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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)

- (I) PROPOSED SUBSCRIPTION OF NEW SHARES UNDER
SUBSCRIPTION MANDATE;
(II) APPLICATION FOR WHITEWASH WAIVER;
(III) PROPOSED PLACING OF NEW SHARES
UNDER PLACING MANDATE;
(IV) RESIGNATION OF DIRECTORS
AND
(V) RESUMPTION OF TRADING**

Placing Agent



前海證券有限公司
Qian Hai Securities Limited

THE SUBSCRIPTION

On 21 February 2016, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 31,200,000,000 Subscription Shares to the Subscriber at the Subscription Price of HK\$0.01 per Subscription Share.

The 31,200,000,000 Subscription Shares represent:

- (a) approximately 155.87% of the existing issued share capital of the Company as at the date of this announcement;

- (b) approximately 60.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares upon Subscription Completion; and
- (c) approximately 51.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares upon Subscription Completion and Placing Completion (assuming the Placing is completed in full).

The obligation of the Subscriber to subscribe for the Subscription Shares under the Subscription Agreement is conditional upon, among others, the terms and conditions as set forth in the Subscription Agreement.

WARNING

Shareholders and potential investors should note that the Subscription is subject to conditions to be fulfilled and/or waived and the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.

WHITEWASH WAIVER

Upon Subscription Completion, the Subscriber will be interested in a total of 31,200,000,000 Shares representing approximately 60.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares) and (as the case may be) approximately 51.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and that there is no change in the issued share capital of the Company other than (i) the issue of the Subscription Shares between the date of this announcement and the Subscription Completion; and (ii) the Placing Shares between the date of this announcement and the Placing Completion).

Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscriber will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll.

THE PLACING

On 21 February 2016, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 8,800,000,000 Placing Shares at a price of HK\$0.01 per Placing Share.

The 8,800,000,000 Placing Shares represent:

- (a) approximately 43.96% of the exiting issued share capital of the Company as at the date of this announcement;
- (b) approximately 30.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (assuming the Placing is completed in full); and
- (c) approximately 14.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full).

WARNING

Since completion of the Placing is subject to the fulfilment or waiver of the condition(s) as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares of the Company.

The Placing and the Subscription are not inter-conditional upon each other.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve (i) the Subscription Agreement, the transactions contemplated thereunder (including the Subscription Mandate) and the Whitewash Waiver; and (ii) the Placing Agreement and the transactions contemplated thereunder (including the Placing Mandate).

The Independent Board Committee will be established to advise the Independent Shareholders in respect of the proposed resolution(s) to approve the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Wavier.

The Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver.

A circular containing, among other things, (i) details of the Subscription and the Whitewash Waiver; (ii) details of the Placing; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; and (v) a notice convening the EGM, will be despatched to the Shareholders on or before 21 March 2016.

RESIGNATION OF DIRECTORS

The Board announces that Mr. Kwok Lam Kwong Larry and Mr. Cheung Chung Wai Billy tendered their resignation (the “**Resignation**”) as independent non-executive Directors to the Board on 22 February 2016 with immediate effect. However, pursuant to Rule 7 of the Takeovers Code, once a bona fide offer has been communicated to the Board, except with the consent of the Executive, the Directors should not resign until the first closing date of the offer, or the date when the offer becomes or is declared unconditional, or shareholders have voted on the waiver of a general offer obligation under Note 1 on dispensations from Rule 26 of the Takeovers Code, whichever is the later. The Company is in communication with the Executive in respect of the arrangement of the Resignation.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended from 9:00 a.m. on 22 February 2016 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 29 February 2016.

Reference is made to the announcement of the Company dated 15 February 2016, in relation to, among other things, a non-legally binding memorandum of understanding entered into by the Company and the Potential Investor (as defined in the announcement of the Company dated 15 February 2016, namely, Mr. Lu) in relation to the subscription of new Shares through a company controlled by the Potential Investor.

THE SUBSCRIPTION

On 21 February 2016, the Company and the Subscriber (a company controlled by Mr. Lu) entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 31,200,000,000 Subscription Shares to the Subscriber at the Subscription Price of HK\$0.01 per Subscription Share.

The Subscription Agreement

Date

21 February 2016

Issuer

The Company

Subscriber

Super Generation Group Ltd.

For further details about the Subscriber, please refer to the section headed “Information of the Subscriber” in this announcement.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscriber and its associates are Independent Third Parties and not connected with nor are acting in concert with any of the Directors, chief executive or Shareholders of the Company or its subsidiaries or their respective associates and parties acting in concert with any of them.

Prior to entering into the Subscription Agreement, the Subscriber was not interested in any Shares, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of shareholding interest in the Company.

The Subscription Shares

The 31,200,000,000 Subscription Shares represent (i) approximately 155.87% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 60.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares upon Subscription Completion; and (iii) approximately 51.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares upon Subscription Completion and Placing Completion (assuming the Placing is completed in full). The aggregate nominal value of the Subscription Shares is HK\$31.2 million.

The Subscription Price

The Subscription Price of HK\$0.01 per Subscription Share represents:

- (i) a discount of approximately 85.1% to the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 84.3% to the average closing price of approximately HK\$0.064 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 92.3% to the average closing price of approximately HK\$0.1296 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 86.7% to the unaudited consolidated net asset value per Share of approximately HK\$0.075 as at 30 June 2015.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber after taking into account, among others, the following factors:

- (a) the closing price of approximately HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) the outstanding bank borrowings of over HK\$1.67 billion as at 30 June 2015 which would be due within one year;
- (c) the outstanding debts of over HK\$132 million as at 30 June 2015 which would be due in 2018;
- (d) the accounts payables of over HK\$121 million as at 30 June 2015 which would be due within one year; and
- (e) the feasibility and desirability of alternative ways of fund raising including bank loans and rights issue.

The Directors consider the Subscription and the Placing being the most appropriate way of fund raising for the Group.

The Directors believe that the introduction of the Subscriber as a Shareholder will improve the financial position of the Group by providing additional funding for the Company to repay bank loans and accounts payables.

The gross proceeds of the Subscription amount to approximately HK\$312,000,000 and the net proceeds from the Subscription will be approximately HK\$301,200,000 (after deduction of relevant expenses of the Subscription). On such basis, the net issue price will be approximately HK\$0.0097 per Subscription Share.

Mandate for the issue of the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Subscription Mandate to be sought from the Independent Shareholders at the EGM.

Ranking

The Subscription Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

Listing application

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Conditions precedent

The obligation of the Subscriber to subscribe for the Subscription Shares under the Subscription Agreement is conditional upon:

- (a) the Company, in accordance with the relevant requirements of the Takeovers Code, the Listing Rules, the Companies Law of the Cayman Islands and its articles of association, having obtained the approvals at the EGM on (i) the increase of the authorised share capital of the Company in compliance with the Subscription; (ii) the Company's entering into the Subscription Agreement and the transactions contemplated thereunder; and (iii) the Subscription and the Subscription Mandate;
- (b) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Subscription Shares to be issued (and such approval not being subsequently revoked prior to the Subscription Completion);
- (c) the Executive granting the Whitewash Waiver to the Subscriber and the Whitewash Waiver remaining effective and all the conditions to the Whitewash Waiver being satisfied;
- (d) there being no suspension on the trading of Shares on the Stock Exchange prior to and upon Subscription Completion (save for (i) trading halt or suspension which are not more than five (5) consecutive Business Days, other than suspension due to the Subscription Agreement and the transactions contemplated thereunder; or (ii) suspension for such period or circumstance which is agreed by the Subscriber);
- (e) all applicable laws and regulations relevant to the Subscription (including the Listing Rules and the Takeovers Code) having been fully complied with by each party to the Subscription Agreement, and the Group having obtained all major approval, consent, filing and records (where applicable) for the transactions contemplated under the Subscription Agreement (including but not limited to such consent by third party(ies) as required under any material contracts or financing contracts as a result of the change of controlling shareholder of the Group or for the conducting of transactions contemplated under the Subscription Agreement), and having performed all necessary legal procedures;

- (f) no judicial governmental or regulatory authorities making, issuing or ordering any order, judgement, limitations or decision to restrict or prohibit the transactions contemplated under the Subscription Agreement;
- (g) no third party having applied to or threatening to apply to any court or governmental authorities of competent jurisdictions to claim for material compensation, to restrict or prohibit the transactions contemplated under the Subscription Agreement, or to declare the transactions contemplated under the Subscription Agreement illegal;
- (h) the representations, warranties and undertakings given by the Company under the Subscription Agreement remaining true and accurate in all material respects, and not materially misleading, since the date of the Subscription Agreement up to the Subscription Completion;
- (i) there being, in the reasonable opinion of the Subscriber, no material adverse change in the prospects, operation, financial and other aspects (and no development or event that may be expected to lead to material adverse change having happened) as set out below since the date of the Subscription Agreement up to the Subscription Completion:
 - 1. the net asset value of the Group is less than HK\$400 million;
 - 2. any matters leading to the termination or possible termination of the principal operation of the Group;
 - 3. any material modification of laws, regulations or government administrative decisions required to be complied with as regard to the operation of the principal businesses of the Group, and which would significantly influence the revenue or profits of the Group;
 - 4. any material breach of laws, regulations and government administrative decisions (including but not limited to the material breach of food safety of the product of the Group), which would significantly influence the revenue or profits of the Group;
 - 5. the business license or business certificate of any major member of the Group is revoked;
 - 6. any order, judgment, restriction, decision or investigation has been made, promulgated or adopted by a judicial or governmental authority or regulatory authority for the Company or any major subsidiary of the Company, and any directors and senior management of the Group; and
 - 7. the delivery of any order or petition or the passing of any resolution leading to the liquidation of the Company or any major subsidiary of the Group or appointment of provisional liquidator for the Company or any major subsidiary of the Group; and with respect to the assets or the business of the Company or any major subsidiary of the Group, any receiver, property administrator or others of the same nature is appointed as

provisional liquidator; and the Company or any major subsidiary of the Group or any of their assets is subject to any outstanding attachment, writ of execution or other legal procedures;

- (j) the Subscriber being reasonably satisfied with due diligence results on the legal (including the shareholding and ownership of properties of the members of the Group), operation and financial aspects (including the net assets, inventories, receivables and debts) of the Company; and
- (k) the Company having provided to the Subscriber the Cayman Islands and the British Virgin Islands legal opinions in relation to the due incorporation and the ownership of shareholding of the Company and its subsidiaries, in such form and substance to the satisfaction of the Subscriber.

Waiver of the conditions precedent

The Company shall use its best endeavours to procure and assist in the fulfillment of the conditions (a), (b), (d) to (k) above before the Long Stop Date. None of the parties to the Subscription Agreement can waive the conditions (a) and (b) above, and save as aforesaid, all other conditions above can be waived by the Subscriber at its discretion.

Notwithstanding the above, in relation to the due diligence review in condition (j) above, the Subscriber shall give notice to the Company and specify if it is satisfied with the due diligence review or it waives the condition within 14 days upon the date of the Subscription Agreement (or any other date as agreed by both parties). In the event that the Subscriber is unable to give notice specifying if it is satisfied with the due diligence review or waive the condition within 14 days upon the date of the Subscription Agreement or a date as agreed by both parties, the Subscription Agreement will be automatically terminated, and the parties shall be released from all liabilities and obligations thereunder (save for clauses with respect to indemnity, confidentiality, general provisions, counterparts and governing law as stated in the Subscription Agreement), but without prejudice to any rights accrued by the parties prior to the termination. Neither party shall claim the other party for any damages, expenses and other costs.

In the event that any conditions have not been fulfilled or waived (as the case may be) by the Long Stop Date or a later date as agreed in writing by both parties, the Subscription Agreement will be automatically terminated, and the parties shall be released from all liabilities and obligations thereunder (save for clauses with respect to indemnity, confidentiality, general provisions, counterparts and governing law as stated in the Subscription Agreement), but without prejudice to any rights accrued by the parties prior to the termination. Neither party shall claim the other party for any damages, expenses and other costs.

Subscription Completion

Subscription Completion shall take place on the 5th Business Day after the date upon which all of the conditions precedent of the Subscription Agreement have been fulfilled and/or waived (or such other date as may be agreed by the Subscriber and the Company in writing). On the Subscription Completion Date, among other things, the Subscriber shall effect payment of the aggregate Subscription Price in full, and the Company shall simultaneously, among other things, allot and issue the Subscription Shares to the Subscriber.

Pursuant to the Subscription Agreement, Ms. Fu Fung Sau, executive Director, shall resign her directorship and position in the senior management with effect from the Subscription Completion. If required by the Subscriber, Mr. Yeung Wing Kong and other directors and/or other members of the senior management of the Group shall resign with effect from the Subscription Completion. Further announcement(s) will be made by the Company in this regard as and when appropriate. In any event, the Company will comply with the Takeovers Code.

Shareholders and potential investors should note that the Subscription is subject to conditions to be fulfilled and/or waived and the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.

Information on the Subscriber

The Subscriber is an investment holding company incorporated under the laws of British Virgin Islands and is wholly owned by Mr. Lu, an Independent Third Party. Mr. Lu is also the sole director of the Subscriber. Mr. Lu, as the sole director and the beneficial owner of the Subscriber, is considered to be a party acting in concert with the Subscriber in respect of the Subscription.

Intentions of the Subscriber regarding the Group

As at the date of this announcement, the Subscriber intends to continue the existing business of the Group and does not intend to introduce any major changes to the existing operation and business of the Company or dispose of any of the assets of the Group other than in the ordinary course of business. Given the poor liquidity of the Group as at the date of this announcement, the Subscriber intends to procure the Group to repay certain bank borrowings to improve the liquidity and financial position of the Group as well as for repayment of accounts payables. For details please refer to the subsection headed “Reasons for the Subscription, the Placing and the use of proceeds” below. The Company will comply with all applicable requirements of the Listing Rules and/or the Takeovers Code as and when appropriate.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Dealing and interest of the Subscriber in the securities of the Company

The Subscriber has confirmed that it and party acting in concert with it (including Mr. Lu) has not acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of, voting rights in the Company in the six months prior to and up to and including 2 February 2016, being the date of the announcement of the Company in relation to potential disposal of Shares by controlling shareholders of the Company to certain potential purchaser (who is not the Subscriber nor its party acting in concert).

As at the date of this announcement, save for the Subscription, the Subscriber has confirmed that neither the Subscriber nor party acting in concert with it (including Mr. Lu):

- (a) holds, owns, controls or has direction over any outstanding shares, options, warrants or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or holds any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Subscription and/or the Whitewash Waiver, with any other persons;
- (d) has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver (save as the conditions precedent to the Subscription);
- (e) has received any irrevocable commitment from anyone to vote for the Subscription and/or the Whitewash Waiver; or
- (f) has dealt in Shares, outstanding options, derivatives or other securities convertible or exchangeable into Shares, during the six months prior to and up to and including 2 February 2016.

The Whitewash Waiver

Upon Subscription Completion, the Subscriber will in aggregate be interested in a total of 31,200,000,000 Shares representing approximately 60.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in

the issued share capital of the Company other than the issue of the Subscription Shares) and (as the case may be) approximately 51.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and the Placing Shares).

Under Rule 26.1 of the Takeovers Code, in the absence of the Whitewash Waiver, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscriber will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll. The Subscriber and parties acting in concert with it and any Shareholders who are interested in or are involved in the Subscription Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver and their respective associates shall abstain from voting on the resolutions approving the Subscription and the transactions contemplated thereunder and the Whitewash Waiver at the EGM.

If the Whitewash Waiver is approved by the Independent Shareholders, the potential holding of voting rights of the Company held by the Subscriber and parties acting in concert with it resulting from the Subscription will exceed 50% of the voting rights of the Company. The Subscriber may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

DEALING DISCLOSURE

Associates (as defined in the Takeovers Code and including persons holding 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code)) of the Company are hereby reminded to disclose their dealings in any securities of the Company pursuant to the requirements of the Takeovers Code. In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code

“Responsibilities of Stockbrokers, Banks and Other Intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved. Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

“Executive” referred to above has the meaning ascribed to it under the Takeovers Code.

THE PLACING

On 21 February 2016, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 8,800,000,000 Placing Shares at a price of HK\$0.01 per Placing Share.

The Placing Agreement

Date

21 February 2016

Issuer

The Company

Placing Agent

Qian Hai Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities dealing) regulated activities as defined under the Securities and Futures Ordinance.

The Placing Agent has conditionally agreed to place up to 8,800,000,000 Placing Shares, on a best effort basis, to the Placees. The Placing Agent will receive a placing commission of 5% of the aggregate Placing Price of the Placing Shares actually placed by the Placing Agent on behalf of the Company in pursuance of its obligations under the Placing Agreement. Such placing commission was arrived at after arm’s length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the market rate and after taking into account the size of the Placing.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries and as confirmed by the Placing Agent, the Placing Agent and its associates are (i) Independent Third Parties; and (ii) the Placing Agent is not interested in any Shares, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of shareholding interest in the Company.

Placees

The Placing Shares are currently expected to be placed to not less than six Placees, who will be individuals, corporate, institutional investors or other investors. The Placees, who and whose ultimate beneficial owners, shall be Independent Third Parties and not connected with nor are acting in concert with any of the Directors, chief executive or Shareholders of the Company or its subsidiaries or their respective associates, and the Subscriber or parties acting in concert with any of them. The Placing Agent undertook to take out all necessary steps to procure that all the Placees are third parties independent of and not acting in concert with the Company or the Subscriber and that they will not become a substantial Shareholder (within the meaning of the Listing Rules) immediately after the Subscription and the Placing.

The Placing Shares

The 8,800,000,000 Placing Shares represent (i) approximately 43.96% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 30.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (assuming the Placing is completed in full); and (iii) approximately 14.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (assuming the Placing is completed in full) and the Subscription Shares. The aggregate nominal value of the Placing Shares is HK\$8.8 million.

The Placing Price

The Placing Price of HK\$0.01 per Placing Share represents:

- (i) a discount of approximately 85.1% to the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 84.4% to the average closing price of approximately HK\$0.064 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 92.3% to the average closing price of approximately HK\$0.1296 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 86.7% to the unaudited consolidated net asset value per Share of approximately HK\$0.075 as at 30 June 2015.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent after taking into account the following factors:

- (a) the average closing price of approximately HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) the outstanding bank borrowings of over HK\$1.67 billion as at 30 June 2015 which was due within one year;
- (c) the outstanding debts of over HK\$132 million as at 30 June 2015 which would be due in 2018;
- (d) the accounts payables of over HK\$121 million as at 30 June 2015 which would be due within one year; and
- (e) the feasibility and desirability of alternative ways of fund raising including bank loans and rights issue.

The Directors consider the Subscription and the Placing being the most appropriate way of fund raising for the Group. The Directors also believe that the Placing will improve the financial position of the Group by providing sufficient funding for the Company to repay bank loans and accounts payables.

The gross proceeds of the Placing amount to approximately HK\$88,000,000 and the net proceeds from the Placing will be approximately HK\$82,800,000 (after deduction of relevant expenses of the Placing). On such basis, the net issue price will be approximately HK\$0.0094 per Placing Share.

Mandate for the issue of the Placing Shares

The Placing Shares will be allotted and issued pursuant to the Placing Mandate to be sought from the Shareholders at the EGM.

Ranking

The Placing Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Placing Shares.

Listing application

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Conditions precedent

Placing Completion is conditional upon fulfillment of the following conditions:

- (a) the passing by the Shareholders who are allowed to vote under the Listing Rules of the relevant resolution(s) to approve the Placing Agreement and the transactions contemplated thereunder, including the grant of the Placing Mandate at the EGM;
- (b) the Listing Committee granting or agreeing to grant listing of, and permission to deal in, the Placing Shares; and
- (c) the obtaining by all parties concerned of all necessary consents or approvals (if any) from the relevant authorities in respect of the entry and consummation of the Placing Agreement and the transactions contemplated thereunder.

For the avoidance of doubt, the Placing is independent of the Subscription and is not conditional upon the Subscription Completion.

The Company shall:

- (a) apply to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares; and
- (b) forthwith upon the signing of this Agreement, use all reasonable endeavors to procure that the conditions precedent set out in the Placing Agreement are fulfilled in accordance with their terms on or before the 30th day from the date of the EGM or any adjournment thereof (or if such date is not a Business Day, the next Business Day immediately thereafter) and for that purpose will give all such undertakings, execute such documents and do such other things as may be necessary to procure the fulfillment of such conditions.

None of the above conditions precedent can be waived. If any of the conditions precedent above is not satisfied by the day falling on the 30th day from the date of the EGM or any adjournment thereof (or if such date is not a Business Day, the next Business Day immediately thereafter), the obligations and liabilities of the Company and the Placing Agent under the Placing Agreement shall be null and void and the Company and the Placing Agent shall be released from all rights and obligations thereunder. Neither party shall have any right to damages for any costs and expenses that it may have incurred in connection with or arising out of the Placing Agreement save for any antecedent breach thereof (and save that the Company shall reimburse for the reasonable out of pocket expenses incurred by the Placing Agent in respect of the Placing).

Placing Completion

Placing Completion shall take place on the third Business Day after the fulfilment and/or waiver of all the above conditions or on such other date as the Company and the Placing Agent may agree in writing.

Since completion of the Placing is subject to the fulfilment or waiver of the condition(s) as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

The Placing and the Subscription are not inter-conditional upon each other.

REASONS FOR THE SUBSCRIPTION, THE PLACING AND THE USE OF PROCEEDS

The Group is principally engaged in the sourcing and wholesaling of American ginseng.

As at 30 June 2015, the Group had total outstanding bank borrowings of approximately HK\$1.67 billion which was due within one year while the Company had only bank balances and cash of approximately HK\$226.6 million. In February 2016, certain bankers of the Company (the “**Banks**”) demanded in writing that the Group should make immediate repayment of the amounts outstanding. They may consider commencing legal proceedings against the Group if the Group fails to make the repayment accordingly. Indeed, some bank accounts of the Group have already been frozen by the Banks. The bank balances (excluding pledged bank deposits) of which the usage was being restricted by the Banks accounted for nearly 76% of the aggregate bank balances (excluding pledged bank deposits) as at 26 February 2016. The Banks’ actions led to a shortage of cash position.

The Group is in the leading position in the ginseng market. Since the publication of the announcement dated 3 February 2016 regarding a possible change in control of the Company, a turbulence has been caused in the ginseng market and customers of the Group have been conscious of the ginseng trading as well as the settlement of the debts to the Group. The Group expects there will be delays in the collection of customers’ debts owing to the Group, which will further affect the cash flow of the Group.

Taking the above situation into account, the Directors consider an immediate need for fund raising for the Group and believe that the Subscription and the Placing would improve the financial position of the Group.

The gross proceeds of the Subscription amount to approximately HK\$312,000,000 and the net proceeds from the Subscription will be approximately HK\$301,200,000 (after deduction of relevant expenses of the Subscription), which shall be used for the following purposes:

- (a) approximately HK\$225,900,000 for the repayment of existing bank loans; and
- (b) approximately HK\$75,300,000 for the repayment of accounts payables.

The Directors (excluding the independent non-executive Directors who will express their views after receiving advice from the Independent Financial Adviser) consider that the Subscription Agreement is entered into on normal commercial terms and the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and the Subscription is in the interest of the Company and the Independent Shareholders as a whole.

The gross proceeds of the Placing amount to approximately HK\$88,000,000 and the net proceeds from the Placing will be approximately HK\$82,800,000 (after deduction of relevant expenses of the Placing), which shall be used for the following purposes:

- (a) approximately HK\$49,680,000 for the repayment of the existing bank loans; and
- (b) approximately HK\$33,120,000 for procurement of American ginseng.

The Directors consider that the Placing Agreement is entered into on normal commercial terms and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and the Placing is in the interest of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the relevant securities of the Company comprise (i) 20,016,200,000 issued and fully-paid up ordinary Shares and (ii) 1,106,800,000 outstanding share options (the “**Share Options**”) granted under the share option scheme of the Company adopted by a resolution in writing passed by all Shareholders on 9 June 2014. The Company has no other outstanding securities convertible or exchangeable into Shares. The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of the Subscription Shares but before the allotment and issue of the Placing Shares; (iii) immediately after the allotment and issue of the Placing Shares (assuming the Placing is completed in full) but before the allotment and issue of the Subscription Shares; (iv) immediately after the allotment and issue of

the Subscription Shares and the Placing Shares (assuming the Placing is completed in full) and (v) immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and the Share Options are exercised in full) are as follows:

	As at the date of this announcement		Immediately after the allotment and issue of the Subscription Shares but before the allotment and issue of the Placing Shares		Immediately after the allotment and issue of the Placing Shares (assuming the Placing is completed in full) but before the allotment and issue of the Subscription Shares		Immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full)		Immediately after the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing is completed in full and the Share Options are exercised in full)	
	Number of Shares	approximate shareholding %	Number of Shares	approximate shareholding %	Number of Shares	approximate shareholding %	Number of Shares	approximate shareholding %	Number of Shares	approximate shareholding %
Cervera Holdings Limited ¹	2,876,450,000	14.37	2,876,450,000	5.62	2,876,450,000	9.98	2,876,450,000	4.79	2,876,450,000	4.71
Athena Power Limited ²	1,017,470,000	5.08	1,017,470,000	1.99	1,017,470,000	3.53	1,017,470,000	1.70	1,017,470,000	1.66
Dragon Jump Global Limited ³	262,790,000	1.31	262,790,000	0.51	262,790,000	0.91	262,790,000	0.44	262,790,000	0.44
Ace Fame Management Limited ⁴	210,000,000	1.05	210,000,000	0.41	210,000,000	0.73	210,000,000	0.35	210,000,000	0.35
Mr. Yeung Wing Yan ⁵	25,000,000	0.12	25,000,000	0.05	25,000,000	0.09	25,000,000	0.04	45,000,000	0.07
Mr. Yeung Wing Kong ⁶	-	-	-	-	-	-	-	-	20,000,000	0.03
Ms. Fu Fung Sau ⁷	-	-	-	-	-	-	-	-	20,000,000	0.03
Other grantees of the Share Options ⁸	-	-	-	-	-	-	-	-	1,046,800,000	1.71
The Subscriber	-	-	31,200,000,000	60.92	-	-	31,200,000,000	51.99	31,200,000,000	51.04
Places	-	-	-	-	8,800,000,000	30.54	8,800,000,000	14.66	8,800,000,000	14.40
Existing public Shareholders	15,624,490,000	78.07	15,624,490,000	30.50	15,624,490,000	54.22	15,624,490,000	26.03	15,624,490,000	25.56
Total	20,016,200,000	100	51,216,200,000	100	28,816,200,000	100	60,016,200,000	100	61,123,000,000	100

Notes:

- (1) *Cervera Holdings Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. 2,876,450,000 Shares were held by Cervera Holdings Limited, which in turn is directly held as to 63%, 30% and 7% by Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau, our Directors, respectively.*
- (2) *Athena Power Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. 1,017,470,000 Shares were held by Athena Power Limited, which in turn is directly wholly owned by Mr. Yeung Wing Yan, our Director.*
- (3) *Dragon Jump Global Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. 262,790,000 Shares were held by Dragon Jump Global Limited, which in turn is directly wholly owned by Mr. Yeung Wing Kong, our Director.*
- (4) *Ace Fame Management Limited is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. 210,000,000 Shares were held by Ace Fame Management Limited, which in turn is directly wholly owned by Ms. Fu Fung Sau, our Director.*
- (5) *Mr. Yeung Wing Yan was granted 20,000,000 Share Options on 6 January 2015.*
- (6) *Mr. Yeung Wing Kong was granted 20,000,000 Share Options on 6 January 2015.*
- (7) *Ms. Fu Fung Sau was granted 20,000,000 Share Options on 6 January 2015.*

(8) *Employees of the Company (other than the executive Directors) and other eligible grantees were granted in aggregate 1,046,800,000 Share Options on 6 January 2015.*

GENERAL

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee will be established pursuant to the Listing Rules and the Takeovers Code to advise the Independent Shareholders in respect of the proposed resolution(s) to approve the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver.

The Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver. An announcement would be made upon the Independent Financial Adviser is appointed.

EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve (i) the Subscription Agreement, the transactions contemplated thereunder (including the Subscription Mandate) and the Whitewash Waiver; and (ii) the Placing Agreement and the transactions contemplated thereunder (including the Placing Mandate).

The Company is in discussion with the Executive whether the executive Directors namely, Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau, who are also our Shareholders, will constitute Independent Shareholders and can vote on the relevant resolution(s) to be proposed at the EGM. As Ms. Teresa Yip, our chief financial officer and secretary of the Company, who is also our Shareholder, was involved in the negotiation of the terms in the Subscription Agreement, Ms. Yip will be required to abstain from voting on the relevant resolution(s) to be proposed at the EGM for approving the Subscription/Whitewash Waiver. Should there be any Shareholders involved in or interested in (i) the Subscription Agreement, the transactions contemplated thereunder (including the Subscription Mandate) and the Whitewash Waiver; and (ii) the Placing Agreement and the transactions contemplated thereunder (including the Placing Mandate), such Shareholders are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM for approving (i) the Subscription Agreement, the transactions contemplated thereunder (including the Subscription Mandate) or the Whitewash Waiver; and (ii) the Placing Agreement and the transactions contemplated thereunder (including the Placing Mandate).

A circular containing, among other things, (i) further details of the Placing; (ii) details of the Subscription and the Whitewash Waiver; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board

Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; and (v) a notice convening the EGM, will be despatched to the Shareholders on or before 21 March 2016.

RESIGNATION OF DIRECTORS

The Board announces that Mr. Kwok Lam Kwong Larry and Mr. Cheung Chung Wai Billy tendered their resignation (the “**Resignation**”) as independent non-executive Directors to the Board on 22 February 2016 with immediate effect. However, pursuant to Rule 7 of the Takeovers Code, once a bona fide offer has been communicated to the Board, except with the consent of the Executive, the Directors should not resign until the first closing date of the offer, or the date when the offer becomes or is declared unconditional, or shareholders have voted on the waiver of a general offer obligation under Note 1 on dispensations from Rule 26 of the Takeovers Code, whichever is the later. The Company is in communication with the Executive in respect of the arrangement of the Resignation.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended from 9:00 a.m. on 22 February 2016 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 29 February 2016.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“business day”	a day on which licensed banks are generally open for business in Hong Kong, other than (i) a Saturday and Sunday; and (ii) a day on which a tropical cyclone warning No.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon in Hong Kong and remains in effect on or before 12:00 noon; or (iii) a day on which a black rainstorm warning signal is hoisted or remains hoisted before 12:00 noon in Hong Kong and remains in effect on or before 12:00 noon

“Company”	Hang Fat Ginseng Holdings Company Limited (恒發洋參控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 0911)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, the Subscription Agreement, the Placing Agreement and the transactions contemplated under these agreements respectively including the grant of the Subscription Mandate and the Placing Mandate, and the Whitewash Waiver
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegate of the executive director
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company
“Independent Shareholders”	Shareholders other than those who are involved in or interested in the Subscription and the Whitewash Waiver
“Independent Third Party(ies)”	third party(ies) and its/their ultimate beneficial owner(s) which are independent of the Company and its connected persons and their respective associates
“Last Trading Day”	19 February 2016
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	31 August 2016
“Mr. Lu”	Mr. George Lu (陸建明), the sole shareholder and sole director of the Subscriber
“Placee(s)”	any individuals, corporate, institutional investors or other investors to be procured by or on behalf of the Placing Agent under the Placing
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Qian Hai Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising in securities) regulated activities under the Securities and Futures Ordinance) (Chapter 571 of the laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 21 February 2016 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Completion”	completion of the Placing
“Placing Mandate”	the specific mandate to be granted by the relevant Shareholders to the Board at the EGM for the allotment and issue of the Placing Shares
“Placing Price”	HK\$0.01 per Placing Share
“Placing Shares”	a total of 8,800,000,000 Shares to be placed by the Placing Agent for and on behalf of the Company under the Placing Agreement
“SFC”	The Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.001 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Super Generation Group Ltd., a company incorporated under the laws of the British Virgin Islands and is wholly-owned by Mr. Lu, an Independent Third Party

“Subscription”	the subscription of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement entered into between the Company and the Subscriber on 21 February 2016 in relation to the Subscription
“Subscription Completion”	completion of the Subscription
“Subscription Completion Date”	the date when the Subscription Completion shall take place in accordance with the Subscription Agreement
“Subscription Mandate”	the specific mandate to be granted by the relevant Independent Shareholders to the Board at the EGM for the allotment and issue of the Subscription Shares
“Subscription Price”	HK\$0.01 per Subscription Share
“Subscription Share(s)”	a total of 31,200,000,000 new Shares to be subscribed for by the Subscriber under the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Subscriber and any parties acting in concert with it which would, if the Subscription proceeds, otherwise arise as a result of the of the Subscription
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 29 February 2016

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 Director is Mr. Wong Senta.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than those relating to the Subscriber) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The sole director of the Subscriber, namely Mr. George Lu, accepts full responsibility for the accuracy of the information relating to the Subscriber contained in this announcement and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.