



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

THIRD QUARTERLY REPORT 2015

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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 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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This report, for which the directors (the “Directors”) of Hong Wei (Asia) Holdings Company Limited (the “Company”, together with its subsidiary, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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UNAUDITED THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the nine months ended 30 September 2015, together with the comparative figures of the corresponding period as appropriate. The financial information contained herein has not been audited by the Company’s auditor but has been reviewed by the Company’s audit committee.

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.

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	3	276,345	286,130	89,289	111,140
Cost of sales		(212,955)	(201,886)	(73,066)	(77,742)
Gross profit		63,390	84,244	16,223	33,398
Other income		36,216	773	20,386	330
Other gain/(losses)		–	(109)	–	17
Distribution expenses		(24,015)	(25,288)	(8,582)	(11,470)
Administrative expenses		(16,908)	(20,429)	(4,004)	(9,647)
Other expenses		(4,045)	(1,450)	(3,916)	(36)
Finance costs	4	(21,933)	(17,919)	(6,793)	(6,889)
Profit before tax		32,705	19,822	13,314	5,703
Income tax expense	5	2,111	(780)	3,192	7
Profit for the period attributable to owners of the Company	6	34,816	19,042	16,506	5,710

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Notes	Nine months ended 30 September		Three months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Other comprehensive income which will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to presentation currency	(6,006)	(1,492)	(439)	480
Other comprehensive income for the period	(6,006)	(1,492)	(439)	480
Total comprehensive income for the period	28,810	17,550	16,067	6,190
Total comprehensive income attributable to owners of the Company	28,810	17,550	16,067	6,190
Basic earnings per share, in HK cents	3.98	2.70	1.9	0.82

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	–	–	–	–	–	–	34,816	34,816
Other comprehensive income for the period	–	–	–	–	–	(6,006)	–	(6,006)
Total comprehensive income for the period	–	–	–	–	–	(6,006)	34,816	28,810
Issue of new shares	64,972	–	–	–	–	–	–	64,972
Balance at 30 September 2015	253,987	–	(16,968)	9,715	–	7,032	94,833	348,599
Balance at 1 January 2014	53,333	72,258	(16,968)	6,414	–	15,023	37,125	167,185
Profit for the period	–	–	–	–	–	–	19,042	19,042
Other comprehensive income for the period	–	–	–	–	–	(1,492)	–	(1,492)
Total comprehensive income for the period	–	–	–	–	–	(1,492)	19,042	17,550
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 September 2014	188,759	–	(16,968)	6,414	–	13,531	56,167	247,903

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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 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.

The unaudited consolidated results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the Company's annual financial statements for the year ended 31 December 2014, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") as disclosed in note 2 below.

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 nine-month period ended 30 September 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.

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3. REVENUE

Revenue represents revenue arising on sales of particleboards as follows:

	For the nine months ended	
	30 September 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Sales of particleboards	276,345	286,130

4. FINANCE COSTS

	For the nine months ended	
	30 September 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Interest on bank loans		
– wholly repayable within five years	21,933	16,208
– not wholly repayable within five years	–	1,711
	21,933	17,919

5. INCOME TAX EXPENSE

	For the nine months ended	
	30 September 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	(823)	1,617
Deferred tax:		
Current year charge/(credit)	(1,288)	(837)
	(2,111)	780
Profit before tax	32,705	19,822
Tax at applicable income tax rate	8,176	5,495
Tax effect of expenses not deductible for tax purpose	5,676	2,438
Tax effect of additional deduction based on 10% of revenue	(15,963)	(7,153)
Income tax expense recognised in profit or loss	(2,111)	780

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 nine months ended 30 September 2014 and 2015 respectively.

鴻偉木業

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 nine months ended 30 September 2015 and 2014 respectively, 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.

6. PROFIT FOR THE PERIOD

Profit has been arrived at after charging:

	Nine months ended 30 September 2015 HK\$'000 (Unaudited)	Nine months ended 30 September 2014 HK\$'000 (Unaudited)
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	19,316	20,582
Amortisation of prepaid lease payments	360	365
Total depreciation and amortisation expenses	19,676	20,947
Employee benefits expenses (include directors' emoluments)		
Salaries and other benefits	10,093	9,141
Contribution to retirement benefit schemes	1,366	821
Total employee benefit expenses	11,459	9,962
Cost of inventories recognised as an expense	212,955	201,886
Auditor's remuneration	970	900

7. EARNINGS PER SHARE

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

Earnings

	Nine months ended 30 September 2015 HK\$'000 (Unaudited)	Nine months ended 30 September 2014 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	34,816	19,042

Number of shares

	Nine months ended 30 September 2015 '000	Nine months ended 30 September 2014 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	764,516	706,557

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MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 30 September 2015, the Group continues to be primarily engaged in the manufacturing and sales of particleboards, which are used mainly by the customers of the Group in the manufacturing of furniture, flooring panels, decoration and construction materials. The Group also continues to further enhance its presence in the particleboard industry and capture market share in the Premium Quality Particleboard segment, and have implemented certain steps to expand our product range, strengthen and expand our sales network across the PRC, expand our supplier base for the supply of the Residual Wood, enhance our product research and development, and strengthen our brand recognition. Such steps include, inter alia, (i) commencing sales of new types of Premium Quality Particleboards such as fire-proof particleboard, formaldehyde-free particleboard and moisture-proof particleboard, (ii) commencing sales of new types of customised particleboard such as particleboard with individually-customised size and particleboard with specific physical features, (iii) completing external employment and/or internal allocation of additional personnel responsible for sale and marketing according to the stated business plan, (iv) deploying a sales and marketing team to be based in Shanghai for sales in Yangtze River Delta economic region and (v) participating in China International Furniture Fair (Guangzhou), China (Guangzhou) International Building Decoration Fair, the First China (Ganzhou) Furniture Industry Fair and Guangzhou International Furniture Fair Materials and Hardware Accessories Fair. Looking forward, we shall continue to take such steps as necessary to achieve the business objectives as set out in the Prospectus for the remainder of 2015.

With reference to the voluntary announcement of the Company dated 31 July 2015, the Company has decided to consolidate the particleboards production scale into the new production line. In September 2015, the independent third party committed to buy certain machineries of the old product lines in accordance to the framework disposal agreement entered into with Hongwei Wooden Products (Renhua) Co. Ltd. (a wholly-owned subsidiary of the Company) on 31 July 2015.

In addition, our Group intends to commence a new business segment of vehicle distribution business (“New Business Activity”). The Company considers that the New Business Activity will diversify the Group’s businesses and broaden its revenue base. Accordingly, the Company is of the view that the commencement of the New Business Activity will be in the interest of the Company and its shareholders as a whole. The Group intends to finance the New Business Activity by its internal resources.

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FINANCIAL REVIEW

Revenue

During the nine months ended 30 September 2015, the Group's revenue decreased to approximately HK\$276.3 million from approximately HK\$286.1 million for the nine months ended 30 September 2014, representing a decrease of approximately 3.4%. The decrease was due to decrease in the selling price of particleboards.

Cost of Sales

During the nine months ended 30 September 2015, the Group's costs of sales increased to approximately HK\$213.0 million from approximately HK\$201.9 million for the nine months ended 30 September 2014, representing an increase of approximately 5.5%. The increase was mainly attributed to increase in materials costs. In addition, there was a change in VAT deductible policy in this year. This caused the increase in the cost of sales.

Gross profit and margin

During the nine months ended 30 September 2015, the Group's gross profit decreased to approximately HK\$63.4 million from approximately HK\$84.2 million for the nine months ended 30 September 2014, representing a decrease of approximately 24.8% and the Group's gross profit margin decreased to approximately 22.9% from approximately 29.4% for the nine months ended 30 September 2014. The decrease in gross profit was mainly due to decrease in selling price, increase in material cost and impact of VAT deductible policy.

Other income

During the nine months ended 30 September 2015, the Group's other income increased to approximately HK\$36.2 million from approximately HK\$0.8 million for the nine months ended 30 September 2014, representing an increase of approximately 46.9 times. The increase was mainly attributable to Government grants and VAT refund.

Distribution expenses

During the nine months ended 30 September 2015, the Group's distribution expenses decreased to approximately HK\$24.0 million from approximately HK\$25.3 million for the nine months ended 30 September 2014, representing a decrease of approximately 5.0%. The decrease was mainly due to cost control.

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Administrative expenses

During the nine months ended 30 September 2015, the Group's administrative expenses decreased to approximately HK\$16.9 million from approximately HK\$20.4 million for the nine months ended 30 September 2014, representing a decrease of approximately 17.2%. The decrease was mainly attributed to a lower provision for receivables.

Finance costs

During the nine months ended 30 September 2015, the Group's finance costs increased to approximately HK\$21.9 million from approximately HK\$17.9 million for the nine months ended 30 September 2014, representing an increase of approximately 22.4%. The increase was mainly attributed to the increase in interest rate in 2015.

Profit attributable to owners of the Company

During the nine months ended 30 September 2015, the Group's profit attributable to owners of the Company increased to approximately HK\$34.8 million from approximately HK\$19.0 million for the nine months ended 30 September 2014, representing an increase of approximately 82.8%. The increase was mainly attributable to an increase in the other income. The increase was partly offset by a decrease in the sales.

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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 30 September 2015, no option has been granted under the Share Option Scheme.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed herein, at no time during the nine months ended 30 September 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date and up to 30 September 2015, neither the Company nor its subsidiary have purchased, sold or redeemed any securities of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules from the Listing Date and up to 30 September 2015 except otherwise stated herein.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision A.2.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules, 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 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 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.

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DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Except as disclosed in the Prospectus, since listing and up to 30 September 2015, 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 September 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:

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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 ⁽³⁾⁽⁴⁾	Beneficial owner	430,000,000 (L)	51.65%
Ms. Cheung Ngar Kwan (“Mrs. Wong”) ⁽²⁾	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.

鴻偉木業

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 September 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 ⁽³⁾⁽⁴⁾	Beneficial owner	430,000,000 (L)	51.65%
Mrs. Wong ⁽²⁾	Interest of spouse	430,000,000 (L)	51.65%
China Strategic Holdings Limited ⁽⁵⁾	Person having a security interest in shares	400,000,000 (L)	48.04%
U Credit (HK) Limited ⁽⁵⁾	Person having a security interest in shares	400,000,000 (L)	48.04%

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) China Strategic Holdings Limited and U Credit (HK) Limited became interested in the long position in 400,000,000 Shares of the Company, 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.

鴻偉木業

Save as disclosed herein, our Directors are not aware of any other person who, as at 30 September 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 (“V Baron”), as at 30 September 2015, except for the compliance adviser agreement entered into between the Company and V Baron dated 23 December 2013, neither V Baron or its directors, employees or associates had any interest in relation to the Group.

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 since the Listing Date and up to 30 September 2015.

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 since the Listing Date and up to 30 September 2015.

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.

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

1. Approximately HK\$30 million has been applied for partially repaying a RMB32 million bank loan provided from Agricultural Bank of China.
2. Approximately HK\$4.4 million has been applied for the expanding our product range.
3. Approximately HK\$2.8 million has been applied for strengthening and expanding of our sales network across the PRC.
4. Approximately HK\$1.9 million has been applied for expanding our supplier base for the supply of Residual Wood.

5. Approximately HK\$5.3 million has been applied for enhancing of our product research and development.
6. Approximately HK\$2.0 million has been applied for strengthening our brand recognition.
7. Approximately HK\$5.0 million has been applied for general working capital purpose.

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.

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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 September 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 since the Listing Date and up to 30 September 2015.

AUDIT COMMITTEE

The audit committee of the Board of the Company has reviewed and discussed with the management of the Group the unaudited consolidated results of the Group for the nine months ended 30 September 2015.

QUARTERLY DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2015 (2014: Nil).

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

Hong Kong, 12 November 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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