



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

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

Third Quarterly Report

2018

CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

Given the emerging nature of companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Hong Wei (Asia) Holdings Company Limited (the “Company”, together with its subsidiary, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

UNAUDITED THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the nine months ended 30 September 2018, together with the comparative figures of the corresponding period as appropriate. The financial information contained herein has not been audited by the Company’s auditor but has been reviewed by the Company’s audit committee.

Unless otherwise stated, the capitalised terms in this report shall have the same meaning as in the annual report of the Company for the financial year ended 31 December 2017.

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
	Notes				
Revenue	2	103,624	138,477	314,832	357,303
Cost of sales		(83,063)	(109,192)	(244,714)	(282,596)
Gross profit		20,561	29,285	70,118	74,707
Other income	4	4,347	5,864	13,105	14,767
Other losses		(42)	(49)	(54)	(8)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		—	—	1,583	—
Net (losses)/gains arising from changes in fair values less costs to sell of biological assets		(113)	33	3,164	2,843
Selling and distribution expenses		(7,542)	(10,783)	(24,021)	(30,879)
Administration expenses		(6,255)	(8,336)	(23,361)	(27,078)
Finance costs	5	(6,862)	(6,295)	(21,596)	(18,100)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Profit before tax		4,094	9,719	18,938	16,252
Income tax expense	6	—	—	—	—
Profit for the period attributable to owners of the Company	7	4,094	9,719	18,938	16,252
Other comprehensive (loss)/ income which will not be reclassified subsequently to profit or loss:					
Exchange differences arising on translation to presentation currency		(20,938)	9,882	(25,556)	22,496
Other comprehensive (loss)/ income for the period		(20,938)	9,882	(25,556)	22,496
Total comprehensive (loss)/ income for the period		(16,844)	19,601	(6,618)	38,748
Total comprehensive (loss)/ income for the period, attributable to owners of the Company		(16,844)	19,601	(6,618)	38,748
Basic and diluted earnings per share, in HK cents	8	0.49	1.17	2.27	1.95

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2018 (audited)	253,928	(16,968)	22,841	(1,833)	142,294	400,262
Profit for the period	-	-	-	-	18,938	18,938
Other comprehensive (loss) for the period						
Exchange differences arising on translation to presentation currency	-	-	-	(25,556)	-	(25,556)
Total comprehensive (loss)/ income for the period	-	-	-	(25,556)	18,938	(6,618)
Balance at 30 September 2018 (unaudited)	<u>253,928</u>	<u>(16,968)</u>	<u>22,841</u>	<u>(27,389)</u>	<u>161,232</u>	<u>393,644</u>
Balance at 1 January 2017(audited)	253,928	(16,968)	18,011	(28,712)	116,829	343,088
Profit for the period	-	-	-	-	16,252	16,252
Other comprehensive income for the period						
Exchange differences arising on translation to presentation currency	-	-	-	22,496	-	22,496
Total comprehensive income for the period	-	-	-	22,496	16,252	38,748
Balance at 30 September 2017 (unaudited)	<u>253,928</u>	<u>(16,968)</u>	<u>18,011</u>	<u>(6,216)</u>	<u>133,081</u>	<u>381,836</u>

1. BASIS OF PRESENTATION

The Directors have given careful consideration to the Group's financial performance, working capital, liquidity position and available banking facilities from its principal bankers and financial institutions, and the stability of the Group's business, operations and relationships with its suppliers, bankers and financial institutions. During the Current Period, Mr. Wong Cheung Lok ("Mr. Wong"), ultimate controlling party and chairman of the Company, agreed to provide a revolving facility of HK\$55,000,000 to the Company to meet its financial obligation pursuant to a facility letter dated 22 March 2018 (the "Facility Letter"). In addition, on 10 August 2018, the Company and a subscriber (the "Subscriber") entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company has conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the secured and guaranteed notes in the principal amount of up to HK\$100,000,000 (the "Notes") with an initial term of two years from the date of issue of the Notes, extendable for another year as agreed by the parties. In view of this, 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.

The unaudited consolidated results for the nine months ended 30 September 2018 have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the Company's annual financial statements for the year ended 31 December 2017. The Group has applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") during the current reporting period.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Considerations
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 1 and HKAS 28	As part of the Annual Improvements to HKFRS 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2. REVENUE

Revenue represents amounts received and receivables for sales of particleboards and timber woods and are recognized at a point in time. A breakdown of the Group's revenue is as follows:

	For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Sales of particleboards	314,322	357,303
Sales of timber woods	510	–
	<u>314,832</u>	<u>357,303</u>

3. OPERATING SEGMENTS

The following tables represent segment information for the period.

For the nine months ended 30 September 2018

	Particleboards segment HK\$'000 (Unaudited)	Forestry segment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<i>Segment revenue:</i>			
Reportable segment revenue	314,322	2,093	316,415
Elimination of inter-segment revenue	–	(1,583)	(1,583)
	<u>314,322</u>	<u>510</u>	<u>314,832</u>
<i>Segment results:</i>			
Reportable segment results	47,685	1,905	49,590
Interest income			95
Finance costs			(21,596)
Unallocated corporate staff costs			(2,382)
Unallocated corporate expenses			(6,769)
			<u>18,938</u>
<i>Other segment information</i>			
Capital expenditures – allocated [#]	13,291	–	13,291
Depreciation – allocated	21,076	–	21,076
Depreciation – unallocated			475
			<u>21,551</u>
Amortisation	689	1,040	1,729
Gain arising from agricultural produce at fair values less costs to sell at the point of harvest	–	1,583	1,583
Net gain arising from changes in fair values less costs to sell of biological assets	–	3,164	3,164

For the nine months ended 30 September 2017

	Particleboards segment HK\$'000 (Unaudited)	Forestry segment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<i>Segment revenue:</i>			
Reportable segment revenue	357,303	–	357,303
Elimination of inter-segment revenue	–	–	–
Revenue from external customers	<u>357,303</u>	<u>–</u>	<u>357,303</u>
<i>Segment results:</i>			
Reportable segment results	43,351	1,410	44,761
Interest income			117
Finance costs			(18,100)
Unallocated corporate staff costs			(2,063)
Unallocated corporate expenses			<u>(8,463)</u>
Consolidated profit before tax			<u>16,252</u>
<i>Other segment information</i>			
Capital expenditures – allocated [#]	18,438	59,509	77,947
Capital expenditures – unallocated [#]			<u>2,660</u>
			<u>80,607</u>
Depreciation – allocated	18,682	–	18,682
Depreciation – unallocated			<u>295</u>
			<u>18,977</u>
Amortisation	396	1,118	1,514
Net gain arising from changes in fair values less costs to sell of biological assets	–	4,670	4,670
Loss on disposal of forestry right of the forestlands	<u>–</u>	<u>1,827</u>	<u>1,827</u>

[#] Capital expenditures of particleboards segment mainly represent the addition of property, plant and equipment and prepayments made for acquisition of property, plant and equipment during the period. Capital expenditures of forestry segment mainly represent the consideration paid for acquisition of forestry rights of the forestlands during the period.

4. OTHER INCOME

	For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Value added tax ("VAT") refund	9,895	11,665
Government grants	2,731	2,963
Bank interest income	95	117
Others	384	22
	<u>13,105</u>	<u>14,767</u>

5. FINANCE COSTS

	For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on bank and other borrowings	13,546	14,753
Interest on unsecured but guaranteed bonds	–	1,988
Interest on a secured and guaranteed bond	8,008	470
Interest on unsecured loans	–	821
Interest on finance lease liabilities	42	68
	<u>21,596</u>	<u>18,100</u>

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group had an allowable tax loss brought forward which exceeded its estimated assessable profit for the reporting period.

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 Wooden Products (Renhua) Company Limited ("Hongwei Renhua") is 25% during the nine months ended 30 September 2018 and 2017 respectively.

Pursuant to the EIT Law and its implementation regulations, where an enterprise utilises the resources as listed in the Catalogue of Resources for Comprehensive Utilisation Entitling Enterprises to Income Tax Preferences (資源綜合利用企業所得稅優惠目錄) as its major raw materials to make products which are not restricted or prohibited by the state and are consistent with the relevant state or industrial standards, only 90% of the income derived therefrom shall be accounted for as taxable income of the enterprise in that year. During the nine months ended 30 September 2018 and 2017 respectively, Hongwei Renhua is entitled to such preferential policy and only 90% of the income of Hongwei Renhua from the sale of particleboard was regarded as taxable income.

According to the EIT Law and Implementation Regulation of the EIT Law, enterprises that engage in qualified agricultural business are eligible for exemption from payment of enterprise income tax. During the nine months ended 30 September 2018 and 2017, the Group's two subsidiaries which are principally engaged in qualifying agricultural business and therefore, the profit of them are entitled to exemption from payment of enterprise income tax.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	21,551	18,977
Amortisation of intangible assets	352	396
Amortisation of prepaid lease payments	1,377	1,118
	<hr/>	<hr/>
Total depreciation and amortisation expenses	23,280	20,491
	<hr/>	<hr/>
Employee benefits expenses (include directors' emoluments)		
Salaries and other benefits	11,260	10,423
Contribution to retirement benefit schemes	1,425	1,366
	<hr/>	<hr/>
Total employee benefit expenses	12,685	11,789
	<hr/>	<hr/>
Cost of goods recognised as an expense	244,714	282,596
	<hr/>	<hr/>
Auditor's remuneration		
Provision in respect of current period	1,215	1,153
Non-audit services	200	1,210
	<hr/>	<hr/>
	1,415	2,363
	<hr/>	<hr/>
Professional fee for proposed major and connected acquisition terminated during the period*	—	2,234
	<hr/>	<hr/>
Loss on disposal of forestry rights of the forest lands	—	1,827
	<hr/> <hr/>	<hr/> <hr/>

- * On 26 April 2017, the Company and Mr. Wong Kin Ching, son of Mr. Wong and Ms. Cheung Ngar Kwan ("Mrs. Wong"), entered into a termination agreement to terminated the proposed acquisition of a target company. The target company through its subsidiary is engaged in forestry management. Details are set out in announcement of the Company dated 26 April 2017.

8. EARNINGS PER SHARE

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

Earnings

	For the nine months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	18,938	16,252

Number of shares

	For the nine months ended 30 September	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	832,603	832,603

MANAGEMENT DISCUSSION AND ANALYSES

BUSINESS REVIEW

During the nine months ended 30 September 2018 ("Current Period"), the Group continued to be engaged in the manufacturing and selling of particleboards ("Particleboards Segment") and the plantation, timber logging and sales of wood and agricultural products in the PRC ("Forestry Segment").

Particleboards Segment

During the nine months ended 30 September 2018, the Group continued to engage in the manufacturing and selling of particleboards and our products were principally used by our customers in the manufacturing of furniture and fixtures, sport equipment, decoration and construction materials. During the nine months ended 30 September 2018, the performance of the Particleboards Segment continued to face challenging market conditions and recorded declining performance. The Group's revenue for Particleboards Segment decreased to approximately HK\$314.3 million from approximately HK\$357.3 million, representing a decrease of approximately 12.0% as compared to the nine months ended 30 September 2017 ("Previous Period"). The decrease was mainly due to the decrease in the average unit selling price and sales volume of particleboards by approximately 3.1% and 13.0% respectively during the Current Period. During the nine months ended 30 September 2018, the Group's gross profit decreased to approximately HK\$70.1 million from approximately HK\$74.7 million, representing a decrease of approximately 6.1% as compared to that of the Previous Period. Nonetheless, the Group's gross profit margin increased by approximately 6.7% to approximately 22.3% for the nine months ended 30 September 2018 from approximately 20.9% in the Previous Period which increase was mainly attributable to the decrease in average unit price of raw materials particularly the residual wood from external suppliers which off-set the decrease in average unit selling price of particleboards during the nine months ended 30 September 2018.

The Chinese economy continued to face with uncertainties under the intensifying pressure of the trade war with the U.S. and greater fluctuation in the exchange rate of RMB. The potential negative impact on the export market may further indirectly affect the domestic consumer industry. Amid such uncertainties, we are of the view that domestic demand for consumer products such as household furnitures and fixtures, leisure sport equipment as well as construction materials may remain at a relatively weak level whereas our financing costs are expected to increase given the tightening credit policy environment in China.

Forestry Segment

During the nine months ended 30 September 2018, the Group generated revenue of approximately HK\$0.5 million from the Forestry Segment by selling large-sized timber wood to external customers. The Group commenced harvesting work in December 2017 after the relevant harvesting approval was obtained. During the nine months ended 30 September 2018, most of the harvested wood was used internally as raw materials for the production of the Group's particleboards and a small portion was sold to external parties. The Group has not conducted any harvesting work in the third quarter of year 2018 due to seasonal factor and is expected to resume the harvesting work in Fujian Province in the end of 2018. To maintain a stable supply of our own stock of the residual wood to manage the risks of volatility in supply related factors, the Group continued to carry out the cultivation and maintenance work for the existing forestlands during the nine months ended 30 September 2018.

The Group continues to monitor the market and aims at achieving better control over the supply of raw materials, from a combination of external and/or internal sources, which can strengthen its competitiveness and its business sustainability.

FINANCIAL REVIEW

Revenue

During the nine months ended 30 September 2018, the Group's revenue for Particleboards Segment decreased to approximately HK\$314.3 million from approximately HK\$357.3 million, representing a decrease of approximately 12.0% as compared to the Previous Period. The decrease was mainly due to the decrease in the average unit selling price and sales volume of particleboards by approximately 3.1% and 13.0% respectively during the Current Period. The decrease in revenue is partially off-set by the appreciation of the average exchange rate of RMB to Hong Kong Dollar ("HKD") during the Current Period, which is the presentation currency of the financial statements of the Group, as compared with that of the Previous Period.

During the nine months ended 30 September 2018, the Group generated revenue of approximately HK\$0.5 million for the Forestry Segment. There was no income generating activity took place during the Previous Period for such segment and hence no revenue was recognized for such segment during that period.

Cost of Sales

During the nine months ended 30 September 2018, the Group's costs of sales decreased to approximately HK\$244.7 million from approximately HK\$282.6 million, representing a decrease of approximately 13.4% as compared to that of the Previous Period. The decrease was mainly attributable to the decrease in the average unit costs of raw materials, particularly the residual wood from external suppliers by approximately 7.1% during the nine months ended 30 September 2018.

Gross profit and margin

During the nine months ended 30 September 2018, the Group's gross profit decreased to approximately HK\$70.1 million from approximately HK\$74.7 million, representing a decrease of approximately 6.1% as compared to that of the Previous Period. Nonetheless, the Group's gross profit margin increased by approximately 6.7% to approximately 22.3% for the nine months ended 30 September 2018 from approximately 20.9% in the Previous Period. The increase in gross profit margin was mainly attributable to the decrease in average unit price of raw materials particularly the residual wood from external suppliers which off-set the decrease in average unit selling price of particleboards during the nine months ended 30 September 2018

Other income, other losses (net)

During the nine months ended 30 September 2018, the Group's other income decreased to approximately HK\$13.1 million from approximately HK\$14.8 million, representing a decrease of approximately 11.3% as compared to that for the Previous Period. The decrease was mainly attributable to the decrease of value added tax refund which was partly set off by the increase in subsidy released from deferred income during the nine months ended 30 September 2018.

Selling and Distribution expenses

During the nine months ended 30 September 2018, the Group's selling and distribution expenses decreased to approximately HK\$24.0 million from approximately HK\$30.9 million in the Previous Period, representing a decrease of approximately 22.2%, which was mainly attributable to the decrease in selling expenses as a result of absence of the additional packaging materials consumed in the Previous Period as a result of the packaging method modification trials carried out in the Previous Period as well as decrease in transportation costs due to the decrease in sales volume of particleboards and decrease in advertising and promotional expenses incurred for the nine months ended 30 September 2018.

For the Forestry Segment, there was approximately HK\$0.5 million subcontracting fee for harvesting activities performed by subcontractors for the nine months ended 30 September 2018 whereas no such fee was incurred in the Previous Period.

Administration expenses

During the nine months ended 30 September 2018, the Group's administration expenses decreased to approximately HK\$23.4 million from approximately HK\$27.1 million, representing a decrease of approximately 13.7% as compared to that for the Previous Period, which was mainly attributable to the absence of legal and professional fee incurred in the Current Period in respect of the proposed major and connected transaction first announced in January 2016 which was terminated in April 2017 but the related costs were recorded in the Previous Period and the decrease in donation of approximately 2.2 million for the nine months ended 30 September 2018.

For the Forestry Segment, the administration expenses was approximately HK\$2.9 million during the Current Period as compared to HK\$1.4 million in the same period for 2017. The increase was mainly as a result of more costs incurred in connection with the cultivation and maintenance work performed for certain forestlands during the nine months ended 30 September 2018.

Finance costs

During the nine months ended 30 September 2018, the Group's finance costs increased to approximately HK\$21.6 million from approximately HK\$18.1 million in the Previous Period, representing an increase of approximately 19.3%. The increase was mainly attributable to interest expenses incurred for the secured and guaranteed bonds issued by the Company on 15 September 2017 and 13 August 2018, respectively.

During the months ended 30 September 2018, the Company has redeemed the HK\$100,000,000 bonds issued to Haitong International Investment Fund SPC acting on behalf of and for the account of Haitong International Investment Fund SPC – Fund 1 SP on 15 September 2017 before its scheduled maturity date at the principal amount of the bonds taken into account all interest accrued. On 13 August 2018, the Company issued secured and guaranteed redeemable notes in the principal amount of HK\$100,000,000 due 2020 (extendable for another one year) to Haitong Global Investment SPC III acting on behalf of and for a segregated portfolio. The notes bear interest on the outstanding principal amount of 8% per annum for the first six months and prime rate plus 3% for the remaining initial term and the extended term if applicable.

Profit attributable to owners of the Company

During the nine months ended 30 September 2018, the profit attributable to owners of the Company amounted to HK\$18.9 million, representing an increase of approximately 16.5% as compared to that of HK\$16.3 million for the Previous Period. Such increase was mainly attributable to the decrease in selling and distribution expenses and administration expense as discussed above which partially set-off the decrease in gross profit and increase in finance costs.

Total comprehensive loss attributable to owners of the Company

During the nine months ended 30 September 2018, the Company recorded a total comprehensive loss attributable to the owners of the Company of approximately HK\$6.6 million, as opposed to the total comprehensive income of approximately HK\$38.7 million for the nine months ended 30 September 2017. Such decrease was attributable to the recognition of exchange loss arising from the translation of RMB to HK\$ which is the presentation currency of the consolidated financial statements which was partially set off by the increase in operating profit.

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

During the nine months ended 30 September 2018, neither the Company nor any of its subsidiary have purchased, sold or redeemed any listed securities of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the nine months ended 30 September 2018, 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.

At the date of this report, Mr. Wong Kin Ching, the son of Mr. Wong and Ms. Cheung Ngar Kwan (Mrs. Wong), through companies wholly owned by him is interested in forestry plantation business, including forestry planting and development with respect to forestlands located at Renhua County, Guangdong Province, PRC.

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

So far as the Directors are aware, as at 30 September 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571. Laws of Hong Kong) (the "SFO") which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange, are as follows:

Long position in the Shares

Name	Capacity/ Nature of interest	Aggregate number of Shares or underlying Shares (Note 1)	Approximate percentage of interest in our Company
Mr. Wong	Beneficial owner	430,000,000 (L)	51.65%
Mrs. Wong ⁽²⁾	Interest of spouse	430,000,000 (L)	51.65%

Notes:

- (1) The letter “L” denotes the person’s long positions in the Shares.
- (2) Mrs. Wong is the spouse of Mr. Wong. Under the SFO, Mrs. Wong is deemed to be interested in the same number of Shares in which Mr. Wong is interested.

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

So far as the Directors are aware, as at 30 September 2018, none of any other person (other than a Director or chief executive) had any interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to us and the 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.

**LOAN AGREEMENT WITH COVENANT RELATING TO SPECIFIC
PERFORMANCE OF THE CONTROLLING SHAREHOLDER**

On 13 August 2018, pursuant to the subscription agreement dated 10 August 2018 (the “Note Subscription Agreement”) between the Company and Haitong Global Investment SPC III acting on behalf of and for a segregated portfolio (“Note Subscriber”), the Company issued secured and guaranteed notes in the principal amount of HK\$100,000,000 (the “Note”) due on 12 August 2020 or be extended to 12 August 2021 (subject to the approval of the noteholder) to the Note Subscriber. The Note carry an interest rate of 8% per annum for the first six months from the date of issue and prime rate (as per HSBC’s then current Hong Kong dollar best lending rate in effect) plus 3% per annum for the rest of its term, and is secured, among other things, by personal guarantee executed by Mr. Wong and Mrs. Wong (together, “Guarantors”).

The Note Subscription Agreement and the instrument constituting the Notes (“Instrument”) contain covenants that require Mr. Wong to remain as the single largest shareholder of the Company, the chairman of the Board and executive director of the Company and restrict the creation by either of the Guarantors of any additional encumbrances over real properties owned by them in Hong Kong as at the date of the Note Subscription Agreement and the Instrument, the breach of which will constitute an event of default. In addition, the bankruptcy or inability to pay debts when due of the Guarantors or any change of control (within the meaning of the Code on Takeovers and Mergers) of the Company will also constitute an event of default. Upon the occurrence of a continuing event of default, the holder(s) of the Note is(are) entitled to request immediate redemption of the Note at a higher interest rate and such amount which would give a 20% internal rate of return (inclusive of all interest and fee payable by the Company) to the Note Subscriber as stipulated in the Instrument.

Please refer to the announcement of the Company dated 10 August 2018 for more details.

AUDIT COMMITTEE

The audit committee of the Board of the Company has reviewed and discussed with the management of the Group the unaudited consolidated results of the Group for the nine months ended 30 September 2018.

QUARTERLY DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2018 (2017: Nil).

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

Hong Kong, 9 November 2018

As at the date of this report, the executive Directors are Mr. Wong Cheung Lok, Ms. Cheung Ngai Kwan, Ms. Huang Xiuyan and Mr. Liu Jiayong; and the independent non-executive Directors are Dr. Xu Jianmin, Ms. Qian Xiaoyu and Dr. Chow Ho Wan, Owen.