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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)

PROFIT WARNING

Reference is made to the (i) announcement of Hang Fat Ginseng Holdings Company Limited (the “**Company**”) dated 25 January 2016 regarding the Estimated Financial Information (the “**25 January Announcement**”); (ii) announcement of the Company dated 2 February 2016 regarding, among other matters, Rule 3.7 of the Takeovers Code (the “**2 February Announcement**”); (iii) announcement of the Company dated 19 February 2016 regarding Rule 10 of the Takeovers Code; and (iv) announcement of the Company dated 29 February 2016 regarding, among other matters, the proposed subscription of new Shares (the “**Proposed Subscription**”) and the proposed placing of new Shares (the “**Proposed Placing**”) (the “**29 February Announcement**”, together with the 25 January Announcement, the 2 February Announcement, the “**Announcements**”). Terms defined in the Announcements shall unless the context requires otherwise, have the same meanings when used in this announcement.

This announcement is made by the Company pursuant to Rules 13.09 and 13.19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

As disclosed in the 29 February Announcement, since the publication of the announcement dated 2 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. In light of such circumstances and further to the disclosure made in the 29 February Announcement, the Board wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company that, based on the

information currently available to the Company and subject to further review, it is expected that the Company may incur a net loss for the year ended 31 December 2015 (the “**Profit Warning Statement**”), which was mainly due to:

- (a) *Bulk returning of wild American ginseng wine* – due to the deterioration of the “Hang Fat Brand”, a notice of request of bulk returning of wild American ginseng wine was received by the Group from one of its customers on 8 March 2016, amounting to a total sales amount of HK\$188 million, which would adversely affect the revenue recognition and net profit of the Company for the year ended 31 December 2015; and
- (b) *Provision of account receivables* – the Board believes the customers of the Group have concerns on the business of the Group as a whole, in which the Board expects there will be delay in the collection of the trade receivables from the Group’s customers, and may result in possible provision of account receivables required to be made for the year ended 31 December 2015. As at 31 December 2015, the account receivables balance regarding American ginseng was approximately HK\$615 million. The Group will make its best endeavour to negotiate with its customers to collect the account receivables.

The Board also wishes to inform the Shareholders and potential investors regarding the demand letters (the “**Demand Letters**”) received by the Group from the Banks as disclosed in the 29 February Announcement. As stated in the Demand Letters, the Banks were claiming for immediate repayment of an aggregate sum of outstanding principal of approximately HK\$179 million and accrued interest. As set out in the Demand Letters, if the aforesaid sum is not repaid, legal proceedings may be instituted against the Group by the Banks, which include filing a writ of summons with the court. Further demand letters were received by the Group from the Banks after the publication of the 29 February Announcement. The total outstanding balance as at 31 December 2015 was approximately HK\$1.4 billion. The Group is in the process of negotiation with the Banks in order to avoid further legal actions to be taken by the Banks. Further announcement(s) will be made by the Company as and when necessary.

The information contained in this announcement is only based on the Board’s preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2015 with reference to the information currently available to the Board as at the date of this announcement. The information contained in this announcement is not based on any figure nor information that has been audited by the auditors of the Company. Therefore, the actual results for the year ended 31 December 2015 may differ from the information contained in this announcement. Detailed financial information and performance of the Group will be disclosed in its final results announcement for the year ended 31 December 2015, which is expected to be published in late March 2016.

With the publication of the 2 February Announcement, the announcement of the Company dated 15 February 2016 (the “**15 February Announcement**”) in relation to, among other things, possible transaction and offer, i.e. the Proposed Subscription, and the 29 February Announcement, the offer period has commenced on 2 February 2016. The Profit Warning Statement constitutes a profit forecast under Rule 10 of the Takeovers Code and requires to be reported on by the Company’s financial advisers and auditors in accordance with Rule 10.4 of the Takeovers Code. Meanwhile, this

announcement is required to be made pursuant to Rule 13.09(2)(a) of the Listing Rules, which requires the Company to issue the profit warning announcement as soon as practicable. Taking into account the time constraint in issuing this announcement in compliance with the relevant rules and regulations, the Company has practical difficulties in meeting the reporting requirements set out in Rule 10.4 of the Takeovers Code for the purpose of this announcement. In the event that any document(s) will be despatched to the Shareholders before the publication of the annual results announcement of the Company, the Profit Warning Statement will be reported on by the Company's financial advisers and auditors in compliance with Rule 10.4 of the Takeovers Code.

The Executive (as defined in the Takeovers Code) will also normally require the profit forecasts to be reported on as soon as reasonably practicable and the relevant reports to be contained in the next document to be sent to shareholders. Thus, in the event that any document, for example the circular regarding the Proposed Subscription and the Proposed Placing (the "**Circular**"), is sent to the Shareholders prior to the publication of the annual results announcement for the year ended 31 December 2015, the reporting on the Profit Warning Statement by the financial advisers and the auditors of the Company would be included in the Circular. Otherwise, in the event that the Company publishes the annual results for the year ended 31 December 2015 (to which the Profit Warning Statement relates) together with the notes to the financial statements of the Company prior to the despatch of the next document to the Shareholders, the annual results for the year ended 31 December 2015 would fall under Rule 10.9 of the Takeovers Code and the inclusion of the reports by financial advisers and auditors of the Company in the next document to the Shareholders will no longer be required.

Shareholders and/or potential investors of the Company should note that the Profit Warning Statement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code, and thus are advised to exercise caution in placing reliance on the Profit Warning Statement in assessing the merits and demerits of the Proposed Subscription, the Proposed Placing and the respective transactions contemplated thereunder. Shareholders and/or potential investors of the Company are urged to exercise extreme caution when dealing in the securities of the Company.

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

Hong Kong, 9 March 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 Directors are Mr. Wong Senta, Mr. Yuen Chee Lap, Carl and Mr. Wu Wai Leung Danny.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, 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.