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

2015 ANNUAL REPORT

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Content

Corporate Information

REGISTERED OFFICE
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HEAD OFFICE IN HONG KONG
Unit 4, 17/F, Winning Centre
29 Tai Yau Street, San Po King
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

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 DIRECTORS
Mr. Ong Chor Wei
Mr. Lai Ming Wai

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

COMPANY SECRETARY
Ms. Leung Wai Ling Wylie, HKICPA

COMPLIANCE ADVISER
VBG Capital Limited

SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
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PRINCIPAL BANKERS
Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited

AUDITOR
Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)

LEGAL ADVISERS TO THE COMPANY
as to Hong Kong law:
Reed Smith Richards Butler

GEM STOCK CODE
8191

Chairman’s Statement

Dear Shareholders,

On behalf of the board of directors, I am pleased to present the annual results of the Group for the year ended 31 December 2015.

The year 2015 was a significant milestone in the corporate development of the Company. With the benefits of listing in 2014, the Company has utilized the listing proceeds to, inter alia, expand our product range, strengthen and expand our sales network, enhance our product research and development during 2015. We introduced moisture resistant and fire resistant particleboard to the market and these products are already in production. Also, we have set up Research and Development centers with new and advanced laboratory equipment and machinery. We are the first in the PRC to innovate the particleboard core surface separate sizing technology and to optimize and enhance adhesive formulations, which effectively reduce consumption, improve product quality and save cost. Our capability of providing high quality product in a consistent/stable manner has been recognized by the market.

In 2015, we continued to be primarily engaged in manufacturing and sales of particleboards. Our customers are mainly home or office furniture manufacturers, sport equipment manufacturers and wood-based panel processors and traders from the Pearl River Delta economic region, the Yangtze River Delta economic region and Fujian province. Our major revenue drivers include (i) the product competitiveness and the wide product range of particleboards, (ii) the customer relationship and market recognition, and (iii) the advanced production line with scaled production capacity.

We managed to maintain a slight growth in revenue and recorded profit in a challenging year in China. During the year ended 31 December 2015, the Group’s gross profit decreased to approximately HK$95.3 million from approximately HK$112.8 million, representing a decrease of approximately 15.5% as compared to the year ended 31 December 2014. The Group’s gross profit margin dropped to approximately 23.8% in 2015 from approximately 28.4% in 2014. The decrease in gross profit and gross profit margin was mainly due to the slight decrease in average unit selling price and significant increase in the factory overhead cost in 2015.

Going forward, the Group will continue to deploy resources into expanding its customised-particleboard market segment. With the conservation of the environment in mind, the Group will also continue to devote significant resources to the research and development of its formaldehyde free and fire-resistant particleboards. It is the goal of the Group to make formaldehyde free particleboards its flagship product in the future.

The Group has noted increase in the unit costs of wood materials purchased by it over the years. Given the continued expansion of the Group’s operations, the Board has determined that it would be in the best interests of the Company to consider upstream acquisitions of forest rights in order to give it greater assurance on the supply and better ability to control the costs of such raw materials.

Further, in the Group’s endeavor to become a high-tech enterprise, it will also be stepping up on protection of its intellectual property and plan to apply for patent protection over the Group’s existing production technology and equipment.

During the year, we have taken up the rights to distribute, market and service the sports car “Gumpert Apollo” for specified territories through a distribution agreement with Sino Partner Global Limited. We believe that the development of vehicle distribution as a new area of business is a diversification that can broaden our revenue base in the interest of our Company and shareholders as a whole. However, we will be pragmatic in our investment in this new business.

In the aspect of human resources, we are going to recruit and train skilled personnel to enhance our team. We believe that the ability to grow as a successful business depends on the quality of our management and employees. We are committed to recruiting, training and retaining skilled and experienced people throughout our operations to better serve our customers.

The management is committed to creating value for shareholders. The Company puts great emphasis on manageable growth and cost reduction to generate strong cash flow and earning to invest in the future. By working with the Board and external advisers, the Company will also continue to promote transparency and enhance corporate governance.

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

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

Hong Kong, 31 May 2016

Management Discussions and Analysis

BUSINESS REVIEW

In 2015, the Group continues to be primarily engaged in the manufacturing and sales of particleboards, which are used mainly by our customers 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.

Our Group's production lines are certified to have met the Californian Particleboard Standards of Regulations of the United States of America and the Group's particleboard products are certified for being qualified to use the Adopting International Standard Product mark (PRC GB/T 4897-2003 of the Particleboard International Standards).

With the smooth running of the production line of the Group, the sales orders increased steadily with very competitive selling price due to the better quality particleboards produced. The Directors believe that our production line will continue to provide the Group, amongst others, with the following benefits: (i) the Group is able to produce particleboards with better and more consistent quality; (ii) the Group's production lines are more efficient in energy and raw material consumption, thus lowering its production cost; (iii) the Group's products are more environmentally friendly and would comply with all the Particleboard PRC GB Standards and Particleboard International Standards; (iv) the Group is able to produce customised particleboards and particleboards of various dimensions and specifications, that most other particleboard manufacturers in the PRC may not be able to produce; and (v) the Group is able to expand its market share and solidify its market position in the particleboard industry due to its capability to offer a wider product offering.

In addition, our Group has commenced a new business of vehicle distribution ("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. According to a distribution agreement entered into by the Company with Sino Partner Global Limited ("SPG"), the Company was appointed as an authorized dealer and vested with the rights of distribution, marketing and service of sports car "Gumpert Apollo" in a designated city. The Company has dealt with SPG for their new car launch, which is still in progress up to the date of this annual report.

Looking forward, we have been seeking to expand our supplier base for the supply of the residual wood materials which are key raw materials for our production of particleboards. Although the current year's average cost per tonne of residual woods decrease slightly, we expect that the unit cost of wood material will increase based on the price trend over the past few years. Given the continued expansion of the Group's operations, the Board has determined that it would be in the best interests of the Company to consider upstream acquisitions of forests rights as set out in note 37 to the consolidated financial statements in order to give it greater assurance on the supply and better ability to control the costs of such raw materials.

For the year of 2015, we are in the course of or have implemented the implementation plan as stated in the section headed "Future Plans and Prospects" in the Prospectus. Further details of our implementations as set out in the section headed "Management Discussion and Analysis – Comparison of Business Objectives with Actual Business Progress" of this annual report.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2015, the Group's revenue increased slightly to approximately HK$400.7 million from approximately HK$396.6 million, representing an increase of approximately 1.0% as compared to the year ended 31 December 2014. The increase was mainly due to increase in sales volume during the year.

Cost of Sales

During the year ended 31 December 2015, the Group's costs of sales increased to approximately HK$305.4 million from approximately HK$283.8 million, representing an increase of approximately 7.6% as compared to the year ended 31 December 2014. The increase was mainly attributed to increase in the quantity produced and sold and the increase in factory overhead cost.

Gross profit and margin

During the year ended 31 December 2015, the Group's gross profit decreased to approximately HK$95.3 million from approximately HK$112.8 million, representing a decrease of approximately 15.5% as compared to the year ended 31 December 2014. The Group's gross profit margin dropped to approximately 23.8% in 2015 from approximately 28.4% in 2014. The decrease in gross profit and gross profit margin was mainly due to the slight decrease in average unit selling price and significant increase in the factory overhead cost in 2015.

Other income

During the year ended 31 December 2015, the Group's other income increased significantly to approximately HK$25.0 million from approximately HK$2.8 million, representing approximately 8.9 times as compared to the year ended 31 December 2014. The significant increase was due to the significant increase in Value-added tax ("**VAT**") refund under comprehensive utilisation of resources policy issued by the PRC government as a result of (i) one off refund for transitional arrangement of change of VAT refund policy in the current year; and (ii) less VAT paid in prior year as input VAT arising from acquiring machineries have been mostly set off with output VAT.

Selling and distribution expenses

During the year ended 31 December 2015, the Group's selling and distribution expenses decreased slightly to approximately HK$33.2 million from approximately HK$34.5 million, representing a decrease of approximately 3.8% as compared to the year ended 31 December 2014. The decrease was mainly attributable to better cost control measures imposed.

Administration expenses

During the year ended 31 December 2015, the Group's administration expenses remain at the same level of approximately HK$27.7 million as compared to the year ended 31 December 2014.

Finance costs

During the year ended 31 December 2015, the Group's finance costs increased to approximately HK$28.0 million from approximately HK$26.6 million, representing an increase of approximately 5.3% as compared to the year ended 31 December 2014. The increase was mainly attributable to an increase in the interest incurred for the puttable notes.

Profit attributable to owners of the Company

During the year ended 31 December 2015, the Group's profit attributable to owners of the Company decreased to approximately HK$24.7 million from approximately HK$26.2 million, representing a decrease of approximately 5.9% as compared to the year ended 31 December 2014. The decrease was mainly attributable to the decrease in gross profit during this year.

Total comprehensive income attributable to owners of the Company

During the year ended 31 December 2015, the total comprehensive income attributable to owners of the Company decreased to approximately HK$5.9 million from approximately HK$24.2 million, representing a decrease of approximately 75.5% as compared to the year ended 31 December 2014. Such decrease was mainly due to the exchange differences of approximately HK$18.7 million arising from translation of RMB to HK$ which is the presentation currency of the consolidated financial statements due to the depreciation of RMB.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

Potential fluctuation in the prices of raw materials

Our Directors consider that residual wood is one of the major raw materials for particleboard production which accounted for approximately 67.3% of the total purchases in the year ended 31 December 2015 (2014: 67.8%).

Our average purchase cost of residual wood was approximately RMB357 per tonne for the year ended 31 December 2015 and approximately RMB368 for 2014. Fluctuations in price and supply of residual wood will affect the prices and supplies of particleboards. Residual wood prices may increase in the next few years. Since residual wood is a plant product, its supplies are vulnerable to many factors beyond our control, including weather, infestations and other forces of nature that may result in shortage in supplies and an increase in price. An increase of demand may also result in an increase in the price of residual wood. Since the beginning of 2016, we have been seeking to broaden our suppliers base for the residual wood by acquiring forest rights (please refer to note 37 to the consolidated financial statements for details).

Collection risks associated with credit sales

Our trading terms with some of our customers are primarily on credit. The credit terms are generally 30 to 90 days. We are exposed to possible credit risks as a result of the competitive conditions under which we operate and the continuing changes in the global economic and financial environment, which may limit our customers' access to credit in the future. We will monitor our trade receivables closely to minimise the credit risks.

Competitive market

We face competition from existing and new players in the particleboard industry in the PRC. To compete effectively and maintain our sales level, we may be forced to, among other actions, reduce prices, provide more sales incentives to customers and increase capital expenditures, which may in turn negatively affect our profit margins.

Our Directors are of the view that particleboard customers have been careful in selecting their particleboard suppliers and are likely to partner with accepted and reliable suppliers and prefer to work with such suppliers on a long term basis. Our Directors believe that our success depends on our ability to compete effectively against our competitors in terms of product quality, stable supplies, research and development capability, customer service, pricing, timely delivery, scale and capacity, efficiency and technical know-how. The Group will strive to maintain its competitiveness by providing products with reliable quality at a competitive price.

KEY PERFORMANCE INDICATORS

The Directors consider that financial key performance indicators include revenue, gross profit and margin and profit attributable to owners of the Company as set out under the sub-section headed "Financial Review" above.

Non-financial key performance indicator includes the total volume of particleboards produced per annum.

Total volume of particleboards produced per annum

The Group produced an aggregate of approximately 268,000 cubic meters particleboards in 2015, comparing to approximately 266,000 cubic meters in 2014. This shows an improvement of the Group's annual production capacity which can cater for more demand for particleboards manufactured by the Group.

Data used as the financial and non-financial key performance indicators for the two financial years ended 31 December 2014 and 2015 are sourced from the Group's internal records and consistent methods of calculation are applied.

FUTURE PLANS AND PROSPECT

The year 2015 was the second full year operation of the Group after the Company was listed on the GEM of the Stock Exchange on 8 January 2014. The Group will continue to further strengthen its foundation, optimise its system and promote its product innovation to drive a steady growth of its business although China economy growth shows slow in these years. The Group will continue to leverage on its business know-how and continue to strengthen its brand recognition and solidify its market position within the PRC; beginning from Renhua County in Guangdong Province, to the other regions of the PRC and even to overseas, ultimately making "Hongwei" the brand with a global reach in the particleboard industry.

In future, the Group will keep putting more resources into expanding its customised-particleboard market segment. With the conservation of the environment in mind, the Group will continue to devote significant resources to the research and development of its formaldehyde free and fire-resistant particleboards. It is the goal of the Group to make formaldehyde free particleboards its flagship product in the future.

The Group has noted increase in the unit costs of wood materials purchased by it over the years. Given the continued expansion of the Group's operations, the Board has determined that it would be in the best interests of the Company to consider upstream acquisitions of forest rights in order to give it greater assurance on the supply and better ability to control the costs of such raw materials. In addition to the proposed major and connected acquisition of the forest rights which was the subject of the Company's announcement dated 12 January 2016, since the beginning of 2016 and as part of the Group's efforts to broaden its sources for wood materials which constitute a key raw material for the Group's production activities, the Group has entered into agreements (details of which are disclosed in note 37 to the consolidated financial statements) with different independent third parties to acquire forest rights at different locations in Renhua County, Guangdong Province and Sanming City, Fujian Province within a 500 mile diameter from the Group's production base.

Further, in the Group's endeavor to become a high-tech enterprise, it will also be stepping up on protection of its intellectual property and plan to apply for patent protection of the Group's existing production technology and equipment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

During the year ended 31 December 2015, the Group mainly financed its operations with the Group's working capital, bank borrowings, and proceeds from issuance of guaranteed bonds and placing of new shares.

As at 31 December 2015 and 2014, the Group had bank borrowings of approximately HK$305.5 million and HK$339.4 million respectively. All bank borrowings are denominated in RMB. Other than certain bank borrowings obtained which bear fixed interest rate ranging from 4.79% to 9.27% per annum, other bank borrowings bear floating interest rates ranging from 4.85% to 7.80% per annum as at 31 December 2015. Maturity profile of the bank borrowing is set out in note 26 to the consolidated financial statements.

As at 31 December 2015 and 2014, the Group had net current assets of approximately HK$64.6 million and net current liabilities of approximately HK$21.4 million respectively. The current ratio of the Group, being its current assets over its current liabilities, increased to 1.20x as at 31 December 2015 (2014: 0.93x). Such increase was mainly due to an increase in working capital obtained from placing of new shares.

In 2015, apart from the general bank borrowings, the Company issued guaranteed bonds to three subscribers in an aggregate principal amount of HK$17 million with an interest rate of 15% per annum due in 2016. The proceeds from issuance of the said bonds have been utilised for the Group's repayment of bank and other loans and general working capital purpose. Please refer to announcement dated 10 December 2015 for details.

Gearing Ratio

As at 31 December 2015, the gearing ratio stood at 1.06x (2014: 1.43x) based on total borrowings over shareholders' equity. The gearing ratio improved as the shareholders' equity has increased as a result of placing of new shares in the current year.

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2015 and 2014, functional currency of the Company and its major operating subsidiary is RMB. Certain of the Group's bank balances were denominated in HK$ and insignificant amount of the Group's bank balances were denominated in Euro. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate. As at 31 December 2015, there were puttable notes and guaranteed bonds denominated in US$ and HK$ with effective interest rate ranging from 12% to 18% per annum.

Other than as described above, the Group has no significant exposure to foreign currency risk as it carries out its sales and purchases mainly in RMB.

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. In order to manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

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

There was no significant investment held as at 31 December 2015. There is no plan for material investments or capital assets as at the date of this annual report except for those set out in note 37 to the consolidated financial statements. These were or are intended to be funded by the Group by its general working capital.

PLEDGE OF ASSETS

As at 31 December 2015, the Group's secured bank borrowings are secured by the following assets of the Group:

(a) the pledge of the Group's buildings, plant and equipment with an aggregate carrying amount of approximately HK$195,383,000 (2014: HK$221,398,000);

(b) the pledge of the Group's prepaid lease payments with an aggregate carrying amount of approximately HK$20,851,000 (2014: HK$22,620,000);

(c) the pledge of the Group's bank deposits with an aggregate carrying amount of approximately HK$15,524,000 (2014: HK$3,803,000); and

(d) the pledge of the Group's trade receivables with an aggregate carrying amount of approximately HK$21,302,000 (2014: HK$7,961,000).

As at 31 December 2015, the Group's unsecured but guaranteed bank borrowings is secured by a corporate guarantee executed by an independent third party. Such corporate guarantee is secured by the Group's plant and machinery with carrying amount of approximately HK$22,965,000 and personal guarantee executed by Mr. Wong Cheung Lok.

As at 31 December 2015, all finished goods with carrying amount of approximately HK$18,237,000 (2014: nil) were pledged to a bank to secure the banking facilities granted by the bank, which the corresponding bank borrowings have been drawn down subsequent to the end of the reporting period.

COMMITMENTS AND CONTINGENT LIABILITIES

The Group does not have any significant capital commitment nor contingent liabilities as at 31 December 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed a total of 191 employees (2014: 175). The remuneration payable to our employees included fees, salaries, retirement benefits scheme contributions and other benefits. For the years ended 31 December 2015 and 2014, the remuneration was approximately HK$14.5 million and HK$15.8 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 the shareholders of the Company (the "**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.

The Company also adopted a share option scheme, details of which are set out in note 31(b) to the consolidated financial statements.

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 31 December 2015, the net proceeds have been fully utilised 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$5.0 million has been applied for the expanding our product range.

3. Approximately HK$3.0 million has been applied for strengthening and expanding of our sales network across the PRC.

4. Approximately HK$2.6 million has been applied for expanding our supplier base for the supply of Residual Wood.

5. Approximately HK$5.8 million has been applied for enhancing of our product research and development.

6. Approximately HK$2.6 million has been applied for strengthening our brand recognition.

7. Approximately HK$5.0 million has been applied for general working capital purpose.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: nil).

MATTERS ARISING IN CONNECTION WITH THE RESIGNATION OF THE COMPANY'S PREVIOUS AUDITORS

In connection with the resignation of the Company's previous auditors, Deloitte Touche Tohmatsu ("**Deloitte**") with effect from 18 March 2016 following disagreement by the Company with Deloitte's revised audit fee proposal due to the changes in audit scope including but not limited to certain prepayments relating to a supplier and two counterparties in bids for raw materials which amounted to approximately HK$110.83 million as at 31 December 2015 (or approximately 14% of the consolidated total assets of the Group as at that date):

– the Company is pleased to confirm that those prepayments have been fully settled as at the date of this annual report, either by way of refund or delivery of goods purchased for which the prepayments were made; and

– the Company has commissioned a specific review by its incumbent auditors of internal control and risk management systems of the Group (the "**Specific Review**") with respect to such prepayments. Material findings under the Specific Review and remedial measures being implemented by the Group as a result of such findings are summarised as follows:

Findings	Remedial measures
Supplier selection process	
Internal procedures in relation to supplier selection have not been consistently applied to all suppliers including wood suppliers and there had been inadequate procedure for, and documentary records of, verification undertaken regarding suppliers.	The Group will fully implement supplier selection procedures across all its suppliers. The Group is updating its procedures for, to require adequate documentary records of, verification undertaken regarding suppliers.
Managing, processing, approval and monitoring recovery of payments in advance to suppliers and payments of security deposits for tendering activities	
Incomplete procedures in relation to prepayments (including basis and limits for prepayment amounts, payment authorisation procedures, and documentary records) and monitoring supplier deliveries against prepayments or refund of security deposits for unsuccessful tenders. Internal procedures in relation to prepayments have not been consistently applied to all Group companies and departments and to all prepayments (including security deposits).	The Group has put together in writing complete procedures in relation to prepayments (including security deposit payments) covering payment authorisations, for significant prepayments, more systematic monitoring and reporting of cash flow position and receivables collections, which the Company will require full implementation by all Group members.
Prepayments to counterparties in bids for raw materials	
Lack of policy and procedures for tendering activities.	The Group has now developed policy and procedures for tendering activities and will require strict implementation by all Group members going forward.

The Company will report on the status of its implementation of remedial measures in its interim report for the six months ending 30 June 2016.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

For the comparison between the business objectives as stated in the Prospectus and the Group's actual business progress for the first six months ended 30 June 2015, please refer to the relevant details set out in the 2015 Interim Report of the Company.

Management Discussions and Analysis

The following sets out an analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the second half of the Financial Year 2015:

Business objectives for the six months ended 31 December 2015	Actual business progress for the six months ended 31 December 2015
Expanding our product range	
• Introduce moisture resistant Premium Quality particleboards to the market	We have launched the sale of moisture resistant Premium Quality Particleboards to the market.
• Introduce fire resistant particleboards to the market	We have launched the sale of fire resistant particleboards to the market.
Strengthening and expanding our sales network across the PRC	
• Continue our sales effort	• Our marketing teams have focused on the Pearl River Delta region, the Yangtze River Delta economic region and direct sales channels respectively. We maintain steady sales to our strategic cooperative customers. • We have set up one sales branch in the Yangtze River Delta economic region (31 December 2014: nil) to further expand our sales to customers who are kitchen cabinets manufacturers.
Expanding our supplier base for the supply of the Residual Wood	
• Continue our residual wood procurement effort	The residual wood procurement centre in Fujian province has not been set up as planned due to technical issues relating to the Group's ability to issue official receipts at the centre. The Group is reviewing its strategy to expand its supply of residual wood. Please refer to the sub-section headed "Future Plans and Prospect" above for details.

Business objectives for the six months ended 31 December 2015	Actual business progress for the six months ended 31 December 2015
Enhancing our product research and development	
• continue research and development on low density particleboards	Our research and development team is still in the process of developing the low density particleboards.
• continue research and development on high concentration formaldehyde, adhesive chemical, glueing technique and production technology	Our research and development team has been conducting research in this area. We have launched large-sale-production and sales of the "Hong Wei" brand of formaldehyde-free particleboards in the second half of 2015.
• continue cooperation with a university in Nanjing on particleboards research and development	Ongoing cooperation.
Strengthening our brand recognition	
• participate at least 1 PRC national furniture exposition	Cooperated with「廣州中嘉住宅產業有限公司」to take part in Guangzhou exhibition as part of the China Construction Fair to display Hong Wei's wood products.
• continue effort on advertising campaigns	• China Wood Industry Network (「中國木業網」) has ranked Hong Wei as one of "China's Top Ten Brands for Particleboard" based on the results of internet voting. • Signed contract with China Wood Industry Network「中國木業網」to setup a webpage on the websites of its cooperation partners, to promote corporate image, product image, production technology, product range, product characteristics and investment opportunities.

EXECUTIVE DIRECTORS

Mr. Wong Cheung Lok (黃長樂), aged 54, is the chairman of the Board, chief executive officer of the Group and an executive Director. Mr. Wong is also the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. Wong founded our Group with Ms. Cheung Ngar Kwan ("Mrs. Wong") in 2003. Mr. Wong was appointed as a Director on 28 May 2012 and was designated as an executive Director on 13 December 2013. Mr. Wong is primarily responsible for the overall strategic planning and corporate management of our Group. Mr. Wong has approximately 20 years of experience in the wood-based panel industry which dates back to 1993 when he founded Zhangzhou Hongwei. In May 2003, Mr. Wong founded Hongwei (Renhua), the only operating subsidiary of our Group, and was the chairman, general manager and the legal representative of Hongwei (Renhua). In June 2012, Mr. Wong established the Company.

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

Ms. Cheung Ngar Kwan (張雅鈞), aged 52, is an executive Director and was appointed as an executive Director on 13 December 2013. Mrs. Wong established our Group with Mr. Wong in 2003 and she is primarily responsible for the strategic planning, corporate management and business operation of our Group. Mrs. Wong has accumulated over 15 years of experience in the wood-based panel industry since 1999 when she founded HK Hung Wai Partnership together with Mr. Wong. Mrs. Wong is currently a committee member of the women's commission of Hong Kong Federation of Fujian Association Limited, a standing director of and a deputy head of women's commission of Hong Kong Fukien Sanming Association Limited and a standing director of HK Federation of Fujian Associations. Mrs. Wong is the spouse of Mr. Wong, an executive Director and the chairman of the Board.

Ms. Huang Xiuyan (黃秀延), aged 45, is an executive Director, the compliance officer of the Company, and the supervisor of Hongwei (Renhua). Ms. Huang joined our Group in June 2009 and was appointed as an executive Director on 13 December 2013. Ms. Huang is primarily responsible for the internal auditing, internal control and the supervision of business operation of our Group. Between June 2009 and August 2012, Ms. Huang was the chief financial officer of Hongwei (Renhua). Ms. Huang has over 21 years of experience in financial management and internal control in the wood-based panel industry. Before joining our Group, Ms. Huang worked as a chief financial officer in Zhangzhou Hongwei from March 1994 to May 2009, and was primarily responsible for financial management, financing decisions, internal control, market development and strategic planning. Ms. Huang had also participated in the establishment of Zhangzhou Hongwei and the strategic planning for the business development of most of the companies Mr. Wong used to own.

Mr. Liu Jiayong (劉加勇), aged 42, is an executive Director and the chief financial officer of the Group. Mr. Liu joined our Group in June 2009 and was appointed as an executive Director on 13 December 2013. Mr. Liu is primarily responsible for the overall finance and accounting management, taxation and compliance and other day-to-day financial administration of our Group. Mr. Liu is also responsible for the execution of strategies and the reform of the management system of our Group. Mr. Liu possesses approximately 21 years experience in the accounting field. Prior to joining our Group, Mr. Liu worked in Fujian Shanghang Secondary Vocational School (福建省上杭職業中專學校) as an accounting teacher from September 1994 to March 2003. Mr. Liu was also an external accounting teacher of both the Chinese Accounting Correspondence School at Shanghang (中華會計函授學校上杭分校) and the Open University of China at Shanghang (中央廣播電視大學上杭分校) from August 1996 to January 2003, the head of finance department of Fujian Shanghang Educational Garment Factory (福建省上杭縣教育服裝廠) from August 1995 to January 2003 and head of finance department of Fujian Toronto Bio-chemical Co., Ltd (福建省多倫多生物化工有限公司) from October 2000 to July 2001.

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

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

NON-EXECUTIVE DIRECTORS

Mr. Ong Chor Wei（王祖偉）, aged 46, is a non-executive Director. He was appointed as Director on 5 November 2012 and designated as a non-executive Director on 13 December 2013., Mr. Ong has over 23 years of experience in finance and accounting. Mr. Ong is currently an executive director of Net Pacific Financial Holdings Limited (previously known as K Plas Holdings Limited), a company listed on the Singapore Exchange Limited with stock code of 5QY, and a non-executive director of Joyas International Holdings Limited, a company listed on the Singapore Exchange Limited with stock code of E9L. Mr Ong is an executive director of Zibao Metals Recycling Holdings Plc, a company trading on AIM, a market operated by the London Stock Exchange. Mr. Ong is also currently an independent non-executive director of Man Wah Holdings Limited (Stock Code 1999), O-Net Communications (Group) Limited (Stock Code 877), Denox Environmental & Technology Holdings Limited (Stock Code 1452) and Nameson Holdings Limited (Stock Code 1982), all of which are listed on the main board of the Stock Exchange. Mr. Ong is a former non-executive director of Jets Technics International Holdings Limited, a company listed on the Singapore Exchange Limited with stock code of J19. He ceased to be the non-executive director of Jets Technics International Holdings Limited in February 2013.

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

Mr. Lai Ming Wai（黎明偉）, aged 56, was appointed as a non-executive Director on 10 July 2015. Mr. Lai holds a bachelor's degree in Social Sciences from the University of Hong Kong. Mr. Lai was a senior executive of Bank of America and was primarily responsible for developing and managing the bank's business in southern region of the People's Republic of China. Mr. Lai has extensive experience in the banking and finance industry. Mr. Lai is currently an executive director of Enviro Energy International Holdings Limited (stock code: 1102) and Courage Marine Group Limited (stock code: 1145), respectively, and was an executive director and the chief executive officer of Hailiang International Holdings Limited (formerly known as Sunlink International Holdings Limited) (stock code: 2336) until 3 June 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Xu Jianmin (徐建民), aged 51, was appointed as an independent non-executive Director on 13 December 2013. Dr. Xu is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Dr. Xu possesses approximately 29 years of forestry research experience in the PRC. Dr. Xu is currently a doctorial supervisor of Chinese Academy of Forestry ("**CAF**") (中國林業科學研究院) and a chief expert and researcher of the forest tree breeding research office (林木育種研究室) under the Research Institute of Tropical Forestry, CAF ("**RITF**") (中國林業科學研究院熱帶林業研究所). Between 1986 and 2006, Dr. Xu held several positions in the RITF, including deputy department head, department head of the forest tree breeding research office. He is also a former graduate supervisor of CAF. Dr. Xu is a committee member (委員) of Forest Genetics and Tree Breeding Branch (林木遺傳育種分會) of Chinese Society of Forestry ("**CSF**") (中國林學會), a member of the standing committee (常委) of both Forestry Introduction and Taming Professional Committee (樹木引種馴化專業委員會) of CSF and Eucalypt Professional Committee (桉樹專業委員會) of CSF. Dr. Xu was appointed as a technical support expert (科技支撐專家) for the World Bank loan project of the Comprehensive Development and Protection of Forestry in Guangxi province (世行貸款廣西綜合林業發展和保護項目) between January 2007 and December 2012.

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

Ms. Qian Xiaoyu (錢小瑜), aged 62, was appointed as an independent non-executive Director on 13 December 2013. Ms. Qian is also a member of the audit committee of the Company. Ms. Qian has accumulated over 26 years of experience in the forestry industry in the PRC. Ms. Qian has served in China National Forest Products Industry Corporation (中國林產工業公司) since 1989. She is currently a vice chairman of China National Forest Product Industry Association (中國林產工業協會).

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

Mr. Wong Hei Chiu (黃禧超), aged 49, was appointed as an independent non-executive Director on 13 December 2013. Mr. Wong is also the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company. Mr. Wong has over 24 years of corporate finance and financial management experience in Hong Kong and the PRC. Mr. Wong is currently an executive director, chief financial officer and company secretary of Kingmaker Footwear Holdings Limited, a listed company on the main board of the Stock Exchange with stock code of 1170. Mr. Wong was the group financial controller and company secretary of Karce International Holdings Company Limited, a company listed on the main board of the Stock Exchange with stock code of 1159. He was also the finance director and company secretary of Wah Lee Resources Holdings Limited (now known as Kai Yuan Holdings Limited), a company listed on the main board of the Stock Exchange with stock code of 1215.

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

SENIOR MANAGEMENT

Mr. Zhang Hui (張輝), aged 52, is the vice general manager of Hongwei (Renhua), Mr. Zhang joined our Group in April 2013 and is primarily responsible for the management of the production and operation department, the quality assurance department and the warehouse management department.

Mr. Zhang has been engaged in the engineering industry for approximately 30 years and accumulated in-depth experience in production facilities and production management in relation to the manufacturing of wood-based panels, particularly of particleboards. Prior to joining our Group, Mr. Zhang worked for several companies in wood-related activities. He served as the general manager of Hengshui Bamailong Wood Industry Co., Ltd (衡水巴邁隆木業有限公司) for 3 years. Mr. Zhang has also worked for Fujian Furen Wood Industry Co., Ltd (福建福人木業有限公司) for over 18 years, in particular, as a deputy head of the third construction prep office (三期籌建辦) since December 1998; and Shanghai Dareglobal Wood Co., Ltd (上海大亞木業有限公司) for 5 years. Mr. Zhang previously served Jiehong Wood as its vice general manager and project manager for over half a year. Mr. Zhang had been involved in building, implementing and managing of large-scale particleboard production lines imported from overseas. Particularly, Mr. Zhang was previously the project manager of a homogeneous particleboard production line with annual production capacity of 450,000 m^3.

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

Ms. Liu Yan (劉艷), aged 41, is the vice general manager, resource management department head of Hongwei (Renhua) and Chairman assistant. Ms. Liu joined our Group in May 2003 and is primarily responsible for assisting the Chairman in strategic planning and business management. She is also responsible for formulating the raw materials supplies strategies, including monitoring and tracking of our Group's purchasing plans, and in charge of the supervision of the resource management department including but not limited to ensuring that all our Residual Wood supplies are purchased from legitimate sources and liaison with the Forestry Bureau of Renhua County. Prior to joining our Group, Ms. Liu served as a chairman assistant in Zhangzhou Hongwei between March 2001 to May 2003.

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

Mr. Lin Shenghua（林勝華）, aged 44, is the sales and marketing director of Hongwei (Renhua). Mr. Lin joined our Group in January 2012 and is primarily responsible for the formulation and implementation of marketing strategies of our Group. He is also responsible for the business development and customer relationship for the regions of Shanghai, Jiangsu and Zhejiang provinces. Mr. Lin has 8 of experience in the forestry business and worked as a marketing manager in Zhangzhou Hongwei from March 2007 to December 2011. Mr. Lin obtained his bachelor degree in chemistry from Fuzhou University（福州大學）in the PRC in July 1996.

COMPANY SECRETARY

Ms. Leung Wai Ling, Wylie（梁慧玲）, aged 48, has been appointed as the company secretary of our Group pursuant to the Rule 11.07(2) of the GEM Listing Rules since December 2013.

Ms. Leung possesses extensive experience in finance and accounting. Ms. Leung is currently an independent non-executive director of King's Flair International (Holdings) Limited, a listed company on the main board of the Stock Exchange with stock code of 6822. Ms. Leung has also worked as the financial controller of subsidiaries of Casablanca Group Limited, a company listed on the main board of the Stock Exchange with stock code of 2223, for over 1 year; the financial controller of Guangzhou TWS Electronics Limited for over 4 years; and an auditor at Ernst & Young for over 3 years. In 1992, Ms. Leung obtained a bachelor degree in business administration from the City University of New York in the U.S. Ms. Leung is currently a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

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

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

Unless otherwise stated in this annual report, the Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31 December 2015.

SECURITIES DEALING CODE

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "**Securities Dealing Code**"). The Securities Dealing Code also applies to all employees to whom the same is given and those who are informed that they are subject to its provisions. The Company has confirmed, having made specific enquiry of the Directors and all the relevant employees, all the Directors and all the relevant employees have complied with the Securities Dealing Code throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

The Board comprises:

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

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

During the year ended 31 December 2015, a total of 4 Board meetings was held. The attendance record of each Director at the Board meetings, board committees meetings and general meeting held during the year ended 31 December 2015 is set out in the table below:

	Meetings attended/held				
Name of Directors	**Board meeting**	**Audit committee meeting**	**Nomination committee meeting**	**Remuneration committee meeting**	**General meeting**
Mr. Wong Cheung Lok	7/7	N/A	2/2	1/1	1/1
Ms. Cheung Ngar Kwan	7/7	N/A	N/A	N/A	1/1
Ms. Huang Xiuyan	7/7	N/A	N/A	N/A	1/1
Mr. Liu Jiayong	7/7	N/A	N/A	N/A	1/1
Mr. Ong Chor Wei	7/7	N/A	N/A	N/A	1/1
Mr. Lai Ming Wai	3/3	N/A	N/A	N/A	N/A
Dr. Xu Jianmin	7/7	4/4	2/2	1/1	1/1
Ms. Qian Xiaoyu	7/7	4/4	N/A	N/A	0/1
Mr. Wong Hei Chiu	7/7	4/4	2/2	1/1	1/1

REMUNERATION AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

Remuneration of directors and senior management of the Group for the year ended 31 December 2015 are within the band of Nil to HK$1,000,000.

Details of the remuneration of the Directors for the year ended 31 December 2015 are set out in note 11 to the consolidated financial statements in this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The term of appointment of each non-executive Directors (including independent non-executive Directors) is set out in the sub-section headed "Directors' Service Contracts" in the Report of the Directors.

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

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

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

PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company plans to provide briefings and other training to develop and refresh the Directors' knowledge and skills, recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. A record of the training received by the respective Directors are kept and updated by the Compliance Adviser and the Company Secretary. During the year ended 31 December 2015, all Board members have received a directors training hosted by the legal advisor to our company, which was about, inter alia, the GEM Listing Rules, Companies Ordinance and Securities and Futures Ordinance.

RESPONSIBILITIES OF THE BOARD

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

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as (i) developing and reviewing the Company's policies, practices on corporate governance, training and the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc; (ii) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (iii) reviewing the Company's compliance with the CG Code and disclosure in this corporate governance report.

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

AUDIT COMMITTEE

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

During the year ended 31 December 2015, a total of 4 Audit Committee meetings were held to, inter alia, review the Group's financial results for the year ended 31 December 2014 and the three months ended 31 March 2015, the six months ended 30 June 2015 and the nine months ended 30 September 2015, respectively, before submission to the Board for approval.

REMUNERATION COMMITTEE

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

During the year ended 31 December 2015, one Remuneration Committee meeting was held, to, inter alia, make recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors.

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee in accordance with the emolument policy as set out in the section headed "Report of the Directors – Emolument Policy" in this annual report. Details of the Directors' emolument for the year ended 31 December 2015 are set out in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") consists of the 2 independent non-executive Directors, namely Dr. Xu Jianmin and Mr. Wong Hei Chiu, and an executive Director, Mr. Wong Cheung Lok. Its primary function is to inter alia, review and make recommendations on the appointment or re-appointment of directors. Mr. Wong Cheung Lok is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee, which sets out its roles and functions, are available at the Company's website and on the website of the Stock Exchange.

During the year ended 31 December 2015, 2 Nomination Committee meetings were held to, inter alia, assess the independence of the independent non-executive Directors and review the re-appointment of Directors at the forthcoming annual general meeting.

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Internal Control and Risk Management

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. In early 2016, the Board has conducted, through its incumbent auditor, a specific review of, the effectiveness of the systems of internal controls and risk management of the Group with respect to certain prepayments details of which are set out in the "Management Discussions and Analysis" of this annual report. In addition, the Board also conducted review from time to time during the year to monitor the effectiveness of all material controls, including financial, operational and compliance controls, risk management function, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Based on information furnished to it and on its own observations, save for the issues identified in the specific review disclosed in the "Management Discussions and Analysis" section, the Board is satisfied with the present internal controls of the Group for the year ended 31 December 2015 and as of the date of this annual report.

AUDITORS' REMUNERATION

During the year ended 31 December 2015, the fees paid to the Company's then auditors are set out as follows:

Services rendered	**Fees paid/payable** (HK$'000)
Audit services	2,829

COMPANY SECRETARY

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

RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

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

RIGHT TO PUT ENQUIRIES TO THE BOARD

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

RIGHT TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

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

INVESTOR RELATIONS

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

CONSTITUTION

For the year ended 31 December 2015, there had been no change in the Company's constitutional documents.

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is primarily engaged in manufacturing and sales of particleboards. Particleboards are made with raw materials such as undersized log, wood branches and agriculture and forestry residues, and hence they are generally considered to be environmentally-friendly and resources-saving reconstituted wood-based panels. There was no significant change in the nature of the Group's principal activities during the year ended 31 December 2015.

FINANCIAL SUMMARY

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$1,807,000.

SHARES ISSUED IN THE YEAR

On 22 May 2015, the Company entered into a placing agreement with a placing agent in relation to the placing ("Placing") of up to 142,218,000 ordinary shares of the Company at the placing price of HK$0.56 per placing share. The Placing was conditional upon: (i) the granting by the Listing Division of the Stock Exchange of the listing of, and permission to deal in, all of the Placing shares; and (ii) each of the Company and the placing agent having obtained all necessary consents and approvals in relation to the Placing from the relevant authorities, if applicable. The Placing completed on 2 June 2015 on which date an aggregate of 121,488,000 ordinary shares of the Company were issued and allotted to not less than 6 placees who and whose ultimate beneficial owners (where applicable) are, to the best of the Director's knowledge, information and belief, having made all reasonable enquiries, parties independent of the Company and its connected persons. The net proceeds received by the Company from the Placing was approximately HK$65.0 million (the net price was approximately HK$0.535 per share). As at 31 December 2015, the proceeds were mainly used as to HK$20.0 million to repay borrowings and remaining HK$45.0 million as general working capital of the Group such as procurement of raw materials, research and development and administration expenses. The Directors were of the view that the Placing represented 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.

Trading in shares of the Company was suspended between 1 April 2016 and 31 May 2016 (both dates inclusive) and the closing price of the shares on the last trading date before such suspension (i.e. 31 March 2016) was HK$0.41.

Please refer to the announcements of the Company dated 22 May 2015 and 2 June 2015 for more details of the Placing.

Details of the movements in the Company's share capital during the year are set out in note 29 to the consolidated financial statements.

DEBENTURES ISSUED IN THE YEAR

On 10 December 2015, pursuant to a subscription agreement (the "Subscription Agreement") entered into between the Company as issuer, Mr. Wong Cheung Lok, an executive Director and controlling shareholder of the Company as guarantor and three subscribers who are Independent Third Parties, the Company issued 15% p.a. guaranteed bonds due on 9 December 2016 in the aggregate principal amount of HK$17 million (the "Bonds"). Please refer to note 28 to the consolidated financial statements for more detail of the Bonds.

The net proceeds of the issue of the Bonds were approximately HK$15.1 million. As at 31 December 2015, the proceeds were used as to HK$15.0 million for the repayment of bank and other loans and as to HK$0.1 million as general working capital such as administration expense. The Directors considered that the issue of the Bonds represented a good opportunity to raise additional funds for the Company. Please refer to the announcement of the Company dated 10 December 2015 for more details of the Bonds.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiary purchased, sold or redeemed any listed securities of the Company during the financial year ended 31 December 2015.

RESERVES

Details of the movements in the reserves of the Company during the year ended 31 December 2015 are set out in note 36 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

The Company did not have any distributable reserves which are available for distribution to equity holders as at 31 December 2015.

EQUITY LINKED AGREEMENT

Save as disclosed in the sub-sections headed "Share Option Scheme" and "Shares Issued in the Year" in this Report of the Directors, no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except for the Share Option Scheme as disclosed in more detail below, neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the objects of or one of the objects of such arrangement are/is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

Details of Share Option Scheme are set out in note 31(b) to the consolidated financial statements. No share option was granted by the Company during the year.

PERMITTED INDEMNITY PROVISION

The articles of association of the Company provides, among others, that every director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his or her office, provided that such Article shall only have effect in so far as its provisions are not avoided by or would (were it not for this proviso) not breach the Companies Ordinance. This indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 December 2015 attributable to the Group's major customers and suppliers were as follows:

(1) The aggregate amount of revenue attributable to the Group's five largest customers represented approximately 46% of the Group's total revenue. The amount of revenue from the Group's largest customer represented approximately 25% of the Group's total revenue.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 56% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 15% of the Group's total purchases.

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

DIRECTORS OF THE COMPANY

The Directors of the Company during the year ended 31 December 2015 and up to the date of this report were as follows:

Executive Directors

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

Non-executive Directors

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

In accordance with Article 120 of the Company's Article of association, Mr. Xu Jianmin, Ms. Qian Xiaoyu and Mr. Wong Cheung Lok will retire from the board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Article 100 of the Articles of Association, Mr. Lai Ming Wai will retire from the board at the forth coming Annual General Meeting and, being eligible, offer himself for re-election.

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

DIRECTORS AND SUPERVISOR OF THE COMPANY'S SUBSIDIARIES

During the year ended 31 December 2015 and up to the date of the report, Mr. Wong Cheung Lok, Ms. Cheung Ngar Kwan and Ms. Huang Xiuyan are also directors of the subsidiaries of the Company. Mr. Wong Kin Keung is the supervisor of the Company's subsidiary during the year and up to the date of the report.

DIRECTORS' SERVICE CONTRACTS

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

The non-executive Directors have signed appointment letters with the Company for an initial term of two to three years are subject to termination in accordance with their respective terms.

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

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Saved as disclosed in note 35 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company or the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed above, there was no other transaction, arrangement or contract of significance subsisting during or at the end of the financial year in which a Director or an entity connected with a Director is or was materially interested (either directly or indirectly).

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDER

Save as disclosed in note 35 to the consolidated financial statements, none of the Company or any of its subsidiaries had entered into any contract to significance with the controlling shareholder of the Company, namely Mr. Wong Cheung Lok, during the financial year ended 31 December 2015.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2015.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors for the year ended 31 December 2015 are set out in note 11 to the consolidated financial statements in this annual report. During the year ended 31 December 2015, there was no arrangement under which any directors waived or agreed to waive any remuneration.

EMOLUMENT POLICY

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

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of which are set out in note 31(b) to the consolidated financial statements.

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. Mr. Wong has confirmed to the Company that the Non-competition Deed has been fully complied with as at 31 December 2015.

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 31 December 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 ("Mr. Wong ")(2)	Beneficial owner	430,000,000 (L)	51.65%
Ms. Cheung Ngar Kwan ("Mrs. Wong")(3)	Interest of spouse	430,000,000 (L)	51.65%

Notes:

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

(2) The 400,000,000 Shares, out of the 430,000,000 Shares beneficially owned by Mr. Wong, were charged by Mr. Wong to U Credit (HK) Limited on 6 July 2015. According to the disclosure of interest form filed by China Strategic Holdings Limited and U Credit (HK) Limited on 8 July 2015, U Credit (HK) Limited was indirectly wholly-owned by China Strategic Holdings Limited.

(3) 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

Our Directors confirm that the following persons (other than a Director or chief executive), as at 31 December 2015, had an interest or short position in the Shares or underlying Shares 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 to be recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Aggregate number of Shares or underlying Shares (Note 1)	Approximate percentage of interest in our Company
China Strategic Holdings Limited (2)	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) China Strategic Holdings Limited and U Credit (HK) Limited, a company indirectly wholly-owned by China Strategic Holdings Limited, became interested 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.

Save as disclosed herein, our Directors are not aware of any other person (other than a Director or chief executive) who, on 31 December 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 to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2015, none of the Directors or any of their respective close 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.

Subsequent to the financial year end and as disclosed in note 37 to the consolidated financial statements, the Group acquired forest rights in relation to forests with an aggregate size of approximately 17,454 mu located at Renhua County, Guangdong Province and Sanming City, Fujian Province, PRC from independent third parties in January and May 2016, respectively, in order to broaden its suppliers base for raw materials. As at the date of this annual report, Mr. Wong Kin Ching, the son of Mr. Wong Cheung Lok and Ms. Cheung Ngar Kwan, through companies wholly owned by him is interested in forestry plantation business, including forestry planting and development with respect to an aggregate of approximately 41,147 mu forest lands located at Renhua County, Guangdong Province, PRC. On 12 January 2016, the Company as purchaser entered into a sale and purchase agreement ("Sale and Purchase Agreement") with Mr. Wong Kin Ching as vendor in relation to the sale and purchase of, among other things, the entire issued share capital in Gifted Multitude Limited through which Mr. Wong Kin Ching holds such interests. The transaction contemplated under the Sale and Purchase Agreement was not yet completed as at the date of this annual report. Details of the Sale and Purchase Agreement are set out in the announcement of the Company dated 12 January 2016.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, VBG Capital Limited ("**VBG**") (Previous as V Baron Global Financial Services Limited), as at 31 December 2015, except for the compliance adviser agreement entered into between the Company and VBG dated 23 December 2013, neither VBG or its directors, employees or close associates had any interest in relation to the Group.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of connected and related party transactions are set out in note 35 to the consolidated financial statements. Those transactions are fully exempt from announcement, shareholders approval, annual review and all disclosure requirements under the GEM Listing Rules.

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 for the financial year ended 31 December 2015 and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

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

BUSINESS REVIEW

Further discussion and analysis of principal activity of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the Group's business, an analysis using financial key performance indicators, a discussion of principal risks and uncertainties facing the Group and an indication of likely future developments of the Group's business, are set out in "Management Discussions and Analysis" set on pages 6 to 15 of this annual report.

Environmental policies and performance, key relationships with the Group's employees, suppliers and customers matters, and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group are set out below:

Environmental policies and performance

The Group has observed relevant PRC laws and regulations for environmental protection, energy conservation and emission reduction. In 2015, the environmental protection bureau of Shaoguan City, Guangdong Province confirmed that the particleboards production facility of Hongwei Wooden Products (Renhua) Co. Ltd. satisfied the relevant environmental protection requirements. Our formaldehyde-free particleboards have met the Chinese GB/T 4897.1,~ 4897.7-2003 standard and the European EN 312: 2003 standard. In addition, we have completed the application procedures for the no-added formaldehyde (NAF) certificate to be issued by the California Air Resource Board (CARB) with respect to our formaldehyde-free particleboards. Our fire resistant particleboards have met the Chinese GB/T4897-92A standard in terms of their physical and mechanical properties and the French NF P92501M1 and the Chinese GB8624-1997B1 standards in terms of their flame retardancy.

Key relationships with the Group's employees, suppliers and customers

The Group is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Group on which its success depends.

The Group's compliance with the relevant laws and regulations

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

CHANGE OF AUDITORS

Messr. Graham H. Y. Chan & Co. was appointed as auditor of the Company on 22 March 2016 following the resignation of Deloitte Touche Tohmatsu who acted as auditor of the Company until 18 March 2016. Apart from this, there was no change in auditors of the Company in any of the preceding three years.

Messr. Graham H. Y. Chan & Co. will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board
Wong Cheung Lok
Executive Director

31 May 2016

GRAHAM H.Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
HONG KONG

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

We have audited the consolidated financial statements of Hong Wei (Asia) Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 87, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

31 May 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	6	**400,659**	396,583
Cost of sales		**(305,402)**	(283,789)
Gross profit		**95,257**	112,794
Other income	8	**24,995**	2,818
Other gains and losses	9	**50**	1,603
Selling and distribution expenses		**(33,162)**	(34,471)
Administration expenses		**(27,733)**	(27,675)
Other expenses		**(4,627)**	(3,856)
Finance costs	10	**(28,048)**	(26,645)
Profit before tax		**26,732**	24,568
Income tax (expense)/credit	12	**(2,077)**	1,625
Profit for the year attributable to owners of the Company	13	**24,655**	26,193
Other comprehensive loss which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(18,714)**	(1,985)
Other comprehensive loss for the year		**(18,714)**	(1,985)
Total comprehensive income for the year		**5,941**	24,208
Total comprehensive income attributable to owners of the Company		**5,941**	24,208
Basic and diluted earnings per share, in HK cents	14	**3.15**	3.70

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**353,334**	394,686
Prepayments for acquisition of property, plant and equipment	17	**11,218**	21,423
Prepaid lease payments	18	**20,403**	22,144
Intangible assets	19	**9,825**	–
Deferred tax assets	12	**2,526**	7,500
		397,306	445,753
CURRENT ASSETS			
Inventories	20	**47,819**	80,189
Trade and bills receivables	21	**77,577**	118,075
Prepayments and other receivables	22	**184,374**	59,068
Bank balances and cash	23	**68,442**	8,531
Pledged deposits	23	**15,524**	3,803
		393,736	269,666
CURRENT LIABILITIES			
Trade payables	24	**45,950**	37,014
Other payables	25	**49,746**	48,448
Tax payable		**–**	2,698
Bank borrowings, due within one year	26	**191,919**	178,427
Deferred income	27	**1,857**	688
Puttable notes and guaranteed bonds	28	**39,635**	23,792
		329,107	291,067
NET CURRENT ASSETS/(LIABILITIES)		**64,629**	(21,401)
TOTAL ASSETS LESS CURRENT LIABILITIES		**461,935**	424,352
NON-CURRENT LIABILITIES			
Deferred tax liabilities	12	**585**	622
Bank borrowings, due after one year	26	**113,548**	160,945
Deferred income	27	**22,131**	7,968
		136,264	169,535
NET ASSETS		**325,671**	254,817
CAPITAL AND RESERVES			
Share capital	29	**253,928**	189,015
Reserves		**71,743**	65,802
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY		**325,671**	254,817

The consolidated financial statements on pages 36 to 87 were approved and authorised for issue by the Board of Directors on 31 May 2016 and are signed on its behalf by:

Wong Cheung Lok
Director

Liu Jiayong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note (i))	Statutory reserve HK$'000 (note (ii))	Foreign currency translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
Balance at 1 January 2014	53,333	72,258	(16,968)	6,414	15,023	37,125	167,185
Profit for the year	–	–	–	–	–	26,193	26,193
Other comprehensive loss:							
Exchange differences arising on translation to presentation currency	–	–	–	–	(1,985)	–	(1,985)
Total comprehensive (loss)/income for the year	–	–	–	–	(1,985)	26,193	24,208
Issue of new shares	17,778	51,556	–	–	–	–	69,334
Share issue expenses	–	(5,910)	–	–	–	–	(5,910)
Transfer from share premium upon abolition of par value	117,904	(117,904)	–	–	–	–	–
Transfer to statutory reserve	–	–	–	3,301	–	(3,301)	–
Balance at 31 December 2014 and 1 January 2015	189,015	–	(16,968)	9,715	13,038	60,017	254,817
Profit for the year	–	–	–	–	–	24,655	24,655
Other comprehensive loss:							
Exchange differences arising on translation to presentation currency	–	–	–	–	(18,714)	–	(18,714)
Total comprehensive (loss)/income for the year	–	–	–	–	(18,714)	24,655	5,941
Issue of new shares	68,033	–	–	–	–	–	68,033
Share issue expenses	(3,120)	–	–	–	–	–	(3,120)
Transfer to statutory reserve	–	–	–	3,536	–	(3,536)	–
Balance at 31 December 2015	253,928	–	(16,968)	13,251	(5,676)	81,136	325,671

Notes:

(i) Capital reserve represents the excess of consideration paid by the Company for acquiring the entire shares capital of Hongwei Wooden Products (Renhua) Company Limited ("Hongwei Renhua") over its capital at the time of the group reorganisation in the year 2012.

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Profit before tax		**26,732**	24,568
Adjustments for:			
Interest income	8	**(144)**	(32)
Net foreign exchange losses/(gains)	9	**138**	(1,603)
Write-down of inventories	13	**843**	–
Finance costs	10	**28,048**	26,645
Depreciation	13	**26,438**	28,059
Amortisation	13	**1,044**	473
Impairment loss on trade receivables	9	**361**	–
Net gain on disposal of property, plant and equipment	9	**(549)**	–
Release of government grants	27	**(1,579)**	(257)
		81,332	77,853
Movements in working capital:			
Decrease/(increase) in trade and bills receivables		**34,612**	(81,060)
Increase in prepayments and other receivables		**(124,228)**	(23,174)
Decrease/(increase) in inventories		**27,973**	(27,113)
Increase in trade payable		**11,550**	1,136
Increase/(decrease) in other payable		**3,112**	(18,899)
Net cash generated from/(used in) operating activities		**34,351**	(71,257)
Cash flows from investing activities			
Payments for property, plant and equipment		**(13,561)**	(33,749)
Prepayments for acquisition of property, plant and equipment		**(313)**	–
Payments for intangible assets		**(10,668)**	–
Placement of pledged deposits		**(12,430)**	(3,803)
Withdrawal of pledged deposits		**–**	5,458
Proceeds from sale of property, plant and equipment	22(iv)	**7,990**	–
Interest received		**144**	32
Government grants received	27	**18,062**	8,284
Net cash used in investing activities		**(10,776)**	(23,778)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares	29	**64,913**	54,000
Amounts repaid to related parties	35	**–**	(37,020)
Amounts advanced from related parties	35	**1,020**	37,020
Net proceeds from bank borrowings		**213,496**	275,332
Repayment of bank borrowings		**(228,163)**	(229,396)
Net proceeds from puttable notes and guaranteed bonds		**15,094**	22,473
Interest paid		**(27,299)**	(25,325)
Net cash generated from financing activities		**39,061**	97,084
Net increase in cash and cash equivalents		**62,636**	2,049
Cash and cash equivalents at the beginning of the year		**8,531**	6,900
Effect of foreign exchange rate changes		**(2,725)**	(418)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	23	**68,442**	8,531

1. GENERAL INFORMATION

Hong Wei (Asia) Holdings Company Limited (the "Company") was incorporated with limited liability in Hong Kong on 28 May 2012. Its ultimate controlling party and chairman of the Company is Mr. Wong Cheung Lok ("Mr. Wong"), who owned 51.65% direct interest of the Company as at 31 December 2015. The address of the Company's registered office and its principal place of business is Unit 4, 17/F, Winning Centre, 29 Tai Yau Street, San Po Kong, Kowloon, Hong Kong. The principal activity of the Company is investment holding. Its principal subsidiary, Hongwei Renhua, established in the PRC is principally engaged in manufacturing and selling of particleboards.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined

Except for HKFRS 9 and HKFRS 15, the directors of the Company do not anticipate that the application of the new and revised HKFRSs above will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirement of HKFRS 9 in relation to the impairment of financial assets is:

- HKFRS 9 requires an expected credits loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

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

HKFRS 9 Financial Instruments (Continued)

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the directors of the Company anticipate that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2015.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e, when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9, "Accounts and Audit", of the Hong Kong Companies Ordinance (Cap. 622) came into operation at the start of the Company's current financial year. The adoption of the requirements has primarily impacted the presentation and disclosure of information in the consolidated financial statements. These changes mainly include the presentation of the Company's statement of financial position as a note disclosure instead of a primary statement, updating any references to the Hong Kong Companies Ordinance to refer to the current Hong Kong Companies Ordinance and replacing certain terminology no longer used in the Hong Kong Companies Ordinance with terminology used in HKFRSs.

Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules') but not under the new Hong Kong Companies Ordinance or amended GEM Listing Rules are not disclosed in these consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statement has been prepared in accordance with HKFRSs, which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of Hong Kong Companies Ordinance. In addition, these consolidated financial statements include applicable disclosures provisions of the GEM Listing Rules.

The consolidated financial statements have been prepared on the historical cost, as explained in the accounting policies set out below.

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

The principal accounting policies are set out below:

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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

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

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

Investment in subsidiaries

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

Revenue recognition

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

Sale of goods

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

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

Interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

Leasehold land and building

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

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

Foreign currencies

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

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

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

Borrowing costs

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

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

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

Retirement benefit costs

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

Taxation

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

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

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

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

4. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Taxation (Continued)

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

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

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

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

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible assets arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably and the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment of tangible and intangible assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets (Continued)

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

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

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

Inventories

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

Financial instruments

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

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

Financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of loans and receivables (Continued)

Trade receivables without objective evidence of impairments individually are assessed for impairment on collective basis.

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

The carrying amount of loans and receivables is reduced by impairment loss directly for all loans and receivables.

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

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

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities (including bank borrowings, trade payables, puttable notes and guaranteed bonds and other payables) are subsequently measured at amortised cost using the effective interest method.

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

Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Useful lives and estimated impairment of property, plant and equipment

The Group has estimated the useful lives of the property, plant and equipment to be 5 to 20 years, after taking into account of their estimated residual values, as set out in the principal accounting policies above. Depreciation of items of property, plant and equipment is calculated on the straight-line basis over their expected useful lives. The Group continues to review the useful lives and residual values and will revise the depreciation charges should there be a change in these estimations.

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Useful lives and estimated impairment of property, plant and equipment (Continued)

If the recoverable amount of its property, plant and equipment is estimated to be less than its carrying amount, the respective carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

As at 31 December 2015, the carrying amount of property, plant and equipment amounted to approximately HK$353,334,000 (2014: HK$394,686,000).

Further details about the estimated useful lives and the carrying amounts of the property, plant and equipment are set out in note 16 to these consolidated financial statements.

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. Where the actual outcome is different from the original estimate, such differences will impact the carrying amounts of trade and other receivables and the expenses/write-back of the doubtful debts in the period in which such estimate has been changed. As at 31 December 2015, the carrying amounts of trade receivables and other receivables amounted to approximately HK$41,548,000 (net of allowance for impairment loss of approximately HK$347,000) (2014: HK$86,607,000 (no allowance for impairment loss was made)) and HK$100,681,000 (2014: HK$42,124,000), respectively. Further details are set out in notes 21 and 22 to these consolidated financial statements, respectively.

Estimated impairment loss of prepaid lease payment, intangible assets and prepayments

The Group assesses whether there are any indicators of impairment for prepaid lease payments, intangible assets and prepayments at the end of each reporting period. Such assets are tested for impairment annually, and/or when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market price less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 December 2015, the carrying amounts of prepaid lease payments, intangible assets and prepayments amounted to approximately HK$20,851,000 (2014: HK$22,620,000), HK$9,825,000 (2014: nil) and HK$66,334,000 (2014: HK$14,404,000), respectively. Details are set out in note 18, 19 and 22 to these consolidated financial statements, respectively.

Allowance for obsolete inventories

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

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less any estimated costs to be incurred to completion and to make the sale. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period. Where the net realisable value is less than expected, a material write down may arise. As at 31 December 2015, the carrying amount of inventories amounted to approximately HK$47,819,000 (2014: HK$80,189,000). Write-down of inventories of approximately HK$843,000 was made for the year ended 31 December 2015 (2014: nil). Further details are set out in note 20 to these consolidated financial statements.

6. REVENUE

Revenue represents revenue arising on sales of particleboards as follows:

	2015 HK$'000	2014 HK$'000
Sales of particleboards	**400,659**	396,583

7. SEGMENT INFORMATION

HKFRS 8 Operating Segments 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 before tax as a whole, which is generated solely from the manufacture and sale of particle board and is determined in accordance with the Group's accounting policies as detailed in note 4, for resources allocation and performance assessment. Therefore no segment information other than entity-wide disclosure is presented.

The Group's operation is located in the PRC and most of the revenue is generated from the PRC and other Asian countries as follows:

	2015 HK$'000	2014 HK$'000
Revenue from PRC	**390,747**	375,308
Revenue from other Asian countries	**9,912**	21,275
	400,659	396,583

The Group's non-current assets other than deferred tax assets are located in the PRC by location of assets in case of property, plant and equipment and prepaid lease payments or by location of operation to which they are allocated, in case of prepayment for acquisition of property, plant and equipment and intangible assets.

Revenue from a customer arising from sales of particle board for the year individually contributing over 10% of the total sales of the Group is as follows:

	2015 HK$'000	2014 HK$'000
Customer A	**99,687**	N/A*
Customer B	**N/A***	54,492

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for that year.

8. OTHER INCOME

	2015 HK$'000	2014 HK$'000
Value added tax ("VAT") refund	**22,975**	1,940
Government grants*	**1,807**	846
Bank interest income	**144**	32
Others	**69**	–
	24,995	2,818

* The amount of HK$1,579,000 (2014: HK$257,000) represented financial subsidy released from deferred income for interest expenses incurred by the Group for its bank borrowings. The amount of HK$228,000 (2014: HK$589,000) have been received to provide immediate financial support to the Group with no unfulfilled conditions related to the subsidy.

9. OTHER GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
Net gain on disposal of property, plant and equipment	**549**	–
Net foreign exchange (losses)/gains	**(138)**	1,603
Impairment loss on trade receivables	**(361)**	–
	50	1,603

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank loans	**24,483**	25,325
Interests on puttable notes and guaranteed bonds (note 28)	**3,565**	1,320
	28,048	26,645

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

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

	For the year ended 31 December 2015			
	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefit schemes HK$'000	Total HK$'000
Executive director:				
Mr. Wong	–	481	18	499
Ms. Cheung Ngar Kwan	–	240	12	252
Ms. Huang Xiuyan	–	306	5	311
Mr. Liu Jiayong	–	455	5	460
Non-executive director:				
Ong Chor Wei	–	120	–	120
Mr. Lai Ming Wai (appointed on 10 July 2015)	–	50	–	50
Independent non-executive directors:				
Dr. Xu Jianmin	–	120	–	120
Ms. Qian Xiaoyu	–	120	–	120
Mr. Wong Hei Chiu	–	120	–	120
	–	2,012	40	2,052

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)
Directors (Continued)

	For the year ended 31 December 2014			
	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefit schemes HK$'000	Total HK$'000
Executive director:				
Mr. Wong	–	483	18	501
Ms. Cheung Ngar Kwan	–	240	12	252
Ms. Huang Xiuyan	–	307	6	313
Mr. Liu Jiayong	–	459	6	465
Non-executive director:				
Ong Chor Wei	–	120	–	120
Independent non-executive directors:				
Dr. Xu Jianmin	–	120	–	120
Ms. Qian Xiaoyu	–	120	–	120
Mr. Wong Hei Chiu	–	120	–	120
	–	1,969	42	2,011

Mr. Wong is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive. Other executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group.

The non-executive directors and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees

Of the five individuals with the highest emoluments in the Group, three (2014: three) were directors of the Company for the year ended 31 December 2015, whose emoluments are set out above. The emoluments of the remaining two (2014: two) individuals during the year were as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	**641**	610
Contribution to retirement benefits schemes	**20**	12
	661	622

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

During the years ended 31 December 2014 and 2015, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSE/(CREDIT)

12.1 Income tax recognised in profit or loss

	2015 HK$'000	2014 HK$'000
Current tax:		
PRC Enterprise Income Tax		
– overprovision in respect of prior years	**(2,643)**	–
Deferred tax:		
Current year	**4,720**	(1,625)
Income tax expense/(credit)	**2,077**	(1,625)

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% in both years.

12. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

12.1 Income tax recognised in profit or loss (Continued)

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 (the "Tax Concessions"). During the years ended 31 December 2015 and 2014, 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.

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

	2015 HK$'000	2014 HK$'000
Profit before tax	**26,732**	24,568
Tax at the statutory tax rate of 25%	**6,683**	6,142
Effect of different tax rates	**1,033**	464
Tax effect of expenses not deductible for tax purpose	**4,937**	1,684
Tax effect of tax losses not recognised	**2,083**	–
Overprovision of current tax in respect of prior years	**(2,643)**	–
Effect of Tax Concessions	**(10,016)**	(9,915)
Income tax expense/(credit)	**2,077**	(1,625)

12.2 Deferred taxation

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

	2015 HK$'000	2014 HK$'000
Deferred tax assets	**2,526**	7,500
Deferred tax liabilities	**(585)**	(622)
	1,941	6,878

12. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

12.2 Deferred taxation (Continued)

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

	Payroll payable and accrued expenses HK$'000	Tax losses HK$'000	Withholding tax on undistributed profit of PRC subsidiary HK$'000	Depreciation of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2014	5,425	–	(624)	462	5,263
Credit (charge) to profit or loss	(777)	2,402	–	–	1,625
Effect of foreign currency exchange differences	(22)	11	2	(1)	(10)
At 31 December 2014 and 1 January 2015	4,626	2,413	(622)	461	6,878
Credit (charge) to profit or loss	(2,356)	(2,364)	–	–	(4,720)
Effect of foreign currency exchange differences	(179)	(49)	37	(26)	(217)
At 31 December 2015	2,091	–	(585)	435	1,941

As at 31 December 2015, the Group has unused tax losses of approximately HK$8,007,000 (2014: HK$9,651,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses during the year ended 31 December 2015 due to unpredictability of future profit streams. As at 31 December 2014, deferred tax assets in respect of tax losses of approximately HK$9,651,000 were recognised. All tax losses will expire according to EIT Law.

Under the EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends declared in respect of profits earned in year 2008 onwards and distributed to foreign investors from companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied where appropriate. Other than the PRC withholding income tax provided as above, no deferred taxation has been provided for the retained profits of HK$100,870,000 (2014: HK$64,059,000) as at 31 December 2015 which were derived from the PRC subsidiary since 1 January 2008, as the Group has set aside such sum for non-distributable purpose and is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

13. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2015 HK$'000	2014 HK$'000
Employee benefits expenses (include directors' emoluments)		
Salaries and other benefits	**12,390**	13,797
Contribution to retirement benefit schemes	**2,110**	2,047
Total employee benefit expenses	**14,500**	15,844
Depreciation of property, plant and equipment	**26,438**	28,059
Amortisation:		
– intangible assets	**578**	–
– release of prepaid lease payments	**466**	473
Cost of good sold:		
– write-down of inventories	**843**	–
– cost of inventories recognised as an expense	**304,559**	283,789
Auditor's remuneration	**2,829**	1,532
Donation	**1,807**	1,508

14. EARNINGS PER SHARE

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

Earnings

	2015 HK$'000	2014 HK$'000
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**24,655**	26,193

Number of shares

	2015 '000	2014 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**781,678**	707,219

Note: Basic and diluted earnings per share were the same for both years as there has been no potential dilutive ordinary shares outstanding during the years.

15. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2015 (2014: nil), nor has any dividend been proposed since the end of the reporting period.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture and equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
Balance at 1 January 2014	102,548	329,196	3,369	1,134	12,097	448,344
Additions	236	1,176	–	459	6,836	8,707
Transfer	8,059	8,839	–	1,496	(18,394)	–
Exchange differences	(307)	(1,057)	(11)	7	(95)	(1,463)
Balance at 31 December 2014 and 1 January 2015	110,536	338,154	3,358	3,096	444	455,588
Additions	392	920	–	81	20,523	21,916
Transfer	–	10,132	–	–	(10,132)	–
Disposals	–	(45,202)	(300)	–	–	(45,502)
Exchange differences	(6,467)	(18,497)	(159)	(91)	(433)	(25,647)
Balance at 31 December 2015	104,461	285,507	2,899	3,086	10,402	406,355
Accumulated depreciation and impairment						
Balance at 1 January 2014	(3,198)	(26,623)	(2,718)	(290)	–	(32,829)
Depreciation charge for the year	(4,933)	(22,361)	(135)	(630)	–	(28,059)
Exchange differences	(11)	(10)	9	(2)	–	(14)
Balance at 31 December 2014 and 1 January 2015	(8,142)	(48,994)	(2,844)	(922)	–	(60,902)
Depreciation charge for the year	(5,164)	(20,857)	(133)	(284)	–	(26,438)
Disposals	–	30,486	285	–	–	30,771
Exchange differences	786	2,564	159	39	–	3,548
Balance at 31 December 2015	(12,520)	(36,801)	(2,533)	(1,167)	–	(53,021)
Carrying amount						
Balance at 31 December 2015	91,941	248,706	366	1,919	10,402	353,334
Balance at 31 December 2014	102,394	289,160	514	2,174	444	394,686

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

As at 31 December 2015, buildings with carrying amount of approximately HK$62,979,000 (2014: HK$70,526,000) and plant and machinery with carrying amount of approximately HK$132,404,000 (2014: 150,872,000) have been pledged to secure bank borrowings granted to the Group (note 26).

In addition, as at 31 December 2015, certain of the Group's plant and machinery with carrying amount of approximately HK$22,965,000 (2014: nil) have been pledged to an independent third party for provision of a corporate guarantee to a bank to secure the bank borrowings granted to the Group (note 26 and 30).

17. PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balance represented prepayments for construction related works which are not yet performed by the relevant contractors.

18. PREPAID LEASE PAYMENTS

	2015 **HK$'000**	2014 HK$'000
Carrying amount at 1 January	**22,620**	23,173
Released during the year	**(466)**	(473)
Effect of foreign currency exchange differences	**(1,303)**	(80)
Carrying amount at 31 December	**20,851**	22,620
Analysed for reporting purpose as:		
Current asset (included in prepayments and other receivables in note 22)	**448**	476
Non-current assets	**20,403**	22,144
	20,851	22,620

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

As at 31 December 2015, prepaid lease payments with a carrying amount of approximately HK$20,851,000 (2014: HK$22,620,000) have been pledged to secure the bank loans granted to the Group (note 26).

19. INTANGIBLE ASSETS

	Development costs HK$'000	Licenses HK$'000	Distribution right HK$'000 (note)	Total HK$'000
Cost				
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–	–
Additions	3,582	1,086	6,000	10,668
Effect of foreign currency exchange differences	(210)	(64)	–	(274)
At 31 December 2015	3,372	1,022	6,000	10,394
Amortisation				
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–	–
Charge for the year	(175)	(53)	(350)	(578)
Effect of foreign currency exchange differences	7	2	–	9
At 31 December 2015	(168)	(51)	(350)	(569)
Carrying values				
At 31 December 2015	3,204	971	5,650	9,825
At 31 December 2014	–	–	–	–

Note:

During the year ended 31 December 2015, the Company signed a distribution agreement with a supplier, pursuant to which, the Company was appointed as an authorised distributor and granted the rights of distribution, marketing and service of sports car "Gumpert Apollo" at a cash consideration of HK$6,000,000.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

	Useful lives
Development costs	10 years
License	10 years
Distribution right	10 years

20. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**26,697**	46,514
Work in progress	**2,885**	3,513
Finished goods	**18,237**	30,162
Total	**47,819**	80,189

As at 31 December 2015, all finished goods with carrying amount of approximately HK$18,237,000 (2014: nil) were pledged to a bank to secure the banking facilities granted by the bank, while the corresponding bank borrowings have been drawn down subsequent to the end of the reporting period (note 30).

21. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**41,895**	86,607
Allowance for doubtful debts	**(347)**	–
	41,548	86,607
Bills receivables	**36,029**	31,468
	77,577	118,075

The Group's trading terms with its customers are mainly on open account terms, except for new customers, where payment in advance is normally required. The credit period is generally for a period up to 90 days (2014: 90 days). The Group seeks to maintain strict control over its outstanding receivables to minimise its credit risk. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest bearing and their carrying amounts approximate to their fair values.

The following is an aged analysis of trade receivables, before allowance for doubtful debts, presented based on invoice date, at the end of the reporting period.

	2015 HK$'000	2014 HK$'000
Within three months	**30,603**	36,299
Over three months but within six months	**8,124**	21,279
Over six months	**3,168**	29,029
Total	**41,895**	86,607

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

The maturity period of bills receivable are within 6 months from the date the Group received the notes as an extended period to the original credit term. The following is an aged analysis of bills receivables presented based on the maturity date.

	2015 HK$'000	2014 HK$'000
Within three months	12,931	19,429
Over three months but within six months	23,098	12,039
Total	36,029	31,468

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

	2015 HK$'000	2014 HK$'000
A	11,469	N/A*
B	6,350	N/A*
C	4,322	N/A*
D	N/A*	15,778
E	N/A*	14,380
F	N/A*	12,801
G	N/A*	8,666
Total	22,141	51,625

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

Most of the trade receivables are neither past due nor impaired and have good repayment history in prior years. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$11,162,000 (2014: HK$51,410,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

An aged analysis of trade receivables which are past due but not impaired, based on past due date, is as follows:

	2015 HK$'000	2014 HK$'000
Within 3 months	**8,342**	7,855
Over 3 months	**2,820**	43,555
Total	**11,162**	51,410

Trade receivables that were past due but not impaired related to customers that have good track records with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable. A substantial amount of which has been received after the end of the reporting period.

Movement in the allowance for doubtful debts is as follows:

	2015 HK$'000	2014 HK$'000
Balance at beginning of year	**–**	–
Impairment loss recognised on trade receivables (note 9)	**361**	–
Effect of foreign currency exchange differences	**(14)**	–
Balance at end of year	**347**	–

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$347,000 (2014: nil) which related to a customer that was in financial difficulty and the directors of the Company consider the recoverability of these debts is remote. The Group does not hold any collateral over these balances.

At 31 December 2015, trade receivables with an aggregate carrying amount of HK$21,302,000 (2014: HK$7,961,000) have been charged to secure the general banking facilities of the Group (note 26).

22. PREPAYMENTS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
VAT recoverable	**7,024**	1,728
VAT refund	**8,834**	336
Payments in advance to suppliers (note (i))	**43,343**	14,404
Deposits paid for securing a sourcing agreement (note (ii))	**23,000**	–
Prepayments to counterparties in bid of raw materials (note (iii))	**92,370**	39,646
Receivable from disposal of property, plant and equipment (note (iv))	**7,290**	–
Prepaid lease payments (note 18)	**448**	476
Others	**2,065**	2,478
	184,374	59,068

Notes:

(i) As at 31 December 2015, included in payments in advance to suppliers are prepayments of approximately HK$38,040,000 (2014: HK$2,430,000) made to suppliers for securing wood supplies. Subsequent to the end of the reporting period and up to the date of the report, substantial amounts have been settled with delivery of raw materials.

(ii) On 25 May 2015, the Company and a supplier entered into a sourcing agreement which provided the payment of HK$23,000,000 security deposit for the sourcing of not less than 100,000 tonne of wood materials from outside China and Southern China regions as ordered from time to time by the Group. Subsequent to the end of the reporting period and up to the date of the report, the entire balance has been settled with delivery of wood materials ordered.

(iii) As at 31 December 2015, included in prepayments to counterparties in bid of raw materials amounting to approximately HK$87,827,000 (2014: HK$34,822,000) are due from two suppliers who offered wood harvests through bidding/auction. Pursuant to bidding/auction agreements, the suppliers should refund in full without interest to the Group should there be no successful bidding/auction. The Group does not hold any collateral over these balances. Subsequently, the amounts have been refunded in full.

Subsequent to the end of the reporting period, the Group further places RMB50,000,000 (or equivalent to approximately HK$59,682,000) to these suppliers. Up to the date of the report, RMB16,100,000 (or equivalent to approximately HK$19,217,000) has been refunded. On 19 May 2016, the Group and these suppliers entered into repayment schedules, pursuant to which the remaining balance of RMB33,900,000 (or equivalent to approximately HK$40,465,000) will be refunded in full before the end of July 2016. Details are set out in note 37.

(iv) On 10 August 2015, the Group entered into a disposal agreement with an independent third party purchaser for the sale of old production line for a consideration of approximately HK$15,280,000, of which approximately HK$7,990,000 has been received during the current year and the remaining balance of approximately HK$7,290,000 was outstanding as at 31 December 2015. Pursuant to the disposal agreement, the entire consideration should be received in full on or before the end of October 2015. Accordingly, the unsettled balance as at 31 December 2015 was past due. However, management believes that no impairment allowance is necessary in respect of such balance as the balance is still considered fully recoverable. The Group does not hold any collateral over the balance. Subsequent to the end of the reporting period, the amounts have been received in full.

23. BANK BALANCES AND CASH AND PLEDGED DEPOSITS

As at 31 December 2015, the Group has unpledged deposits of approximately HK$61,993,000 (2014: HK$7,575,000) and pledged deposits of approximately HK$15,524,000 (2014: HK$3,803,000) in banks in the PRC, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2015, the pledged bank deposits were pledged to banks for short-term bank borrowings (note 26).

24. TRADE PAYABLES

	Notes	**2015** **HK$'000**	2014 HK$'000
Trade payables	(i)	**45,950**	37,014
		45,950	37,014

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:

	2015 **HK$'000**	2014 HK$'000
Within 3 months	**23,240**	23,404
Over 3 months but within 6 months	**17,400**	7,937
Over 6 months but within 12 months	**4,707**	3,155
Over 1 year	**603**	2,518
	45,950	37,014

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

25. OTHER PAYABLES

	2015 **HK$'000**	2014 HK$'000
Payables for acquisition of property, plant and equipment	**17,283**	19,532
Payroll payable	**4,635**	4,872
Accrued expenses	**10,884**	14,448
Receipts in advance from customers	**10,595**	5,560
Other tax payables	**4,802**	1,182
Due to a director (note 35)	**1,020**	–
Others	**527**	2,854
	49,746	48,448

26. BANK BORROWINGS

	Notes	2015 HK$'000	2014 HK$'000
Bank borrowings	(i)(ii)	**305,467**	336,203
Bank borrowings obtained in relation to discounted bills receivable		**–**	3,169
		305,467	339,372
Secured		**171,064**	193,086
Unsecured but guaranteed	(iii)	**9,549**	–
Unsecured and unguaranteed		**124,854**	146,286
		305,467	339,372
Carrying amount repayable:			
Within one year		**191,919**	178,427
More than one year, but not exceeding two years		**54,033**	40,357
More than two years, but not exceeding five years		**59,515**	120,588
		305,467	339,372
Less: amount included in current liabilities		**(191,919)**	(178,427)
Non-current portion		**113,548**	160,945

Notes:

(i) Other than bank borrowings with an aggregate carrying amount of HK$106,890,000 (2014: HK$95,732,000) which bear fixed interest rate ranging from 4.79% to 9.27% (2014: 6.16% to 8.10%) per annum as at 31 December 2015, other bank borrowings with an aggregate carrying amount of HK$198,577,000 (2014: HK$240,471,000) bear floating interest rates ranging from 4.85% to 7.80% (2014: 6.55% to 8.64%) per annum as at 31 December 2015.

26. BANK BORROWINGS (CONTINUED)

Notes: (Continued)

(ii) As at 31 December 2015, the Group's secured bank borrowings are secured by the following assets of the Group:

(a) the pledge of the Group's buildings, plant and equipment with an aggregate carrying amount of approximately HK$195,383,000 (2014: HK$221,398,000) (note 16);

(b) the pledge of the Group's prepaid lease payments with an aggregate carrying amount of approximately HK$20,851,000 (2014: HK$22,620,000) (note 18).

(c) the pledge of the Group's bank deposits with an aggregate carrying amount of approximately HK$15,524,000 (2014: HK$3,803,000) (note 23).

(d) the pledge of the Group's trade receivables with an aggregate carrying amount of approximately HK$21,302,000 (2014: HK$7,961,000) (note 21).

(iii) As at 31 December 2015, the Group's unsecured but guaranteed bank borrowings is secured by a corporate guarantee executed by an independent third party. Such corporate guarantee is secured by the Group's plant and machinery with carrying amount of approximately HK$22,965,000 (note 16) and personal guarantee executed by Mr. Wong (note 30).

All bank borrowings are denominated in RMB.

27. DEFERRED INCOME

	2015 **HK$'000**	2014 HK$'000
Balance at beginning of the year	**8,656**	661
Additions	**18,062**	8,284
Credited to profit or loss during the year (note 8)	**(1,579)**	(257)
Exchange differences	**(1,151)**	(32)
Balance at end of the year	**23,988**	8,656
Analysed for reporting purpose as:		
Current liabilities	**1,857**	688
Non-current liabilities	**22,131**	7,968
Balance at end of the year	**23,988**	8,656

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

28. PUTTABLE NOTES AND GUARANTEED BONDS

	2015 HK$'000	2014 HK$'000
Puttable notes	**24,300**	23,792
Guaranteed bonds	**15,335**	–
	39,635	23,792

On 7 July 2014, the Company issued puttable notes of US$2,000,000 (approximately HK$15,487,000) due on 7 July 2016 which bear a fixed interest rate of 12% per annum. On 6 October 2014, the Company issued puttable notes of HK$8,000,000 due on 6 October 2016 which bear a fixed interest rate of 12% per annum. The puttable notes do not require any security and does not carry any rights to convert into the Company's shares, the subscribers are entitled to request the Company to redeem the puttable notes at face value plus accrued interest at any time during the loan period with no conditions. Accordingly, for reporting purpose, the puttable notes are presented under current liabilities.

On 10 December 2015, the Company issued 15% coupon guaranteed bonds of HK$17,000,000 due on 9 December 2016 which bear an effective interest rate of 18% per annum and are secured by personal guarantee executed by Mr. Wong. The Company shall redeem the bonds on the maturity date at the redemption price which is the principal amount of the bond together with all interest accrued. Save for the following circumstances, the Company shall not redeem any of the bonds prior to the maturity date: 1) upon the occurrence of an event of default, and if so required by holder or holders of not less than 75% of the outstanding principal amount of the bonds in writing; 2) upon the guarantor ceasing to be beneficially interested in less than 30% of the shareholding interest in the Company; or 3) the Company issues any equity after the date of the instrument.

29. SHARE CAPITAL

(a) Issued and fully paid shares

	Number of shares		Share capital	
	2015 '000	2014 '000	2015 HK$'000	2014 HK$'000
Ordinary shares, issued and fully paid				
At 1 January	**711,115**	533,335	**189,015**	53,333
Issue of new shares (note (i), (ii))	**121,488**	177,780	**68,033**	17,778
Less: share issue expenses	**–**	–	**(3,120)**	–
Transition to no-par value regime under Hong Kong Companies Ordinance (note (iii))	**–**	–	**–**	117,904
At 31 December	**832,603**	711,115	**253,928**	189,015

29. SHARE CAPITAL (CONTINUED)

(a) Issued and fully paid shares (Continued)

Notes:

(i) On 22 May 2015, the Company and a placing agent entered into a placing agreement 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 of the Company at a placing price of HK$0.56 per placing share to not less than six independent placees. On 2 June 2015, a total of 121,488,000 placing shares have been successfully placed by the placing agent. For further details, please refer to the announcements of the Company dated 22 May 2015 and 2 June 2015.

(ii) On 8 January 2014, the Company issued 177,780,000 placing shares at a price of HK$0.39 per placing share to certain professional, institutional and other investors pursuant to the prospectus of the Company dated 27 December 2013.

(iii) The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. On that date, the share premium account was subsumed into share capital in accordance with section 37 of Schedule 11 to the Hong Kong Companies Ordinance. These changes did not have impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Hong Kong Companies Ordinance.

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

(b) Capital risk management

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

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

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

30. PLEDGE OF ASSETS

As at 31 December 2015 and 2014, the Group's secured bank borrowings were secured by certain of the Group's property, plant and equipment, prepaid lease payments, bank deposits and trade receivables, details of which are set out in note 26 above. In addition, as at 31 December 2015, certain of the Group's unsecured but guaranteed bank borrowings were secured by a corporate guarantee executed by an independent third party. Such corporate guarantee was secured by certain of the Group's plant and machinery (note 16) and a personal guarantee executed by Mr. Wong (2014: nil) (note 26). Furthermore, as at 31 December 2015, certain of the Group's inventories were pledged to a bank for banking borrowings which has not yet been drawn down as at 31 December 2015 (2014: nil) (note 20).

As at 31 December 2015, the Group's guaranteed bonds were secured by personal guarantee executed by Mr. Wong (2014: nil) (note 28).

31. EMPLOYEE BENEFITS

(a) Retirement benefit scheme

The Group participates in the "MPF Scheme" for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employees' monthly relevant income capped at HK$30,000, to the MPF Scheme, which contribution is matched by employees.

In accordance with the rules and regulations of the PRC, the employees of the PRC subsidiary participated in various defined contribution retirement benefit plans operated by the relevant municipal and provincial social insurance management bodies in the mainland of the PRC under which the PRC subsidiary and its employees are required to make monthly contributions to these plans calculated as 15% (2014: 18% to 19%) of the employees' salaries during the year or in accordance with the requirements of the plans. The Group has no obligation for the payment of benefits beyond the annual contributions for the government administered programs.

At the end of the reporting period, there was no forfeited contribution in respect of employees leaving the retirement benefits scheme before they were fully vested in the contributions and which were available to reduce the contributions payable by the Group in the future years.

The aggregate contributions paid/payable by the Group to the MPF Scheme and defined contribution retirement benefit plans in the PRC for the year ended 31 December 2015 amounted to approximately HK$2,110,000 (2014: HK$2,047,000), which has been recognised as expenses and included in staff costs as disclosed in note 13 to the consolidated financial statements.

(b) Share option scheme

Prior to the listing of Company's shares to GEM of the Stock Exchange (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 caliber 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 and will expire on 18 December 2023. Under the Share Option Scheme, the Board of Director 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 subsidiaries or associated companies or any other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group to subscribe for shares in the Company. 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.

Unless the Company obtains a fresh approval from the shareholders, the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of shares of the Company in issue immediately following completion of placing shares at the time of the Listing, which is 71,111,510 shares, representing 8.5% (2014: 10%) of the Company's issued shares at 31 December 2015 and as at the date of this annual report. The total number of shares which may be issued upon exercise all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders.

31. EMPLOYEE BENEFITS (CONTINUED)

(b) Share option scheme (Continued)

Options granted must be taken up within 30 days from the date of grant, upon payment of HK$1.00 per each grant of options(s). Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board at its discretion determines the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

As at 31 December 2015 and 2014, no option has been granted under the Share Option Scheme.

32. CAPITAL COMMITMENTS

	2015 **HK$'000**	2014 HK$'000
Commitments for the acquisition of property, plant and equipment – Contracted for but not provided in these consolidated financial statements	–	12,121

33. TRANSFER OF FINANCIAL ASSETS

	Bills receivable discounted to banks with full recourse HK$'000 (note (i))	**Bills receivable endorsed to suppliers with full recourse** HK$'000 (note (ii))	**Total** HK$'000
As at 31 December 2015			
Carrying amount of transferred assets included in:			
– trade and bills receivables	–	35,671	35,671
Carrying amount of associated liabilities	–	(35,671)	(35,671)
Net position	–	–	–
As at 31 December 2014			
Carrying amount of transferred assets included in:			
– trade and bills receivables	3,169	26,683	29,852
Carrying amount of associated liabilities	(3,169)	(26,683)	(29,852)
Net position	–	–	–

33. TRANSFER OF FINANCIAL ASSETS (CONTINUED)

Notes:

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

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

34. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Loans and receivables		
Trade and bills receivables	**77,577**	118,075
Other receivables	**100,681**	42,124
Bank balances and cash	**68,442**	8,531
Pledged deposits	**15,524**	3,803
	262,224	172,533
Financial liabilities		
Amortised cost		
Trade payables	**45,950**	37,014
Other payables	**31,085**	41,706
Bank borrowings	**305,467**	339,372
Puttable notes and guaranteed bonds	**39,635**	23,792
	422,137	441,884

34. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Financial risk management objectives and policies

The Group's financial instruments include trade and bills receivables, other receivables, bank balances and cash, pledged deposits, trade payables, other payables, bank borrowings and puttable notes and guaranteed bonds. Details of these financial instruments are disclosed in respective notes.

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

Foreign currency risk management

The Group's monetary assets, liabilities and transactions are principally denominated in HK$, RMB and US$.

The Group exposes to foreign currency risk that are denominated in HK$ and US$. The Group currently does not have hedging policy against HK$ and US$. However, management monitors the Group's foreign currency risk exposure and will consider hedging significant currency risk exposure should the need arise.

As at 31 December 2015 and 2014, the carrying amounts of the Group's monetary assets which are denominated in HK$ and US$ are as follows:

	2015 HK$'000	2014 HK$'000
Assets		
Bank balances and cash	**994**	1,051
Liabilities		
Puttable notes and guaranteed bonds	**(39,635)**	(23,792)

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

34. FINANCIAL INSTRUMENTS (CONTINUED)

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

Foreign currency risk management (Continued)

The following table illustrates the sensitivity of the Group's profit after tax to reasonably possible changes in RMB against HK$ and US$ exchange rates. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The management assess the foreign currency risk arising from US$ and HK$ collectively because the exchange rate between US$ and HK$ is pegged.

	Increase/ (decrease) in rate %	**(Decrease)/ increase in profit for the year** HK$'000
2015		
If RMB strengthens against HK$ and US$	5	1,617
If RMB weakens against HK$ and US$	(5)	(1,617)
2014		
If RMB strengthens against HK$ and US$	5	954
If RMB weakens against HK$ and US$	(5)	(954)

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

Interest rate risk management

The Group's fair value interest risk relates primarily to bank loans at fixed rates and bank loans obtained in relation to discounted bills receivable and puttable notes and guaranteed bonds carried fixed interest rates. Other than that, the Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate published by the People's Bank of China ("PBOC") arising from the Group's bank balances, pledged deposits and RMB denominated bank loans carried floating interest rates.

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

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

34. FINANCIAL INSTRUMENTS (CONTINUED)

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

Interest rate risk management (Continued)

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately HK$745,000 (2014: HK$902,000).

Credit risk management

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

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

The Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. Therefore, the Group's exposure to bad debts is considered not significant. Other than concentration of credit risk on trade receivables due from the Group's major customers (note 21) and other receivables due from two counterparties in bid of raw materials (note 22), the Group does not have any other significant concentration of credit risk.

The credit risk on bank balances and pledged deposits is low as these balances are placed with reputable state-owned banks in the PRC.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the short-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows.

In order to mitigate the liquidity risk, the management regularly monitors the cash flows of the Group through monitoring the operating cash flows and utilisation of bank loans in order to meet its liquidity requirement in the short and long term.

34. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk management (Continued)

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

	On demand or less than 6 months HK$'000	Over 6 months but not more than 1 year HK$'000	Over 1 year but not more than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
31 December 2015					
Non-derivative financial liabilities					
Trade payables	45,950	–	–	45,950	45,950
Other payables	31,085	–	–	31,085	31,085
Borrowings					
– at floating rate	43,878	51,242	121,745	216,865	198,577
– at fixed rate	68,619	41,081	–	109,700	106,890
Puttable notes and guaranteed bonds	25,575	17,000	–	42,575	39,635
	215,107	109,323	121,745	446,175	422,137
31 December 2014					
Non-derivative financial liabilities					
Trade payables	37,014	–	–	37,014	37,014
Other payables	41,706	–	–	41,706	41,706
Borrowings					
– at floating rate	29,604	64,697	180,678	274,979	240,471
– at fixed rate	68,153	33,550	–	101,703	98,901
Puttable notes	23,792	–	–	23,792	23,792
	200,269	98,247	180,678	479,194	441,884

(iii) Fair value of financial instruments

As at 31 December 2015 and 2014, there is no financial instruments of the Group that is measured at fair value on a recurring basis. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in these consolidated financial statements approximate their fair values.

35. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and its related parties are disclosed below.

(a) Transactions

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

		Purchases of material	
	Notes	**2015 HK$'000**	2014 HK$'000
Shaoguan Hongwei Forestry Company Limited	(i)	**353**	–

Purchases of material from Shaoguan Hongwei Forestry Company Limited were made at price agreed by both parties.

(b) Advance/repayment to related parties

	Notes	**2015 HK$'000**	2014 HK$'000
Hong Kong Hung Wai Partnership	(ii)	**–**	25,686
Mr. Wong		**–**	8,823
Shaoguan Hongwei Forestry Company Limited	(i)	**–**	2,511
		–	37,020

(c) Advance/repayment from related parties

	Notes	**2015 HK$'000**	2014 HK$'000
Hong Kong Hung Wai Partnership	(ii)	**–**	25,686
Mr. Wong		**1,020**	8,823
Shaoguan Hongwei Forestry Company Limited	(i)	**–**	2,511
		1,020	37,020

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Personal guarantee executed by a director

As at 31 December 2015, the Group's outstanding guaranteed bonds (note 28) and a corporate guarantee provided by an independent third party to a bank to secure the Group's bank borrowings were secured by personal guarantee executed by Mr. Wong (note 30).

Notes:

(i) The related company is controlled by Mr. Wong Kin Ching, son of Mr. Wong and Ms. Cheung Ngar Kwan ("Mrs. Wong").

(ii) The related company is controlled by Ms. Wong Wan Yu, daughter of Mr. Wong and Mrs. Wong.

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

(e) Compensation of key management personnel and related party

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

	2015 HK$'000	2014 HK$'000
Short-term benefits	**3,173**	3,078
Post-employment benefits	**70**	73
	3,243	3,151

During the year ended 31 December 2015, short-term benefits and post-employment benefits for Ms. Wong Wan Yu paid and contributed by the Group were HK$126,000 (2014: nil) and HK$6,000 (2014: nil), respectively.

(f) Applicability of the GEM Listing Rules relating to connected person transactions

The purchase of materials from Shaoguan Hongwei Forestry Company Limited as set out in note (a) above is exempted continuing connected transactions as they are conducted on normal commercial terms and are fallen into the definition of de minimis transactions under Chapter 20 of the GEM Listing Rules.

The transactions set out in notes (b) to (d) above are exempted continuing connected transactions as they are conducted on terms favourable than normal commercial terms, and the loans or guarantee are not secured by the assets of the Group.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSET		
Investment in subsidiaries	**280,830**	243,733
Intangible assets	**5,650**	–
	286,480	243,733
CURRENT ASSETS		
Loan to a subsidiary	**8,355**	25,987
Amount due from a subsidiary	**104**	–
Prepayments and other receivables	**33,934**	4
Bank balances and cash	**6,449**	956
	48,842	26,947
CURRENT LIABILITIES		
Amount due to a subsidiary	**79,261**	73,923
Other payables	**3,700**	600
Puttable notes and guaranteed bonds	**39,635**	23,792
	122,596	98,315
NET CURRENT LIABILITIES	**(73,754)**	(71,368)
TOTAL ASSETS LESS CURRENT LIABILITIES	**212,726**	172,365
NET ASSETS	**212,726**	172,365
CAPITAL AND RESERVES		
Share capital	**253,928**	189,015
Reserves	**(41,202)**	(16,650)
TOTAL EQUITY	**212,726**	172,365

The Company's statements of financial position was approved and authorised for issue by the Board of Directors on 31 May 2016 and are signed on its behalf by:

Wong Cheung Lok
Director

Liu Jiayong
Director

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)
Movement in Company's reserves

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2014	53,333	72,258	492	2,197	(11,942)	116,338
Loss and total comprehensive loss for the year	–	–	–	(1,945)	(5,452)	(7,397)
Issue of new shares	17,778	51,556	–	–	–	69,334
Professional expenses incurred in connection with the Company's listing	–	(5,910)	–	–	–	(5,910)
Transfer from share premium upon abolition of par value*	117,904	(117,904)	–	–	–	–
Balance at 31 December 2014 and 1 January 2015	189,015	–	492	252	(17,394)	172,365
Loss and total comprehensive loss for the year	–	–	–	(12,466)	(12,086)	(24,552)
Issue of new shares	68,033	–	–	–	–	68,033
Less: share issue expenses	(3,120)	–	–	–	–	(3,120)
Balance at 31 December 2015	253,928	–	492	(12,214)	(29,480)	212,726

* The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. On that date, the share premium account was subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance.

Particulars of the subsidiaries are as follows:

Name of subsidiary	Place of establishment and operation	Registered capital/Paid in capital	Percentage of ownership interests directly held by the Company	Principal activities
Hongwei Renhua*	PRC	HK$302,000,000/ HK$272,500,000 (2014: HK$250,000,000/ HK$220,500,000)	100%	Manufacturing and selling of particleboards
Universal Success Enterprise Limited	Hong Kong	HK$1.00/HK$1.00	100%	General corporate activity

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

None of the subsidiaries had issued any debt securities at the end of the year.

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 12 January 2016, the Company entered into an acquisition agreement and conditionally agreed to acquire the entire issued share capital of a company (the "Target Company"), which is, through its subsidiary, principally engaged in forestry plantation business, including forestry planning and development, for a consideration of approximately HK$150,000,000. The Target Company is wholly owned by Mr. Wong Kin Ching, the son of Mr. Wong and Ms. Wong. The consideration should be satisfied by the allotment and issue of an aggregate of 348,837,209 shares at an issue price of HK$0.43 each by the Company to Mr. Wong Kin Ching. Up to the date of the report, the acquisition is still in progress and is subject to a series of approvals.

(b) Subsequent to the end of the reporting period, the Group has further placed RMB50,000,000 (or equivalent to approximately HK$59,682,000) to suppliers as prepayments in bid of raw materials. Up to the date of the report, RMB16,100,000 (or equivalent to approximately HK$19,217,000) has been refunded. On 19 May 2016, the Group and these suppliers entered into repayment schedules, pursuant to which the remaining balance of RMB33,900,000 (or equivalent to approximately HK$40,465,000) will be refunded in full before the end of July 2016. (note 22)

(c) Subsequent to the end of the reporting period, Hongwei Renhua entered into the following acquisition agreements:

(i) On 17 January 2016, Hongwei Renhua entered into an acquisition agreement with independent third parties for acquisition of forest rights in relation to forests with aggregate size of approximately 3,398 mu., for an initial consideration of RMB12,000,000 (or equivalent to approximately HK$14,324,000);

(ii) On 21 May 2016, the Company announced that:

(1) On 25 January 2016, Hongwei Renhua entered into an acquisition agreement with an independent third party for acquisition of forest rights in relation to forests with aggregate size of approximately 3,992 mu, for an initial consideration of RMB13,000,000 (or equivalent to approximately HK$15,517,000); and

(2) On 21 May 2016, Hongwei Renhua entered into an acquisition agreement with an independent third party for acquisition of forest rights in relation to forests with aggregate size of 2,619.5 mu, for an initial consideration of RMB9,000,000 (or equivalent to approximately HK$10,743,000).

The above acquisitions have been arranged through the same agent. Details are disclosed in the Company's announcement dated 21 May 2016; and

(iii) In May 2016, Hongwei Renhua entered into several acquisition agreements with independent third parties for acquisition of forest rights in relation to forests with aggregate size of approximately 7,444 mu, for an aggregate initial consideration of RMB26,000,000 (or equivalent to approximately HK$31,034,000).

The initial considerations for each of the above acquisitions are subject to downward adjustment on a dollar for dollar basis, should the market value of those forest rights determined by an independent valuer to be appointed by Hongwei Renhua be less than the initial consideration. Up to the date of the report, the above acquisitions are still in progress.

38. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform to the current year's presentation.

Financial Summary

RESULTS

	Year ended 31 December			
	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**400,659**	396,583	192,238	162,983
Profit before tax	**26,732**	24,568	8,313	19,665
Income tax credit/(expense)	**(2,077)**	1,625	(446)	(1,681)
Profit for the year	**24,655**	26,193	7,867	17,984

	As at 31 December			
	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES				
Current assets	**393,736**	269,666	134,698	89,702
Non-current assets	**397,306**	445,753	465,936	106,877
Total assets	**791,042**	715,419	600,634	196,579
Current liabilities	**329,107**	291,067	249,587	83,602
Non-current liabilities	**136,264**	169,535	183,862	32,712
Net assets	**325,671**	254,817	167,185	80,265
EQUITY				
Equity attributable to owners of the Company	**325,671**	254,817	167,185	80,265

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