



**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

**INTERIM REPORT 2015**

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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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## CORPORATE INFORMATION

### Registered office (with effect from 2 July 2015)

Unit 4, 17/F, Winning Centre,  
29 Tai Yau Street,  
San Po Kong, Kowloon  
Hong Kong

### Head office in Hong Kong (with effect from 2 July 2015)

Unit 4, 17/F, Winning Centre,  
29 Tai Yau Street,  
San Po Kong, Kowloon  
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  
Mr. Lai Ming Wai (appointed on 10 July 2015)

### 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

V 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:  
Wilson Sonsini Goodrich & Rosati

### GEM stock code

8191

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## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2015, operating results of the Group were as follows:

- Revenue for the six months ended 30 June 2015 amounted to approximately HK\$187.1 million, representing an increase of 6.9% from approximately HK\$175.0 million recorded in the same period in 2014.
- Gross Profit for the six months ended 30 June 2015 amounted to approximately HK\$47.2 million, representing a decrease of 7.2% from approximately HK\$50.8 million recorded in the same period in 2014.
- Profit attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately HK\$18.3 million, representing an increase of 37.3% from approximately HK\$13.3 million recorded in the same period in 2014.
- The Board does not recommend the payment of an interim dividend for the six months period ended 30 June 2015 (2014: nil).

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## INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 (“2015 Interim Period”) together with the comparative figures of the corresponding period as appropriate.

Unless otherwise stated, the capitalised terms in this report shall have the same meaning as in the annual report of the Company dated 24 March 2015.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	103,044	103,899	187,056	174,991
Cost of sales		(78,378)	(72,178)	(139,890)	(124,144)
Gross profit		24,666	31,721	47,166	50,847
Other income		12,304	(3,189)	15,830	443
Other gains/(losses)		—	(188)	—	(126)
Distribution expenses		(7,740)	(8,227)	(15,433)	(13,818)
Administrative expenses		(6,399)	(5,593)	(12,904)	(10,782)
Other expenses		354	(874)	(129)	(1,414)
Finance costs	5	(7,821)	(5,593)	(15,140)	(11,030)
<b>Profit before tax</b>		<b>15,364</b>	<b>8,057</b>	<b>19,390</b>	<b>14,120</b>
Income tax expense	6	(556)	6	(1,081)	(787)
<b>Profit for the period attributable to owners of the Company</b>	7	<b>14,808</b>	<b>8,063</b>	<b>18,309</b>	<b>13,333</b>
<b>Other comprehensive income/(expenses) which will not be reclassified subsequently to profit or loss:</b>					
Exchange differences arising on translation to presentation currency		(7,218)	(358)	(5,567)	(1,973)
<b>Other comprehensive income/(expenses) for the period</b>		<b>(7,218)</b>	<b>(358)</b>	<b>(5,567)</b>	<b>(1,973)</b>
<b>Total comprehensive income for the period</b>		<b>7,590</b>	<b>7,705</b>	<b>(12,742)</b>	<b>11,360</b>
<b>Total comprehensive income attributable to owners of the Company</b>		<b>7,590</b>	<b>7,705</b>	<b>(12,742)</b>	<b>11,360</b>
<b>Basic earnings per share, in HK cents</b>	8	<b>1.98</b>	<b>1.16</b>	<b>2.51</b>	<b>1.89</b>

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# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		384,928	394,686
Prepayment for acquisition of property, plant and equipment		21,423	21,423
Prepaid lease payments		21,904	22,144
Deferred tax assets		7,500	7,500
		<b>435,755</b>	<b>445,753</b>
<b>CURRENT ASSETS</b>			
Inventories	9	118,964	80,189
Trade and bills receivable	10	53,594	118,075
Prepayments and other receivables		136,792	59,068
Bank balances and cash		5,829	8,531
Pledged deposits		10,144	3,803
		<b>325,323</b>	<b>269,666</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	35,842	37,014
Other payables		15,074	48,448
Tax payable		8,039	2,698
Borrowings	12	155,337	178,427
Deferred income		688	688
Puttable notes		23,792	23,792
		<b>238,772</b>	<b>291,067</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>86,551</b>	<b>(21,401)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>522,306</b>	<b>424,352</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	253,987	189,015
Reserves		78,544	65,802
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY</b>		<b>332,531</b>	<b>254,817</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		622	622
Borrowings	12	181,182	160,945
Deferred income		7,971	7,968
		<b>189,775</b>	<b>169,535</b>
		<b>522,306</b>	<b>424,352</b>

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# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2015	189,015	–	(16,968)	9,715	–	13,038	60,017	254,817
Profit for the period	–	–	–	–	–	–	18,309	18,309
Other comprehensive income for the period	–	–	–	–	–	(5,567)	–	(5,567)
Total comprehensive income for the period	–	–	–	–	–	(5,567)	18,309	12,742
Issue of new shares	64,972	–	–	–	–	–	–	64,972
Balance at 30 June 2015	253,987	–	(16,968)	9,715	–	7,471	78,326	332,531
Balance at 1 January 2014	53,333	72,258	(16,968)	6,414	–	15,023	37,125	167,185
Profit for the period	–	–	–	–	–	–	13,333	13,333
Other comprehensive income for the period	–	–	–	–	–	(1,973)	–	(1,973)
Total comprehensive income for the period	–	–	–	–	–	(1,973)	13,333	11,360
Issue of new shares	17,778	51,556	–	–	–	–	–	69,334
Professional expenses incurred in connection with the Company's listing	–	(6,166)	–	–	–	–	–	(6,166)
Effect of the new Hong Kong Companies Ordinance	117,648	(117,648)	–	–	–	–	–	–
Balance at 30 June 2014	188,759	–	(16,968)	6,414	–	13,050	50,458	241,713

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# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Unaudited Six months ended 30 June 2015 HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000
Cash flows from operating activities		
Profit before tax	19,390	14,120
Adjustments for:		
Interest income	(7)	(31)
Net foreign exchange losses	–	137
Finance costs	15,140	11,030
Depreciation and amortisation	13,317	13,865
	47,840	39,121
Movements in working capital:		
Decrease/(increase) in trade and bills receivables	64,481	(71,927)
Increase in prepayments and other receivables	(77,724)	(3,939)
Increase in inventories	(38,775)	(29,881)
(Decrease)/increase in trade payables	(1,172)	4,686
Decrease in other payable	(33,374)	(29,761)
	(38,724)	(91,701)
Cash used in operations		
Income taxes paid	–	–
Net cash used in operating activities	(38,724)	(91,701)
Cash flows from investing activities		
Payments for property, plant and equipment	(8,234)	(14,269)
Placement of pledged deposits	(6,342)	(1,313)
Withdrawal of pledged deposits	–	6,733
Interest received	7	31
Government grants received	–	3,561
	(14,569)	(5,257)
Net cash used in investing activities		

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	Unaudited Six months ended 30 June 2015 HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000
Cash flows from financing activities		
Net proceeds from capital contributions	64,972	60,640
Proceeds from borrowings	103,473	143,393
Repayment of borrowings	(100,620)	(91,542)
Interest paid	(15,140)	(11,030)
Net cash generated from financing activities	52,685	101,461
Net (decrease)/increase in cash and cash equivalents	(608)	4,503
Cash and cash equivalents at the beginning of the year	8,531	6,900
Effect of exchange rate changes on bank balances	(2,094)	(75)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	5,829	11,328

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION

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 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 condensed consolidated financial statements have been prepared on a going concern basis.

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to HKFRSs:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKRSs	Annual Improvements to HKFRSs 2010-2012 Cycle

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE

Revenue represents revenue arising on sales of particleboards as follows:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Sales of particleboards	187,056	174,991

### 4. 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 sales of particleboards and is determined in accordance with the Group's accounting policies, 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.



#### 4. SEGMENT INFORMATION (CONTINUED)

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

Revenue from customers arising from sales of particleboard for the period contributing over 10% of the total sales of the Group are as follows:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Customer A	N/A*	53,995
Customer B	N/A*	24,552
Customer C	N/A*	16,716
Customer D	27,472	—
Customer E	18,152	N/A*

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

#### 5. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Interest on bank loans		
– wholly repayable within five years	13,732	11,030
Interests on puttable notes	1,408	—
	15,140	11,030

#### 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Current tax:		
PRC Enterprise Income Tax	1,081	—
Deferred tax:		
Current year charge/(credit)	—	787
	1,081	787

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## 6. INCOME TAX EXPENSE (CONTINUED)

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 2014 and 2015.

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 six months ended 30 June 2015 and 2014, Hongwei (Renhua) is entitled to such preferential policy and only 90% of the income of Hongwei (Renhua) from the sale of particleboard was regarded as taxable income.

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

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Profit before tax	19,390	14,120
Tax at applicable income tax rate	2,865	3,877
Tax effect of expenses not deductible for tax purpose	2,892	1,285
Tax effect of additional deduction based on 10% of revenue	(4,676)	(4,375)
Income tax expense recognised in profit or loss	1,081	787

## 7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
<b>Depreciation and amortisation expenses</b>		
Depreciation of property, plant and equipment	13,077	13,621
Amortisation of prepaid lease payments	240	244
Total depreciation and amortisation expenses	13,317	13,865
<b>Employee benefits expenses (include directors' emoluments)</b>		
Salaries and other benefits	5,843	6,405
Contribution to retirement benefit schemes	757	555
Total employee benefit expenses	6,600	6,960
Cost of inventories recognised as an expense	139,890	124,144
Auditor's remuneration	650	600

## 8. EARNINGS PER SHARE

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

### Earnings

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	18,309	13,333

### Number of shares

	Six months ended 30 June	
	2015 '000	2014 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	729,909	704,240

Notes: There was no diluted earnings per share for both periods as there has been no potential ordinary shares outstanding during the periods presented.

## 9. INVENTORIES

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Raw materials	81,763	46,514
Work in progress	511	3,513
Finished goods	36,690	30,162
<b>Total</b>	<b>118,964</b>	<b>80,189</b>

## 10. TRADE AND BILLS RECEIVABLES

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Trade receivables	52,777	86,607
Bills receivables	817	31,468
	<b>53,594</b>	<b>118,075</b>

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# 10. TRADE AND BILLS RECEIVABLE (CONTINUED)

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.

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within 3 months	41,452	36,299
3 months to 1 year	11,325	50,308
<b>Total</b>	<b>52,777</b>	<b>86,607</b>

The maturity period of bills receivable are within 6 months.

# 11. TRADE PAYABLES

	Notes	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Trade payables	(i)	35,842	37,014
		<b>35,842</b>	<b>37,014</b>

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:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within 3 months	25,718	29,118
4 to 6 months	3,429	2,171
7 to 12 months	4,739	263
Over 1 year	1,956	5,462
	<b>35,842</b>	<b>37,014</b>

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

## 12. BORROWINGS

	Notes	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Bank loans	(i)(ii)(iii)	336,519	336,203
Bank loans obtained in relation to discounted bills receivable		—	3,169
Secured		201,655	187,040
Unsecured		134,864	152,332
		336,519	339,372
Carrying amount repayable			
Repayable within one year		155,337	178,427
More than one year, but not exceeding two years		29,520	40,357
More than two years, but not exceeding five years		151,662	120,588
		336,519	339,372
Less: amount included in current liabilities		(155,337)	(178,427)
Non-current portion		181,182	160,945

Notes:

- (i) Other than bank loans with an aggregate carrying amount of HK\$60,400,000 (2014: HK\$64,505,000) which bear fixed interest rate of 6.16% to 8.1% per annum as at 30 June 2015 (2014: 6.88% to 8.10%), other bank loans with an aggregate carrying amount of HK\$276,120,000 (2014: HK\$271,698,000) bear floating interest rates ranging from 6.16% to 8.64% (2014: 6.16% to 8.64%) per annum as at 30 June 2015.
- (ii) As at 30 June 2015, 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\$255,939,000 (31 December 2014: HK\$266,324,000);
  - (b) the pledge of the Group's prepaid lease payments with an aggregate carrying amount of HK\$18,842,000 (31 December 2014: 19,331,000);
  - (c) the pledge of the Group's trade receivable with an aggregate carrying amount of HK\$20,575,000 (31 December 2014: nil); and
  - (d) the pledge of the Group's bank deposits with an aggregate carrying amount of HK\$10,111,000 (31 December 2014: HK\$3,803,000).
- (iii) As at 30 June 2015, borrowings of HK\$8,018,000 were denominated in Euro.

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### 13. SHARE CAPITAL

	Numbers of shares		Share capital	
	30 June 2015 '000	30 June 2014 '000	30 June 2015 HK\$'000	30 June 2014 HK\$'000
Authorised				
At beginning of year/period	N/A	2,000,000	N/A	200,000
At end of period (note (iii))	N/A	N/A	N/A	N/A
Issued and fully paid				
At beginning of year/period	711,115	533,335	189,015	53,333
Issuance and allotment of shares	121,488 (note(i))	177,780 (note(ii))	64,972	17,778
Effect of the new Hong Kong Companies Ordinance	—	—	—	117,648
At end of period	832,603	711,115	253,987	188,759

Notes:

- (i) A total of 121,488,000 placing shares have been allotted and issued under the General Mandate to not less than six Placees at the Placing Price of HK\$0.56 per Placing Share. For further details, please refer to the announcements of the Company dated 22 May 2015 and 2 June 2015.
- (ii) At completion of the Placing upon listing, a total of 177,780,000 Shares were issued and allotted to certain professional, institutional and other investors. Please refer to the Prospectus for details.
- (iii) Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

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

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## MANAGEMENT DISCUSSIONS AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2015, the Group continued to be 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. With the satisfactory and steady performance of the production line which commenced production in December 2013 (the “New Production Line”), we have gradually consolidated the production scale to the New Production Line during the 2015 Interim Period. Our Group’s performance has remained steady during the 2015 Interim Period as compared to the corresponding period in 2014. As the market conditions became more competitive, we have strived to remain competitive by trying to enter into the cities that our business has not covered previously and providing more quality products with the benefits of the New Production Line. On 2 June 2015, we have successfully completed the placing of a total of 121,488,000 shares to independent investors, the net proceeds of which amount to approximately HK\$65.0 million which has been and is expected to be used to repay borrowings and/or as general working capital of the Group. The placing represents a good opportunity for the Group to raise additional capital, which would allow the Company to increase its capital base and widen its shareholder base.

During the 2015 Interim Period, we have or are in the course of implementing the implementation plans for achieving the business objectives as set out in the Prospectus. The following is a comparison between the Group’s business objectives as set out in the Prospectus and the actual business progress for the six months ended 30 June 2015:

#### Business Plan for the Six Months Ended 30 June 2015

#### Actual Progress up to 30 June 2015

##### Expanding our product range

- Introduce moisture resistance particleboard to the market

We have launched the sale of moisture resistance particleboard under “Hong Wei” brand since the end of 2014

##### Strengthening and expanding our sales network across the PRC

- Employ 3 personnel to the sales and marketing team focusing on other areas of the PRC which are not covered by our sales team

We have deployed the marketing staff to focus on entering into the markets of Jiangmen City of Guangdong Province and Changchun City of Jilin Province

##### Expanding our supplier base for the supply of the Residual Wood

- Establish a Residual Wood procurement centre at Fujian province
- Employ additional 3 to 4 personnel to our Residual Wood procurement team
- Provide tree sprouts to selected Residual Wood suppliers

We have arranged for personnel to work on setting up the Residual Wood procurement centre in Fujian province which is still in process

We have supplied approximately 100,000 tree sprouts to selected Residual Wood suppliers to build up the bondage with loyal suppliers in 2014

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## Business Plan for the Six Months Ended 30 June 2015

### Enhancing our product research and development

- Research and development on low density particleboard
- Continue research and development on high concentration formaldehyde, adhesive chemical, glueing technique and production technology
- Continue cooperation with a university in Nanjing on particleboard research and development

### Strengthening our brand recognition

- Participate at least 2 national furniture expositions and 2 international furniture and wooden-panel production technology expositions
- Cooperate with some furniture manufacturer customers to promote our particleboards as their preferred raw material for producing their products
- Continue effort on advertising campaign

## Actual Progress up to 30 June 2015

Our research and development team is in the process of developing the low density particleboard

Our research and development team has been conducting research in this regard. We have launched large-sale-production and sales of the “Hong Wei” brand of formaldehyde-free particleboard in the first half of 2015

We have been cooperating with an university in Nanjing on particleboard research and development during the first half of 2015.

We have participated in Guangzhou Building Materials and Ancillary Materials Exhibition (廣州建材原輔材料展覽會) and China Wood Materials Summit Forum (中國板材高峰論壇) during the first half of 2015

We have conducted promotion campaign with three furniture manufacturers to promote our particleboards as their preferred raw material for producing their products

China Wood Industry Network (「中國木業網」) has reported on Hong Wei being honored with “China Top Ten Brand Particleboard”, “Most Valuable Brand in Green Industry”, “30-Year Outstanding Contribution Award in Chinese Wood Industry” and etc.

Looking forward, the Group will focus on further enhancing its presence in the particleboard industry and capturing market share in the high-end Premium Quality Particleboard segment. As the global economy is still facing many uncertainties and there are also challenges associated with the economic growth in China, we remain cautiously optimistic about the business prospects for the remainder of 2015. The Group will continue to adhere to the implementation plans as set out in the section headed “Future Plans and Prospectus – Implementation Plans” in the Prospectus as it considers appropriate in the then prevailing circumstances.

## FINANCIAL REVIEW

### Revenue

During the 2015 Interim Period, the Group's revenue was HK\$187.1 million, an increase of 6.9% as comparing with the corresponding period (2014: HK\$175.0 million). The increase was mainly due to increase in the sales volume of particleboards.

### Cost of sales

During the 2015 Interim Period, the Group's costs of sales was HK\$139.9 million, an increase of 12.7% as comparing with the corresponding period (2014: HK\$124.1 million). The increase was mainly attributed to increase in the quantity sold. At the same time, the material cost has increased by approximately 6.8%.

### Gross profit and margin

During the 2015 Interim Period, the Group's gross profit was HK\$47.2 million, a decrease of approximately 7.2% comparing with the corresponding period (2014: HK\$50.8 million). The Group's gross profit margin decreased to approximately 25.2% from approximately 29.1%. The decrease in gross profit was mainly attributable to the rate of increase in material cost is higher than the increase in selling price due to competitiveness in the market despite an increase in quantity sold.

### Distribution expenses

During the 2015 Interim Period, the Group's distribution expenses increased to approximately HK\$15.4 million from approximately HK\$13.8 million, an increase of approximately 11.7%. Transportation cost increased in line with the increase in sales.

### Administrative expenses

During the 2015 Interim Period, the Group's administrative expenses increased to approximately HK\$12.9 million from approximately HK\$10.8 million, an increase of approximately 19.7%. The increase was mainly attributed to increase in professional cost as some additional professional advice was required for the subsidy grant by the PRC Government.

### Finance costs

During the 2015 Interim Period, the Group's finance costs increased to approximately HK\$15.1 million from approximately HK\$11.0 million, an increase of approximately 37.3%. The increase was mainly attributed to increase in the additional puttable notes financing to support the working capital.

### Profit attributable to owners of the Company

The Group records an increase of approximately 37.3% in the profit attributable to owners of the Company for the 2015 Interim Period (being approximately HK\$18.3 million) as compared to the same period in 2014 (being approximately HK\$13.3 million). Such improvement was mainly due to the increase in subsidy grant by the PRC government.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM of the Stock Exchange on 8 January 2014. On 2 June 2015, the Company has completed the placing of a total of 121,488,000 shares to independent investors, the net proceeds of which amount to approximately HK\$65.0 million which has been and is expected to be used to repay borrowings and/or as general working capital of the Group. The capital of the Company only comprises ordinary shares. Upon completion of the said placing, the issued shares of the Company have increased from 711,115,100 shares to 832,603,100 shares.

During the 2015 Interim Period, the Group mainly financed its operations with the Group's working capital, bank loans and the net proceeds of the placing completed upon listing in January 2014.

As at 30 June 2015 and 31 December 2014, the Group had bank loans of approximately HK\$336.5 million and HK\$339.4 million respectively. Other than certain bank loans obtained which bear fixed interest rate ranging from 6.16% to 8.1% per annum, other bank loans bear floating interest rates ranging from 6.16% to 8.64% per annum as at 30 June 2015.

As at 30 June 2015 and 31 December 2014, the Group had net current assets/(liabilities) of approximately HK\$87.9 million and HK\$(21.4) million respectively. The current ratio of the Group increased to 1.37x as at 30 June 2015 (31 December 2014: 0.93x). The increase in net current assets was mainly attributed to increase in working capital from the placing.

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### Gearing Ratio

As at 30 June 2015, the gearing ratio stood at 1.01x (31 December 2014: 1.33x) based on total borrowings over shareholders' equity. The decrease was mainly due to the increase in the shareholder's equity as a result of the completion of the placing in June 2015.

### FOREIGN EXCHANGE EXPOSURE

As at 30 June 2015, the Group has no significant exposure to foreign currency risk as it carries out its sales and purchases mainly in RMB, and 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 Directors consider that the foreign exchange risk exposure is minimum.

### 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 AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the 2015 Interim Period, there were no significant investments. There is no plan for material investments on capital assets as at the date of this report.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the 2015 Interim Period, the Group did not have any material acquisitions and disposals of subsidiary.

### PLEDGE OF ASSETS

As at 30 June 2015, 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\$255,939,000 (31 December 2014: HK\$266,324,000);
- (b) the pledge of the Group's prepaid lease payments with an aggregate carrying amount of HK\$18,842,000 (31 December 2014: HK\$19,331,000);
- (c) the pledge of the Group's trade receivable with an aggregate carrying amount of HK\$20,575,000 (31 December 2014: nil); and
- (d) the pledge of the Group's bank deposits with an aggregate carrying amount of HK\$10,111,000 (31 December 2014: HK\$3,803,000).

### COMMITMENTS

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

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Capital commitments	—	12,103
Letters of credit commitments	—	—

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2015 (31 December 2014: nil).

## EVENT AFTER THE REPORTING PERIOD

### Framework Agreement on Disposal of old Production Line

Considering the satisfactory performance of the new production line since its Full Production in December 2013, the Company has decided to consolidate the particleboards production scale into the new production line. On 31 July 2015, Hongwei Wooden Products (Renhua) Co. Ltd. (a wholly-owned subsidiary of the Company) entered into a framework disposal agreement (“Framework Agreement”) with an independent third party (“Purchaser”) for the sale of the old production lines (“Disposal”), pursuant to which the Purchaser conditionally agrees to purchase, and the Company conditionally agrees to sell, the whole or part of the machineries of the old production lines (comprising machines of mat former, hot presser, sanding machine etc.) for a consideration not exceeding RMB13,000,000 with details to be agreed between the parties by 30 September 2015. For further details, please refer to the announcement of the Company dated 31 July 2015.

### Appointment of Non-Executive Director

Mr. Lai Ming Wai has been appointed as a non-executive director of the Company with effect from 10 July 2015. For further details, please refer to the announcement of the Company dated 10 July 2015.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group employed a total of 171 employees. The remuneration payable to our employees included fees, salaries, retirement benefits scheme contributions and other benefits. For the 2015 Interim Period and the same period in 2014, the remuneration was approximately HK\$6.6 million and HK\$7.0 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.

## 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 19 December 2013, being the date on which the Share Option Scheme is conditionally adopted, and expire on 18 December 2023.

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.

Offer of an Option (“Offer”) shall be deemed to have been accepted by any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme (“Grantee”) and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Option duly signed by the Grantee together with a remittance in favour of our Company of HK\$1 by way of consideration for the granting thereof is received by our Company within such period as our Board may determine and specify in the letter of Offer. Such remittance shall in no circumstances be refundable.

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An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by our Board at its absolute discretion and notified by our Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme (“Option Period”).

Unless otherwise determined by our Board and specified in the offer letter to be given to the Participant at the time of the offer of the Option, there is neither any performance target that needs to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

The subscription price for our Shares under the Share Option Scheme will be at least the highest of (a) the closing price of our Shares as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the date on which an Offer is made by our Company to the Grantee (which date must be a Business Day, “Offer Date”); (b) a price being the average of the closing prices of our Shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date (provided that the Offer Price shall be used as the closing price for any Business Day falling within the period before listing of our Shares where our Company has been listed for less than five (5) Business Days as at the Offer Date); and (c) the nominal value of a Share.

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 71,111,510 shares, being 10% of the total number of Shares in issue immediately following completion of the Placing and 8.54% of the total number of shares in issue as at 30 June 2015, unless the Company obtains a fresh approval from the Shareholders. The maximum entitlement for any one Participant is that the total number of our 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.

No option has lapsed, or has been granted, exercised or cancelled under the Share Option Scheme during the six months ended 30 June 2015. Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at 30 June 2015.

For details of the Share Option Scheme, please refer to the section headed “Appendix V Statutory and General Information – D. Share Option Scheme” in the Prospectus.

## **DIRECTORS’ INTERESTS IN COMPETING BUSINESSES**

Except as disclosed in the Prospectus, during the 2015 Interim Period, 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.

## **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 30 June 2015, 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 Cheung Lok <sup>(3)(4)</sup>	Beneficial owner	430,000,000 (L)	51.65%
Ms. Cheung Ngar Kwan (“Mrs. Wong”) <sup>(2)</sup>	Interest of spouse	430,000,000 (L)	51.65%

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.
- (3) On 10 April 2015, Mr. Wong Cheung Lok (“Mr. Wong”), the chairman, chief executive officer and controlling shareholder (as defined in the Listing Rules), has completed the sale of a total of 70,000,100 shares of the Company to a total of 14 individuals at a consideration of HK\$0.51 per share. Immediately after completion of the said sale, Mr. Wong owned a total of 430,000,000 shares of the Company. For further details, please refer to the announcement of the Company dated 10 April 2015.
- (4) On 6 July 2015, a total of 160,000,000 shares in the share capital (“Shares”) of the Company held by Mr. Wong Cheung Lok (“Mr. Wong”), the chairman, chief executive officer and controlling shareholder (as defined in the Listing Rules) which were charged on 7 January 2015 in favour of the Chargee A and the Chargee B were released from charge; and immediately after the said release, a total of 400,000,000 Shares held by Mr. Wong were charged in favour of an independent third party. For further details, please refer to the announcements of the Company dated 10 July 2015 and 9 January 2015 respectively. The aforesaid charge of shares do not fall within the scope of Rule 17.19 of the GEM Listing Rules.

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## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2015, the following persons 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 Cheung Lok	Beneficial owner	430,000,000 (L)	51.65%
Mrs. Wong <sup>(2)</sup>	Interest of spouse	430,000,000 (L)	51.65%
Hoi Kuong <sup>(5)</sup>	Person having a security interest in shares	80,000,000 (L)	9.61%
Cashing Credit Limited <sup>(5)</sup>	Person having a security interest in shares	80,000,000 (L)	9.61%
Eternity Investment Limited <sup>(5)</sup>	Person having a security interest in shares	80,000,000 (L)	9.61%
Riche (BVI) Limited <sup>(5)</sup>	Person having a security interest in shares	80,000,000 (L)	9.61%
Simple View Investment Limited <sup>(5)</sup>	Person having a security interest in shares	80,000,000 (L)	9.61%

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.
- (3) On 10 April 2015, Mr. Wong Cheung Lok ("Mr. Wong"), the chairman, chief executive officer and controlling shareholder (as defined in the Listing Rules), has completed the sale of a total of 70,000,100 shares of the Company to a total of 14 individuals at a consideration of HK\$0.51 per share. Immediately after completion of the said sale, Mr. Wong owned a total of 430,000,000 shares of the Company. For further details, please refer to the announcement of the Company dated 10 April 2015.
- (4) On 6 July 2015, a total of 160,000,000 shares in the share capital ("Shares") of the Company held by Mr. Wong Cheung Lok ("Mr. Wong"), the chairman, chief executive officer and controlling shareholder (as defined in the Listing Rules) which were charged on 7 January 2015 in favour of the Chargee A and the Chargee B were released from charge; and immediately after the said release, a total of 400,000,000 Shares held by Mr. Wong were charged in favour of an independent third party. For further details, please refer to the announcements of the Company dated 10 July 2015 and 9 January 2015 respectively. The aforesaid charge of shares do not fall within the scope of Rule 17.19 of the GEM Listing Rules.
- (5) Each of Eternity Investment Limited, Riche (BVI) Limited, Simple View Investment Limited, Cashing Credit Limited and Hoi Kuong held long position in 80,000,000 Shares of the Company, representing approximately 9.61% of the issued share capital of the Company as of 30 June 2015 and ceased to have any interest in the Shares of the Company on 6 July 2015.
- (6) China Strategic Holding Limited, China Strategic Asset Holdings Limited, China Strategic Financial Holdings Limited and U Credit (HK) Limited were not interested in the Shares of the Company as at 30 June 2015 and became interested in the long position in 400,000,000 Shares, representing approximately 48.04% of the issued share capital of the Company, in the capacity of "person having a security interest in shares" on 6 July 2015.

Save as disclosed herein, our Directors are not aware of any other person who, as at 30 June 2015, 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.

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, V Baron Global Financial Services Limited (“Baron”), as at 30 June 2015, except for 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.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the 2015 Interim Period, neither the Company nor its subsidiary have purchased, sold or redeemed any securities of the Company.

For the details of the placing completed in June 2015, please refer to the section headed “Placing in June 2015” herein.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 to the GEM Listing Rules during the 2015 Interim Period except otherwise stated herein.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated 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 Chief Executive Officer, 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 conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wong and believes that his appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Company.

## MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard of dealings concerning securities transactions by the directors during the 2015 Interim Period.

## DIRECTORS’ INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company or its subsidiary was a party during the 2015 Interim Period.

## USE OF NET PROCEEDS FROM THE PLACING UPON LISTING

The net proceeds from the Company’s Placing upon listing in January 2014 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.

Up to 30 June 2015, the net proceeds had been applied as follows:

1. Approximately HK\$30.0 million has been applied for partially repaying a RMB32 million bank loan provided from Agricultural Bank of China.
2. Approximately HK\$4.1 million has been applied for the expanding our product range.
3. Approximately HK\$2.55 million has been applied for strengthening and expanding of our sales network across the PRC.
4. Approximately HK\$1.4 million has been applied for expanding our supplier base for the supply of Residual Wood.
5. Approximately HK\$5.0 million has been applied for enhancing of our product research and development.
6. Approximately HK\$1.7 million has been applied for strengthening our brand recognition.
7. Approximately HK\$5 million has been applied for general working capital purpose.

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## PLACING IN JUNE 2015

Unless stated otherwise, the defined terms used in this section shall have the same meaning as those defined in the announcements of the Company dated 22 May 2015 and 2 June 2015 respectively. On 22 May 2015 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has agreed to place, on a best effort basis, the Placing Shares comprising up to 142,218,000 new Shares at the Placing Price of HK\$0.56 per Placing Share to not less than six independent Placees. On 2 June 2015, the Company has completed the placing of a total of 121,488,000 shares to no less than six Placees at the Placing Price of HK\$0.56 per Placing Share, the net proceeds of which amount to approximately HK\$65.0 million. Upon completion of the said placing, the issued shares of the Company have increased from 711,115,100 shares to 832,603,100 shares. For further details, please refer to the announcements of the company dated 2 June 2015 and 22 May 2015.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, the Placees and their ultimate beneficial owners (where applicable) are Independent Third Parties. None of the Placees becomes a substantial shareholder (as defined under the GEM Listing Rules) of the Company upon completion of the Placing. The net proceeds from the Placing, after deducting relevant expenses incurred in relation to the Placing, amount to approximately HK\$65.0 million which is presently expected to be used to repay borrowings and/or as general working capital of the Group.

The 121,488,000 Placing Shares represent approximately (i) 17.08% of the issued share capital of the Company immediately before the completion of the Placing and (ii) 14.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The Placing Price is HK\$0.56 per Placing Share, representing:

- (i) a discount of approximately 15.15% to the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on 22 May 2015, being the date of the Placing Agreement; and
- (ii) a discount of approximately 12.50% to the average of the closing prices of approximately HK\$0.64 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Placing Agreement.

The Placing Price was determined and negotiated on an arm's length basis between the Company and the Placing Agent with reference to, among others, the prevailing market price and the liquidity of the Shares. The Directors consider that the Placing Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Based on the expenses for the Placing, the net Placing Price is approximately HK\$0.535 per Placing Share. Up to 30 June 2015 and as at the date of this report, the net proceeds from the placing has been and is expected to be used to repay borrowings and/or as general working capital of the Group.

## 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 during the 2015 Interim Period.

## REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Board of the Company has discussed and reviewed with the management of the Group the consolidated financial statements of the Group for the 2015 Interim Period, which has not been audited by the Company's auditors, Deloitte Touche Tohmatsu.

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the 2015 Interim Period.

By order of the Board  
**Hong Wei (Asia) Holdings Company Limited**  
**Wong Cheung Lok**  
Chairman

Hong Kong, 14 August 2015

*As at the date of this report, the executive Directors are Mr. Wong Cheung Lok, Ms. Cheung Ngai Kwan, Ms. Huang Xiuyan and Mr. Liu Jiayong; the non-executive Directors are Mr. Ong Chor Wei and Mr. Lai Ming Wai; and the independent non-executive Directors are Dr. Xu Jianmin, Ms. Qian Xiaoyu and Mr. Wong Hei Chiu.*

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