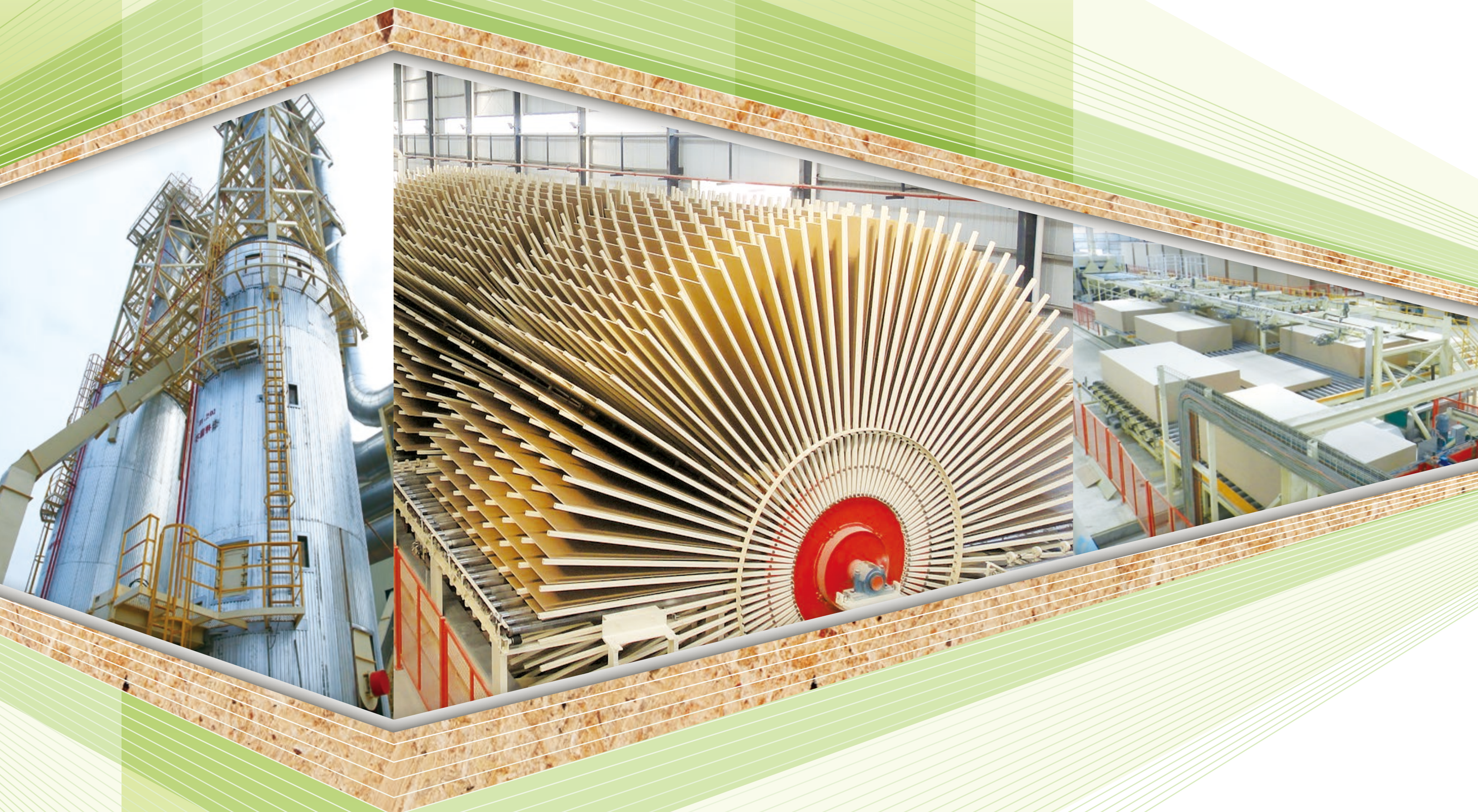

2013
ANNUAL REPORT

Hong Wei (Asia) Holdings Company Limited
鴻偉(亞洲)控股有限公司

(Incorporated in Hong Kong with limited liability)
Stock code : 8191

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

This report, for which the directors (the "Directors") of Hong Wei (Asia) Holdings Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: the information contained in this document is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement in this document misleading, and all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Content

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

"Articles"	articles of association of the Company
"Board"	board of directors of the Company
"Company", "our", "we" or "us"	Hong Wei (Asia) Holdings Company Limited (鴻偉(亞洲)控股有限公司), formerly known as Hung Wai (Asia) Holdings Limited (鴻偉(亞洲)控股有限公司) and Cheung Kin Holdings (Hong Kong) Company Limited (長建控股(香港)有限公司), a company incorporated in Hong Kong with limited liability on 28 May 2012
"Controlling Shareholder"	has the meaning ascribed thereto under the GEM Listing Rules and, in the context of this annual report, refers to Mr. Wong Cheung Lok
"Financial Year 2012"	the financial year of the Group ended 31 December 2012
"Financial Year 2013"	the financial year of the Group ended 31 December 2013
"Full Production"	the operation of the new production line on or after 1 December 2013, since then our new production line has commenced 24 hours production
"GEM"	The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
"GEM Listing Rules" or "Listing Rules"	The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
"Group" or "We"	the Company and its subsidiary and, in respect of the period before the Company became the holding company of such subsidiary, the entities which carried on the business of the present Group at the relevant time
"Golden Win"	Golden Win Group Limited (金康集團有限公司), a company incorporated in the British Virgin Islands with limited liability on 3 July 2012, For further details of its investment in the Company, please refer to "History and Group Structure — Pre-IPO investment" in the Prospectus
"HK Hung Tat"	Hung Tat Investment (Hong Kong) Company Limited (鴻達投資(香港)有限公司), a company incorporated in Hong Kong with limited liability on 16 May 2012 and 100% owned by Mr. Wong Kin Ching (son of Mr. Wong Cheung Lok and Mrs. Cheung Nga Kwan)
"Hongwei (Renhua)"	鴻偉木業(仁化)有限公司 (Hongwei Wooden Products (Renhua) Co. Ltd.), a wholly foreign-owned enterprise established in the PRC on 12 May 2003 and a 100% owned subsidiary of our Company
"Listing"	listing of the Shares on the GEM
"Listing Date"	the date on which dealing in the Shares first commences on the GEM, i.e. 8 January 2014

Definitions

"Mr. Wong"	Mr. Wong Cheung Lok, the chairman of the Board, an executive director, chief executive officer and a Controlling Shareholder of the Company, and also the spouse of Mrs. Wong
"Mrs. Wong"	Ms. Cheung Ngar Kwan, an executive director and the spouse of Mr. Wong
"Particleboard International Standards"	in relation to particleboards means collectively the European Particleboard Standards, the Japanese Particleboard Standards and the Californian Particleboard Standards
"Particleboard PRC GB Standards"	GB/T 4897-2003 of the PRC GB Standards which specifies the requirements for particleboards to be used in dry and humid conditions. It includes, amongst other particleboard requirements, formaldehyde emission requirements; a) Class E2, emission ≤30mg/100g; b) Class E1, emission ≤9mg/100g PRC GB Standards are the Chinese national standards planned and drafted by a committee organised by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC（中華人民共和國國家質量監督檢驗檢疫總局）or institutions authorised by the State Council.
"Placing"	the placing of 177,780,000 Shares with professional, institutional and other investors by the Company pursuant to the Prospectus
"PRC" or "China"	the People's Republic of China which, except where the context otherwise requires and for the purposes of this annual report, does not include Taiwan, Hong Kong and Macau Special Administrative Regions
"Prospectus"	the prospectus of the Company dated 27 December 2013
"Residual Wood"	primarily includes unprocessed undersized log, wood branches, wood off-cuts and residues, forestry residues and wood waste
"Shaoguan Hongwei Forestry"	韶關鴻偉林場有限公司(Shaoguan Hongwei Forestry Co. Ltd.), a wholly foreign-owned enterprise established in the PRC on 18 October 2010 and 100% owned by HK Hung Tat
"Shaoguan Hongji Forestry"	韶關鴻基林業有限公司 (Shaoguan Hongji Forestry Co. Ltd.), a wholly foreign-owned enterprise established in the PRC on 20 June 2012 and 100% owned by HK Hung Tat
"Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"subsidiary(ies)"	Has the meaning ascribed to it under the GEM Listing Rules
"Test Operation"	the operation of the new production line on or after 29 September 2013 and prior to Full Production, which we tested the operation of our new production line

Corporate Information

REGISTERED OFFICE
Unit 204, 2/F, Malaysia Building
50 Gloucester Road
Wanchai, Hong Kong

HEAD OFFICE IN HONG KONG
Unit 204, 2/F, Malaysia Building
50 Gloucester Road, Wanchai, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC
Industrial Park, Renhua County, Shaoguan City
Guangdong Province, PRC

COMPANY'S WEBSITE ADDRESS
www.hongweiasia.com

COMPANY SECRETARY
Ms. Leung Wai Ling Wylie, HKICPA

AUTHORISED REPRESENTATIVES
Mr. Wong Cheung Lok
Ms. Huang Xiuyan

Executive directors
Mr. Wong Cheung Lok
Ms. Cheung Ngar Kwan
Ms. Huang Xiuyan
Mr. Liu Jiayong

Non-executive director
Mr. Ong Chor Wei

Independent non-executive directors
Dr. Xu Jianmin
Ms. Qian Xiaoyu
Mr. Wong Hei Chiu

Compliance officer
Ms. Huang Xiuyan

AUDIT COMMITTEE
Mr. Wong Hei Chiu *(chairman)*
Dr. Xu Jianmin
Ms. Qian Xiaoyu

REMUNERATION COMMITTEE
Dr. Xu Jianmin *(chairman)*
Mr. Wong Cheung Lok
Mr. Wong Hei Chiu

NOMINATION COMMITTEE
Mr. Wong Cheung Lok *(chairman)*
Dr. Xu Jianmin
Mr. Wong Hei Chiu

COMPLIANCE ADVISER
Baron Global Financial Services Limited

SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISERS TO THE COMPANY
as to Hong Kong law:
Chen & Associates
(in association with Wilson Sonsini Goodrich & Rosati, P.C.)

GEM STOCK CODE
8191

Chairman's Statement

Dear Shareholders,

On behalf of the board of the Directors (the "Board") of Hong Wei (Asia) Holdings Company Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiary (collectively, the "Group") for the year ended 31 December 2013 ("Financial Year 2013").

The year 2013 is a significant milestone for the corporate development of the Company. With the joint efforts of various professional parties, the Group has successfully listed its shares on the GEM on 8 January 2014. The good response in the capital market reflected the recognition of the competition edges of the Company by investors and their confidence regarding the Group's business prospects. The Listing will not only help to improve corporate image, strengthen financial strength and enhance corporate governance and transparency, but will also enable the Group to converge with the international capital market, hence expanding the room for future growth.

BUSINESS REVIEW

The Company is primarily engaged in manufacturing and sales of particleboards, and its customers are mainly home or office furniture manufacturers, sport equipment manufacturers and wood-based panel processors and traders from the Pearl River Delta economic region, the Yangtze River Delta economic region and Fujian province. The Company's major revenue drivers include (i) the product competitiveness and the wide product range of particleboards, (ii) the customer relationship and market recognition, and (iii) the advanced production line with scaled production capacity.

During the Financial Year 2013, despite various uncertainties in the domestic economy and a slower growth in the China economy, the Group continued to consolidate its business growth, including improving its management internal control and commencing the operation of the new production line in the last quarter of 2013. The Directors believe that the new production line allows the Group to produce a wide range of customized particleboards and will have the ability to produce particleboards which would comply with the industry recognized international and PRC particleboard standards.

FINANCIAL PERFORMANCE

During the Financial Year 2013, the Group's revenue increased to approximately HK$192.3 million from approximately HK$163.0 million, an increase of approximately 18.0%. The increase was mainly due to (i) increase in selling price of particleboards as a result new products launched in the last quarter of 2013, and (ii) increase in sales volume as a result of the new production line.

For the Financial Year 2013, the Group's profit attributable to owners of the Company decreased to approximately HK$7.9 million from approximately HK$18.0 million, a decrease of approximately 56.3%. The decrease was mainly attributed to an increase in other expenses in relation to the Listing, and that the decrease was partly offset by an increase in revenue and gross profit for the Financial Year 2013. As disclosed in the Prospectus, the Company's preparation for Listing commenced at around the end of the financial year ended 31 December 2012, most of the Company's Listing expenses had not been incurred for the financial year ended 31 December 2012 and will be recognized upon Listing.

PROSPECTS

Looking forward, there are certain risks that the Group will face in further development such as (i) the principal raw materials used in our production process are Residual Wood and that there might be shortage of supplies of Residual Wood caused by, amongst others, bad weather; (ii) the Group will face competition from existing and new players in the particleboard industry in the PRC; and (iii) there might be potential changes in trade policies and legislation which might adversely affect the Group's sales and profitability. However, the Group believes that the particleboard market will grow in a steady and healthy way, and intends to further enhance its presence in the particleboard industry and capture market share in the Premium Quality Particleboard segment. To achieve these goals, the Group has developed and will strive to implement the following business strategies: (i) increasing competitiveness by expanding product range; (ii) strengthening and expanding sales network across the PRC; (iii) expanding supplier base for the supply of the Residual Wood; (iv) enhancing product research and development; and (v) strengthening brand recognition.

The global economy is still facing many uncertainties and there are also challenges associated with the economic growth in China. With the operation of the new production line, the Directors expect the sales orders for particleboards will increase in 2014. The Company will strive to incrementally implement the business strategies as set out in the Prospectus in the coming year.

APPRECIATION

Finally, I wish to extend, on behalf of the Board, my gratitude to all shareholders and business partners for their trust and support to us, and express my gratitude to the management and staff for their dedicated efforts and contribution.

Hong Wei (Asia) Holdings Company Limited
Wong Cheung Lok
Chairman

Hong Kong, 26 March 2014

Management Discussions and Analysis

BUSINESS REVIEW

The Group is primarily engaged in the manufacturing and sales of particleboards, which are used primarily by the customers of the Group in the manufacturing of furniture, flooring panels, decoration and construction materials. The Group's production base is strategically located in Renhua county, Shaoguan city, with a site area of approximately 254,571 sq.m., comprising production workshops, office building, warehouses, and various buildings and structures under construction. Renhua county, with a gross area of approximately 2,223km^2, is located in the northern mountain region of the Guangdong Province with forest covering approximately 77% of the entire Renhua county, being approximately 1,700 km^2, which provides the Group with abundant wood resources.

Before the new production line commenced Full Production in December 2013, the Group's existing production line has already met the Californian Particleboard Standards of Regulations of the U.S. and the Group's particleboard products are already qualified to use the Adopting International Standard Product mark (PRC GB/T 4897-2003 of the Particleboard International Standards). With the new production line, the Group is able to produce Premium Quality Particleboards that could comply with all the Particleboard PRC GB Standards and Particleboard International Standards.

During the Financial Year 2013, the Group continued to further expand the production capacity by introducing advanced production technology and equipment. As such, a new production line at our production base in Shaoguan was constructed and commenced Test Operation at the end of September 2013 and commenced Full Production at the beginning of December 2013. The old production lines have an annual production capacity of approximately 140,000m^3, while the new production line, which has just commenced Full Production has an approved annual production capacity of approximately 220,000m^3. With the operation of the new production line, the sales orders for and average selling price of the particleboards increased in the last quarter of 2013 due to primarily the better quality particleboards produced by the new production line. For the Financial Year 2013, the approximate sales volume of particleboards increased to 131,800m^3 from approximately 120,000m^3 for the Financial Year 2012; the approximate average selling price of particleboards increased to approximately HK$1,459 per m^3 from approximately HK$1,358 per m^3 for the Financial Year 2012. The Directors believe that the implementation of the new production line provides the Group, amongst others, with the following benefits: (i) the Group is able to produce particleboards with better and more stable quality; (ii) the Group's production is more efficient in energy and raw material savings, thus lowering our production cost; (iii) the Group's products are more environmentally friendly and would comply with all the Particleboard PRC GB Standards and Particleboard International Standards; (iv) the Group is able to produce customised particleboards and particleboards of various dimensions and specifications, that most other particleboard manufacturers in the PRC may not be able to produce when the Group's new production line commenced Full Production; and (v) allow the Group to expand its market share and solidify its market position in the particleboard industry due to the wider product offering.

Looking forward, there are certain risks that the Group will face in further development such as (i) the principal raw materials used in our production process are Residual Wood and that there might be shortage of supplies of Residual Wood caused by, amongst others, bad weather; (ii) the Group will face competition from existing and new players in the particleboard industry in the PRC; and (iii) there might be potential changes in trade policies and legislation which might adversely affect the Group's sales and profitability. However, the Group believes that the particleboard market will grow in a steady and healthy way, and intends to further enhance its presence in the particleboard industry and capture market share in the Premium Quality Particleboard segment. To achieve these goals, the Group has developed and will strive to implement the following business strategies: (i) increasing competitiveness by expanding product range; (ii) strengthening and expanding sales network across the PRC; (iii) expanding supplier base for the supply of the Residual Wood; (iv) enhancing product research and development; and (v) strengthening brand recognition.

FINANCIAL REVIEW

Revenue

During the Financial Year 2013, the Group's revenue increased to approximately HK$192.3 million from approximately HK$163.0 million, an increase of approximately 18.0%. The increase was mainly due to (i) increase in selling price of particleboards as a result of the new products launched in the last quarter of 2013 and (ii) increase in sales volume as a result of the new production line.

Cost of Sales

During the Financial Year 2013, the Group's costs of sales increased to approximately HK$136.3 million from approximately HK$123.5 million, an increase of approximately 10.4%. The increase was mainly attributed to increase in the quantity sold.

Gross profit and margin

During the Financial Year 2013, the Group's gross profit increased to approximately HK$56.0 million from approximately HK$39.5 million, an increase of approximately 41.9% and the Group's gross profit margin increased to approximately 29.1% from approximately 24.2%. The increase in gross profit was mainly due to increase in quantity sold and improvement in gross profit margin. The improvement in gross profit margin was mainly due to increase in unit selling price, decrease in material cost and higher efficiency of the new production line.

Other income and other gains/losses

Other income and other gains/losses primarily consists of value added tax refund and government grants.

During the Financial Year 2013, the Group's other income decreased to approximately HK$6.6 million from approximately HK$10.2 million, a decrease of approximately 35.3%. The decrease in other income was mainly due to a tremendous decrease in VAT refund as a result of higher input VAT incurred from purchases of machinery for the new production line. However, the decrease was partly offset by an increase in government grants.

Distribution expenses

During the Financial Year 2013, the Group's distribution expenses decreased to approximately HK$16.5 million from approximately HK$16.7 million, a decrease of approximately 0.9%. Although transportation cost increased by approximately 10% which is in line with the increase in sales, the overall distribution expenses decreased because of the decrease in the tax payables (such as city construction tax and education surcharges) as a result of higher input tax incurred in 2013.

Administrative expenses

During the Financial Year 2013, the Group's administrative expenses increased to approximately HK$15.7 million from approximately HK$7.1 million, an increase of approximately 119.7%. The increase was mainly attributed to increase in staff salaries, staff benefits and other overheads as a result of increase in number of staffs and related costs to support the new production line and the Listing.

Other expenses

During the Financial Year 2013, the Group's other expenses increased to approximately HK$14.8 million from approximately HK$1.0 million, the increase was mainly due to the expenses incurred in relation to the Listing.

Finance costs

During the Financial Year 2013, the Group's finance costs increased to approximately HK$7.0 million from approximately HK$4.1 million, an increase of approximately 68.9%. The increase was mainly attributed to increase in the level of working capital request to cope with the new production line.

Profit attributable to owners of the Company

During the Financial Year 2013, the Group's profit attributable to owners of the Company decreased to approximately HK$7.9 million from approximately HK$18.0 million, a decrease of approximately 56.3%. The decrease was mainly attributable to an increase in expenses in relation to the Listing from HK$863,000 for the Financial Year 2012 to HK$14,059,000 for the Financial Year 2013. The decrease was partly offset by an increase in revenue and gross profit.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM of the Stock Exchange on 8 January 2014. There has been no change in the capital structure of the Company since that date. The capital of the Company only comprises ordinary shares.

During the Financial Year 2013, the Group mainly financed its operations with the Group's working capital and bank loans.

As at 31 December 2013 and 2012, the Group had bank loans of approximately HK$294.4 million and HK$68.1 million respectively. Other than certain bank loans obtained which bear fixed interest rate ranging from 6% to 6.9% per annum, other bank loans bear floating interest rates ranging from 6.16 % to 6.88 % per annum as at 31 December 2013.

As at 31 December 2013 and 2012, the Group had net current(liabilities)/assets of approximately HK$(114.9) million and HK$6.1 million respectively. The current ratio of the Group decreased to 0.54x as at 31 December 2013 (2012: 1.07x). Such decrease was mainly due to increase in current liabilities for the investment in property, plant and equipment in relation to the installation of the new production line.

Gearing Ratio

The gearing ratio stood at 1.76x (2012: 0.85x) based on total borrowings over shareholders' equity. The gearing ratio dropped on the Listing Date as a result of proceed from listing which increased the shareholders' equity.

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2013, certain of the Group's bank balances were denominated in HK$ and insignificant amount of the Group's bank balances were denominated in Euro. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate. During the year, in order to mitigate the currency risk, the Group has entered into certain foreign currency forward contracts to minimise its foreign currency risk in respect of the bank loans denominated in Euro. There was no outstanding foreign currency forward contract as at 31 December 2013 as nil bank loans were denominated in Euro at year end. Other than as described above, the Group has no significant exposure to foreign currency risk as it carries out its sales and purchases mainly in RMB.

The sensitivity analysis below includes only outstanding foreign currency bank balances and adjusts for translation at the end of the year, with all other variables held constant.

The carrying amounts of the Group's foreign currency denominated monetary assets that are subject to currency risk at the end of each reporting period are as follows:

	31/12/2013 **HK$'000**	31/12/2012 HK$'000
Assets		
Bank balances and cash	**1,051**	584

The following table illustrates the sensitivity of the Group's profit after tax to reasonably possible changes in RMB against HK$ exchange rates. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	The Group	
	Increase/ (decrease) in rate	**(Decrease)/ increase in profit for the year**
	%	HK$'000
2012		
If RMB strengthens against HK$	5	(22)
If RMB weakens against HK$	5	22
2013		
If RMB strengthens against HK$	**5**	**(39)**
If RMB weakens against HK$	**5**	**39**

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as at year end exposure does not reflect the exposure during the year.

The Company has no material foreign currency risk exposure.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the Financial Year 2013, the Group had constructed a new production line, which commenced Test Operation at the end of September 2013. The new production line, which has just commenced full production in December 2013, has an approved annual production capacity of approximately 220,000m^3. Save as disclosed above and in the prospectus of the Company dated 27 December 2013 (the "Prospectus"), there were no significant investments held as at 31 December 2013. There is no plan for material investments on capital assets as at the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Financial Year 2013, the Group did not have any material acquisitions and disposals of subsidiary.

PLEDGE OF ASSETS

As at 31 December 2013, bank deposits in the amount of HK$5,458,000 (31 December 2012: HK$2,438,000) were pledged to banks for issuing letters of credit.

As at 31 December 2013, the Group's bank loans are secured/guaranteed by:

(a) the pledge of the Group's buildings, plant and equipment with an aggregate carrying amount of HK$285,389,000 (31 December 2012: HK$7,926,000);

(b) the pledge of the Group's prepaid lease payments with an aggregate carrying amount of HK$19,804,000 (31 December 2012: nil);

COMMITMENTS

The following table sets out the Group's contractual obligations as at the respective reporting date.

	2013 **HK$'000**	2012 HK$'000
Capital commitments	**12,219**	176,913
Letters of credit commitments	**7,645**	21,972

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2013 (31 December 2012: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group employed a total of 192 employees. The remuneration payable to our employees included fees, salaries, retirement benefits scheme contributions and other benefits. For the Financial Year 2012 and 2013, the remuneration was approximately HK$9.8 million and HK$12.4 million respectively. The Group determines the employee's remuneration based on factors such as qualifications, duty, contributions and years of experience. The key principles of the remuneration policy are to remunerate employees in a manner that is market competitive, consistent with best practice and supports the interests of Shareholders. The Group aims to align the interests of the senior executives with those of shareholders by remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As the Listing Date was subsequent to 31 December 2013, the Group has yet to implement its business strategies as set out in the Prospectus during the year ended 31 December 2013. The Group will endeavour to achieve the milestone events as stated in the Prospectus during the upcoming two financial years.

USE OF PROCEEDS

As the Listing Date was subsequent to 31 December 2013, the Group has yet to implement its business strategies as set out in the Prospectus during the year ended 31 December 2013. The use of proceeds as stated in the Prospectus were not applied during the year ended 31 December 2013. The Group intends to use the net proceeds from the Placing as set out in the Prospectus.

OUTLOOK

In the future, the Group will continue to explore business opportunities which are in line with the Group's business objectives and will provide long-term benefits to the shareholders of the Group.

The future will continue to be challenging with global uncertainties. Despite a challenging global environment, the Group is equipped to confront difficulties and seize new opportunities. The Directors and senior management of the Group will continue to dedicate their best effort to maximize the best interests for the shareholders of the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Cheung Lok（黃長樂）, aged 52, is the Chairman, Chief Executive Officer and an Executive Director. Mr. Wong founded our Group with Mrs. Wong in 2003. Mr. Wong was appointed as Director on 28 May 2012 and was designated as an Executive Director on 13 December 2013. Mr. Wong is primarily responsible for the overall strategic planning and corporate management of our Group. Mr. Wong has approximately 20 years of experience in the wood-based panel industry which dates back to 1993 when he founded Zhangzhou Hongwei. In May 2003, Mr. Wong founded Hongwei (Renhua), the only operating subsidiary of our Group, and was the chairman, general manager and the legal representative of Hongwei (Renhua). In June 2012, Mr. Wong established the Company.

Mr. Wong is currently a member of the standing committee（常委）of the ninth Chinese People's Political Consultative Conference of Fujian Sanming（福建省三明市政協）, a vice chairman（副會長）of Fujian Chamber of Commerce in Shaoguan（韶關福建商會）(formerly known as Fujian Economic Promotion Committee of Shaoguan（韶關市閩韶經濟促進會）), a vice chairman（副主任委員）of Wood-Based Panel Professional Committee（人造板專業委員會）of Guangdong Forestry Industry Association（廣東省林業產業協會）, a standing director（常務理事）of Fujian Forest Products Industry Association（福建省林產品行業協會）, a standing director of Hong Kong Federation of Fujian Association Limited（香港福建社團聯會）and a permanent honorary president of Hong Kong Fukien Sanming Association Limited（香港福建三明聯會）. Mr. Wong is the spouse of Mrs. Wong, an Executive Director.

Ms. Cheung Ngar Kwan（張雅鈞）, aged 50, is an Executive Director and was appointed as an Executive Director on 13 December 2013. Mrs. Wong established our Group with Mr. Wong in 2003 and she is primarily responsible for the strategic planning, corporate management and business operation of our Group. Mrs. Wong has accumulated over 13 years of experience in the wood-based panel industry since 1999 when she founded HK Hung Wai Partnership together with Mr. Wong. Mrs. Wong is currently a committee member of the women's commission of Hong Kong Federation of Fujian Association Limited and a standing director of and a deputy head of women's commission of Hong Kong Fukien Sanming Association Limited. Mrs. Wong is the spouse of Mr. Wong, an Executive Director and the Chairman.

Ms. Huang Xiuyan（黃秀延）, aged 43, is an Executive Director, the compliance officer of the Company, and the supervisor of Hongwei (Renhua). Ms. Huang joined our Group in June 2009 and was appointed as an Executive Director on 13 December 2013. Ms. Huang is primarily responsible for the internal auditing, internal control and the supervision of business operation of our Group. Between June 2009 and August 2012, Ms. Huang was the chief financial officer of Hongwei (Renhua). Ms. Huang has over 19 years of experience in financial management and internal control in the wood-based panel industry. Before joining our Group, Ms. Huang worked as a chief financial officer in Zhangzhou Hongwei from March 1994 to May 2009, and was primarily responsible for financial management, financing decisions, internal control, market development and strategic planning. Ms. Huang had also participated in the establishment of Zhangzhou Hongwei and the strategic planning for the business development of most of the companies Mr. Wong used to own as described in the section headed "History and Group Structure" in this prospectus.

Mr. Liu Jiayong（劉加勇）, aged 40, is an Executive Director and the Chief Financial Officer. Mr. Liu joined our Group in June 2009 and was appointed as an Executive Director on 13 December 2013. Mr. Liu is primarily responsible for the overall finance and accounting management, taxation and compliance and other day-to-day financial administration of our Group. Mr. Liu is also responsible for the execution of strategies and the reform of the management system of our Group. Mr. Liu possesses approximately 19 years experience in the accounting field. Prior to joining our Group, Mr. Liu worked in Fujian Shanghang Secondary Vocational School（福建省上杭職業中專學校）as an accounting teacher from September 1994 to March 2003. Mr. Liu was also an external accounting teacher of both the Chinese Accounting Correspondence School at Shanghang（中華會計函授學校上杭分校）and the Open University of China at Shanghang（中央廣播電視大學上杭分校）from August 1996 to January 2003, the head of finance department of Fujian Shanghang Educational Garment Factory（福建省上杭縣教育服裝廠）from August 1995 to January 2003 and head of finance department of Fujian Toronto Bio-chemical Co., Ltd（福建省多倫多生物化工有限公司）from October 2000 to July 2001.

Subsequently, Mr. Liu held the position of manager of the finance department of Xiamen Yifanda Medical Instrument Co., Ltd (廈門市益帆達醫療設備有限公司) from January 2003 to March 2004. Mr. Liu served as the manager of finance department in Zhangzhou Hongwei during March 2004 to May 2009.

Mr. Liu completed a part-time course and obtained an undergraduate diploma in accounting from the Open University of China in July 2006. In December 2002, Mr. Liu passed the intermediate level of national examination of the department of finance in the PRC and was issued a certificate to certify his qualification level in accountancy. Mr. Liu is a qualified junior middle school teacher by the Education Bureau of Shanghang since October 2003. Mr. Liu was also an executive council member (常務理事) of the Shanghang Accounting Association (上杭縣會計協會) from January 2003 to March 2004.

NON-EXECUTIVE DIRECTOR

Mr. Ong Chor Wei (王祖偉), aged 44, is a non-executive Director. He was appointed as Director on 5 November 2012 and designated as a non-executive Director on 13 December 2013., Mr. Ong has over 22 years of experience in finance and accounting. Mr. Ong is currently an executive director of Net Pacific Financial Holdings Limited (previously known as K Plas Holdings Limited), a company listed on the Singapore Exchange Limited with stock code of 5QY, and a non-executive director of Joyas International Holdings Limited, a company listed on the Singapore Exchange Limited with stock code of E9L. Mr. Ong is also currently an independent non-executive director of two other companies, namely Man Wah Holdings Limited and O-Net Communications (Group) Limited, both of which are listed on the main board of the Stock Exchange with stock codes of 1999 and 877 respectively. Mr. Ong is a former non-executive director of Jets Technics International Holdings Limited, a company listed on the Singapore Exchange Limited with stock code of J19. He ceased to be the non-executive director of Jets Technics International Holdings Limited in February 2013.

Mr. Ong holds a master degree of business administration jointly awarded by the University of Wales and the University of Manchester in the United Kingdom (distance learning). Mr. Ong also holds a bachelor degree of laws from The London School of Economics and Political Science, University of London in the United Kingdom. Mr. Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

For further details of Mr. Ong's position and interest in Golden Win, one of the shareholders of the Company, please refer to the section headed "History and Group Structure – Pre-IPO Investment" in the Prospectus.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Xu Jianmin (徐建民), aged 49, was appointed as an independent non-executive Director on 13 December 2013. Dr. Xu possesses approximately 27 years of forestry research experience in the PRC. Dr. Xu is currently a doctorial supervisor of Chinese Academy of Forestry ("CAF") (中國林業科學研究院) and a chief expert and researcher of the forest tree breeding research office (林木育種研究室) under the Research Institute of Tropical Forestry, CAF ("RITF") (中國林業科學研究院熱帶林業研究所). Between 1986 and 2006, Dr. Xu held several positions in the RITF, including deputy department head, department head of the forest tree breeding research office. He is also a former graduate supervisor of CAF. Dr. Xu is a committee member (委員) of Forest Genetics and Tree Breeding Branch (林木遺傳育種分會) of Chinese Society of Forestry ("CSF") (中國林學會), a member of the standing committee (常委) of both Forestry Introduction and Taming Professional Committee (樹木引種馴化專業委員會) of CSF and Eucalypt Professional Committee (桉樹專業委員會) of CSF. Dr. Xu was appointed as a technical support expert (科技支撐專家) for the World Bank loan project of the Comprehensive Development and Protection of Forestry in Guangxi province (世行貸款廣西綜合林業發展和保護項目) between January 2007 and December 2012.

Dr. Xu obtained his doctoral degree of agriculture in Chinese Academy of Forestry（中國林業科學研究院）in July 2003 and a bachelor degree of agriculture in Southwest Forestry College（西南林學院）(now known as Southwest Forestry University（西南林業大學）) in July 1986. Dr. Xu was also approved as a qualified Forest Resource Valuer（森林資源資產評估師）by the Ministry of Human Resources and Social Security of the People's Republic of China（中華人民共和國人力資源和社會保障部）in 2012. Dr. Xu was awarded with the 2nd Prize Technology Improvement Award（科技進步二等獎）by the Committee of Science and Technology of the PRC（國家科學技術委員會）in December 1996. Dr. Xu was also awarded the 2nd Prize Technology Improvement Award（科學技術進步二等獎）by the ministry of Forestry of the PRC（中華人民共和國林業部）(now known as the State Forestry Administration of the PRC（國家林業局）) in February 1996.

Ms. Qian Xiaoyu（錢小瑜）, aged 60, was appointed as an independent non-executive Director on 13 December 2013. Ms. Qian has accumulated over 24 years of experience in the forestry industry in the PRC. Ms. Qian has served in China National Forest Products Industry Corporation（中國林產工業公司）since 1989. She is currently a vice chairman of China National Forest Product Industry Association（中國林產工業協會）and the general manager assistant of China National Forest Products Industry Corporation. Ms. Qian is also currently a director of Fujian Furen Wood Industry Co., Ltd.（福建福人木業有限公司）.

Ms. Qian holds a bachelor degree of engineering from Central South University of Forestry（中南林學院）(now known as Central South University of Forestry and Technology（中南林業科技大學）). In March and July 1996, Ms. Qian obtained a diploma in corporate operation and management from the College of Continuing Education under Beijing Normal University（北京師範大學繼續教育學院）and a diploma in law from China Women's University（中華女子學院）respectively. Ms. Qian has been qualified as a professor-level senior engineer（教授級高級工程師）by the Professional Qualification Evaluation Office of the State Forestry Administration of the PRC（國家林業局專業技術資格評定辦公室）since December 2005. In October 2006, she was appointed as a member of the Adjudication Committee of the Qualification of Specialty and Technology in Engineering by the State Forestry Administration of the PRC（國家林業局工程系列專業技術資格評審委員會委員）. In February 2011, Ms. Qian was awarded "Person of the Year of China Forestry Industry of 2010" (2010年中國林業產業年度人物）by "China Green Times"(中國綠色時報社）.

Mr. Wong Hei Chiu（黃禧超）, aged 47, was appointed as an independent non-executive Director on 13 December 2013. Mr. Wong has over 22 years of corporate finance and financial management experience in Hong Kong and the PRC. Mr. Wong is currently an executive director, chief financial officer and company secretary of Kingmaker Footwear Holdings Limited, a listed company on the main board of the Stock Exchange with stock code of 1170. Mr. Wong was the group financial controller and company secretary of Karce International Holdings Company Limited, a company listed on the main board of the Stock Exchange with stock code of 1159. He was also the finance director and company secretary of Wah Lee Resources Holdings Limited (now known as Kai Yuan Holdings Limited), a company listed on the main board of the Stock Exchange with stock code of 1215.

Mr. Wong obtained a bachelor degree of business administration from Lingnan College (now known as Lingnan University) in Hong Kong in November 1996. Mr. Wong is a practicing Certified Public Accountant in Hong Kong. He is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Institute of Chartered Accountants in England and Wales and an associate member of Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. Zhang Hui（張輝）, aged 50, is the vice general manager of Hongwei (Renhua), Mr. Zhang joined our Group in April 2013 and is primarily responsible for the management of the production and operation department, the quality assurance department and the warehouse management department.

Mr. Zhang has been engaged in the engineering industry for approximately 28 years and accumulated in-depth experience in production facilities and production management in relation to the manufacturing of wood-based panels, particularly of particleboards. Prior to joining our Group, Mr. Zhang worked for several companies in wood-related activities. He served as the general manager of Hengshui Bamailong Wood Industry Co., Ltd（衡水巴邁隆木業有限公司）for 3 years. Mr. Zhang has also worked for Fujian Furen Wood Industry Co., Ltd（福建福人木業有限公司）for over 18 years, in particular, as a deputy head of the third construction prep office（三期籌建辦）since December 1998; and Shanghai Dareglobal Wood Co., Ltd（上海大亞木業有限公司）for 5 years. Mr. Zhang previously served Jiehong Wood as its vice general manager and project manager for over half a year. Mr. Zhang had been involved in building, implementing and managing of large-scale particleboard production lines imported from overseas. Particularly, Mr. Zhang was previously the project manager of a homogeneous particleboard production line with annual production capacity of 450,000 m3.

Mr. Zhang obtained a bachelor degree in Industrial Electrical Automation from Fuzhou University（福州大學）in the PRC in 1985. Mr. Zhang qualified as a senior engineer in China in 1998 by the Department of Personnel of Fujian Province（福建省人事廳）.

Ms. Liu Yan（劉艷）, aged 39, is the vice general manager, resource management department head of Hongwei (Renhua) and Chairman assistant. Ms. Liu joined our Group in May 2003 and is primarily responsible for assisting the Chairman in strategic planning and business management. She is also responsible for formulating the raw materials supplies strategies, including monitoring and tracking of our Group's purchasing plans, and in charge of the supervision of the resource management department including but not limited to ensuring that all our Residual Wood supplies are purchased from legitimate sources and liaison with the Forestry Bureau of Renhua County. Prior to joining our Group, Ms. Liu served as a chairman assistant in Zhangzhou Hongwei between March 2001 to May 2003.

Ms. Liu obtained her masters degree in agricultural extension（農業推廣）in Chinese Academy of Forestry（中國林業科學研究院）in the PRC in July 2008 and a bachelor degree in philosophy from Xiamen University（廈門大學）in the PRC in July 1999. In December 2010, she was nominated "Excellent Manager of Forestry Enterprise"（林業企業優秀職業經理人）by the Talent Exchange and Development Centre of State Forestry Administration of the PRC（國家林業局人才開發交流中心）.

Mr. Lin Shenghua（林勝華）, aged 42, is the sales and marketing director of Hongwei (Renhua). Mr. Lin joined our Group in January 2012 and is primarily responsible for the formulation and implementation of marketing strategies of our Group. He is also responsible for the business development and customer relationship for the regions of Shanghai, Jiangsu and Zhejiang provinces. Mr. Lin has over 6 years of experience in the forestry business and worked as a marketing manager in Zhangzhou Hongwei from March 2007 to December 2011. Mr. Lin obtained his bachelor degree in chemistry from Fuzhou University（福州大學）in the PRC in July 1996.

Biographical Details of Directors and Senior Management

COMPANY SECRETARY

Ms. Leung Wai Ling, Wylie (梁慧玲), aged 46, has been the company secretary of our Group pursuant to the Rule 11.07(2) of the GEM Listing Rules since December 2013. Ms. Leung has been designated by Grandtop International Capital Limited, the then corporate secretary of the Company, to handle corporate secretarial matters of the Company since May 2013, and was formally appointed as the secretary of the Company on 19 December 2013.

Ms. Leung possesses extensive experience in finance and accounting. She currently serves as an associate director of Grandtop International Capital Limited, which engages in provision of corporate secretarial services (for example: the completion and filing of companies registry forms, drafting of companies' resolutions and meeting minutes). Ms. Leung has been responsible for reviewing company secretarial documents prepared by the staff of Grandtop International Capital Limited in relation to the provision of such corporate secretarial services. Ms. Leung has also worked as the financial controller of subsidiaries of Casablanca Group Limited, a company listed on the main board of the Stock Exchange with stock code of 2223, for over 1 year; the financial controller of Guangzhou TWS Electronics Limited for over 4 years; and an auditor at Ernst & Young for over 3 years. In 1992, Ms Leung obtained a bachelor degree in business administration from the City University of New York in the U.S.. Ms. Leung is currently a member of the Hong Kong Institute of Certified Public Accountants.

For further details of Ms. Leung's position and interest in Golden Win, one of the shareholders of the Company, please refer to the section headed "History and Group Structure – Pre-IPO Investment" in the Prospectus.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. Since the Listing, the Group strives to attain and uphold more rigorous standards of corporate governance.

Upon Listing, the Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. Continuous efforts will be made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the period from the Listing Date (8 January 2014) to the date of this annual report, except where otherwise stated.

SECURITIES DEALING CODE

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Securities Dealing Code"). The Securities Dealing Code also applies to all employees to whom the same is given and who are informed that they are subject to its provisions. The Company has confirmed, having made specific enquiry of the Directors and all the relevant employees, all the Directors and all the relevant employees have complied with the Securities Dealing Code throughout the period from the Listing Date to the date of this annual report.

BOARD OF DIRECTORS

The Board comprises:

Name	Position	Main Responsibilities
Mr. Wong Cheung Lok	Chairman, Executive Director and Chief Executive Officer	Overall strategic planning and corporate management
Ms. Cheung Ngar Kwan	Executive Director	Strategic planning, corporate management and business operation
Ms. Huang Xiuyan	Executive Director and compliance officer	Internal auditing, internal control and supervision of business operation of the Group
Mr. Liu Jiayong	Executive Director and Chief Financial Officer	Finance and accounting management
Mr. Ong Chor Wei	Non-executive Director	Supervision
Dr. Xu Jianmin	Independent Non-executive Director	Chairman of remuneration committee, Member of audit committee and nomination committee
Ms. Qian Xiaoyu	Independent Non-executive Director	Member of audit committee
Mr. Wong Hei Chiu	Independent Non-executive Director	Chairman of audit committee, Member of remuneration committee and nomination committee

Ms. Cheung Ngar Kwan is the spouse of Mr. Wong Cheung Lok. Save as disclosed herein, to the best knowledge of the Board, there are no financial, business, family or other material relationships among the Board members.

Since the Listing Date to the date of this annual report, a total of one Board meeting was held. The attendance record of each Director at the Board meeting is set out in the table below:

Name of director	Number of meetings attended Board meetings
Mr. Wong Cheung Lok	1/1
Ms. Cheung Ngar Kwan	1/1
Ms. Huang Xiuyan	1/1
Mr. Liu Jiayong	1/1
Mr. Ong Chor Wei	1/1
Dr. Xu Jianmin	1/1
Ms. Qian Xiaoyu	1/1
Mr. Wong Hei Chiu	1/1

REMUNERATION AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

Upon Listing on 8 January 2014 and under the arrangements currently enforced, the estimate of the basic aggregate annual remuneration payable to the Directors will be approximately HK$1,440,000, and the estimate of the aggregate basic annual remuneration payable to senior management (please refer to the section headed "Biographical Details of Directors and Senior Management") will be approximately HK$860,000, for the financial year ending 31 December 2014.

Details of the remuneration of the Directors for the Financial Year 2013 are set out in note 11 to the consolidated financial statements in this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board is of the view that although Mr. Wong Cheung Lok is the chairman and the chief executive officer of the Company, this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wong Cheung Lok and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each Independent non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his independence and must provide an annual confirmation of his independency to the Company.

The Articles of the Company provides that, at each annual general meeting one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election.

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the valuation and technical advisory services and/or other professional areas.

PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company plans to provide briefings and other training to develop and refresh the Directors' knowledge and skills, recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. A record of the training received by the respective directors are kept and updated by the company secretary of the Company. During the Financial Year 2013, all Board members have received a directors training hosted by the legal advisor to our company, which was about, inter alia, the GEM Listing Rules, Companies Ordinance and Securities and Futures Ordinance.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee, which assist the Board in discharging its duties and overseeing particular aspect of the Group's activities. The Board delegates the day-to-day management, administration and operation of the Group to management with clear instructions on the functions reserved to the Board and those delegated to the management. The delegated functions will be reviewed by the Board periodically to ensure that they accommodate the needs of the Group and the respective responsibilities, accountabilities and contributions of the Board and the management will be disclosed in the annual report for the financial year ended 31 December 2014 and onwards.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") currently consists of 3 independent non-executive Directors namely Mr. Wong Hei Chiu, Dr. Xu Jianmin and Ms. Qian Xiaoyu, and its primary duties include review and supervising the Company's financial reporting process, quarterly, interim and annual results, and providing advice to the Board. Mr. Wong Hei Chiu is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee which sets out and its roles and functions are available at the Company's website and on the website of the Stock Exchange.

Since the Listing Date to the date of this annual report, a total of one Audit Committee meeting was held to, inter alia, review the Group's financial results for the Financial Year 2013 before submission to the Board for approval.

The attendance records of each member of the Audit Committee is set out in the table below:

Name of members of Audit Committee	Number of meeting attended
Mr. Wong Hei Chiu	1/1
Dr. Xu Jianmin	1/1
Ms. Qian Xiaoyu	1/1

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") consists of 2 independent non-executive Directors namely Dr. Xu Jianmin and Mr. Wong Hei Chiu, and Mr. Wong Cheung Lok, and its primary duties include providing recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management. Dr. Xu Jianmin is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee which sets out its roles and functions are available at the Company's website and on the website of the Stock Exchange.

Since the Listing Date to the date of this annual report, a total of one Remuneration Committee meeting was held, and its primary duties include providing recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors.

The attendance record of each member of the Remuneration Committee is set out as follows:

Name of members of Remuneration Committee	Number of meeting attended
Dr. Xu Jianmin	1/1
Mr. Wong Cheung Lok	1/1
Mr. Wong Hei Chiu	1/1

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee in accordance with the emolument policy as set out in the section headed "Report of the Directors – Emolument Policy" in this annual report. Details of the Directors' emolument for the Financial Year 2013 are set out in note 11 to the financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") consists of the 2 independent non-executive Directors, namely Dr. Xu Jianmin and Mr. Wong Hei Chiu, and Mr. Wong Cheung Lok to, inter alia, review and make recommendations on the existing remuneration packages of all Directors and senior management. Mr. Wong Cheung Lok is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee, which sets out its roles and functions, are available at the Company's website and on the website of the Stock Exchange.

Since the Listing Date to the date of this annual report, a total of one Nomination Committee meeting was held to, inter alia, assess the independence of the independent non-executive directors and review the re-appointment of Directors at the forthcoming annual general meeting.

The attendance record of each member of the Nomination Committee is set out as follows:

Name of members of Nomination Committee	Number of meeting attended
Mr. Wong Cheung Lok	1/1
Dr. Xu Jianmin	1/1
Mr. Wong Hei Chiu	1/1

Upon recommendation of the Nomination Committee, the Board adopted the board diversity policy (the "Board Diversity Policy") on 26 March 2014 setting out the approach to diversity on the Board. It is believed that a truly diverse Board will include and make good use of differences in the skills, regional and industrial experience, background, race, gender and other qualities of members of the Board. These differences will be taken into account in determining the optimum composition of the Board. The Nomination Committee is responsible for setting annually measurable objectives for implementing diversity on the Board and recommends them to the Board for adoption. The Board Diversity Policy shall be reviewed by the Nomination Committee, as appropriate, to ensure its effectiveness.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Internal Control and Risk Management

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. Upon Listing, the Board will conduct a review of, the effectiveness of the system of internal controls of the Group on an annual basis. In particular, the annual review will cover all material controls, including financial, operational and compliance controls, risk management function, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group since Listing and up to the date of this annual report.

AUDITORS' REMUNERATION

During the Financial Year 2013, the fees paid to the Company's auditors is set out as follows:

Services rendered	**Fees paid/payable** (HK$'000)
Audit services	853
Non-audit services – as reporting accountant for the Company's placing	2,716
	3,569

COMPANY SECRETARY

Ms. Leung Wai Ling Wylie ("Ms. Leung") was appointed as the company secretary of the Company on 19 December 2013. The biographical details of Ms. Leung are set out under the section headed "Biographical Details of Directors and Senior Management".

RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

The Articles of the Company provides that the Directors may, whenever they think fit, convene an extraordinary general meeting and extraordinary general meetings shall also be convened on requisition, or, in default, may be convened by the requisitionists, all as provided by the Companies Ordinance (Cap 622), which provides that the directors are required to call a general meeting if the company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings.

RIGHT TO PUT ENQUIRIES TO THE BOARD

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to hungweiasia@gmail.com for the attention of the company secretary.

RIGHT TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

The Companies Ordinance (Cap 622) provides that, a company must give notice of a resolution if it has received requests that it do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Companies Ordinance (Cap 622) also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

All request shall be sent to the principal place of business of the Company in Hong Kong or by e-mail to hungweiasia@gmail.com for the attention of the company secretary.

INVESTOR RELATIONS

The Company has adopted a shareholders' communication policy and has also established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.hongweiasia.com.

CONSTITUTION

From the Listing Date to the date of this annual report, there had been no change in the Company's constitutional documents.

Report of the Directors

The Directors hereby present their report and the audited consolidated financial statements for the Financial Year 2013.

GROUP REORGANISATION

On 28 May 2012, our Company was incorporated in Hong Kong with limited liability under the name of Cheung Kin Holdings (Hong Kong) Company Limited (長建控股(香港)有限公司). Mr. Wong owned 50,000,000 shares of our Company, being all the issued share capital of our Company at the time. The principal activity of our Company is investment holding. On 25 April 2013, we changed our name to Hung Wai (Asia) Holdings Limited (鴻偉(亞洲)控股有限公司). On 10 May 2013, we further changed our name to our current name of Hong Wei (Asia) Holdings Company Limited (鴻偉(亞洲)控股有限公司). The group reorganisation (the "Reorganisation") was fully set out in the Prospectus.

Details of the Company's subsidiary is set out in note 31 to the consolidated financial statement in this annual report.

PRINCIPAL ACTIVITIES

The Group is primarily engaged in manufacturing and sales of particleboards. Particleboards are made with raw materials such as undersized log, wood branches and agriculture and forestry residues, and hence they are in general considered to be environmentally-friendly and resources saving reconstituted wood-based panels. There was no significant change in the nature of the Group's principal activities during the Financial Year 2013.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2013.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out in the section headed "Financial Summary" in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 28 to the consolidated financial statements. Except for those set out in note 28 and 30 to the consolidated financial statements, there is not any redeemable shares, convertible securities, options, warrants or similar rights issued or granted by the Company or any of its subsidiary or any exercise of right in respect thereof during the Financial Year 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiary purchased, sold or redeemed any listed securities of the Company since Listing and up to the date of this annual report.

RESERVES

Details of the movements in the reserves of the Company during the year are set out in note 29 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

The Company did not have any distributable reserves which are available for distribution to equity holders as at 31 December 2013.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the Financial Year 2013 attributable to the Group's major customers and suppliers were as follows:

(1) The aggregate amount of revenue attributable to the Group's five largest customers represented approximately 33% of the Group's total revenue. The amount of revenue from the Group's largest customer represented approximately 9% of the Group's total revenue.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 43% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 10% of the Group's total purchases.

None of the Directors nor any of their associates nor any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. Wong Cheung Lok
Ms. Cheung Ngar Kwan
Ms. Huang Xiuyan
Mr. Liu Jiayong

Non-executive Director

Mr. Ong Chor Wei

Independent non-executive Directors

Dr. Xu Jianmin
Ms. Qian Xiaoyu
Mr. Wong Hei Chiu

Each independent non-executive Director has given an annual confirmation of independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical Details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of executive Director has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the agreement.

The non-executive Director has signed an appointment letter with the Company for a term of three years commencing from Listing date and are subject to termination in accordance with their respective terms.

Independent non-executive Directors have signed an appointment letter with the Company for a term of three years commencing from Listing date and are subject to termination in accordance with their respective terms.

Other than as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiary was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors of the Company for the Financial Year 2013 are set out in note 11 to the consolidated financial statements in this annual report. During the Financial Year 2013, there was no arrangement under which any directors waived or agreed to waive any remuneration during the year (2012: Nil).

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of which are set out in the paragraph headed "Share Option Scheme" below.

SHARE OPTION SCHEME

Prior to the Listing, the Company had conditionally adopted a share option scheme (the "Share Option Scheme") on 19 December 2013 which became unconditional and effective upon the Listing. The purpose of the Share Option Scheme is to enable the Group to grant options to eligible participants as incentives or awards for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any entity which the Group holds any equity interest. The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is conditionally adopted.

The Board may, at its discretion, invite any executive, non-executive or independent non-executive Directors or any employees (whether full-time or part-time) of the Company, or any of its subsidiary or associated companies or any other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group to take up the Options. The basis of eligibility of any of the class of the participants to the grant of any option shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group and any entity which the Group holds any equity interest.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Placing, unless the Company obtains a fresh approval from the Shareholders.

The maximum entitlement for any one eligible participant is that the total number of the Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

As at the date of this annual report, no option has been granted under the Share Option Scheme.

COMPLIANCE WITH NON-COMPETITION DEED

Mr. Wong Cheung Lok, our Controlling Shareholder (the "Covenanter") entered into a deed of non-competition (the "Non-competition Deed") in favour of our Company, pursuant to which the Covenanter has undertaken to our Company that he would not, and that his associates (except any member of our Group) would not, during the restricted period set out therein, directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with our existing core business.

Details of the undertaking has been set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

THE INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

So far as the Directors are aware, as at the date of Listing, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571. Laws of Hong Kong) (the "SFO") which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange, are as follows:

Long position in the Shares

Name	**Capacity/Nature of interest**	**Aggregate number of Shares or underlying Shares** (Note 1)	**Approximate percentage of interest in our Company**
Mr. Wong	Beneficial owner	500,000,100 (L)	70.31%
Mrs. Wong(2)	Interest of spouse	500,000,100 (L)	70.31%

Notes:

(1) The letter "L" denotes the person's long positions in the Shares.

(2) Mrs. Wong is the spouse of Mr. Wong. Under the SFO, Mrs. Wong is deemed to be interested in the same number of Shares in which Mr. Wong is interested.

Mr. Ong Chor Wei, one of our Directors, is also a director of Singapore listed company, Net Pacific Financial Holdings Limited, which is in turn held 57.07% by Full Join Holdings Limited. Based on the annual report of Net Pacific Financial Holdings Limited dated 10 April 2013, Mr. Ong Chor Wei is deemed interested in the shares held by Full Join Holdings Limited by virtue of him owing 100% of the shareholding interest in Head Quator Limited which owns 50% of the shareholding interest of Quad Sky Limited, which in turn owns 17.9% of the shareholding interest of Full Join Holdings Limited. Mr. Ong Chor Wei also owns 50% of the shareholding interest in Net Pacific International Limited which in turn owns 2.1% of the shareholding in Full Join Holdings Limited. Net Pacific Financial Holdings Limited wholly-owns Net Pacific Finance Group Limited.

Net Pacific Finance Group Limited has subscribed for 28 class A shares in Golden Win. Holders of class A shares in Net Pacific Finance Group Limited do not have voting rights at general meetings of Golden Win but all shareholders of Golden Win share the profits and risks of our Company according to their respective contribution to the issued share capital of Golden Win. As Net Pacific Finance Group Limited contributed RMB7 million out of the total share capital contribution received by Golden Win of RMB12.5 million, Net Pacific Finance Group Limited holds 56% of the economic interest in Golden Win. However, Net Pacific Finance Group Limited does not hold any voting rights in Golden Win and accordingly, Net Pacific Finance Group Limited is not the controlling shareholder of Golden Win.

SUBSTANTIAL SHAREHOLDERS

Our Directors confirm that the following persons, as at the Listing Date, had an interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiary:

Name	Capacity/Nature of interest	Aggregate number of Shares or underlying Shares (Note 1)	Approximate percentage of interest in our Company
Mr. Wong	Beneficial owner	500,000,100 (L)	70.31%
Mrs. Wong[2]	Interest of spouse	500,000,100 (L)	70.31%

Notes:

(1) The letter "L" denotes the person's long positions in the Shares.

(2) Mrs. Wong is the spouse of Mr. Wong. Under the SFO, Mrs. Wong is deemed to be interested in the same number of Shares in which Mr. Wong is interested.

Save as disclosed herein, our Directors are not aware of any other person who, on the Listing Date, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Except as disclosed in the Prospectus, during the year ended 31 December 2013 and up to the date of this report, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Baron Global Financial Services Limited ("Baron"), as at 31 December 2013, except for (i) Baron's participation as the sole sponsor and one of the joint bookrunners in relation to the Listing; (ii) Baron's affiliated company, Ping An Securities Limited as one of the joint lead managers in relation to the Listing; and (iii) the compliance adviser agreement entered into between the Company and Baron dated 23 December 2013, neither Baron or its directors, employees or associates had any interest in relation to the Group.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Since Listing and up to the date of this annual report, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Chapter 20 of the GEM Listing Rules.

As disclosed in the Prospectus, we have entered into an arrangement by way of letters of intent signed with each of Shaoguan Hongwei Forestry and Shaoguan Hongji Forestry with respect to the prospective Residual Wood purchase transactions, whereby Shaoguan Hongwei Forestry and Shaoguan Hongji Forestry agreed to give priority to supply Residual Wood to Hongwei (Renhua) in quantities requested by Hongwei (Renhua), subject to their respective available Residual Wood inventories. Shaoguan Hongwei Forestry and Shaoguan Hongji Forestry are ultimately wholly owned by Mr. Wong Kin Ching, son of Mr. Wong and Mrs. Wong, and are thus considered as our connected persons upon Listing under the Listing Rules. No purchase of Residual Wood has been made since Listing to the date of this annual report.

Upon Listing and up to the date of this annual report, there is not any (i) contract of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly; or (ii) contract of significance between the Group and the Controlling Shareholder; or (iii) contract of significance for the provision of services to the Group by the Controlling Shareholder.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the Financial Year 2013 are set out in note 35 to the financial statements. Listing is subsequent to the end of Financial Year 2013, and that the Company confirms that none of these related party transactions (if subsisting after Listing) constitutes a connected transaction and/or continuing connected transaction upon Listing as defined under the Listing Rules since Listing and up to the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules since Listing and up to the date of this report.

USE OF NET PROCEEDS FROM THE PLACING

The net proceeds from the Company's Placing amounted to approximately HK$54 million. Such net proceeds are intended to be or have been applied in accordance with the proposed applications as set out in the section headed "Future Plans and Prospects" in the Prospectus.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 37 to the consolidated financial statements.

AUDITOR

Deloitte Touche Tohmatsu was appointed by the Directors as the first auditor of the Company. Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 December 2013 have been audited by Deloitte Touche Tohmatsu.

By Order of the Board
Wong Cheung Lok
Chairman

26 March 2014

Independent Auditor's Report

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE SHAREHOLDERS OF
HONG WEI (ASIA) HOLDINGS COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hong Wei (Asia) Holdings Company Limited (the "Company") and its subsidiary (collectively referred to as the "Group") set out on pages 31 to 81, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Revenue	6	**192,328**	162,983
Cost of sales		**(136,333)**	(123,516)
Gross profit		**55,995**	39,467
Other income	8	**6,621**	10,228
Other gains and losses	9	**(321)**	(1,102)
Distribution expenses		**(16,543)**	(16,700)
Administration expenses		**(15,657)**	(7,127)
Other expenses		**(14,786)**	(958)
Finance costs	10	**(6,996)**	(4,143)
Profit before tax		**8,313**	19,665
Income tax expense	12	**(446)**	(1,681)
Profit for the year attributable to owners of the Company	13	**7,867**	17,984
Other comprehensive income which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**2,970**	138
Other comprehensive income for the year		**2,970**	138
Total comprehensive income for the year		**10,837**	18,122
Total comprehensive income attributable to owners of the Company		**10,837**	18,122
Basic earnings per share, in HK cents	15	**1.52**	3.60

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	**31/12/2013 HK$'000**	31/12/2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**415,515**	52,796
Prepayments for acquisition of property, plant and equipment	17	**21,837**	28,331
Prepaid lease payments	18	**22,697**	22,227
Deferred tax assets	12	**5,887**	3,523
		465,936	106,877
CURRENT ASSETS			
Inventories	19	**52,808**	32,233
Trade and bills receivables	20	**31,535**	12,019
Prepayments and other receivables	21	**37,997**	21,029
Amounts due from related parties	22	**–**	19,478
Bank balances and cash	23	**6,900**	2,505
Pledged deposits	23	**5,458**	2,438
		134,698	89,702
CURRENT LIABILITIES			
Trade and bills payables	24	**35,754**	12,883
Other payables	25	**99,283**	28,517
Tax payable		**2,707**	–
Borrowings	26	**111,799**	42,202
Deferred income	27	**44**	–
		249,587	83,602
NET CURRENT (LIABILITIES)/ASSETS		**(114,889)**	6,100
TOTAL ASSETS LESS CURRENT LIABILITIES		**351,047**	112,977
CAPITAL AND RESERVES			
Share capital	28	**53,333**	51,333
Share premium and reserves		**113,852**	28,932
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY		**167,185**	80,265
NON-CURRENT LIABILITIES			
Deferred tax liabilities	12	**624**	605
Borrowings	26	**182,621**	25,899
Deferred income	27	**617**	–
Other financial liability	30	**–**	6,208
		183,862	32,712
		351,047	112,977

The consolidated financial statements on pages 31 to 81 were approved and authorised for issue by the Board of Directors on 26 March 2014 and are signed on its behalf by:

Wong Cheung Lok
Director

Liu Jiayong
Director

Statement of Financial Position of the Company

At 31 December 2013

	Notes	31/12/2013 HK$'000	31/12/2012 HK$'000
NON-CURRENT ASSET			
Investment in a subsidiary	31	**244,552**	154,271
CURRENT ASSETS			
Amount due from a shareholder	22	**–**	19,231
Prepayments and other receivables		**3,620**	–
Bank balances and cash		**35**	–
		3,655	19,231
CURRENT LIABILITIES			
Amount due to a subsidiary	31	**123,773**	117,071
Other payables		**8,096**	–
		131,869	117,071
NET CURRENT LIABILITIES		**(128,214)**	(97,840)
TOTAL ASSETS LESS CURRENT LIABILITIES		**116,338**	56,431
CAPITAL AND RESERVES			
Share capital	28	**53,333**	51,333
Share premium and reserves	29	**63,005**	(1,110)
TOTAL EQUITY		**116,338**	50,223
NON-CURRENT LIABILITY			
Other financial liability	30	**–**	6,208
		116,338	56,431

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note (i))	Statutory reserve HK$'000 (note (ii))	Other reserve HK$'000	Foreign currency translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2012	–	–	50,000	2,175	–	11,915	15,513	79,603
Profit for the year	–	–	–	–	–	–	17,984	17,984
Other comprehensive income for the year	–	–	–	–	–	138	–	138
Total comprehensive income for the year	–	–	–	–	–	138	17,984	18,122
Issue of ordinary shares at incorporation	50,000	–	–	–	–	–	–	50,000
Issue of redeemable ordinary shares to Golden Win Group Limited ("Golden Win")	1,333	4,875	–	–	(6,208)	–	–	–
Transfer to statutory reserve	–	–	–	1,912	–	–	(1,912)	–
Reorganisation (note (iii))	–	–	(67,460)	–	–	–	–	(67,460)
Balance at 31 December 2012	51,333	4,875	(17,460)	4,087	(6,208)	12,053	31,585	80,265
Profit for the year	–	–	–	–	–	–	7,867	7,867
Other comprehensive income for the year	–	–	–	–	–	2,970	–	2,970
Total comprehensive income for the year	–	–	–	–	–	2,970	7,867	10,837
Issue of redeemable ordinary shares to Golden Win	2,000	7,383	–	–	(9,383)	–	–	–
Removal of Redemption Right of ordinary shares issued to Golden Win and payment of interest by a shareholder on behalf of the Company	–	–	492	–	15,591	–	–	16,083
Capitalisation of amount due to Mr. Wong Cheung Lok ("Mr. Wong")	–	60,000	–	–	–	–	–	60,000
Transfer to statutory reserve	–	–	–	2,327	–	–	(2,327)	–
Balance at 31 December 2013	53,333	72,258	(16,968)	6,414	–	15,023	37,125	167,185

Notes:

(i) The amount of HK$50,000,000 at 1 January 2012 represented the paid-in capital of Hongwei Wooden Products (Renhua) Company Limited ("Hongwei (Renhua)"), the subsidiary of the Company established in the People's Republic of China (the "PRC").

(ii) In accordance with relevant laws and regulations in the PRC, the PRC subsidiary is required to transfer at least 10% of its profit after tax reported in its statutory financial statements prepared under the relevant accounting principles and financial regulations applicable to enterprises established in the PRC ("PRC GAAP") to the statutory reserve.

The appropriation to statutory reserve may cease if the balance of the statutory reserve has reached 50% of the PRC subsidiary's registered capital.

The statutory reserve can be used to make up losses or for conversion into capital. The PRC subsidiary may, upon the approval by a resolution of the owner, convert its statutory reserve into capital in proportion to its then existing capital contribution. However, when converting the PRC subsidiary's statutory reserve into capital, the balance of such reserve remaining unconverted must not be less than 25% of its registered capital.

(iii) As part of the Reorganisation set out in note 2, the Company acquired 100% equity interests in Hongwei (Renhua) from HK Hung Wai Partnership (as defined in note 2) in May 2012 at a consideration of RMB54,700,000 (equivalent to approximately HK$67,460,000). The consideration of HK$67,460,000 was accounted for as deemed distribution to the shareholders and was satisfied by crediting the same amount to amounts due to related parties. The balance of capital reserve immediately subsequent to the Reorganisation represents the excess of the consideration over the capital of the subsidiary acquired.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Cash flows from operating activities			
Profit before tax		**8,313**	19,665
Adjustments for:			
Interest income		**(48)**	(18)
Net foreign exchange losses		**1,397**	1,160
Finance costs		**6,996**	4,143
Depreciation and amortisation		**7,529**	5,082
Gains on fair value changes of derivative financial instruments		**(1,132)**	–
Net loss/(gain) on disposal of property, plant and equipment		**56**	(58)
		23,111	29,974
Movements in working capital:			
Decrease/(increase) in trade and bills receivables		**(20,488)**	39,161
Increase in prepayments and other receivables		**(17,772)**	(7,361)
Increase in inventories		**(19,279)**	(2,410)
(Decrease)/increase in trade and bills payables		**24,841**	(12,730)
(Decrease)/increase in other payable		**40,603**	(660)
Decrease in amounts due from related parties		**251**	15,371
Cash generated from operations		**31,267**	61,345
Income taxes paid		**–**	–
Net cash generated from operating activities		**31,267**	61,345
Cash flows from investing activities			
Amounts advanced to related parties		**(91,737)**	(165,897)
Amounts repaid from related parties		**63,165**	48,384
Amounts repaid from third parties		**2,662**	25,766
Payments for property, plant and equipment		**(326,580)**	(29,448)
Payments for prepaid lease payments		**(251)**	(22,396)
Placement of pledged deposits		**(54,804)**	(2,429)
Withdrawal of pledged deposits		**51,903**	–
Proceeds from disposal of property, plant and equipment		**–**	264
Interest received		**48**	18
Government grants received		**652**	–
Net cash used in investing activities		**(354,942)**	(145,738)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	**Year ended 31/12/2013 HK$'000**	Year ended 31/12/2012 HK$'000
Cash flows from financing activities			
Issue of ordinary shares upon incorporation		**–**	50,000
Issue of redeemable ordinary shares to Golden Win		**9,383**	6,208
Amounts repaid to related parties		**(103,556)**	(69,574)
Amounts advanced from related parties		**210,484**	106,696
Proceeds from borrowings		**416,726**	84,093
Repayment of borrowings		**(194,961)**	(87,060)
Interest paid		**(10,147)**	(4,464)
Net cash generated from financing activities		**327,929**	85,899
Net increase in cash and cash equivalents		**4,254**	1,506
Cash and cash equivalents at the beginning of the year		**2,505**	993
Effect of exchange rate changes on bank balances		**141**	6
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**6,900**	2,505

1. GENERAL INFORMATION

Hong Wei (Asia) Holdings Company Limited (the "Company") was incorporated with limited liability in Hong Kong on 28 May 2012 under the name of Cheung Kin Holdings (Hong Kong) Company Limited. Mr. Wong owned 93.75% interest of the Company as at 31 December 2013. The address of the Company's registered office and its principal place of business is Unit 204, 2/F, Malaysia Building, 50 Gloucester Road, Wanchai, Hong Kong. The principal activity of the Company is investment holding. Its subsidiary established in the PRC is principally engaged in manufacturing and selling of particle board.

The functional currency of the Company is Renminbi ("RMB"), while these consolidated financial statements is presented in Hong Kong dollar ("HK$"), which the management of the Company and its subsidiary (hereinafter collectively referred to as the "Group") considered that it is more beneficial for the users of the consolidated financial statements, as the shares of the Company have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 January 2014.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of preparation

The directors of the Company have given careful consideration to the Group's financial performance, working capital, liquidity position and available banking facilities from its principal bankers. On the basis that the Group's business, operations and relationships with its suppliers remained stable and taking into account the listing proceeds received subsequent to 31 December 2013 and the banking facilities available to the Group, the directors are of the view that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2.2 Reorganisation and basis of presentation

Before the reorganisation in preparation of the listing of the Company's shares on the GEM of the Stock Exchange (the "Reorganisation"), Hong Kong Hung Wai Wooden Board Company ("HK Hung Wai Partnership") held 100% equity interests in Hongwei (Renhua), a company established in the PRC in May 2003. HK Hung Wai Partnership is a partnership in Hong Kong with Mr. Wong and Ms. Cheung Ngar Kwan ("Mrs. Wong"), spouse of Mr. Wong as partners (collectively referred to as the "Wong Family").

In preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company underwent the Reorganisation as described below.

On 28 May 2012, the Company was incorporated by Mr. Wong in Hong Kong.

Pursuant to an equity transfer agreement dated 30 May 2012 entered into between the Company and HK Hung Wai Partnership, the Company acquired 100% equity interests in Hongwei (Renhua) at a consideration of RMB54.7 million (equivalent to approximately HK$67.46 million) from HK Hung Wai Partnership. Accordingly, the Company has become the holding company of Hongwei (Renhua).

The Reorganisation involves interspersing the Company between Hongwei (Renhua) and the Wong Family, which does not represent combination of businesses. Therefore, the Group resulting from the Reorganisation is regarded as a continuing entity and, accordingly, these consolidated financial statements has been prepared on the basis as if the Company had always been the holding company of the Group during the year ended 31 December 2012.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2012 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the year ended 31 December 2012, or since the date of incorporation, where there is a shorter period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors of the Company anticipate that the application of the above new standard, amendments to standards and interpretation will have no material impact on these consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, these consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company (its subsidiary). Control is achieved where the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less any impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business net of discounts and sales related taxes.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of group entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than these financial assets classified as at FVTPL, of which interest income is included in net gain or losses.

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL represent derivative financial instruments, that is not designated and effective as a hedging instrument and classified as financial assets held for trading.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest earned on the financial assets and is included in the other gains and losses line item in the consolidated statements of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and bills receivable, other receivables, amounts due from related parties, bank balances and cash and pledged deposits) are measured at amortised cost using the effective interest method, less any impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of loans and receivables

Loans and receivables of the Group are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30-90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For loans and receivables carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the loans and receivables' original effective interest rate.

The carrying amount of loans and receivables is reduced by impairment loss directly for all loans and receivables with the exception of trade receivables, other receivables and amounts due from related parties, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable, other receivable or an amount due from a related party is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For loans and receivables measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity instrument in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

If a puttable instrument contains a contractual obligation for the issuer to deliver cash or another financial asset to the holder, such instruments are generally classified as financial liabilities.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including borrowings, trade and bills payables and other payables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

The Group has estimated the useful lives of the property, plant and equipment to be 5 to 20 years, after taking into account of their estimated residual values, as set out in the principal accounting policies above. Depreciation of items of property, plant and equipment is calculated on the straight-line basis over their expected useful lives. The Group continues to review the useful lives and residual values and will revise the depreciation charges should there be a change in these estimations. As at 31 December 2013, the carrying amount of property, plant and equipment amounting to HK$415,515,000 (31 December 2012: HK$52,796,000). Further details are set out in note 16 to these consolidated financial statements.

Estimated impairment of receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. Where the actual outcome is different from the original estimate, such differences will impact the carrying amounts of the receivables and the expenses/write-back of the doubtful debts in the period in which such estimate has been changed. As at 31 December 2013, the carrying amount of trade receivables and other receivables amounting to HK$27,033,000 (31 December 2012: HK$6,547,000) and HK$976,000 (31 December 2012: HK$4,200,000), respectively. Further details are set out in notes 20 and 21 to these consolidated financial statements, respectively.

Allowance for obsolete inventories

The management reviews the condition of inventories of the Group and makes allowance for obsolete and slow-moving inventory items. The Group carries out an inventory review on a category-by-category basis at the end of each reporting period and makes allowance for obsolete items.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less any estimated costs to be incurred to completion and to make the sale. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period. Where the net realisable value is less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of inventories amounting to HK$52,808,000 (31 December 2012: HK$32,233,000). Further details are set out in note 19 to these consolidated financial statements.

6. REVENUE

Revenue represents revenue arising on sales of particle boards as follows:

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Sales of particle boards	**192,328**	162,983

7. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors, being the chief operating decision makers ("CODM"), in order to allocate resources to segments and to assess their performance. The CODM reviews the Group's revenue and profit as a whole, which is generated solely from the manufacture and sale of particle board and is determined in accordance with the Group's accounting policies as detailed in note 4, for resources allocation and performance assessment. Therefore no segment information other than entity-wide disclosure is presented.

The Group's operation is located in the PRC and all revenue is generated from the PRC.

The Group's non-current assets are located in the PRC.

Revenue from customers arising from sales of particle board for the year contributing over 10% of the total sales of the Group are as follows:

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Customer A	**N/A***	17,132

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

8. OTHER INCOME

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Value added tax ("VAT") refund	**437**	9,676
Government grants*	**6,136**	521
Bank interest income	**48**	18
Others	**–**	13
	6,621	10,228

* The amount of HK$3,259,000 have been received to provide immediate financial support to the Group. There are no unfulfilled conditions relating to government grants. The amount of HK$2,877,000 (2012: HK$521,000) represented financial subsidy for interest expenses incurred by the Group for its bank borrowings.

9. OTHER GAINS AND LOSSES

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Gains on fair value changes of derivative financial instruments	**1,132**	–
Net (loss)/gain on disposal of property, plant and equipment	**(56)**	58
Net foreign exchange losses	**(1,397)**	(1,160)
	(321)	(1,102)

10. FINANCE COSTS

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Interest on bank loans		
– wholly repayable within five years	**9,299**	4,464
– not wholly repayable within five years	**848**	–
Interests on redeemable ordinary shares issued to Golden Win	**492**	–
Less: amounts capitalised in construction in progress	**(3,643)**	(321)
	6,996	4,143

The borrowing cost was capitalised based on the terms of the specific bank borrowings.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid by the Group to the directors of the Company are as follows:

	For the year ended 31 December 2013			
	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefit schemes HK$'000	Total HK$'000
Executive director:				
Mr. Wong	–	121	–	121
Ms. Cheung Ngar Kwan (appointed on 13 December 2013)	–	–	–	–
Ms. Huang Xiuyan (appointed on 13 December 2013)	–	121	10	131
Mr. Liu Jiayong (appointed on 13 December 2013)	–	207	10	217
Non-executive director:				
Ong Chor Wei	–	–	–	–
Independent non-executive Directors				
Dr. Xu Jianmin (appointed on 13 December 2013)	–	–	–	–
Ms. Qian Xiaoyu (appointed on 13 December 2013)	–	–	–	–
Mr. Wong Hei Chiu (appointed on 13 December 2013)	–	–	–	–
	–	449	20	469

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)
Directors (Continued)

	For the year ended 31 December 2012			
	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefit schemes HK$'000	Total HK$'000
Executive director:				
Mr. Wong	118	–	–	118
Non-executive director:				
Ong Chor Wei (appointed on 5 November 2012)	–	–	–	–
	118	–	–	118

Mr. Wong is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

Employees

Of the five individuals with the highest emoluments in the Group, one (2012: one) was director of the Company for the year ended 31 December 2013, whose emoluments are set out above. The emoluments of the remaining four (2012: four) individuals during the year were as follows:

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Salaries and other benefits	**939**	314
Contribution to retirement benefits schemes	**20**	18
	959	332

Their emoluments were within the band from HK$ nil to HK$1,000,000.

During the year ended 31 December 2012 and 2013, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSE

12.1 Income tax recognised in profit or loss

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Current tax:		
PRC Enterprise Income Tax	**2,667**	–
Deferred tax:		
Current year (credit)/charge	**(2,221)**	1,681
	446	1,681

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Hongwei (Renhua) is 25% during the years ended 31 December 2012 and 2013.

Pursuant to the EIT Law and its implementation regulations, where an enterprise utilises the resources as listed in the Catalogue of Resources for Comprehensive Utilisation Entitling Enterprises to Income Tax Preferences（資源綜合利用企業所得稅優惠目錄）as its major raw materials to make products which are not restricted or prohibited by the state and are consistent with the relevant state or industrial standards, only 90% of the income derived therefrom shall be accounted for as taxable income of the enterprise in that year. During the years ended 31 December 2013 and 2012, Hongwei (Renhua) is entitled to such preferential policy and only 90% of the income of Hongwei (Renhua) from the sale of particle board was regarded as taxable income.

12. INCOME TAX EXPENSE (CONTINUED)

12.1 Income tax recognised in profit or loss (Continued)

The income tax expenses for the reporting periods can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Hongwei (Renhua)		The Company		TOTAL	
	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000	**Year ended 31/12/2013 HK$'000**	Year ended 31/12/2012 HK$'000	**Year ended 31/12/2013 HK$'000**	Year ended 31/12/2012 HK$'000
Profit (loss) before tax	**20,167**	19,754	**(11,854)**	(89)	**8,313**	19,665
Applicable income tax rate	**25%**	25%	**16.5%**	16.5%		
Tax at applicable income tax rate	**5,042**	4,938	**(1,956)**	(15)	**3,086**	4,923
Tax effect of expenses not deductible for tax purpose	**212**	403	**1,956**	15	**2,168**	418
Tax effect of additional deduction based on 10% of revenue	**(4,808)**	(4,075)	**–**	–	**(4,808)**	(4,075)
Withholding tax on undistributed profit of PRC subsidiary	**–**	415	**–**	–	**–**	415
Income tax expense recognised in profit or loss	**446**	1,681	**–**	–	**446**	1,681

12.2 Deferred taxation

For the purpose of consolidated statements of financial position presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2013 HK$'000	31/12/2012 HK$'000
Deferred tax assets	**5,887**	3,523
Deferred tax liabilities	**(624)**	(605)
	5,263	2,918

12. INCOME TAX EXPENSE (CONTINUED)

12.2 Deferred taxation

The following are the major deferred tax balances recognised and movements thereon during the year:

	Payroll payable and accrued expenses	Tax losses	Withholding tax on undistributed profit of PRC subsidiary	Depreciation of property, plant and equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	814	3,980	(189)	–	4,605
Credit (charge) to profit or loss	950	(2,216)	(415)	–	(1,681)
Effect of foreign currency exchange differences	3	(8)	(1)	–	(6)
At 31 December 2012	1,767	1,756	(605)	–	2,918
Credit (charge) to profit or loss	3,549	(1,784)	–	456	2,221
Effect of foreign currency exchange differences	109	28	(19)	6	124
At 31 December 2013	5,425	–	(624)	462	5,263

Under the EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends declared in respect of profits earned in year 2008 onwards and distributed to foreign investors from companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied where appropriate. Other than the PRC withholding income tax provided as above, no deferred taxation has been provided for the retained profits of HK$32,407,000 (31 December 2012: HK$15,013,000) as at 31 December 2013 which were derived from the PRC subsidiary since 1 January 2008, as the Group has set aside such sum for non-distributable purpose and is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

13. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	**7,059**	4,935
Amortisation of prepaid lease payments	**470**	147
Total depreciation and amortisation expenses	**7,529**	5,082
Employee benefits expenses (include directors' emoluments)		
Salaries and other benefits	**10,611**	8,715
Contribution to retirement benefit schemes	**1,749**	1,045
Total employee benefit expenses	**12,360**	9,760
Cost of inventories recognised as an expense	**136,333**	123,516
Operating lease expenses	**38**	221
Auditor's remuneration	**853**	41
Expenses in relation to the listing process	**14,059**	863

14. RETIREMENT BENEFITS

In accordance with the rules and regulations of the PRC, the employees of the PRC subsidiary participated in various defined contribution retirement benefit plans operated by the relevant municipal and provincial social insurance management bodies in the mainland of the PRC under which the PRC subsidiary and its employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries during the year or in accordance with the requirements of the plans. The contributions payable are charged as an expense as incurred.

The Group has no obligation for the payment of benefits beyond the annual contributions for the government administered programs. The cost of employee benefits charged to the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2013 amounted to HK$1,749,000 (2012: HK$1,045,000).

15. EARNINGS PER SHARE

The calculation of earnings per share attributable to the owners of the company is based on the following data:

Earnings

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**7,867**	17,984

Number of shares

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**517,718**	500,000

Notes:

(i) The redeemable ordinary shares of 3,333,500 held by Golden Win as detailed in note 30 had not been included as outstanding ordinary shares in the calculation of basic earnings per share until 21 June 2013 when the shares became no longer subject to redemption.

(ii) The number of ordinary shares outstanding has been retrospectively adjusted for the effect of the share subdivision of the Company's ordinary shares according to a resolution approved by the shareholders' meeting dated 24 July 2013 set out in note 28.

(iii) There was no diluted earnings per share for both years as there has been no potential ordinary shares outstanding during the years presented.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost						
Balance at 1 January 2012	8,845	46,312	2,619	416	–	58,192
Additions	–	261	688	627	18,462	20,038
Interest capitalised	–	–	–	–	321	321
Disposals/written off	–	(586)	(42)	(6)	–	(634)
Exchange differences	–	(9)	2	–	65	58
Balance at 31 December 2012	8,845	45,978	3,267	1,037	18,848	77,975
Additions	63	911	–	251	358,011	359,236
Interest capitalised	–	–	–	–	3,643	3,643
Transfer from construction in progress	92,039	276,849	–	–	(368,888)	–
Disposals/written off	(41)	(104)	–	(186)	–	(331)
Exchange differences	1,642	5,562	102	32	483	7,821
Balance at 31 December 2013	102,548	329,196	3,369	1,134	12,097	448,344
Accumulated depreciation and impairment						
Balance at 1 January 2012	(1,805)	(16,080)	(2,451)	(323)	–	(20,659)
Depreciation charge for the year	(419)	(4,394)	(67)	(55)	–	(4,935)
Eliminated on disposals/written off	–	407	15	6	–	428
Exchange differences	(1)	(12)	–	–	–	(13)
Balance at 31 December 2012	(2,225)	(20,079)	(2,503)	(372)	–	(25,179)
Depreciation charge for the year	(906)	(5,924)	(135)	(94)	–	(7,059)
Eliminated on disposals/written off	16	95	–	186	–	297
Exchange differences	(83)	(715)	(80)	(10)	–	(888)
Balance at 31 December 2013	(3,198)	(26,623)	(2,718)	(290)	–	(32,829)
Carrying amount						
At 31 December 2013	99,350	302,573	651	844	12,097	415,515
At 31 December 2012	6,620	25,899	764	665	18,848	52,796

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment (other than construction in progress) to its residual value over its estimated useful life, after taking into account the estimated residual value, as follows:

	Useful lives	Residual value
Buildings	20 years	5%
Plant and machinery	10-15 years	5%
Motor vehicles	5 years	5%
Furniture and equipment	5 years	5%

Buildings with a carrying amount of approximately HK$64,477,000 (31 December 2012: nil) have been pledged to secure the bank loans granted to the Group at 31 December 2013. Plant and equipment with a carrying amount of approximately HK$220,912,000 (31 December 2012: HK$7,926,000) have been pledged to secure the bank loans granted to the Group at 31 December 2013.

17. PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balance as at 31 December 2013 represented prepayments for acquisition of manufacturing equipment and other construction related works.

18. PREPAID LEASE PAYMENTS

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Carrying amount at 1 January	**22,685**	361
Additions during the year	**251**	22,396
Released during the year	**(470)**	(147)
Effect of foreign currency exchange differences	**707**	75
Carrying amount at 31 December	**23,173**	22,685
Analysed for reporting purpose as:		
Current asset (included in other receivables)	**476**	458
Non-current assets	**22,697**	22,227
	23,173	22,685

The Group's leasehold interests in land is situated in the PRC and is held under medium term leases.

Prepaid lease payments with a carrying amount of approximately HK$19,804,000 (31 December 2012: nil) have been pledged to secure the bank loans granted to the Group at 31 December 2013.

19. INVENTORIES

	31/12/2013 HK$'000	31/12/2012 HK$'000
Raw materials	**29,756**	17,997
Work in progress	**3,598**	–
Finished goods	**19,454**	14,236
Total	**52,808**	32,233

20. TRADE AND BILLS RECEIVABLES

	31/12/2013 HK$'000	31/12/2012 HK$'000
Trade receivables	**27,033**	6,547
Bills receivables	**4,502**	5,472
	31,535	12,019
Allowance for doubtful debts	**–**	–
	31,535	12,019

Trade receivables are non-interest bearing and are generally on 30-90 days' credit terms. The following is an aged analysis of trade receivables presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	31/12/2013 HK$'000	31/12/2012 HK$'000
Within 3 months	**27,033**	3,436
3 months to 1 year	**–**	2,741
Over 1 year	**–**	370
Total	**27,033**	6,547

The maturity period of bills receivable are within 6 months.

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

Other than the following balances, there are no other customers with balances representing more than 10% of the total balance of trade receivables.

	31/12/2013 HK$'000	31/12/2012 HK$'000
A	**N/A***	2,391
B	**3,589**	1,029
C	**N/A***	770
D	**10,077**	N/A*
E	**5,614**	N/A*
F	**3,283**	N/A*
Total	**22,563**	4,190

* The corresponding balance did not contribute over 10% of the total trade receivables of the Group.

Before accepting any new customers, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. All the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

Trade receivables include amounts (see below for ageing analysis) that are past due at the end of each reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of trade receivables which are past due but not impaired

	31/12/2013 HK$'000	31/12/2012 HK$'000
Within 3 months	**1,828**	528
3 months to 1 year	**–**	2,741
Over 1 year	**–**	370
Total	**1,828**	3,639

20a. TRANSFERS OF FINANCIAL ASSETS

	Bills receivable discounted to banks with full recourse HK$'000 (note (i))	**Bills receivable endorsed to suppliers with full recourse** HK$'000 (note (ii))	**Total** HK$'000
31 December 2012			
Carrying amount of transferred assets			
Included in			
– Trade and bills receivable	1,603	2,741	4,344
– Amount due from related parties	–	247	247
Carrying amount of associated liabilities	(1,603)	(2,988)	(4,591)
Net position	–	–	–
31 December 2013			
Carrying amount of transferred assets			
Included in			
– Trade and bills receivable	–	4,502	4,502
Carrying amount of associated liabilities	–	(4,502)	(4,502)
Net position	–	–	–

Notes:

(i) Amounts represented the Group's financial assets that were transferred to banks by discounting those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and has recognised the cash received on the transfer as secured bank loans (note 26). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

(ii) Amounts represented the bills receivable that the Group transferred to its suppliers to settle its payables through endorsing the bills receivable to its suppliers. The Group continues to recognise the full carrying amount of these bills receivable and the payables to suppliers, as the Group has not transferred the significant risks and rewards relating to these bills receivable to the suppliers. The Group has exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing financial institutions failed to settle the bills upon maturity. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

(iii) As at 31 December 2012, there were bills receivable amounting to HK$1,160,000 endorsed by customers and related parties to the Group. The Group has endorsed the above bills receivable to suppliers amounting to HK$543,000 as at 31 December 2012, and discounted the bills receivable to banks amounting to HK$617,000 as at 31 December 2012. The Group continues to recognise the full carrying amount of the payables to suppliers and has recognised the cash received on the bills receivable discounted as secured bank loans (note 26).

21. PREPAYMENTS AND OTHER RECEIVABLES

	31/12/2013 HK$'000	31/12/2012 HK$'000
VAT recoverable	27,616	–
VAT refund	444	14,353
Advances to third parties	–	2,620
Payments in advance to suppliers	3,631	2,018
Prepaid lease payments (note 18)	476	458
Others	5,830	1,580
	37,997	21,029

Advances to third parties were unsecured, interest-free and have no fixed terms of repayment.

The Group did not hold any collaterals or other credit enhancements over the advance to third parties.

22. AMOUNTS DUE FROM RELATED PARTIES/A SHAREHOLDER

The Group

	Notes	At 31 December 2013 HK$'000	Maximum amount outstanding during 2013 HK$'000	At 31 December 2012 HK$'000	Maximum amount outstanding during 2012 HK$'000
Mr. Wong	(i)	–	19,257	19,231	19,231
Hongwei Wood (Hubei) Company Limited	(i) & (ii)	–	337	247	2,400
		–	19,594	19,478	21,631

The Company

	Note	At 31 December 2013 HK$'000	Maximum amount outstanding during 2013 HK$'000	At 31 December 2012 HK$'000	Maximum amount outstanding during 2012 HK$'000
Mr. Wong	(i)	–	19,257	19,231	19,231

22. AMOUNTS DUE FROM RELATED PARTIES/A SHAREHOLDER (CONTINUED)

Notes:

(i) The balance as at 31 December 2012 had been fully settled during year ended 31 December 2013.

(ii) The related company was controlled by Mr. Wong and Mrs. Wong. With effect from 26 February 2013, the related company became controlled by Mrs. Wong and Ms. Wong Wan Yu, daughter of Mr. Wong and Mrs. Wong. From 11 November 2013 onwards, the related company is controlled by Ms. Wong Wan Yu only, when Mrs. Wong ceased to be a shareholder of the related company on 11 November 2013.

23. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

Bank balances and pledged deposits carry interest at market rates ranging from 0.35% per annum as at 31 December 2013 (31 December 2012: 0.35% to 0.50%).

As at 31 December 2013, bank deposits in the amount of HK$5,458,000 (31 December 2012 HK$2,438,000) were pledged to banks for issuing letters of credit.

24. TRADE AND BILLS PAYABLES

	Notes	**31/12/2013 HK$'000**	31/12/2012 HK$'000
Trade payables	(i)	**35,754**	10,224
Bills payables		**–**	2,659
		35,754	12,883

Notes:

(i) An aged analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	31/12/2013 HK$'000	31/12/2012 HK$'000
Within 3 months	**29,382**	4,469
4 to 6 months	**4,131**	1,611
7 to 12 months	**1,154**	4,144
Over 1 year	**1,087**	–
	35,754	10,224

Trade payables are non-interest bearing and are normally settled on 30-90 days' term.

25. OTHER PAYABLES

	31/12/2013 HK$'000	31/12/2012 HK$'000
Payables for acquisition of property, plant and equipment	**44,990**	16,230
Payroll payable	**4,538**	3,961
Accrued expenses	**14,660**	2,797
Listing expense payable	**11,108**	308
Payments in advance from customers	**430**	1,699
Deposit received in advance	**21,000**	–
Other tax payables	**623**	784
Others	**1,934**	2,738
	99,283	28,517

26. BORROWINGS

	Notes	31/12/2013 HK$'000	31/12/2012 HK$'000
Bank loans	(i)(ii)(iii)(iv)	**294,420**	65,881
Bank loans obtained in relation to discounted bills receivable	(note 20a (i)(iii))	**–**	2,220
		294,420	68,101
Secured		**192,796**	46,618
Unsecured		**101,624**	21,483
		294,420	68,101
Carrying amount repayable			
Repayable within one year		**111,799**	42,202
More than one year, but not exceeding two years		**36,320**	25,899
More than two years, but not exceeding five years		**126,500**	–
More than five years		**19,801**	–
		294,420	68,101
Less: amount included in current liabilities		**(111,799)**	(42,202)
Non-current portion		**182,621**	25,899

26. BORROWINGS (CONTINUED)

Notes:

(i) Other than bank loans with an aggregate carrying amount of HK$87,997,000 which bear fixed interest rate of 6% to 6.90% per annum as at 31 December 2013 (2012: nil) and bank loans with an aggregate carrying amount of HK$2,220,000 obtained in relation to discounted bills receivable which bear fixed interest rate as at 31 December 2012 (2013: nil), other bank loans with an aggregate carrying amount of HK$206,423,000 (2012: HK$65,881,000) bear floating interest rates ranging from 6.16% to 6.88% (2012: 1.83% to 7.63%) per annum as at 31 December 2013.

(ii) As at 31 December 2013, the Group's bank loans are secured/guaranteed by:

(a) the pledge of the Group's buildings, plant and equipment with an aggregate carrying amount of HK$285,389,000 (31 December 2012: HK$7,926,000) (note 16);

(b) the pledge of the Group's prepaid lease payments with an aggregate carrying amount of HK$19,804,000 (31 December 2012: nil) (note 18);

(iii) As at 31 December 2012, the Group's bank loans of HK$65,881,000 was guaranteed by Mr. Wong (note 35).

(iv) As at 31 December 2012, borrowings of HK$2,984,000 were denominated in Euro.

27. DEFERRED INCOME

	31/12/2013 HK$'000	31/12/2012 HK$'000
Arising from government grant*	**661**	–
	661	–

* Deferred income arises as a result of the benefit received from government related to the new production line. The government grants are transferred to profit or loss on a straight line basis over the useful lives of the related assets.

28. SHARE CAPITAL

	Numbers of shares		Share capital	
	31/12/2013	31/12/2012	**31/12/2013**	31/12/2012
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$1.00 each subdivided to HK$0.10 each on 24 July 2013				
Authorised				
At beginning of year	**53,333**	–	**53,333**	–
Upon incorporation (note (i))	**–**	50,000	**–**	50,000
Share subdivision (note (ii))	**480,002**	–	**–**	–
Increase of authorised share capital (note (iii))	**1,466,665**	–	**146,667**	–
Increase on 5 November 2012 (note 30)	**–**	3,333	**–**	3,333
At end of year	**2,000,000**	53,333	**200,000**	53,333
Issued and fully paid				
At beginning of year	**51,333**	–	**51,333**	–
Upon incorporation (note (i))	**–**	50,000	**–**	50,000
Issue of redeemable ordinary shares to Golden Win (note 30)	**2,000**	1,333	**2,000**	1,333
Share subdivision (note (ii))	**480,002**	–	**–**	–
Capitalisation of amount due to Mr. Wong (note (iv))	**–**	–	**–**	–
At end of year	**533,335**	51,333	**53,333**	51,333

28. SHARE CAPITAL (CONTINUED)

Notes:

(i) At the date of incorporation, 50,000,000 ordinary shares of HK$1.00 each were issued and allotted to Mr. Wong. As of 31 December 2012, Mr. Wong fully paid up the 50,000,000 shares issued and allotted to him.

(ii) On 24 July 2013, each share of HK$1.00 each in the Company's authorised share capital was sub-divided into 10 share of HK$0.10 each, thereby resulting in the increase in the number of the authorised ordinary shares from 53,333,500 shares of HK$1.00 each to 533,335,000 shares of HK$0.10 each and increase of the number of the total issued shares from 53,333,500 shares of HK$1.00 each to 533,335,000 shares of HK$0.10 each.

(iii) On 24 July 2013, the authorised share capital of the Company was increased from HK$53,333,500 divided into 533,335,000 shares of HK$0.10 each to HK$200,000,000 divided into 2,000,000,000 shares of HK$0.10 each.

(iv) On 10 September 2013, Mr. Wong consented to capitalize the amount due to him amounting to HK$60 million, in consideration for the Company to issue and allot to Mr. Wong a total of 100 shares of HK$0.10 each.

All the shares issued rank pari passu in all respects with other shares in issue.

29. SHARE PREMIUM AND RESERVES

The Company

Information about movements in reserves of the Company includes:

	Share premium HK$'000	Capital reserve HK$'000	Other reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
28 May 2012 (date of incorporation)	–	–	–	–	–	–
Loss and total comprehensive income for the year	–	–	–	311	(88)	223
Issue of redeemable ordinary shares to Golden Win (note 30)	4,875	–	(6,208)	–	–	(1,333)
Balance at 31 December 2012	4,875	–	(6,208)	311	(88)	(1,110)
Loss and total comprehensive income for the year	–	–	–	1,886	(11,854)	(9,968)
Issue of redeemable ordinary shares to Golden Win	7,383	–	(9,383)	–	–	(2,000)
Capitalisation of amount due to Mr. Wong	60,000	–	–	–	–	60,000
Removal of Redemption Right of ordinary shares issued to Golden Win and payment of interest by a shareholder on behalf of the Company	–	492	15,591	–	–	16,083
Balance at 31 December 2013	72,258	492	–	2,197	(11,942)	63,005

30. OTHER FINANCIAL LIABILITY

	31/12/2013 HK$'000	31/12/2012 HK$'000
Redeemable ordinary shares issued to Golden Win	–	6,208

On 1 November 2012, (a) the Company, Mr. Wong and Golden Win entered into a share subscription and shareholders' agreement (the "Subscription Agreement"), and (b) Mr. Wong and Golden Win entered into a supplemental agreement (the "Supplemental Agreement"). Pursuant to the Subscription Agreement, the Company agreed to issue 3,333,500 ordinary shares to Golden Win at a subscription price of RMB12,500,000 (equivalent to approximately HK$15,591,000) in total (the "Subscription Price"). On 5 November 2012, the Company issued 1,333,400 ordinary shares to Golden Win (the "First Subscription"), representing 2.6% of the issued share capital of the Company as enlarged by the First Subscription, for a total consideration of RMB5,000,000 (equivalent to approximately HK$6,208,000). On 8 April 2013, the Company issued additional 2,000,100 ordinary shares to Golden Win (the "Second Subscription"), representing 3.75% of the issued share capital of the Company as enlarged by the Second Subscription, for a total consideration of RMB7,500,000 (equivalent to approximately HK$9,383,000).

According to the Subscription Agreement, the ordinary shares issued to Golden Win were redeemable in the event that the qualified IPO does not occur within two years after 5 November 2012, being the date of the First Subscription, at the Subscription Price (the "Redemption Right").

According to the Supplemental Agreement, a dividend guarantee has been provided by Mr. Wong to Golden Win. From the date of the First Subscription till the date on which Mr. Wong or the Company repurchases all the shares issued to Golden Win or the date of a qualified IPO (whichever is earlier), the Company shall pay a guaranteed annual dividend at a rate of 12% per annum of the Subscription Price and such dividend shall be payable pro rata for the actual days passed in a year on the basis of 360 days per year (the "Guaranteed Dividend"). During the year ended 31 December 2013, interests (represented the effect of Guaranteed Dividend) amounted to HK$492,000 was recognised.

On 21 June 2013, the Company, Mr. Wong and Golden Win entered into an agreement (the "Second Supplemental Agreement") to amend certain provisions under the Subscription Agreement and the Supplemental Agreement. The main amendments under the Second Supplemental Agreement include: (a) regarding the Redemption Right, Golden Win shall be entitled to exercise the Redemption Right against Mr. Wong only and the Company will not be subject to the Redemption Right; and (b) regarding the Guaranteed Dividend, the Guaranteed Dividend shall be payable by Mr. Wong only and the Company shall not be liable for such Guaranteed Dividend.

Based on the Subscription Agreement, the ordinary shares issued to Golden Win are redeemable and contained a contractual obligation for the Company to deliver cash to Golden Win. At initial recognition and as at 31 December 2012, the ordinary shares issued to Golden Win were accounted for as a non-current financial liability as the Redemption Right cannot be exercised within twelve months from 31 December 2012, and it is carried at amortised cost until being extinguished. According to the Second Supplemental Agreement, the Redemption Right held by Golden Win against the Company was removed on 21 June 2013. Therefore, the ordinary shares issued to Golden Win were no longer redeemable against the Company and were transferred from financial liability to equity accordingly.

31. INTEREST IN A SUBSIDIARY AND AMOUNT DUE TO A SUBSIDIARY

The Company

	31/12/2013 HK$'000	31/12/2012 HK$'000
Cost of investment in a subsidiary	**244,552**	154,271
Amount due to a subsidiary	**(123,773)**	(117,071)

The amount due to a subsidiary is unsecured, interest-free and payable on demand.

Particulars of the subsidiary are as follows:

Name of subsidiary	**Place and date of establishment and operation**	**Registered capital/ Paid in Capital**	**Percentage of ownership interests directly held by the Company**	**Principal activities**
Hongwei (Renhua)*	PRC	HK$250,000,000/ HK$220,500,000	100%	Manufacturing and selling of particleboard

* Registered as a wholly-foreign owned enterprise with limited liability under the PRC law.

32. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group has entered into operating leases on certain plant and equipment.

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Minimum lease payments paid under operating leases during the year:		
Plant and equipment	**38**	221

Future minimum lease payments under non-cancellable operating leases are as follows:

	31/12/2013 HK$'000	31/12/2012 HK$'000
Within 1 year	**–**	222
After one year but not more than five years	**–**	573
	–	795

Operating lease payments represent rentals payable by the Group for certain of its plant and machinery. Leases are negotiated for an average term of 8 years and rentals are fixed over the lease term. On 1 March 2013, the Group early terminated the lease agreements with the lessor.

33. COMMITMENTS

(i) Capital commitments

	31/12/2013 HK$'000	31/12/2012 HK$'000
Commitments for the acquisition of property, plant and equipment		
– Contracted for but not provided in these consolidated financial statements	**12,219**	176,913

(ii) Letters of credit commitments

Commitment for letters of credit which the Group has issued but is not recognised as liability at the end of each reporting period are as follows:

	31/12/2013 HK$'000	31/12/2012 HK$'000
Due within 3 months	**7,645**	–
Due within 3 to 6 months	**–**	21,972
	7,645	21,972

34. FINANCIAL INSTRUMENTS

(i) Capital management

The Group manages its capital to ensure that entity will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt including borrowings, net of cash and cash equivalents, and equity attributable to owners of the Group comprising share capital, reserves and retained profits.

The management of the Group reviews the capital structure on an annual basis. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through issuance of new shares, the payment of dividends, as well as raising and redemption of bank loans.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Categories of financial instruments

	The Group		The Company	
	31/12/2013 HK$'000	31/12/2012 HK$'000	**31/12/2013 HK$'000**	31/12/2012 HK$'000
Financial assets				
Loans and receivables				
Trade and bills receivable	**31,535**	12,019	**–**	–
Other receivables	**976**	4,200	**–**	–
Amounts due from related parties	**–**	19,478	**–**	19,231
Bank balances and cash	**6,900**	2,505	**35**	–
Pledged deposits	**5,458**	2,438	**–**	–
	44,869	40,640	**35**	19,231
Financial liabilities				
Amortised cost				
Trade and bills payables	**35,754**	12,883	**–**	–
Other payables	**62,570**	22,929	**8,096**	–
Amounts due to a subsidiary	**–**	–	**123,773**	117,071
Borrowings	**294,420**	68,101	**–**	–
Other financial liability	**–**	6,208	**–**	6,208
	392,744	110,121	**131,869**	123,279

(iii) Financial risk management objectives and policies

The Group's financial instruments include trade and bills receivable, other receivables, amounts due from related parties, bank balances and cash, pledged deposits, trade and bills payables, other payables, borrowings and other financial liability. The Company's financial instruments include bank balances and cash, other receivables, amount due from a shareholder, other payables and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include foreign currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Financial risk management objectives and policies (Continued)

Foreign currency risk management

As at 31 December 2013, certain of the Group's bank balances were denominated in HK$ and insignificant amount of the Group's bank balances were denominated in Euro. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate. During the year, in order to mitigate the currency risk, the Group has entered into certain foreign currency forward contracts to minimise its foreign currency risk in respect of the bank loans denominated in Euro. There was no outstanding foreign currency forward contract as at 31 December 2013 as nil bank loans were denominated in Euro at year end. Other than as described above, the Group has no significant exposure to foreign currency risk as it carries out its sales and purchases mainly in RMB.

The sensitivity analysis below includes only outstanding foreign currency bank balances and adjusts for translation at the end of the year, with all other variables held constant.

The carrying amounts of the Group's foreign currency denominated monetary assets that are subject to currency risk at the end of each reporting period are as follows:

	31/12/2013 HK$'000	31/12/2012 HK$'000
Assets		
Bank balances and cash	**1,051**	584

The following table illustrates the sensitivity of the Group's profit after tax to reasonably possible changes in RMB against HK$ exchange rates. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	The Group	
	Increase/ (decrease) in rate %	**(Decrease)/ increase in profit for the year** HK$'000
2012		
If RMB strengthens against HK$	5	(22)
If RMB weakens against HK$	5	22
2013		
If RMB strengthens against HK$	5	(39)
If RMB weakens against HK$	5	39

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as at year end exposure does not reflect the exposure during the year.

The Company has no material foreign currency risk exposure.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Financial risk management objectives and policies (Continued)

Interest rate risk management

The Group's fair value interest risk relates primarily to bank loans at fixed rates and bank loans obtained in relation to discounted bills receivable and redeemable ordinary shares included in other financial liability carried fixed interest rates. Other than that, the Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate published by the People's Bank of China ("PBOC") arising from the Group's bank balances, pledged deposits and RMB denominated bank loans carried floating interest rates. It is the Group's policy to keep majority of its borrowings at floating interest rate so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The management of the Group considers the fluctuation in interest rates of bank balances and pledged deposits is insignificant. Therefore, no sensitivity analysis on interest rates for bank balances and pledged deposits is presented.

The sensitivity analysis below has been determined based on the exposure to bank loans carried at floating interest rates at the end of each reporting period. 0.5% increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately HK$72,000 (2012: HK$236,000), after considering the effect of capitalisation of borrowing costs.

The Company has no material interest rate risk.

Credit risk management

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position and the Company's statement of financial position.

In order to minimise the credit risk, the management of the Group has designated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables, other receivables and amounts due from related parties at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. Therefore, the Group's exposure to bad debts is considered not significant. Other than concentration of credit risk on trade receivables due from the Group's major customers (note 20), the Group does not have any other significant concentration of credit risk. The credit risk on bank balances and pledged deposits is low as these balances are placed with reputable state-owned banks. The Group has concentration of credit risk in respect of bank balances and pledged deposits. Approximately 95% of the bank balances and pledged deposits as at 31 December 2013 (2012: 99%) were deposited at two major banks, the credit risk on these liquid funds is limited because the counterparties are reputable state-owned banks located in the PRC.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Financial risk management objectives and policies (Continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the short-term and long-term funding and liquidity management requirements. The Group and the Company manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows. As at 31 December 2013, unutilised banking facilities of RMB208,227,000 (equivalent to approximately HK$264,843,000) in aggregate are available.

The Group and the Company has net current liabilities as at 31 December 2013, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the management regularly monitors the cash flows of the Group through monitoring the operating cash flows and utilisation of bank loans in order to meet its liquidity requirement in the short and long term.

The Company relies on financing provided by its subsidiary for liquidity management purpose.

The following tables set out the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or the Company is required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the year.

The Group

	Weighted average interest rate	On demand or less than 6 months	Over 6 months but not more than 1 year	Over 1 year but not more than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2013							
Non-derivative financial liabilities							
Trade and bills payables		35,754	–	–	–	35,754	35,754
Other payables		62,570	–	–	–	62,570	62,570
Borrowings							
– at floating rate	6.16-6.88	45,564	24,250	159,959	12,001	241,774	206,423
– at fixed rate	6-6.90	42,689	14,112	32,298	8,053	97,152	87,997
		186,577	38,362	192,257	20,054	437,250	392,744
31 December 2012							
Non-derivative financial liabilities							
Trade and bills payables	–	12,883	–	–	–	12,883	12,883
Other payables	–	22,929	–	–	–	22,929	22,929
Borrowings							
– at floating rate	1.83-7.63	13,214	28,380	27,761	–	69,355	65,881
– at fixed rate	7.14	2,220	–	–	–	2,220	2,220
Other financial liability (note)	12	–	–	7,688	–	7,688	6,208
		51,246	28,380	35,449	–	115,075	110,121

34. FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Financial risk management objectives and policies (Continued)

Liquidity risk management

The Company

	Weighted average interest rate	On demand or less than 6 months	Over 6 months but not more than 1 year	Over 1 year but not more than 2 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2013						
Non-derivative financial liabilities						
Amount due to a subsidiary	–	123,773	–	–	123,773	123,773
Other payables	–	8,096	–	–	8,096	8,096
		131,869	–	–	131,869	131,869
31 December 2012						
Non-derivative financial liabilities						
Amount due to a subsidiary	–	117,071	–	–	117,071	117,071
Other financial liability (note)	12	–	–	7,688	7,688	6,208
		117,071	–	7,688	124,759	123,279

Note: It represents the redeemable ordinary shares issued to Golden Win which was no longer redeemable since 21 June 2013. Details are set out in note 30.

(iv) Fair value of financial instruments

As at 31 December 2012 and 2013, there is no financial instruments of the Group and the Company that is measured at fair value on a recurring basis. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at cost or amortised cost in these consolidated financial statements approximate their fair values.

35. RELATED PARTY TRANSACTIONS

Other than the balances disclosed in note 22 to these consolidated financial statements, details of transactions between the Group and its related parties are disclosed below.

Trading transactions

During the year, the Group entered into the following trading transactions with related parties:

	Purchases of machinery	
	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Hongwei Wood (Hubei) Company Limited	**338**	–

Purchases of machinery from Hongwei Wood (Hubei) Company Limited were made at price agreed by both parties.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Advance/repayment to related parties

	Notes	**Year ended 31/12/2013 HK$'000**	Year ended 31/12/2012 HK$'000
Shaoguan Hongwei Forestry Company Limited	(i)	**98,792**	147,461
清流天賜營林有限公司	(ii)	**63,165**	18,436
HK Hung Wai Partnership	(iii)	**28,234**	633
Mr. Wong		**4,764**	22,496
Hongwei Wood (Hubei) Company Limited	(iii)	**338**	18,741
Zhangzhou Hongwei Woods Industry Company Limited	(iv)	**–**	14,000
Hong Wei Wood Industry (Qingliu) Forest Company Limited	(iii)	**–**	13,704
		195,293	235,471

Advance/repayment from related parties

	Notes	**Year ended 31/12/2013 HK$'000**	Year ended 31/12/2012 HK$'000
Shaoguan Hongwei Forestry Company Limited	(i)	**145,180**	23,046
Mr. Wong		**65,304**	52,788
清流天賜營林有限公司	(ii)	**63,165**	18,436
Hong Wei Wood Industry (Qingliu) Forest Company Limited	(iii)	**–**	33,332
Zhangzhou Hongwei Woods Industry Company Limited	(iv)	**–**	17,324
Hongwei Wood Industry Company Limited	(iii)	**–**	6,902
Hongwei Wood (Hubei) Company Limited	(iii)	**–**	3,252
		273,649	155,080

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(i) The related company is controlled by Mr. Wong Kin Ching, son of Mr. Wong and Mrs. Wong.

(ii) The related company is controlled by Ms. Liu Yan, a key management personnel of the Group, until it was disposed of to an independent third party on 20 April 2013.

(iii) The related company was controlled by Mr. Wong and Mrs. Wong. With effect from 26 February 2013, these related companies became controlled by Mrs. Wong and Ms. Wong Wan Yu, Wong. From 11 November 2013 onwards, these related companies are controlled by Ms. Wong Wan Yu only, when Mrs. Wong ceased to be a shareholder of these related companies on 11 November 2013.

(iv) The related company was controlled by Mr. Wong until it was disposed of to an independent third party on 22 November 2012.

(v) Advance/repayment to/from related parties are interest-free, unsecured and repayable on demand.

Other transactions

(i) As at 31 December 2012, Mr. Wong provided guarantees to banks, at nil consideration, for bank loans of HK$65,881,000.

(ii) On 10 September 2013, Mr. Wong consented to capitalise the amount due to him amounting to HK$60 million, in consideration for the Company to issue and allot to Mr. Wong a total of 100 shares of HK$0.10 each.

(iii) On 6 December 2013, the Company received deposits from customers on behalf of Hongwei (Renhua) amounted to HK$21 million.

(iv) During the year ended 31 December 2012, Mr. Wong has paid service fees for registration and setting up of the Company amounting to HK$87,000 on behalf of the Group. The above service fees have been recognised as administrative expenses in the consolidated statements of profit or loss and other comprehensive income of the Group for the year ended 31 December 2012.

(v) During the year ended 31 December 2012, Hongwei Wood (Hubei) Company Limited and Hong Wei Wood Industry (Qingliu) Forest Company Limited endorsed to the Group certain bills receivable amounting to HK$5,462,000 and HK$369,000, respectively.

(vi) During the year ended 31 December 2012 and 2013, the Group has entered into several debt transfer agreements with certain related parties. Please refer to note 36(ii) to (xvi) for detail disclosures.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	Year ended 31/12/2013 HK$'000	Year ended 31/12/2012 HK$'000
Short-term benefits	**1,509**	445
	1,509	445

36. MAJOR NON-CASH TRANSACTIONS

(i) Pursuant to the Reorganisation (note 2), the Company acquired 100% equity interests in Hongwei (Renhua) at a consideration of HK$67,460,000 and the consideration was satisfied by crediting to the amounts due to related parties during the year ended 31 December 2012.

(ii) Pursuant to a debt transfer agreement entered into among Hongwei (Renhua), Shaoguan Hongwei Forestry Company Limited and Hongwei Wood (Hubei) Company Limited dated 30 June 2013, Hongwei (Renhua) transferred an amount due from Hongwei Wood (Hubei) Company Limited of HK$322,000 to Shaoguan Hongwei Forestry Company Limited, which resulted in an amount due from Shaoguan Hongwei Forestry Company Limited by Hongwei (Renhua) amounted to HK$322,000 as at 30 June 2013.

(iii) Pursuant to a debt transfer agreement entered into among Hongwei (Renhua), Shaoguan Hongwei Forestry Company Limited and Mr. Wong dated 30 June 2013, Hongwei (Renhua) transferred an amount due to Shaoguan Hongwei Forestry Company Limited of HK$54,494,000 to Mr. Wong, which resulted in an amount due to Mr. Wong by Hongwei (Renhua) amounted to HK$54,494,000 as at 30 June 2013.

(iv) Pursuant to a debt transfer agreement entered into among Hongwei (Renhua), HK Hung Wai Partnership and Mr. Wong dated 30 June 2013, Hongwei (Renhua) transferred an amount due from HK Hung Wai Partnership of HK$28,119,000 to Mr. Wong, which resulted in an amount due from Mr. Wong by Hongwei (Renhua) amounted to HK$28,119,000 as at 30 June 2013.

(v) Pursuant to a debt transfer agreement entered into among the Company, Hongwei (Renhua) and Mr. Wong dated 30 June 2013, Hongwei (Renhua) transferred an amount due to Mr. Wong of HK$26,374,000 to the Company, which resulted in an amount due to the Company by Hongwei (Renhua) amounted to HK$26,374,000 as at 30 June 2013.

(vi) Pursuant to a debt transfer agreement entered into among Hongwei (Renhua), Shaoguan Hongwei Forestry Company Limited and Hongwei Wood (Hubei) Company Limited dated 30 November 2013, Hongwei Wood (Hubei) Company Limited transferred an amount due from Hongwei (Renhua) of HK$326,000 to Shaoguan Hongwei Forestry Company Limited, which resulted in an amount due to Shaoguan Hongwei Forestry Company Limited by Hongwei (Renhua) amounted to HK$326,000 as at 30 November 2013.

(vii) Pursuant to a debt transfer agreement entered into among Hongwei (Renhua), Mr. Wong and Shaoguan Hongwei Forestry Company Limited dated 30 November 2013, Hongwei (Renhua) transferred an amount due from Shaoguan Hongwei Forestry Company Limited of HK$8,132,000 to Mr. Wong, which resulted in an amount due from Mr. Wong by Hongwei (Renhua) amounted to HK$8,132,000 as at 30 November 2013.

(viii) Pursuant to a debt transfer agreement entered into among the Company, Mr. Wong and Hongwei (Renhua) dated 30 November 2013, Hongwei (Renhua) transferred an amount due from Mr. Wong of HK$8,132,000 to the Company, which resulted in an amount due to Hongwei (Renhua) by the Company amounted to HK$8,132,000 as at 30 November 2013.

(ix) Pursuant to a debt transfer agreement entered into among the Company, Hongwei (Renhua) and HK Hung Wai Partnership dated 31 December 2012, HK Hung Wai Partnership transferred an amount due from Hongwei (Renhua) of HK$2,634,000 to the Company, which resulted in an amount due from Hongwei (Renhua) by the Company amounted to HK$2,634,000 and an amount due to HK Hung Wai Partnership by the Company amounted to HK$2,634,000 as at 31 December 2012.

36. MAJOR NON-CASH TRANSACTIONS (CONTINUED)

(x) Pursuant to a debt transfer agreement entered into among the Company, Mr. Wong and HK Hung Wai Partnership dated 31 December 2012, HK Hung Wai Partnership transferred an amount due from the Company of HK$2,634,000 to Mr. Wong, which resulted in an amount due to Mr. Wong by the Company amounted to HK$2,634,000 as at 31 December 2012.

(xi) Pursuant to a debt transfer agreement entered into among Hongwei (Renhua), Shaoguan Hongwei Forestry Company Limited and Hong Wei Wood Industry (Qingliu) Forest Company Limited dated 31 December 2012, Hongwei (Renhua) transferred an amount due to Hong Wei Wood Industry (Qingliu) Forest Company Limited of HK$10,273,000 to Shaoguan Hongwei Forestry Company Limited, which resulted in an amount due to Shaoguan Hongwei Forestry Company Limited by Hongwei (Renhua) amounted to HK$10,273,000 as at 31 December 2012.

(xii) Pursuant to a debt transfer agreement entered into among Hongwei (Renhua), Shaoguan Hongwei Forestry Company Limited and Zhangzhou Hongwei Woods Industry Company Limited dated 31 December 2012, Hongwei (Renhua) transferred an amount due to Zhangzhou Hongwei Woods Industry Company Limited of HK$328,000 to Shaoguan Hongwei Forestry Company Limited, which resulted in an amount due to Shaoguan Hongwei Forestry Company Limited by Hongwei (Renhua) amounted to HK$328,000 as at 31 December 2012.

(xiii) Pursuant to a debt transfer agreement entered into among Hongwei (Renhua), Shaoguan Hongwei Forestry Company Limited and Shaoguan Hongji Forestry Company Limited, related parties of the Group controlled by Mr. Wong Kin Ching, son of Mr. Wong and Mrs. Wong, dated 31 December 2012, Hongwei (Renhua) transferred an amount due to Shaoguan Hongji Forestry Company Limited of HK$13,000 to Shaoguan Hongwei Forestry Company Limited, which resulted in an amount due to Shaoguan Hongwei Forestry Company Limited by Hongwei (Renhua) amounted to HK$13,000 as at 31 December 2012.

(xiv) Pursuant to a debt transfer agreement entered into among Hongwei (Renhua), Shaoguan Hongwei Forestry Company Limited and 鴻偉五金製品廠 dated 31 December 2012, Hongwei (Renhua) transferred an amount due to 鴻偉五金製品廠 of HK$3,699,000 to Shaoguan Hongwei Forestry Company Limited, which resulted in an amount due to Shaoguan Hongwei Forestry Company Limited by Hongwei (Renhua) amounted to HK$3,699,000 as at 31 December 2012.

(xv) Pursuant to a debt transfer agreement entered into among the Company, Mr. Wong, Hongwei (Renhua) and Shaoguan Hongwei Forestry Company Limited dated 31 December 2012, Hongwei (Renhua) agreed to use an amount due from Shaoguan Hongwei Forestry Company Limited of HK$119,705,000 to settle on behalf of the Company the outstanding amount payable to Mr. Wong amounted to HK$119,705,000.

(xvi) During the years ended 31 December 2012, the Group has received bills receivables endorsed by customers and related parties, as well as transferring the Group's bills receivable to its suppliers by endorsement. Please refer to notes 20a and 35 for details.

37. EVENTS AFTER THE END OF REPORTING PERIOD

On 8 January 2014, the Company issued 177,780,000 placing shares of HK$0.10 each, at a price of HK$0.39 per placing share and the shares of the Company have been successfully listed on the GEM of the Stock Exchange.

On 3 March 2014, the new Hong Kong Companies Ordinance (the "new CO") has come into effect. One significant change in the new CO is that the new CO has abolished the concept of "par value" of shares for all Hong Kong incorporated companies. In the first year in which the new CO comes into effect (i.e. year ending 31 December 2014 for the Company), the existing share premium as at 3 March 2014 including the share premium arising from the issuance of placing shares on 8 January 2014 and the capital reserve as of 3 March 2014 would become part of the Company's share capital.

Financial Summary

RESULTS

	Year ended 31 December	
	2013 **HK$'000**	2012 HK$'000
Turnover	**192,238**	162,983
Profit before tax	**8,313**	19,665
Income tax expense	**(446)**	(1,681)
Profit for the year	**7,867**	17,984

	As at 31 December	
	2013 **HK$'000**	2012 HK$'000
ASSETS AND LIABILITIES		
Current assets	**134,698**	89,702
Non-current assets	**465,936**	106,877
Total assets	**600,634**	196,579
Current liabilities	**249,587**	83,602
Non-current liabilities	**183,862**	32,712
Net assets	**167,185**	80,265
EQUITY		
Equity attributable to owners of the Company	**167,185**	80,265

The results and summary of assets and liabilities for the years ended 31 December 2012 which were extracted from the Prospectus have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the GEM of the Stock Exchange, had been in existence throughout those years.