).

The Group’s borrowings also included the 6% coupon rate bonds issued by the Company with outstanding principal totaling HK\$132.2 million (net of direct issue cost) (31 December 2015: HK\$123.7 million) as at 30 June 2016 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 are still actively negotiating with the holders of the bonds regarding the redemption matters.

The net gearing ratio of the Group as at 30 June 2016, calculated as aggregate of bank borrowings and bonds, net of pledged bank deposit, short-term bank deposits and bank balances and cash, divided by total equity, was approximately 20.1% (31 December 2015: 104.8%).

### CHARGE OF ASSETS

Certain borrowings were secured by the Group’s buildings, investment properties and bank deposits, having a carrying value of approximately HK\$405.5 million.

### CAPITAL EXPENDITURE

No capital expenditure of the Group was noted as at 30 June 2016 (31 December 2015: approximately HK\$1.6 million, which was mainly used in acquisition of office premises for the Group’s self-use).

## MANAGEMENT DISCUSSION AND ANALYSIS

### CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2016 and 31 December 2015.

### SUBSEQUENT EVENTS

On 7 July 2016, the share consolidation (“Share Consolidation”) in which every four (4) of the existing issued and unissued shares of HK\$0.001 each in the share capital of the Company has been consolidated into 1 consolidated share of par value of HK\$0.004 each has become effective; and the authorised share capital of the Company has become HK\$200,000,000 representing 50,000,000,000 consolidated shares of HK\$0.004 each, of which 15,004,050,000 consolidated shares are in issue and fully paid.

On 15 August 2016, the Company completed the placing while 1,000,000,000 ordinary shares of HK\$0.004 each (after the Share Consolidation) of the Company were duly allotted and issued to not less than six placees, independent third parties, at the placing price of HK\$0.127 per share. Details of which please refer the announcement of the Company dated 15 August 2016.

### LOOKING AHEAD

Facing the challenging market environment, 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 were temporarily and adversely affected, given its 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 for 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.

### INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2016, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules and the Stock Exchange were as follows:

#### (I) LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Director	Position	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Mr. George Lu	Long	Interest of controlled corporations	31,200,000,000 Shares (Note 1)	51.99%
Mr. Yeung Wing Yan	Long	Beneficial owner	45,000,000 Shares (Note 2)	0.07%
	Long	Interest of controlled corporations	489,620,000 Shares (Note 3)	0.82%
Mr. Yeung Wing Kong	Long	Beneficial owner	20,000,000 Shares (Note 4)	0.03%

Notes:

- These Shares held by Super Generation Group Limited ("Super Generation"), which is wholly owned by Mr. George Lu.
- 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 scheme of the Company.
- These Shares were held by Cervera Holdings Limited, which was owned as to 63% by Mr. Yeung Wing Yan, 30% by Mr. Yeung Wing Kong and 7% by Ms. Fu Fung Sau.
- These Shares were the Shares which would be allotted and issued upon exercise in full of the options granted to him under the share option scheme of the Company.

#### (II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY — SUPER GENERATION

Name of Director	Capacity	Number of shares	Percentage of shareholding
Mr. George Lu	Beneficial owner	50,000 Shares of US\$1 each	100%



## CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2016, no Directors or chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

### LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Director	Position	Capacity	Number of shares	Percentage of shareholding
Ms. Shen Wei	Long	Interest of spouse	31,200,000,000 Shares (Note 1)	51.99%
Super Generation	Long	Beneficial owner	31,200,000,000 Shares	51.99%

Notes:

- Ms. Shen Wei is the wife of Mr. George Lu.

Saved as disclosed above, as at 30 June 2016, 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 21 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 Shareholders held on 9 June 2014 for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible suppliers, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the Board.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be also approved by the Company's shareholders.

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

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

As at 30 June 2016, options to subscribe for an aggregate of 1,086,800,000 shares 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 1.1.2016	Granted during the period	Lapsed/ cancelled during the period	Exercised during the period	Outstanding at 30.6.2016
<b>Executive Directors</b>								
Mr. Yeung Wing Yan (Note1)	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 (Note2)	6 January 2015	6 January 2015 – 5 January 2018	0.188	20,000,000	–	(20,000,000)	–	–
<b>Associates of Director</b>								
	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
<b>Other employees</b>								
	6 January 2015	6 January 2015 – 5 January 2018	0.188	2,000,000	–	–	–	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
<b>Other participants</b>								
	6 January 2015	6 January 2015 – 5 January 2018	0.188	1,000,000,000	–	–	–	1,000,000,000
				1,106,800,000	–	(20,000,000)	–	1,086,800,000

Notes:

- Mr. Yeung Wing Yan resigned on 5 July 2016.
- Ms. Fu Fung Sau resigned on 17 May 2016.

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

During the six months ended 30 June 2016, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE 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. During the six months ended 30 June 2016, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except in relation to CG Code provisions A.2.1 and A.5.1, as more particularly described below.

### CG Code provision A.2.1

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 (i) Mr. Yeung Wing Yan (who resigned as an executive Director on 5 July 2016) during the period between 1 January 2016 and 16 May 2016; and (ii) Mr. George Lu since 17 May 2016. The Board considers that for the period between 1 January 2016 and 16 May 2016, 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. In respect of the period from 17 May 2016 to 30 June 2016, having considered (i) the change of control of the Company in May 2016; and (ii) the Board's strategy to (a) continue the trading of American Ginseng with a cautious approach; and (b) explore new business areas and seek for suitable investment opportunities, the Board considers that it would be beneficial to the Group for Mr. George Lu to assume both roles as the chairman and the chief executive officer of the Company, since, as abovementioned, the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's 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 (during the period between 1 January 2016 and 16 May 2016) and Mr. George Lu since 17 May 2016.

### CG Code provision A.5.1

CG Code provision A.5.1 stipulates that the number of independent non-executive directors shall represent the majority of the nomination committee.

During the period between 22 February 2016 and 29 February 2016, due to the resignation of an independent non-executive Director, namely Mr. Cheung Chung Wai Billy, who was also then a member of the nomination committee of the Company, on 22 February 2016, the nomination committee of the Company then only consisted of one executive Director and one independent non-executive Director. Details of which please refer to the announcement of the Company dated 29 February 2016 (including non-compliance with Rules 3.10(1) and (2), 3.10A, 3.21 and 3.25 of the Listing Rules).

As Mr. Wu Wai Leung Danny was subsequently appointed as an independent non-executive Director, as well as, among others, a member of the nomination committee of the Company, on 29 February 2016 in order to replace the vacancy, such deviation from CG Code provision A.5.1 was rectified.

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct rules (the “Model Code”) regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry to all Directors, the Company confirms that, save and except the dealing in shares of the Company as disclosed in the announcements of 2 February 2016 and 1 March 2016, all Directors have complied with the Model Code during the six months ended 30 June 2016.

### AUDIT COMMITTEE

The audit committee of the Company (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 unaudited condensed consolidated interim financial statements for the Interim Period with the Directors.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Yuen Chee Lap Carl (Chairman of the Audit Committee), Mr. Li Wei and Mr. Wu Wai Leung Danny.

### DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Reference is made to the (i) profit warning announcement of the Company dated 9 March 2016 (the “**March Announcement**”); (ii) announcement of the Company dated 10 March 2016 regarding legal proceedings against subsidiaries of the Company; (iii) circular of the Company dated 18 April 2016 regarding, among other things, the subscription, the placing and the whitewash waiver; and (iv) announcement of the Company dated 25 May 2016 (the “**May Announcement**”) regarding further update on the status of the Company.

As disclosed in the March Announcement, the Group received demand letters (the “**Demand Letters**”) from certain banks (the “**Banks**”). As stated in the Demand Letters, the Banks were claiming for immediate repayment of an aggregate sum of outstanding principal of approximately HK\$179 million and accrued interest.

As disclosed in the May Announcement, (a) a writ of summons dated 9 March 2016 was issued by a bank against three subsidiaries of the Company, claiming for, among other things, payment of the sum of approximately HK\$26 million and interest. As at the date of the May Announcement, all such sum was repaid in full; and (b) the Group had outstanding bank borrowings of approximately HK\$340 million, of which approximately HK\$190 million in total was fully secured by the bank deposit of the Group. Thus, the net outstanding bank borrowings (excluding those secured by the bank deposit) as at the date of the May Announcement was approximately HK\$150 million. As at 30 June 2016, the Group and the Banks had mutually agreed that the Group shall repay such outstanding bank borrowings as set out in (b) above in accordance with the agreed repayment schedule.

By order of the Board  
Hang Fat Ginseng Holdings Company Limited  
George Lu  
Chairman & Chief Executive Officer

Hong Kong, 15 August 2016

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	243,989	1,245,170
Costs of sales		(222,603)	(717,509)
Gross profit		21,386	527,661
Other income, gains and losses	4	(91,162)	61,127
Selling and distribution costs		(2,673)	(5,917)
Administrative expenses		(37,821)	(43,237)
Change in fair value of investment properties		(4,600)	1,638
Finance costs	5	(15,002)	(20,209)
(Loss) profit before taxation	6	(129,872)	521,063
Income tax expense	7	–	(82,797)
(Loss) profit for the period		(129,872)	438,266
Other comprehensive expense for the period			
Exchange differences arising on translation of foreign operation		23	(24)
Total comprehensive (expense) income for the period		(129,849)	438,242
(Loss) profit for the period attributable to:			
— owners of the Company		(129,872)	438,390
— non-controlling interests		–	(124)
		(129,872)	438,266
Total comprehensive (expense) income attributable to:			
— owners of the Company		(129,849)	438,366
— non-controlling interests		–	(124)
		(129,849)	438,242
(Loss) earnings per share			
— basic	9	(0.43) HK cent	2.19 HK cents
— diluted	9	N/A	2.19 HK cents



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	67,249	79,450
Investment properties	11	111,976	116,576
Deposit placed for a life insurance policy	12	–	16,907
Deposits paid for acquisition of property, plant and equipment		–	900
		<b>179,225</b>	<b>213,833</b>
<b>Current assets</b>			
Inventories		485,065	657,436
Trade and other receivables	12	415,591	432,186
Pledged bank deposits		204,157	954,471
Bank balances and cash		110,632	75,631
		<b>1,215,445</b>	<b>2,119,724</b>
<b>Current liabilities</b>			
Trade and other payables	13	109,119	176,658
Obligations under finance leases		394	126
Bank borrowings	14	336,073	1,440,868
Bonds	15	132,200	123,746
Derivative financial instruments	16	–	29,300
Taxation payable		43,924	43,623
		<b>621,710</b>	<b>1,814,321</b>
<b>Net current assets</b>		<b>593,735</b>	<b>305,403</b>
<b>Total assets less current liabilities</b>		<b>772,960</b>	<b>519,236</b>
<b>Non-current liabilities</b>			
Obligations under finance leases		–	349
Deferred tax liabilities		8,145	8,621
		<b>8,145</b>	<b>8,970</b>
<b>Net assets</b>		<b>764,815</b>	<b>510,266</b>
<b>Capital and reserves</b>			
Share capital	17	60,016	20,016
Reserves		701,923	487,374
Equity attributable to owners of the Company		<b>761,939</b>	<b>507,390</b>
Non-controlling interests		2,876	2,876
<b>Total equity</b>		<b>764,815</b>	<b>510,266</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Exchange reserve HK\$'000	Share options reserve HK\$'000	Accumulated profits HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2016 (audited)	20,016	936,493	8,553	373	71,361	(529,406)	507,390	2,876	510,266
Profit and total comprehensive income (expense) for the period	-	-	-	23	-	(129,872)	(129,849)	-	(129,849)
Recognition of equity-settled share-based payments	-	-	-	-	500	-	500	-	500
Lapse of Share options	-	-	-	-	(1,382)	1,382	-	-	-
Issue of new shares (Note 17d&e)	40,000	360,000	-	-	-	-	400,000	-	400,000
Expense incurred in connection with the issue of new shares	-	(16,102)	-	-	-	-	(16,102)	-	(16,102)
At 30 June 2016 (unaudited)	60,016	1,280,391	8,553	396	70,479	(657,896)	761,939	2,876	764,815
At 1 January 2015 (audited)	20,000	931,527	8,553	-	-	128,990	1,089,070	(28)	1,089,042
Profit and total comprehensive income (expense) for the period	-	-	-	(24)	-	438,390	438,366	(124)	438,242
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	225	225
Recognition of equity-settled share-based payments	-	-	-	-	66,445	-	66,445	-	66,445
Dividend recognised as distribution	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
At 30 June 2015 (unaudited)	20,000	931,527	8,553	(24)	66,445	467,380	1,493,881	73	1,493,954

### Notes:

- (a) Capital reserve of the Group at 30 June 2016 represents (i) an amount of HK\$5,002,000 arising from the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the paid-in capital of subsidiaries acquired pursuant to the Group's restructuring in preparation for the listing of the Company's shares and (ii) deemed capital contribution from a shareholder amounting to HK\$3,551,000.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net cash from operating activities	548	48,479
Net cash used in investing activities		
Withdrawal of pledged bank deposits	750,314	26,700
Proceeds from disposal of property, plant and equipment	520	2,140
Placement of pledged bank deposits	–	(51,723)
Purchase of investment properties	–	(27,284)
Purchase of property, plant and equipment	(224)	(30,537)
Deposit paid on acquisition of property, plant and equipment	–	(7,910)
Interest received	271	26
	750,881	(88,588)
Net cash from financing activities		
Proceeds from issue of new shares	400,000	–
New bank loans raised	24,618	360,559
New bonds issued	–	132,200
Repayments of bank loans	(1,112,820)	(339,526)
Expenses incurred in connection with issue of new shares	(16,102)	–
Capital contributions from non-controlling interests	–	225
Increase in bank overdrafts	314	76
Interest paid	(12,357)	(18,753)
Repayments of obligations under finance leases	(81)	(2,080)
	(716,428)	132,701
Net increase in cash and cash equivalents	35,001	92,592
Cash and cash equivalents at beginning of the period	75,631	134,039
Cash and cash equivalents at end of the period, represented by bank balances and cash	110,632	226,631



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 33 of 1961, as consolidated and revised) of the Cayman Islands. The Company's immediate and ultimate holding company is Super Generation Group Limited ("Super Generation"), a company incorporated in the British Virgin Islands. Super Generation is directly wholly owned by Mr. George Lu. 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 is an investment holding company. The principal activities of its subsidiaries are sourcing, wholesale and retail of ginseng and dried foods.

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

## 3. SEGMENT INFORMATION

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 3. SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June			
	Segment revenue		Segment results	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Cultivated ginseng	188,661	944,545	18,191	279,080
Wild ginseng	54,498	38,469	2,802	16,077
Ginseng wine	255	260,464	190	232,259
Others	575	1,692	203	245
	<b>243,989</b>	<b>1,245,170</b>	<b>21,386</b>	<b>527,661</b>
(Loss) gain on disposal of property, plant and equipment			(1,544)	439
Change in fair value of investment properties			(4,600)	1,638
Write down on inventories			(56,643)	–
Exchange (loss) gain			(38,193)	35,019
Other income, gains and losses			9,185	25,669
Unallocated expenses			(40,494)	(49,154)
Finance costs			(15,002)	(20,209)
Impairment loss on property, plant and equipment			(8,216)	–
Gain on change in fair value of financial assets/ liabilities classified as derivative financial instrument			4,249	–
(Loss) profit before taxation			<b>(129,872)</b>	<b>521,063</b>

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

Segment profit during the period represents the profit earned by each segment without allocation of (loss) gain on disposal of property, plant and equipment, change in fair value of investment properties, write down on inventories exchange (loss) gain, other income, gains and losses, impairment loss on property, plant and equipment, gain on change in fair value of financial assets/liabilities classified as derivative financial instrument, unallocated corporate expenses such as central administrative expenses, and finance costs. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

#### Segment assets and liabilities

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest income on bank deposits	4,916	24,242
Rental income	1,532	1,270
Exchange (loss) gain, net	(38,193)	35,019
(Loss) gain on disposal of property, plant and equipment	(1,544)	439
Write down on inventories	(56,643)	–
Impairment loss on property, plant and equipment	(8,216)	–
Gain on change in fair value of financial assets/liabilities classified as derivate financial instrument	4,249	–
Sundry income	2,737	157
	(91,162)	61,127

### 5. FINANCE COSTS

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest on:		
Bank loans and overdrafts	11,036	18,738
Bonds	3,966	1,456
Finance leases	–	15
	15,002	20,209

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
(Loss) profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	3,045	1,892
Operating lease rental in respect of office premises and warehouses	3,142	1,494

### 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
The taxation comprises:		
Hong Kong Profits Tax:		
Current period	–	82,797

### 8. DIVIDENDS

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Dividend recognised as distribution during the period:		
Final dividend for the year ended 31 December 2014 (Note a)	–	40,000
Special dividend for the year ended 31 December 2014 (Note b)	–	60,000
	–	100,000

Notes:

- (a) During the six month ended 30 June 2015, the Directors declared the payment of a final dividend of HK\$0.02 per share (representing HK\$0.002 per share after the adjustment of share sub-division on 26 May 2015) 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 adjustment the share sub-division on 26 May 2015) amounting to HK\$60,000,000 in aggregate for the year ended 31 December 2014.

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share ((Loss) profit for the year attributable to owners of the Company)	(129,872)	438,390

	Six months ended 30 June	
	2016 '000	2015 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	29,906,310	20,000,000
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	N/A	547,533
Weighted average number of ordinary shares for the purpose of diluted earnings per share	N/A	20,547,533

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2015 has been retrospectively adjusted to reflect the share sub-division on 26 May 2015.

The computation of diluted loss per share for six months ended 30 June 2016 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired leasehold land and buildings situated in Hong Kong under medium lease term of HK\$nil (six months ended 30 June 2015: approximately HK\$35,195,000) and other property, plant and equipment of approximately HK\$1,124,000 (six months ended 30 June 2015: approximately HK\$2,522,000). Part of the consideration of approximately HK\$900,000 were settled through deposits paid in prior year (six months ended 30 June 2015: approximately HK\$7,180,000).

Also, during the period, the Group disposed of certain property, plant and equipment with the aggregate carrying amount of approximately HK\$2,064,000 (six months period ended 30 June 2015: HK\$1,701,000) which was settled in cash amounting to HK\$520,000 (six months ended 30 June 2015: HK\$2,140,000), and resulting in a loss on disposal of approximately HK\$1,544,000 (six months ended 30 June 2015: gain on disposal of approximately HK\$439,000).

An impairment loss of HK\$8,216,000 (2015: nil) was recognized during the current interim period in respect of obsolete productive machinery.

### 11. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 June 2016 and 31 December 2015 was approximately HK\$111,976,000 and HK\$116,576,000 respectively.

During the six months ended 30 June 2015, the Group acquired investment properties of approximately HK\$27,284,000, which resulted from the acquisition of Luck Power (Hong Kong) Limited ("LPHK") and Luck Power Development Limited ("LPDL"). Major assets of LPHK and LPDL are land and building situated in Hong Kong under medium-term leases and do not have any operation, which did not constitute a business combination in accordance with HKFRS 3 "Business combinations". As such, the acquisition has been accounted for acquisition of assets and liabilities through acquisition of a subsidiary. In addition, the Group also transferred properties with carrying amount of HK\$3,000,000 which approximates the fair value at the date of transfer from property, plant and equipment to investment properties during the six months ended 30 June 2015. There were no acquisition of investment properties or transfer between property, plant and equipment and investment properties during the six months ended 30 June 2016.

The fair value has been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer which is not connected to the Group and whose address is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The fair value of the investment properties was arrived by using direct comparison method based on market observable transactions of similar properties in the similar conditions and locations of the subject properties and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The resulting decrease in fair value of the investment properties of approximately HK\$4,600,000 has been recognised directly in profit or loss for the six months ended 30 June 2016 (six months ended 30 June 2015: increase in fair value of approximately HK\$1,638,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 12. TRADE AND OTHER RECEIVABLES/PREPAYMENT

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Life insurance product		
– Non-current portion (Note a)	–	16,907
Trade receivables	624,531	615,475
Less: Provision for discounts and rebates (Note b)	(351,001)	(352,000)
	273,530	263,475
Deposit paid for purchase of ginseng	111,575	133,179
Advances to a bulk exporter (Note c)	–	6,681
Other refundable deposit (Note d)	17,408	24,400
Interest receivables	4,645	2,160
Prepayments and other deposits	8,433	2,291
	142,061	168,711
Total trade and other receivables	415,591	432,186

### 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 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.

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. During the six months ended 30 June 2016, the life insurance product has been cancelled and used for repayment of bank borrowings.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 12. TRADE AND OTHER RECEIVABLES/PREPAYMENT *(Continued)*

Notes: *(Continued)*

- (b) During the year ended 31 December 2015, the Directors considered 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 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 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, 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 circumstance.

During the six months ended 30 June 2016, a provision for discounts and rebates of HK\$999,000 was reversed and credited in the profit or loss.

- (c) Amount represented advances paid to a bulk exporter for purchase deposits to be paid on behalf of the Group to other suppliers.
- (d) On 19 November 2015, the Group entered into a non-legally binding memorandum of understanding ("MOU") 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.

During the six months ended 30 June 2016, the MOU lapsed and the vendor has to refund the deposit to the Company.

The Group generally grants credit periods ranging from 30 days to 365 days (2015: 30 days to 365 days) to its customers. Before accepting any new customer, the Group will internally assess the potential customer's credit quality and define an appropriate credit limit. The management closely monitors the credit quality and follow-up action is taken if overdue debts are noted.

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

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Within 30 days	119	72,254
31 to 90 days	104	18,897
91 to 180 days	146,031	17,907
181 days to 365 days	113,724	154,417
Over 365 days	13,552	–
	<b>273,530</b>	<b>263,475</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 12. TRADE AND OTHER RECEIVABLES/PREPAYMENT *(Continued)*

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

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
181 days to 365 days	–	18,210
Over 365 days	13,552	–
	13,552	18,210

### 13. TRADE AND OTHER PAYABLES

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Trade payables	50,362	157,844
Other payables		
— Customer's deposit received	45,436	–
— Accrued expenses	4,373	11,767
— Rental deposit	527	527
— Freight charges	6,277	4,287
— Others	2,144	2,233
	109,119	176,658

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 13. TRADE AND OTHER PAYABLES *(Continued)*

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

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Within 30 days	–	137,673
31 to 90 days	–	3,978
91 to 180 days	1,616	10,556
180 to 360 days	48,746	5,637
	<b>50,362</b>	<b>157,844</b>

### 14. BANK BORROWINGS

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Bank overdrafts — secured	315	1
Bank loans		
— Trust receipts loans	64,347	409,540
— Mortgage loans	34,863	37,327
— Revolving loans	227,704	944,000
— Other bank loans	8,844	50,000
	<b>335,758</b>	<b>1,440,867</b>
<b>Secured borrowings</b>	<b>336,073</b>	<b>1,440,868</b>
Carrying amount repayable within one year*	<b>336,073</b>	409,540
Carrying amount of bank loans that are repayable within one year and contain a repayment on demand clause	–	990,604
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
Less: Amounts due within one year shown under current liabilities	<b>(336,073)</b>	<b>(1,440,868)</b>
Amounts shown under non-current liabilities	–	–

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 14. BANK BORROWINGS (Continued)

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

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Variable-rate loans	1.19%–3.75%	1.19–3.75%

The Group has pledged buildings, investments properties and bank deposits having a carrying value of approximately HK\$405,475,000 at 30 June 2016 (HK\$1,144,296,000 at 31 December 2015) to secure general banking facilities granted to the Group. The banking facilities were also supported by corporate guarantee of the group entities.

### 15. BONDS

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Carrying amount repayable		
More than two years, but not more than five years	132,200	132,200
Less: Direct issue cost	–	(8,454)
	132,200	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 on 24 October 2018. The bonds carry fixed interest rate of 6.0% per annum, payable semi-annually in arrears.

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

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 16. DERIVATIVE FINANCIAL INSTRUMENTS

#### Currency Derivatives

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

During the current interim period, a gain from forward foreign exchange contracts of HK\$4,249,000 (Six months ended 30 June 2015: nil) was recognised in profit or loss and included in other income, gains and losses.

As at 31 December 2015, notional amount of major outstanding forward foreign exchange contracts that the Group has committed are as below:

	As at 30 June 2016 US\$'000 (unaudited)	As at 31 December 2015 US\$'000 (audited)
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 (30 June 2016: nil), based on the difference between the market forward rate at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates at the end of the reporting period. The contracts outstanding as at 31 December 2015 mainly related to buying of CAD with maturities in the first quarter of 2016.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 17. SHARE CAPITAL

	Notes	Nominal value per share HK\$	Number of shares '000	Amount HK\$'000
Ordinary shares				
Authorised:				
At 1 January 2015		0.01	5,000,000	50,000
Share sub-division and increase in authorised share capital	(a)	–	45,000,000	–
At 31 December 2015		0.001	50,000,000	50,000
Increase in authorised share capital	(b)	0.001	150,000,000	150,000
At 30 June 2016		0.001	200,000,000	200,000
Issued and fully paid:				
At 1 January 2015		0.01	2,000,000	20,000
Share sub-division	(a)	–	18,000,000	–
Exercise of share options	(c)	0.001	16,200	16
At 31 December 2015		0.001	20,016,200	20,016
Issue of new shares upon the subscription	(d)	0.001	31,200,000	31,200
Issue of new shares upon placing	(e)	0.001	8,800,000	8,800
At 30 June 2016		0.001	60,016,200	60,016

### Notes:

- (a) 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.
- (b) On 6 May 2016, the Company had increased the authorised share capital from HK\$50,000,000 divided into 50,000,000,000 Shares to HK\$200,000,000 divided into 200,000,000,000 Shares.
- (c) A total of 16,200,000 share options were exercised during the year ended 31 December 2015.
- (d) On 17 May 2016, 31,200,000,000 ordinary shares of HK\$0.001 each of the Company were duly allotted and issued to a subscriber, an independent third party, at the subscription price of HK\$0.01 per share. Details please refer to the announcement of the Company dated 17 May 2016.
- (e) On 17 May 2016, the Company completed the placing while 8,800,000,000 ordinary shares of HK\$0.001 each of the Company were duly allotted and issued to not less than six places, independent third parties, at the placing price of HK\$0.01 per share. Details of which please refer to the announcement of the Company dated 17 May 2016.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 18. CAPITAL COMMITMENTS

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	–	1,555

### 19. SUBSEQUENT EVENTS

- (a) On 7 July 2016, the share consolidation (“Share Consolidation”) in which every four (4) of the existing issued and unissued shares of HK\$0.001 each in the share capital of the Company has been consolidated into 1 consolidated shares of par value of HK\$0.004 each has become effective; and the authorised share capital of the Company becomes HK\$200,000,000 representing 50,000,000,000 consolidated shares of HK\$0.004 each, of which 15,004,050,000 consolidated shares are in issue and fully paid.
- (b) On 15 August 2016, the Company completed the placing while 1,000,000,000 ordinary shares of HK\$0.004 each (after the Share Consolidation) of the Company were duly allotted and issued to not less than six places, independent third parties, at the placing price of HK\$0.127 per share. Details of which please refer the announcement of the Company date 15 August 2016.

### 20. SHARE-BASED PAYMENT TRANSACTIONS

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

At 30 June 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,086,800,000 (31 December 2015: 1,106,800,000). The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company’s shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company’s shareholders. Options may be exercised at any time from the date of grant of the share option to the 10 anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company’s shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s share.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

Type of participates	Date of grant	Exercisable period	Exercise price	Outstanding at 1.1.2016	Granted during the period	Lapse during the period	Outstanding at 30.6.2016
Directors and its associates	6.1.2015	6.1.2015 to 5.1.2018	HK\$0.188	73,333,330	–	(20,000,000)	53,333,330
	6.1.2015	6.1.2016 to 5.1.2018	HK\$0.188	13,333,330	–	–	13,333,330
	6.1.2015	6.1.2017 to 5.1.2018	HK\$0.188	13,333,340	–	–	13,333,330
Employees	6.1.2015	6.1.2015 to 5.1.2018	HK\$0.188	2,000,000	–	–	2,000,000
	6.1.2015	6.1.2016 to 5.1.2018	HK\$0.188	2,400,000	–	–	2,400,000
	6.1.2015	6.1.2017 to 5.1.2018	HK\$0.188	2,400,000	–	–	2,400,000
Consultants	6.1.2015	6.1.2015 to 5.1.2018	HK\$0.188	1,000,000,000	–	–	1,000,000,000
				1,106,800,000	–	(20,000,000)	1,086,800,000

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

	6 January 2015
Share price on grant date	HK\$0.188*
Exercise price	HK\$0.188*
Expected volatility	58.69%
Expected life	3 years
Risk-free rate	0.92%
Expected dividend yield	1.70%
Early exercise multiple — Directors:	N/A
— Employees and consultants:	2.2X

\* adjusted for the effect of share sub-division on 26 May 2015.

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 cannot be measured reliably and therefore measured based on the fair value of share options granted.

The Group recognised the total expense of HK\$500,000 for the six months ended 30 June 2016 (six month ended 30 June 2015: HK\$14,200,000) in relation to share options granted by the Company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 21. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Director's fee	279	242
Other emoluments		
— basic salaries and allowance	4,379	5,746
— retirement benefits scheme contributions	21	18
— equity-settled share-based payment transactions	–	2,072
	<b>4,679</b>	<b>8,078</b>

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

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Rental expense paid	486	558

### 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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