

SUMMARY

The summary below is only intended to provide a limited overview of information described in more details elsewhere in this document. As it is a summary, it does not contain all of the information that may be important to you. You should therefore read this document in its entirety before making an investment decision. There are risks associated with any investment, some of the particular risks in investing in the Shares are summarised in the section headed "Risk Factors" in this document. You should read that section carefully before investing in the Shares.

OVERVIEW

We were the largest first-level American Ginseng wholesaler in Hong Kong in terms of sales revenue and sales volume in the years ended 31 December 2011, 2012 and 2013 and our market share of the total revenue generated by the first-level American Ginseng wholesalers in Hong Kong was over 50% for the year ended 31 December 2013, according to the Ipsos Report. First-level wholesalers are wholesalers who directly source and import American Ginseng from Growers, Harvesters or Bulk Exporters and wholesale to their customers. During our over 20 years in the American Ginseng industry, under the skillful management of Mr. Matthew Yeung, our Chairman, Chief Executive Officer, founder and one of our Controlling Shareholders, our business grew from a small private enterprise into one of the leading players in the American Ginseng wholesale industry in Hong Kong. Hong Kong is considered to be one of the most important American Ginseng shipping and receiving port in the world. According to the Ipsos Report, in 2013, around 90.3% of Canada's American Ginseng exports and 45.9% of the United States' American Ginseng exports were destined to Hong Kong.

We are primarily engaged in the sourcing and wholesaling of unprocessed American Ginseng, a slow-growing perennial plant with fleshy roots that is an important medical herb. Various studies associate the use of American Ginseng with improved short-term memory, lower fasting blood sugar in type two diabetes patients and enhanced immunity. The high level of ginsenosides contained in American Ginseng have been observed to stabilise insulin levels and lower blood sugar. American Ginseng is also used in cosmetics and value-added American Ginseng products such as nutrition supplement, and commodity products, including beverages, chewing gum and shampoo.

American Ginseng is classified into two major categories: Wild Ginseng (which is gathered from the natural environment) and Cultivated Ginseng (which is farmed). Within the supply chain for American Ginseng, Cultivated Ginseng is sourced from Growers whereas Wild Ginseng is sourced from Harvesters. Growers and Harvesters sell American Ginseng to first-level wholesalers, either directly or through Bulk Exporters. First-level wholesalers then sell unprocessed American Ginseng either to secondary wholesalers (potentially through multiple layers of wholesalers), or to processors or manufacturers of pharmaceutical products and American Ginseng products which then sort, grade, cut and process the American Ginseng. Ultimately, the American Ginseng is sold to consumers through retailers which operate retail shops or sales counters.

We do not cultivate or harvest American Ginseng. We purchase all of our unprocessed American Ginseng from Growers and Bulk Exporters based in Canada and the United States and a relatively small amount of processed American Ginseng from suppliers based in Hong Kong. We sell our American Ginseng in Hong Kong to our customers who are primarily secondary wholesalers and retailers of American Ginseng mainly based in Hong Kong, the PRC, Taiwan and Southeast Asia. We are also engaged in retail sales of processed American Ginseng and Other Products through our retail outlet in Sheung Wan, Hong Kong, and periodically through store-in-store concessions in selected hypermarkets and supermarkets in Hong Kong.

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For further details of the regulations applicable to us and our business, please refer to the section headed “Regulatory Overview” and the paragraphs headed “Risk Factors – We operate in a highly regulated industry” and “Business – Special import/export requirements under CITES” in this document.

PRODUCTS

We principally sell Cultivated Ginseng, and, to a lesser extent, also offer Wild Ginseng and Other Products to our customers. We offer our American Ginseng to customers in bulk form or packaged form. Cultivated Ginseng is a kind of American Ginseng that is grown in tilled beds under shades of artificial structures or under natural shade. Wild Ginseng is a kind of American Ginseng that has been collected from the natural habitat. Other Products mainly comprise dried cordyceps, cubilose, shiitake mushroom, black moss, dendrobium, pseudoginseng, deer tail, deer antler, Chinese angelica, abalone, sea cucumber, scallops, shark fin, fish maw and saffron. The table below sets out a breakdown of our revenue derived from each of our principal products during the years ended 31 December 2011, 2012 and 2013:

	Year ended 31 December					
	2011		2012		2013	
	Revenue <i>HK\$'000</i>	% of total <i>revenue</i>	Revenue <i>HK\$'000</i>	% of total <i>revenue</i>	Revenue <i>HK\$'000</i>	% of total <i>revenue</i>
American Ginseng						
– Cultivated Ginseng	439,234	98.4	403,758	82.0	675,079	88.5
– Wild Ginseng	<u>5,290</u>	<u>1.2</u>	<u>38,617</u>	<u>7.8</u>	<u>50,799</u>	<u>6.7</u>
Total American Ginseng	444,524	99.6	442,375	89.8	725,878	95.2
Other Products	<u>1,856</u>	<u>0.4</u>	<u>49,901</u>	<u>10.2</u>	<u>37,092</u>	<u>4.8</u>
Total	<u>446,380</u>	<u>100.0</u>	<u>492,276</u>	<u>100.0</u>	<u>762,970</u>	<u>100.0</u>

The following table sets forth a breakdown of the sales volume and average selling prices of our Cultivated Ginseng and Wild Ginseng for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	Sales volume <i>KG</i>	Average selling price <i>HK\$/KG</i>	Sales volume <i>KG</i>	Average selling price <i>HK\$/KG</i>	Sales volume <i>KG</i>	Average selling price <i>HK\$/KG</i>
Cultivated Ginseng	1,060,065	414.3	1,012,055	398.9	1,108,009	609.3
Wild Ginseng	379	13,957.8	2,782	13,881.0	2,919	17,402.9

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SALES CHANNELS

We principally sell our products through our wholesale channel, and also sell some of our products at our retail outlet in Sheung Wan, Hong Kong, and periodically through store-in-store concessions in selected hypermarkets and supermarkets in Hong Kong since 2013. The table below sets out a breakdown of our revenue derived from our wholesale and retail operations during the Track Record Period:

	Year ended 31 December					
	2011		2012		2013	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
Wholesale operation	444,562	99.6	488,401	99.2	759,092	99.5
Retail operation	1,818	0.4	3,875	0.8	3,878	0.5
Total	446,380	100.0	492,276	100.0	762,970	100.0

Under our wholesale operation, we sell Cultivated Ginseng, Wild Ginseng and Other Products to wholesale customers on an order-by-order basis. When our customers want to purchase a certain type of product, they will contact us to make arrangements for visiting our warehouses in Hong Kong to conduct a physical inspection on the products.

Negotiation on the terms of sales is generally conducted in person or via telephone during the visit or shortly after visiting our warehouses. We are generally not responsible for any transportation or insurance arrangements after products are retrieved from our warehouses or are delivered to the port in Hong Kong. Our Directors confirm that we do not enter into any distribution or sales agency agreements with any of our wholesale customers, nor do we enter into any long-term sales contracts with them.

Under our retail operation, we sell processed Cultivated Ginseng, processed Wild Ginseng and Other Products to retail customers at our outlet in Sheung Wan, Hong Kong, and processed Cultivated Ginseng in our store-in-store concessions in selected hypermarkets and supermarkets in Hong Kong since 2013.

CUSTOMERS

Customers of our wholesale operation mainly comprise secondary wholesalers and retailers of American Ginseng and Other Products mainly based in Hong Kong, the PRC, Taiwan and Southeast Asia. We have established long and stable relationships with many of our wholesale customers, most of which have been dealing with us for over five years. We had approximately 62, 40 and 37 wholesale customers for the years ended 31 December 2011, 2012 and 2013, respectively. We provide credit periods ranging from 30 days to 90 days to a majority of our wholesale customers. For wholesale customers which we consider creditable and will make large purchases, we may grant credit periods of up to 180 days.

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We serve the customers of our retail operation who shop at our outlet in Sheung Wan, Hong Kong or place orders through telephone, facsimile or email. In addition, we also operate store-in-store concessions in selective hypermarkets and supermarkets in Hong Kong. Sales at our retail outlet are paid for at the time of purchase by cash or credit cards.

For the years ended 31 December 2011, 2012 and 2013, sales to our five largest customers, which were all customers of our wholesale operation, accounted for approximately 76.4%, 63.5% and 66.5% of our revenue, and sales to our largest customer, for the years ended 31 December 2011, 2012 and 2013, accounted for approximately 27.6%, 15.3% and 26.0% of our revenue, respectively. Our five largest customers during the Track Record Period are mainly based in Guangdong Puning Chinese Herbal Medicine Market* (廣東普寧中藥材專業市場) which is one of the major traditional Chinese herbal medicine distribution centres in the PRC. For further details, please refer to the section headed "Business – Customers and Sales" in this document.

SUPPLIERS

Our suppliers mainly comprise Growers, Bulk Exporters (who consolidate shipments of American Ginseng from other Growers or Harvesters for export) and suppliers of Other Products. We have established long and stable relationships with our suppliers, most of whom have been supplying to us for more than five years. For the years ended 31 December 2011, 2012 and 2013, we engaged approximately 50, 90 and 56 suppliers respectively. Our purchase from the five largest suppliers of our Group accounted for approximately 56.6%, 40.7% and 39.2% of our total purchases for the years ended 31 December 2011, 2012 and 2013, respectively.

We do not cultivate or harvest American Ginseng. We purchase Cultivated Ginseng mainly from Growers with the assistance of the Canadian Bulk Exporter located in Ontario, Canada. We generally source Wild Ginseng from two Bulk Exporters located in the United States. Early in the harvest season, we visit various Cultivated Ginseng farms in Canada to directly assess and obtain information regarding the production volume and quality of Cultivated Ginseng. We also contact the Bulk Exporters located in the United States directly to collect information on the selling price and quantity of Wild Ginseng harvested. Purchase decisions will be made according to the price, volume and product quality. The Growers are responsible for washing, drying and packaging the unprocessed Cultivated Ginseng and Wild Ginseng before the products are shipped to Hong Kong. Whilst we have a long-term exclusive agreement with the Canadian Bulk Exporter to arrange for customs formalities and shipping of unprocessed Cultivated Ginseng from Canada, we have not entered into any long term supply agreements with Growers for Cultivated Ginseng or Bulk Exporters of Wild Ginseng or other suppliers and instead enter into individual purchase orders with them for purchases.

We also purchase Cultivated Ginseng, Wild Ginseng and Other Products on an ad hoc basis mainly from suppliers based in Hong Kong. After we have inspected the quality of the products and confirmed the purchase order, these suppliers are required to deliver the products to our warehouses in Hong Kong. We normally receive credit terms of 90 days to 150 days from our suppliers. The largest supplier of our Group, which was a Grower based in Canada and for the years ended 31 December 2011 and 2012 and another Grower also based in Canada for the year ended 31 December 2013, accounted for approximately 17.3%, 12.3% and 10.4% of our total purchases for the years ended 31 December 2011, 2012 and 2013, respectively. For further details, please refer to the section headed "Business – Purchasing" in this document.

SUMMARY

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success:

- The largest first-level American Ginseng wholesaler in Hong Kong in terms of sales revenue and sales volume with a well-recognised brand
- Experienced management team with a proven track record
- We have quality and stable supply of unprocessed American Ginseng due to our specialised skill in sourcing and valuable relationships with Growers, Bulk Exporters and other suppliers
- Strategically located in Hong Kong, a leading hub for import and export of American Ginseng

BUSINESS STRATEGIES

In order to enhance our competitiveness and achieve sustainable business growth, we plan to pursue the following strategies:

- Strengthen purchasing power and continue to source quality American Ginseng from Growers and Bulk Exporters
- Enhance brand image and promotion of the use of American Ginseng for health conscious consumption
- Leverage on leading market position to diversity product offerings and expand our retail network

RISK FACTORS

There are certain risks involved in our business and details of such risks are set out in the section headed "Risk Factors" in this document. Some of the material risks relating to our business which our Directors consider appropriate include, but are not limited to:

- We rely on external Growers, Bulk Exporters and other suppliers for all of our supplies of American Ginseng
- We operate in a highly regulated industry
- We are subject to various risks relating to Third Party Payments, including (i) possible claims from Third Party Payers for return of funds as they were not contractually indebted to our Group; (ii) possible claims from liquidators of the Third Party Payers; and (iii) money laundering risk.
- We depend on the experience and industry expertise of our key executives and personnel
- We derive a significant portion of our revenue from our five largest customers

REGULATIONS OF AMERICAN GINSENG

American Ginseng is classified as endangered species under CITES, which has been implemented by legislation in member countries, including Canada, the United States, Hong Kong and the PRC in respect of, among other things, the import and export of American Ginseng.

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Below is a summary of the requirements under CITES relevant to our business:

- **Hong Kong:** We import American Ginseng into Hong Kong. For all our imports of American Ginseng, we are required to obtain a CITES certificate from the relevant authorities in the country of export and (in the case of Wild Ginseng) an import licence issued by the relevant authorities in Hong Kong. As we are involved in the export of American Ginseng for some of our customers on a case by case basis, we are required to obtain a re-export licence from the relevant authorities in Hong Kong. Our Directors confirm that we have complied with these requirements during the Track Record Period and up to the Latest Practicable Date.
- **Canada:** We purchase Cultivated Ginseng from Growers with the assistance of the Canadian Bulk Exporter. All of the relevant requirements for the export of the Cultivated Ginseng from Canada are handled by the Canadian Bulk Exporter and therefore we do not engage in the export of Cultivated Ginseng from Canada. Canadian customers who purchase American Ginseng from us handle relevant requirements for import of the American Ginseng into Canada. We are only responsible for handling the import of Cultivated Ginseng into Hong Kong, as described above. Therefore, we were not subject to CITES regulations in Canada governing the export or import of Cultivated Ginseng during the Track Record Period and up to the Latest Practicable Date. The Canadian Bulk Exporter was subject to and has represented to us that it was in compliance with CITES regulations.
- **The United States:** We purchase Wild Ginseng from Bulk Exporters located in the United States, in states including Ohio, Kentucky, Indiana and Pennsylvania. However, we do not engage in the export of American Ginseng from the United States, as the export formalities are handled by Bulk Exporters. We are only responsible for handling the import of Wild Ginseng into Hong Kong. Therefore, we were not subject to the relevant CITES requirements for the export of American Ginseng in the states of Ohio, Kentucky, Indiana, Pennsylvania or under U.S. federal law during the Track Record Period and up to the Latest Practicable Date.
- **The PRC:** Pursuant to the Regulations of the PRC on Protection of Wild Plants (中華人民共和國野生植物保護條例), the other relevant PRC regulations and the regulatory practice of the competent authorities, a series of import and export certificates or approvals (including a CITES certificate (允許進出口證明書)) and performance of other statutory formalities is required for the export of American Ginseng from and the import of American Ginseng into the PRC. Whilst we sell American Ginseng to PRC based customers and purchase it from PRC based suppliers, we had no obligation to conduct and had never intervened/involved in any formalities and/or procedures with respect to the export of American Ginseng from the PRC to Hong Kong or the import of it from Hong Kong into the PRC. All such transactions were completed in Hong Kong, and the import and export formalities are independently handled by the customers, suppliers or their designees. Therefore, we were not subject to the Regulations of the PRC on Protection of Wild Plants and other relevant PRC regulations during the Track Record Period and up to the Latest Practicable Date.

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NON-COMPLIANCE

Some of our subsidiaries incorporated in Hong Kong have on various occasions not complied with certain statutory requirements under sections 111 and 122 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, prior to 3 March 2014 (i.e. sections 431 and 610 of Cap. 622 Companies Ordinance) while we failed to convene annual general meetings within the statutory period and laid before them and their shareholders at each of the annual general meetings audited accounts made up to a date falling not more than nine months before the date of the relevant annual general meeting. Upon identification of the instances of non-compliance, we have taken corresponding steps to remedy the non-compliance incidents.

HF Hong had not complied with the IRO as it has understated its profit in respect of which it is required by the IRO to make a return primarily due to: (i) HF Hong had applied a fixed exchange rate between CAD and HKD for the year of assessment from 2003/04 to 2007/08 for the calculation of its costs of sales without taking into consideration of the exchange rate fluctuation; and (ii) HF Hong took into account of non-deductible expenses and non-exempted gains for the year of assessment of 2009/10 and 2010/11, and hence its profit for the years of assessment from 2003/04 to 2007/08 and from 2009/10 to 2010/11 was understated and the profit tax against HF Hong was undercharged throughout the year of assessment from 2003/04 to 2010/11 (save for the year of assessment of 2008/09). Between March 2010 and March 2013, the IRD issued additional assessment demanding final tax relating to the years of assessment and revised assessment demanding final tax for the years from 2003/04 to 2007/08 and from 2009/10 to 2010/11 against HF Hong. HF Hong has agreed with the IRD on the amount of additional tax payable of approximately HK\$11,165,000 in aggregate for the years of assessment from 2003/04 to 2007/08 and from 2009/10 to 2010/11 and tax penalty of approximately HK\$7,870,000. We have settled the entire amount outstanding with the IRD by 3 July 2013.

KEY OPERATIONAL AND FINANCIAL DATA

Selected data from our combined statements of profit or loss and other comprehensive income

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Revenue	446,380	492,276	762,970
Gross profit	88,156	80,396	179,424
Profit before taxation	58,054	60,770	152,939
– excluding non-operating items [#]	51,807	37,044	152,288
Income tax expense	(13,645)	(28,428)	(24,326)
Profit for the year	44,409	32,342	128,613
– excluding non-operating items [#]	38,162	8,616	127,962

[#] *Non-operating items include net rental income from investment property, sundry income, changes in fair value of investment properties, changes in fair value of derivative financial instruments, gain on disposal of subsidiaries and listing expenses.*

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Selected data from our combined statements of financial position

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Current assets	500,618	608,205	907,973
Current liabilities	644,007	583,746	759,307
Net current (liabilities)/assets	(143,389)	24,459	148,666
Net assets	189,042	113,586	242,200

Selected data from our combined statements of cash flows

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Net cash from operating activities	175,276	4,786	48,081
Net cash (used in) from investing activities	(154,621)	87,156	(21,900)
Net cash (used in) from financing activities	(6,226)	(95,925)	6,865

Selected financial ratios

	Year ended 31 December		
	2011	2012	2013
Gross profit margin	19.7%	16.3%	23.5%
Net profit margin	9.9%	6.6%	16.9%
– excluding non-operating items	8.5%	1.8%	16.8%
Gearing ratio	274.0%	301.8%	149.3%
Current ratio	0.8	1.0	1.2

We experienced growth in revenue during the Track Record Period. Our revenue increased from approximately HK\$446.4 million in the year ended 31 December 2011 to approximately HK\$763.0 million in the year ended 31 December 2013, representing a CAGR of approximately 30.7%.

Our gross profit increased from approximately HK\$88.2 million in the year ended 31 December 2011 to approximately HK\$179.4 million in the year ended 31 December 2013, representing a CAGR of approximately 42.6%, despite a decrease in our gross profit by approximately HK\$7.8 million, or approximately 8.8%, from approximately HK\$88.2 million for the year ended 31 December 2011 to approximately HK\$80.4 million for the year ended 31 December 2012.

Our net profit increased from approximately HK\$44.4 million in the year ended 31 December 2011 to approximately HK\$128.6 million in the year ended 31 December 2013, representing a CAGR of approximately 70.2%, despite a decrease in our net profit by approximately HK\$12.1 million, or approximately 27.3%, from approximately HK\$44.4 million for the year ended 31 December 2011 to approximately HK\$32.3 million for the year ended 31 December 2012.

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Excluding the non-operating items, our adjusted net profit for the year increased from approximately HK\$38.2 million in the year ended 31 December 2011 to approximately HK\$128.0 million in the year ended 31 December 2013, representing a CAGR of approximately 83.1%, despite a decrease in our adjusted net profit by approximately HK\$29.6 million, or approximately 77.5%, from approximately HK\$38.2 million for the year ended 31 December 2011 to approximately HK\$8.6 million for the year ended 31 December 2012.

Our operating cash flows for the years ended 31 December 2011, 2012 and 2013 were approximately HK\$17.8 million, HK\$14.2 million and HK\$47.4 million, respectively. Our net cash from operating activities for the years ended 31 December 2011, 2012 and 2013 were approximately HK\$175.3 million, HK\$4.8 million and HK\$48.1 million, respectively. The decrease in our net cash from operating activities from approximately HK\$175.3 million for the year ended 31 December 2011 to approximately HK\$4.8 million for the year ended 31 December 2012 was mainly attributable to the combined effect of (i) a decrease in our gross profit from approximately HK\$88.2 million for the year ended 31 December 2011 to approximately HK\$80.4 million for the year ended 31 December 2012; and (ii) an increase in our purchases from approximately HK\$211.4 million for the year ended 31 December 2011 to approximately HK\$601.4 million for the year ended 31 December 2012, which was mainly attributable to the increase in our purchases during the fourth quarter of 2012 in order to meet our sales orders for first quarter of 2013.

The balance of our inventory as at 31 December 2011, 2012 and 2013 were approximately HK\$132.4 million, HK\$324.8 million and HK\$563.7 million, respectively. As we generally begin purchasing American Ginseng at the beginning of the harvest season, which is usually in the last quarter of each calendar year while most of our sales are conducted in the first and second quarters of the next calendar year, therefore our inventory balance at the end for each calendar year is relatively high. In our anticipation of the continuous increase in the demand for American Ginseng, in particular Cultivated Ginseng, which is in line with the Ipsos Report, we intend to further strengthen our purchasing power after Listing. As a result, our operating results and cash flows may vary substantially from period to period.

We recorded net current liabilities of approximately HK\$143.4 million as at 31 December 2011, mainly as a result of an increase in bank borrowings for the purchase of American Ginseng and our investment in investment properties. Our net working capital improved to a net current asset position of approximately HK\$24.5 million as at 31 December 2012. This improvement was primarily due to a decrease in bank borrowings from approximately HK\$517.9 million as at 31 December 2011 to approximately HK\$342.8 million as at 31 December 2012.

Our net working capital further improved as at 31 December 2013 and recorded net current assets of approximately HK\$148.7 million. This improvement was primarily due to increase in inventories from approximately HK\$324.8 million as at 31 December 2012 to approximately HK\$563.7 million as at 31 December 2013 and an increase in bank balances and cash from approximately HK\$14.2 million as at 31 December 2012 to approximately HK\$47.4 million as at 31 December 2013.

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LISTING EXPENSES

We incurred approximately HK\$10.6 million of expenses in connection with the [REDACTED] during the Track Record Period. Assuming the Over-allotment Option is not exercised and the [REDACTED] is HK\$[REDACTED] per [REDACTED], being mid-point of the indicative [REDACTED] set forth on the cover page of this document, we expect to incur an additional HK\$53.1 million in listing expenses in connection with the [REDACTED] and the Listing after the Track Record Period, of which approximately HK\$16.1 million is expected to be charged to our administrative and other operating expenses for the year ending 31 December 2014 and the remaining HK\$37.0 million will be charged against equity. We do not expect such listing expenses to have a material impact on our results of operations for the year ending 31 December 2014.

OUR RECENT DEVELOPMENT

As at the Latest Practicable Date, there has been no material change to our business model and product mix. Based on the unaudited consolidated management accounts for the four months ended 30 April 2014 of Hang Fat Group Holdings, the then holding company of our Group immediately prior to Reorganisation completed on 23 May 2014, that were prepared by the directors of Hang Fat Group Holdings in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and reviewed by Deloitte Touche Tohmatsu, the reporting accountants of our Company in accordance with the Hong Kong Standards on Review Engagements 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, our revenue was approximately HK\$705.0 million and our gross profit was approximately HK\$252.9 million. Our unaudited gross profit margin was approximately 35.9% for the four months ended 30 April 2014, which represented a significant increase as compared to the gross profit margin of approximately 23.5% for the year ended 31 December 2013. The average selling prices and our gross profit margin for the sales of our Cultivated Ginseng, Wild Ginseng and Other Products also increased during the same period. As at 30 April 2014, we had utilised banking facilities of approximately HK\$362.5 million and unutilised banking facilities of approximately HK\$10.8 million. Our comparative unaudited consolidated management accounts for the four months ended 30 April 2013 have not been reviewed.

Our Directors confirm that, as at the date of this document, there has been no material adverse change in our financial or trading position since 31 December 2013 and no event has occurred since 31 December 2013 that would materially and adversely affect the information shown in the Accountants' Report set forth in Appendix I to this document.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from the [REDACTED] of approximately HK\$[REDACTED] million, after deducting the underwriting fees and commissions and other estimated expenses payable by us in relation to the [REDACTED], assuming the Over-allotment Option is not exercised and the [REDACTED] is HK\$[REDACTED] per [REDACTED], being mid-point of the indicative [REDACTED] set forth on the cover page of this document. We intend to apply the net proceeds from the [REDACTED] for the following purposes:

Amount of proceeds (%)	Intended application of proceeds
HK\$[REDACTED] million ([REDACTED]%)	[REDACTED]
HK\$[REDACTED] million ([REDACTED]%)	[REDACTED]
HK\$[REDACTED] million ([REDACTED]%)	[REDACTED]
HK\$[REDACTED] million ([REDACTED]%)	[REDACTED]

Assuming the Over-allotment option is not exercised, if the [REDACTED] is set at HK\$[REDACTED], being the low-end of the indicative [REDACTED], or HK\$[REDACTED], being the high-end of the indicative [REDACTED], our net proceeds will be decreased to approximately HK\$[REDACTED] million or increased to approximately HK\$[REDACTED] million, respectively. In the event that the [REDACTED] is set at the high-end or low-end of the indicative [REDACTED] or the Over-allotment Option is exercised, our intended use of proceeds will be increased or decreased on a pro-rata basis.

DIVIDENDS AND DIVIDEND POLICY

Our Company has not declared or paid any dividends for the years ended 31 December 2011, 2012 and 2013.

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HF Hong declared and paid dividends of approximately HK\$78.5 million and HK\$61.3 million to its shareholders during the years ended 31 December 2011 and 2012, respectively. In addition, HF Ginseng Importer declared and paid a dividend of approximately HK\$50.0 million during the year ended 31 December 2012 to its shareholders. On 21 May 2014, each of HF Hong, HF Ginseng Importer, HF Importer and Hang Fat (2013) declared and paid a dividend of HK\$25 million, HK\$50 million, HK\$95 million and HK\$40 million, to their respective shareholders, respectively. Subject to the factors as disclosed in the section headed "Financial Information" of this document, our Directors currently intend to recommend an annual dividend of 50% of the net profit available for distribution to our Shareholders for the year ending 31 December 2014 following the [REDACTED], and an annual dividend of no less than 30% of the net profit available for distribution to our Shareholders in the subsequent years in foreseeable future. Such intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividends in such manner or declare and pay any dividends at all; and our dividend policy may also change from time to time subject to the factors described above.

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the [REDACTED] (before taking into account Shares which may be issued pursuant to the exercise of the Over-allotment Option), Cervera, Mr. Matthew Yeung, Mr. Jeffrey Yeung and Madam Fu will effectively hold approximately [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]% of the total the issued share capital of our Company. For further details, please refer to the sections headed "Relationship with Controlling Shareholders" and "Substantial Shareholders" in this document.

[REDACTED] STATISTICS⁽¹⁾

	Based on an [REDACTED] of HK\$[REDACTED]	Based on an [REDACTED] of HK\$[REDACTED]
Market capitalisation of the Shares ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted combined net tangible asset value per Share ⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) All statistics in this table do not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.
- (2) The calculation of market capitalisation is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED].
- (3) The unaudited pro forma adjusted combined net tangible assets per Share has been arrived at after adjustments referred to in the section headed "Financial Information — Unaudited pro forma adjusted combined net tangible assets" in this document and on the basis of [REDACTED] Shares in issue at the respective [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] immediately following completion of the [REDACTED].