



**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

**2023**

FIRST QUARTERLY REPORT



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

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*This report, for which the directors (the “**Directors**”) of Hong Wei (Asia) Holdings Company Limited (the “**Company**”, together with its subsidiaries, 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.*

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2023 together with the comparative unaudited figures of the corresponding period in 2022.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	For the three months ended 31 March	
		2023	2022
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	2	76,428	67,956
Cost of sales		(60,288)	(49,003)
Gross profit		16,140	18,953
Other income		2,220	1,762
Other gains, net		–	27
Net loss on disposal of biological assets		–	(4,141)
Selling and distribution expenses		(5,511)	(4,920)
Administration expenses		(7,126)	(7,199)
Finance costs	4	(3,868)	(5,688)
<b>Profit/(loss) before tax</b>		<b>1,855</b>	<b>(1,206)</b>
Income tax expense	5	–	–
<b>Profit/(loss) for the period attributable to owners of the Company</b>	6	<b>1,855</b>	<b>(1,206)</b>
<b>Other comprehensive income/(loss) which will not be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation to presentation currency		7,469	2,983
<b>Other comprehensive income/(loss) for the period</b>		<b>7,469</b>	<b>2,983</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>9,324</b>	<b>1,777</b>
<b>Total comprehensive income/(loss) attributable to owners of the Company</b>		<b>9,324</b>	<b>1,777</b>
			Restated
<b>Basic losses per share, in HK cents</b>	7	<b>3.52</b>	2.37

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2022						
(unaudited)	268,925	(16,968)	34,906	(749)	(9,088)	277,026
Loss for the period	-	-	-	-	(1,206)	(1,206)
Issuance of Shares upon placing	1,971	-	-	-	-	1,971
Other comprehensive loss for the period	-	-	-	2,983	-	2,983
<b>Total comprehensive income/(loss) for the period</b>	<b>1,971</b>	<b>-</b>	<b>-</b>	<b>2,983</b>	<b>(1,206)</b>	<b>3,748</b>
Transfer to statutory reserve	-	-	625	-	(625)	-
<b>Balance at 31 March 2022 (unaudited)</b>	<b>270,896</b>	<b>(16,968)</b>	<b>35,531</b>	<b>2,234</b>	<b>(10,919)</b>	<b>280,774</b>
Balance at 1 January 2023						
(unaudited)	270,886	(16,968)	37,262	(33,597)	(3,099)	254,484
Loss for the period	-	-	-	-	1,855	1,855
Issuance of Shares upon placing	-	-	-	-	-	-
Other comprehensive loss for the period	-	-	-	7,469	-	7,469
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,469</b>	<b>1,855</b>	<b>9,324</b>
Transfer to statutory reserve	-	-	495	-	(495)	-
<b>Balance at 31 March 2023 (unaudited)</b>	<b>270,886</b>	<b>(16,968)</b>	<b>37,757</b>	<b>(26,128)</b>	<b>(1,739)</b>	<b>263,808</b>

## 1. BASIS OF PRESENTATION

The Directors have given careful consideration to the Group's financial performance, working capital, liquidity position, available facilities from its principal bankers, financial institutions and the stability of the Group's business, operations and relationships with its suppliers, bankers and financial institution, the Directors have prepared and assessed working capital forecast for a period of 12 months ending on 31 December 2023. In addition, Mr. Wong Cheung Lok ("Mr. Wong"), the chairman of the Board and an executive Director, who is also the ultimate beneficial controlling shareholder of the Company, and his family members have agreed to provide financial support to the Group and will not demand the Group to repay the amounts due to them unless the Group could be able to do so. 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 condensed consolidated financial results for the three months ended 31 March 2023 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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standard ("HKFRS") and Hong Kong Accounting Standards ("HKAS").

Amendments to HKFRS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKFRS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The Directors do not anticipate that the application of the new standard and amendments to HKFRSs above will have a material effect on the consolidated financial statements.

## 2. REVENUE

Revenue represents the amounts received and receivable for sales of particleboards, which are conducted in the People's Republic of China (the "PRC") by the Group. A breakdown of revenue is as follows:

	<b>For the three months ended 31 March</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Sales of particleboards	<b>76,428</b>	67,956

Sales of particleboards are recognised at point of time when particleboards are delivered to customers.

There was no income generated from sales of timber woods for the three months ended 31 March 2022 and 2023.

### 3. OPERATING SEGMENTS

The following table represents segment information for the three months ended 31 March 2023:

	Particleboards segment HK\$'000 (Unaudited)	Forestry segment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<i>Segment revenue:</i>			
Revenue from external customers	76,428	-	76,428
<i>Segment results:</i>			
Reportable segment results	7,959	(917)	7,042
Interest income			9
Finance costs			(3,868)
Unallocated corporate staff costs			(746)
Unallocated corporate expenses			(582)
Consolidated loss before tax			1,855
<i>Other Segment information:</i>			
Capital expenditures – allocated <sup>#</sup>	-	-	-
Depreciation – allocated	11,218	857	12,075
Depreciation – unallocated			51
			12,126
Amortisation	130	-	130

The following table represents segment information for the three months ended 31 March 2022:

	Particleboards segment HK\$'000 (Unaudited)	Forestry segment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<i>Segment revenue:</i>			
Revenue from external customers	67,956	–	67,956
<i>Segment results:</i>			
Reportable segment results	8,526	–	8,526
Interest income			4
Finance costs			(5,688)
Unallocated corporate staff costs			(1,640)
Unallocated corporate expenses			(2,408)
Consolidated loss before tax			(1,206)
<i>Other Segment information:</i>			
Capital expenditures <sup>#</sup>	–	–	–
Depreciation – allocated	9,246	230	9,476
Depreciation – unallocated			166
			9,642
Amortisation	120	–	120

<sup>#</sup> Capital expenditures of particleboards segment mainly represent the addition of property, plant and equipment during the period.



#### 4. FINANCE COSTS

	For the three months ended 31 March	
	2023	2022
	HKS'000	HKS'000
	(Unaudited)	(Unaudited)
Interests on bank and other borrowings	2,981	3,602
Interests on bonds and notes payable	-	571
Interests on lease liabilities	1	1
Other finance costs	886	1,514
	<b>3,868</b>	<b>5,688</b>

#### 5. INCOME TAX

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 Wooden Products (Renhua) Company Limited ("Hongwei Renhua") is 25% during the three months ended 31 March 2023 and 2022 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 three months ended 31 March 2023 and 2022 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 year ended 31 December 2022 and 2021, the Group's two subsidiaries are engaged in qualified agricultural business and therefore, the profit of them are entitled to exemption from payment of enterprise income tax.

## 6. PROFIT/ (LOSS) FOR THE PERIOD

Profit/ (loss) has been arrived at after charging:

	<b>For the three months ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Depreciation and amortisation expenses</b>		
Depreciation of:		
– property, plant and equipment	<b>10,790</b>	9,130
– right-of-use assets	<b>1,336</b>	512
Amortisation:		
– intangible asset	<b>130</b>	120
Total depreciation and amortisation expenses	<b>12,256</b>	9,762
Employee benefits expenses (include Directors' emoluments)		
Salaries and other benefits	<b>1,684</b>	4,718
Contribution to retirement benefit schemes	<b>531</b>	706
Total employee benefit expenses	<b>2,215</b>	5,424
Cost of inventories recognised as an expense	<b>60,288</b>	49,003
Auditor's remuneration		
– Provision in respect of current period	–	356
– Non-audit service	–	–

## 7. LOSSES PER SHARE

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

### Losses

	For the three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted losses per share	<b>1,855</b>	(1,206)

### Number of shares

	For the three months ended 31 March	
	2023	2022
	'000	'000
		(Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted losses per share	<b>52,656</b>	50,796

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### BUSINESS REVIEW

During the three months ended 31 March 2023 (the “**Current Period**”), the Group continued to be engaged in the manufacturing and selling of particleboards (the “**Particleboards Segment**”) and the plantation, timber logging and sales of wood and agricultural products in the PRC (the “**Forestry Segment**”).

#### **Particleboards Segment**

During the Current Period, our products were principally used by our customers in the manufacture of furniture and fixtures, sport equipment, decoration and construction materials. Meanwhile, the Chinese economy continued to face uncertainties under the pressure of the ongoing Sino-United States conflicts and the volatility of worldwide capital markets. The negative impacts on the export market have indirectly affected the domestic consumer demand for particleboards. And for the domestic demand for consumer products such as household furniture and fixtures, sport equipment as well as construction materials, it had remained at a low level and consumers are looking for lower-cost substitute. Under such challenging environment, we are determined to further our supply chain operations to mitigate our business risks and strengthen our sustainability and competitiveness by tightening cost control measures.

#### **Forestry Segment**

During the Current Period, the Group had not received any update on the measures regarding the grant by the relevant government department of timber wood harvesting quotas which have been materially curtailed as part of the PRC government’s policy to strengthen environmental protection since the end of 2018. The Group highly recognises global climate change’s risks and opportunities, and actively supports the PRC government’s efforts to achieve the goal of carbon neutrality before 2060. To support the PRC government’s environmental protection supervision as the main line, the Group will improve the environmental management system and control with our forestry asset and is going to contribute to the realisation of “carbon neutrality”. Nevertheless, the Group will continue to further explore and assess other possible alternatives to utilize its forestry resources in order to benefit the Group as a whole.

## **FINANCIAL REVIEW**

### **Revenue**

During the three months ended 31 March 2023 and 2022, the Group's revenue of our particleboard division increased from approximately HK\$67.9 million to approximately HK\$76.4 million, representing an increase of approximately 12.5% compared to the three month period ending 31 March 2022 (the "previous period"). The increase is mainly due to the increase in sales of particleboard during this period compared to the previous period.

During the three months ended 31 March 2023 and 2022, no income generating activity took place for the Forestry Segment and hence no revenue was recognised for such segment.

### **Cost of sales**

During the three months ended 31 March 2023, the Group's costs of sales increased to approximately HK\$60.3 million from approximately HK\$40.9 million for the three months ended 31 March 2022, representing a increase of approximately 23%. The increase is mainly due to an increase in the average cost of raw materials and an increase in sales during this period.

### **Gross profit and margin**

During the three months ended 31 March 2023, the Group's gross profit decreased to approximately HK\$16.1 million from approximately HK\$19.0 million for the three months ended 31 March 2022, representing a decrease of approximately 97.1% and the Group's gross profit margin decreased to approximately 21.1% for the three months ended 31 March 2023 from approximately 27.9% for the three months ended 31 March 2022.

The decrease in gross profit is mainly due to a 23% increase in sales costs during this period. The decrease in gross profit margin is mainly due to the decrease in gross profit caused by the increase in sales costs during this period.

### **Other income**

During the three months ended 31 March 2023, the Group's other income increased to approximately HK\$2.2 million from approximately HK\$1.8 million, representing an increase of approximately 26% as compared to the three months ended 31 March 2022. The increase was mainly attributable to the increase in value added tax refund.

### **Selling and distribution expenses**

During the three months ended 31 March 2023, the Group's selling and distribution expenses increased by approximately 12% to approximately HK\$5.5 million as compared to that of approximately HK\$4.9 million for the three months ended 31 March 2022. The increase in sales and distribution expenses is mainly due to the increase in sales of particleboard, which resulted in an increase in transportation and packaging costs incurred during the period.

### **Administration expenses**

During the three months ended 31 March 2023, the Group's administration expenses decreased to approximately HK\$7.1 million from approximately HK\$7.2 million for the three months ended 31 March 2022, representing a decrease of approximately 1.1%. The decrease in administrative expenses is mainly due to the decrease in social insurance, hospitality, and employee benefits during this period.

### **Finance costs**

During the three months ended 31 March 2023, the Group's finance costs decreased to approximately HK\$3.9 million from approximately HK\$5.7 million for the three months ended 31 March 2022, representing a decrease of approximately 32.0%. The decrease in finance costs was mainly attributable to the repayment of long-term bank borrowings and other borrowings.

### **Loss attributable to owners of the Company**

During the three months ended 31 March 2023, the Group's profit attributable to owners of the Company amounting to approximately HK\$1.9 million, representing an increase of approximately 253.8% as compared to that of approximately HK\$1.2 million for the three months ended 31 March 2022. The increase in profits attributable to the owners of our company is mainly due to increased sales, reduced administrative expenses, and financial costs.

### **Total comprehensive income/(loss) attributable to owners of the Company**

During the three months ended 31 March 2023, the Group's total comprehensive income attributable to owners of the Company amounting to approximately HK\$9.3 million, while the Group's total comprehensive income attributable to owners of the Company during the three months ended 31 March 2022 amounting to approximately HK\$1.8 million. The increase in the total comprehensive income attributable to the owners of our company is mainly due to the increase in profit during the aforementioned period, as well as the exchange profit generated by the depreciation of the Chinese yuan ("RMB") during this period, which resulted in the exchange of RMB to Hong Kong dollars ("HKD") (the currency presented in the consolidated financial statements).

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

For the three months ended 31 March 2022, save as disclosed in “Placing of Shares” below, neither the Company nor any of its subsidiary have purchased, sold or redeemed any listed securities of the Company.

## **PLACING OF SHARES**

During the three months ended 31 March 2023, there has been no distribution of shares by the Company or any of its subsidiaries for the three months ended.

## **DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESSES**

During the three months ended 31 March 2023, save as disclosed below, none of the Directors, the controlling shareholder of the Company 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 or may have any other conflict of interest with the Group.

During the three months ended 31 March 2023, Mr. Wong Kin Ching, an executive Director, directly or indirectly, owned the following companies of which he also serves as the sole director: Gifted Multitude Limited, Hung Tat Investment (Hong Kong) Company Limited and Shaoguan Hongwei Forestry Company Limited (韶關鴻偉林場有限公司). Gifted Multitude Limited and Hung Tat Investment (Hong Kong) Company Limited are investment holding companies which wholly own, directly or indirectly, Shaoguan Hongwei Forestry Company Limited (韶關鴻偉林場有限公司), which is the operating company incorporated in the PRC and engaged in the 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**

Save as disclosed below, so far as the Directors are aware, as at 31 March 2023, none of the Directors and chief executive of the Company had any interests or short positions 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:

### 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")	Beneficial owner	21,500,000 (L)	40.83%
Ms. Cheung Ngar Kwan ("Mrs. Wong") <sup>(Note 2)</sup>	Interest of spouse	21,500,000 (L)	40.83%
Mr. Wong Kin Ching	Beneficial owner	18,600 (L)	0.04%
Dr. Kaneko Hiroshi ("Dr. Kaneko") <sup>(Note 3)</sup>	Interest of a Controlled Corporation	7,326,131 (L)	13.91%

Notes:

- (1) The letter "L" denotes the person's long positions in the Shares.
- (2) Mrs. Wong is the spouse of Mr. Wong. Under the SFO, Mrs. Wong is deemed to be interested in the same number of Shares in which Mr. Wong is interested.
- (3) Dr. Kaneko is the sole legal and beneficial owner of City East Investment Limited, which in turn owns 70% of the entire issued share capital of Mutual Benefit Enterprise Limited which holds 6,326,031 shares in the Company.

### 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 31 March 2023, none of any other persons (other than a Director or chief executive) had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company 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 AI Global Investment SPC (formerly known as Haitong Global Investment SPC III) acting on behalf of and for a segregated portfolio (the “**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 to the Note Subscriber. The Note carries an interest rate at Hong Kong prime rate plus 3% per annum, and is secured, among other things, by personal guarantee executed by Mr. Wong and Mrs. Wong (together, the “**Guarantors**”).

On 13 July 2020, the Company, the Guarantors and the Note Subscriber entered into a deed of amendment, pursuant to which, among other things, the Note Subscriber agreed to amend the terms and conditions of the Notes, having effect that, among others, the maturity date of the Notes was extended from 12 August 2020 to 21 August 2021. Please refer to announcement of the Company dated 13 July 2020 for more details.

The Note Subscription Agreement and the instrument constituting the Notes (the “**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 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 condensed consolidated financial results of the Group for the three months ended 31 March 2023.

## **QUARTERLY DIVIDEND**

The Board does not recommend the payment of any dividend for the three months ended 31 March 2023 (for the three months ended 31 March 2022: Nil).

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

Hong Kong, 28 March 2024

*As at the date of this report, the executive Directors are Mr. Wong Cheung Lok, Mr. Chu Hin Ming, Mr. Liu Jiayong, Mr. Wong Kin Ching; and the independent non-executive Directors are Ms. Qian Xiaoyu, Mr. Cheung Wai Yin Wilson and Mr. Guo Ensheng.*