

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to the accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

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

* adjusted for the effect of the Share Sub-division

The board (the “**Board**”) of directors (the “**Directors**”) of Hang Fat Ginseng Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively “**Hang Fat**” or the “**Group**”) for the six months ended 30 June 2015 (the “**Interim Period**”), together with the comparative figures for the corresponding period ended 30 June 2014 as follows.

The interim results of the Group have been reviewed by the Company's auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2015	As at 31 December 2014
	<i>NOTES</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	10	70,933	39,809
Investment properties	11	120,322	88,400
Prepayment	12	33,222	–
Deposits paid for acquisition of property, plant and equipment		7,910	7,180
		232,387	135,389
Current assets			
Inventories		468,828	813,563
Trade and other receivables	12	1,300,858	651,243
Pledged bank deposits		1,442,973	1,417,950
Bank balances and cash		226,631	134,039
		3,439,290	3,016,795
Current liabilities			
Trade and other payables	13	151,132	360,766
Obligations under finance leases		492	1,100
Bank borrowings	14	1,666,643	1,646,071
Bonds	15	132,200	–
Dividend payable		100,000	–
Taxation payable		118,676	45,153
		2,169,143	2,053,090
Net current assets		1,270,147	963,705
Total assets less current liabilities		1,502,534	1,099,094

		As at 30 June 2015	As at 31 December 2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<u>NOTES</u>	(unaudited)	(audited)
Non-current liabilities			
Obligations under finance leases		–	1,472
Deferred tax liabilities		8,580	8,580
		<u>8,580</u>	<u>10,052</u>
Net assets		1,493,954	1,089,042
Capital and reserves			
Share capital	<i>16</i>	20,000	20,000
Reserves		1,473,881	1,069,070
Equity attributable to owners of the Company		1,493,881	1,089,070
Non-controlling interests		73	(28)
Total equity		1,493,954	1,089,042

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 33 of 1961, as consolidated and revised) of the Cayman Islands. The Company's immediate and ultimate holding company is Cervera Holdings Limited, a company incorporated in the British Virgin Islands. The address of the Company's registered office is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is G/F., Nam Pak Hong Commercial Center, 44 Bonham Strand West, Hong Kong.

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors and employees

For grants of share options that are conditional upon satisfying specified vesting 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).

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

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. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

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

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

In addition, in the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and interpretation issued by the HKICPA that are mandatorily effective for the current interim period. The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

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

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

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

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

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

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

Segment profit during the period represents the profit earned by each segment without allocation of gain on disposal of property, plant and equipment, listing expenses, changes in fair value of investment properties, exchange gain (loss), unallocated corporate income, unallocated corporate expenses such as central administrative expenses and finance costs. This is the measure reported to the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

4. OTHER INCOME, GAINS AND LOSSES

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

5. FINANCE COSTS

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

6. PROFIT BEFORE TAXATION

Six months ended 30 June	
2015	2014
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Profit before taxation has been arrived at after charging:

Depreciation of property, plant and equipment	1,892	1,119
Operating lease rental in respect of office premises	1,494	758

7. INCOME TAX EXPENSE

Six months ended 30 June	
2015	2014
HK\$'000	HK\$'000
(unaudited)	(unaudited)

The taxation comprises:

Hong Kong Profits Tax:

Current period	82,797	38,923
Deferred tax:		
Current period	–	(136)
	<u>82,797</u>	<u>38,787</u>

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

8. DIVIDENDS

Six months ended 30 June	
2015	2014
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Dividend recognised as distribution during the period:

Final dividend for the year ended 31 December 2014 (<i>Note a</i>)	40,000	–
Special dividend for the year ended 31 December 2014 (<i>Note b</i>)	60,000	–
Other dividend (<i>Note c</i>)	–	210,000
	<u>100,000</u>	<u>210,000</u>

Notes:

- (a) During the current interim period, the Directors declared the payment of a final dividend of HK\$0.02 per share (representing HK\$0.002 per share after the Share Sub-division as detailed in note 16) amounting to HK\$40,000,000 for the year ended 31 December 2014.

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

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

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	<u>438,390</u>	<u>175,934</u>
	Six months ended 30 June	
	2015	2014
		(Restated)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	20,000,000,000	15,110,500,000
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	<u>547,533,376</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>20,547,533,376</u>	<u>15,110,500,000</u>

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

- * The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted retrospectively for the Share Sub-division.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

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

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

11. INVESTMENT PROPERTIES

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

The fair value has been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer which is not connected to the Group and whose address is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The fair value of the investment properties was arrived by using direct comparison method based on market observable transactions of similar properties in the similar conditions and locations of the subject properties and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The resulting increase in fair value of the investment properties of HK\$1,638,000 has been recognised directly in profit or loss for the six months ended 30 June 2015 (2014: decrease in fair value of HK\$2,500,000).

12. TRADE AND OTHER RECEIVABLES/PREPAYMENT

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

Notes: (1) Amount represents share options granted to the consultants for services to be rendered to the Group on business advice and market information regarding to ginseng for a term of three years commencing from the date of 6 January 2015 to 5 January 2018.

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

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

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

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

13. TRADE AND OTHER PAYABLES

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

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

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

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

14. BANK BORROWINGS

	As at 30 June 2015 <i>HK\$'000</i> (unaudited)	As at 31 December 2014 <i>HK\$'000</i> (audited)
Bank overdrafts – secured	<u>76</u>	<u>–</u>
Bank loans		
– Trust receipts loans	260,855	275,002
– Mortgage loans	39,696	17,472
– Revolving loans	1,358,100	1,333,100
– Other bank loans	<u>7,916</u>	<u>20,497</u>
	<u>1,666,567</u>	<u>1,646,071</u>
	<u>1,666,643</u>	<u>1,646,071</u>
Carrying amount repayable within one year*	260,855	275,002
Carrying amount of bank loans that are repayable within one year and contain a repayment on demand clause	1,374,147	1,356,647
Carrying amount of bank loans that are not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liability)	31,641	14,422
Less: Amounts due within one year shown under current liabilities	<u>(1,666,643)</u>	<u>(1,646,071)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

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

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

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

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

15. BONDS

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

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

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

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

16. SHARE CAPITAL

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

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

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

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

- (c) Pursuant to the group restructuring, on 23 May 2014, the Company acquired entire issued share capital of Hang Fat Group Holdings Limited in consideration of which the Company, as directed by the Common Shareholders, credited as fully paid the 1,000,000 nil-paid shares of HK\$0.01 each in aggregate of HK\$10,000.
- (d) On 27 June 2014, 500,000,000 ordinary shares of HK\$0.01 each of the Company were issued at HK\$1.98 per share by way of public offer upon Listing (“Global Offering”).
- (e) Pursuant to a resolution passed by all shareholders of the Company on 9 June 2014, conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors were authorised to capitalise HK\$14,990,000 standing to credit of the share premium account of the Company by applying that sum in paying in full at par, 1,499,000,000 shares for allotment and issue to the holders of shares of the Company. As such 1,499,000,000 shares were issued and credited as fully paid on 27 June 2014.

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

17. CAPITAL COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Revenue

	For the six months ended 30 June				
	2015		2014		Increase of revenue (approximate %)
Revenue <i>HK\$'million</i>	% of total	Revenue <i>HK\$'million</i>	% of total		
Cultivated Ginseng	944.5	75.9%	768.2	90.2%	+23.0%
Wild Ginseng	38.5	3.1%	83.0	9.7%	-53.6%
Ginseng wine	260.5	20.9%	–	0%	N/A
Others	1.7	0.1%	0.6	0.1%	+183.3%
TOTAL	<u>1,245.2</u>	<u>100%</u>	<u>851.8</u>	<u>100%</u>	<u>+46.2%</u>

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

The Group has also proactively diversified its product categories by launching ginseng by-products. Ginseng wine is one of the Group’s highlighted products during the Interim Period, which achieved a sales amount of more than HK\$260.5 million, which accounted for approximately 20.9% of the total revenue. The Group used fresh Wild Ginseng, which was directly imported from the United States, for the production of Ginseng wine. The launch of Ginseng wine has been very well received by the customers in both Hong Kong and China.

Gross Profit

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

Expense

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

Inventories

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

Trade Receivables

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

Foreign Exchange Exposure

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

FINANCIAL RESOURCES AND LIQUIDITY

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

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

The net gearing ratio of the Group as at 30 June 2015, calculated as aggregate of bank borrowing, net of pledged bank deposit, short-term bank deposits and bank balances and cash, divided by total equity, was approximately 8.7% (31 December 2014: 8.6%). The net gearing ratio was remained relatively stable as at 30 June 2015 as compared to that of 31 December 2014.

CAPITAL EXPENDITURE

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

SHARE OPTIONS

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

PROSPECT AND STRATEGIES

Prospect

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

Strategies

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

Strengthening Market Shares of American Ginseng and Keeping Leading Position

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

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

Diversifying Product categories and Enhancing Brand Image

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

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

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

Focusing on Cultivating Channels and Directional Marketing Model

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

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

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend for the six months ended 30 June 2015, the register of members of the Company will be closed from Friday, 18 September 2015 to Monday, 21 September 2015 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend for the six months ended 30 June 2015, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 September 2015. The interim dividend will be paid on or about Monday, 12 October 2015.

LISTING AND USE OF PROCEEDS

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

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

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

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

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

Corporate Governance Code

The Board is committed 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 2015, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, except in relation to CG Code provision A.2.1, as more particularly described below.

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

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

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct rules (the "**Model Code**") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code during the six months ended 30 June 2015.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) has reviewed with 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. Cheung Chung Wai Billy (Chairman of the Audit Committee), Mr. Wong Senta and Mr. Kwok Lam Kwong Larry.

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

Hong Kong, 21 August 2015

As at the date of this announcement, the executive Directors are Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau; and the independent non-executive Directors are Mr. Wong Senta, Mr. Kwok Lam Kwong Larry and Mr. Cheung Chung Wai Billy.