

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, 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 announcement 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 announcement 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 2016, 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 announcement shall have the same meaning as in the annual report of the Company for the financial year ended 31 December 2015.

## UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|   |       | Nine months ended<br>30 September |           | Three months ended<br>30 September |          |
|---|-------|-----------------------------------|-----------|------------------------------------|----------|
|   |       | 2016                              | 2015      | 2016                               | 2015     |
|   | Notes | HK\$'000                          | HK\$'000  | HK\$'000                           | HK\$'000 |
| Revenue   | 3     | <b>324,245</b>                    | 276,345   | <b>117,329</b>                     | 89,289   |
| Cost of sales   |       | <b>(242,436)</b>                  | (212,955) | <b>(88,830)</b>                    | (73,066) |
| Gross profit  |       | <b>81,809</b>                     | 63,390    | <b>28,499</b>                      | 16,223   |
| Other income  |       | <b>12,650</b>                     | 36,216    | <b>3,216</b>                       | 20,386   |
| Other gain  |       | <b>(108)</b>                      | –         | –                                  | –        |
| Net gain arising on initial<br>recognition of the Group’s<br>biological assets at fair<br>value less cost to sell |       | <b>15,141</b>                     | –         | <b>13,010</b>                      | –        |
| Selling and Distribution expenses   |       | <b>(27,395)</b>                   | (24,015)  | <b>(10,387)</b>                    | (8,582)  |
| Administrative expenses   |       | <b>(25,084)</b>                   | (16,908)  | <b>(8,449)</b>                     | (4,004)  |
| Other expenses  |       | <b>(672)</b>                      | (4,045)   | <b>(316)</b>                       | (3,916)  |
| Finance costs   | 4     | <b>(17,499)</b>                   | (21,933)  | <b>(5,558)</b>                     | (6,793)  |
| <b>Profit before tax</b>  |       | <b>38,842</b>                     | 32,705    | <b>20,015</b>                      | 13,314   |
| Income tax (expense)/credit   | 5     | <b>(3,785)</b>                    | 2,111     | <b>(3,252)</b>                     | 3,192    |
| <b>Profit for the period<br/>attributable to owners of<br/>the Company</b>  | 6     | <b>35,057</b>                     | 34,816    | <b>16,763</b>                      | 16,506   |
| <b>Other comprehensive income<br/>which will not be reclassified<br/>subsequently to profit or<br/>loss:</b>      |       |                                   |           |                                    |          |
| Exchange differences<br>arising on translation to<br>presentation currency  |       | <b>(11,359)</b>                   | (6,006)   | <b>(3,167)</b>                     | (439)    |

|   | <i>Notes</i> | <b>Nine months ended</b> |                        | <b>Three months ended</b> |                        |
|---|--------------|--------------------------|------------------------|---------------------------|------------------------|
|   |              | <b>30 September</b>      |                        | <b>30 September</b>       |                        |
|   |              | <b>2016</b>              | <b>2015</b>            | <b>2016</b>               | <b>2015</b>            |
|   |              | <b><i>HK\$'000</i></b>   | <b><i>HK\$'000</i></b> | <b><i>HK\$'000</i></b>    | <b><i>HK\$'000</i></b> |
| <b>Other comprehensive income for the period</b>                        |              | <u>(11,359)</u>          | <u>(6,006)</u>         | <u>(3,167)</u>            | <u>(439)</u>           |
| <b>Total comprehensive income for the period</b>                        |              | <u><b>23,698</b></u>     | <u>28,810</u>          | <u><b>13,596</b></u>      | <u>16,067</u>          |
| <b>Total comprehensive income attributable to owners of the Company</b> |              | <u><b>23,698</b></u>     | <u>28,810</u>          | <u><b>13,596</b></u>      | <u>16,067</u>          |
| <b>Basic earnings per share, in HK cents</b>                            | 7            | <u><b>4.21</b></u>       | <u>3.98</u>            | <u><b>2.01</b></u>        | <u>1.90</u>            |

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Share<br>capital<br><i>HK\$'000</i> | Capital<br>reserve<br><i>HK\$'000</i> | Statutory<br>reserve<br><i>HK\$'000</i> | Foreign<br>currency<br>translation<br>reserve<br><i>HK\$'000</i> | Accumulated<br>profits<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|-------------------------------------|---------------------------------------|---|--|---|--------------------------|
| Balance at 1 January 2016                    | 253,928                             | (16,968)                              | 13,251                                  | (5,676)  | 81,136                                    | 325,671                  |
| Profit for the period                        | –                                   | –                                     | –                                       | –  | 35,057                                    | 35,057                   |
| Other comprehensive income<br>for the period | –                                   | –                                     | –                                       | (11,359)   | –   | (11,359)                 |
| Total comprehensive income<br>for the period | –                                   | –                                     | –                                       | (11,359)   | 35,057                                    | 23,698                   |
| Balance at 30 September 2016                 | <u>253,928</u>                      | <u>(16,968)</u>                       | <u>13,251</u>                           | <u>(17,035)</u>  | <u>116,193</u>                            | <u>349,369</u>           |
| Balance at 1 January 2015                    | 189,015                             | (16,968)                              | 9,715                                   | 13,038   | 60,017                                    | 254,817                  |
| Profit for the period                        | –                                   | –                                     | –                                       | –  | 34,816                                    | 34,816                   |
| Other comprehensive income<br>for the period | –                                   | –                                     | –                                       | (6,006)  | –   | (6,006)                  |
| Total comprehensive income<br>for the period | –                                   | –                                     | –                                       | (6,006)  | 34,816                                    | 28,810                   |
| Issue of new shares                          | 64,972                              | –                                     | –                                       | –  | –   | 64,972                   |
| Balance at 30 September 2015                 | <u>253,987</u>                      | <u>(16,968)</u>                       | <u>9,715</u>                            | <u>7,032</u>   | <u>94,833</u>                             | <u>348,599</u>           |

## 1. BASIS OF PRESENTATION

The directors of the Company have given careful consideration to the Group's financial performance, working capital, liquidity position and available banking facilities from its principal bankers. On the basis that the Group's business, operations and relationships with its suppliers remained stable and the banking facilities available to the Group, the directors are of the view that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The unaudited consolidated results have not been audited by the Company's 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 2015, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") as disclosed in note 2 below.

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the nine-month period ended 30 September 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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

|     |   |  |
|-----|---|--|
| (a) | Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation<br>Exception           |
|     | Amendments to HKFRS 11                          | Accounting for Acquisitions of Interests in Joint<br>Operations        |
|     | Amendments to HKAS 1                            | Disclosure Initiative  |
|     | Amendments to HKAS 16<br>and HKAS 38            | Clarification of Acceptable Method of Depreciation<br>and Amortisation |
|     | Amendments to HKAS 16<br>and HKAS 41            | Agriculture: Bearer Plants   |
|     | Amendments to HKAS 27                           | Equity Method in Separate Financial Statements                         |
|     | Amendments to HKFRSs<br>HKFRS 14                | Annual Improvements to 2012-2014 Cycle<br>Regulatory Deferral Accounts |

The application of the above new standard and amendments do not have any material impact on the Group's financial statements for the current and prior periods.

The Group has not applied the following new standards and amendments, that have been issued but are not yet effective, in these unaudited condensed consolidated financial statements.

|                                       |   |
|---------------------------------------|---|
| Amendments to HKAS 7                  | Statement of Cash Flows <sup>2</sup>  |
| Amendments to HKAS 12                 | Income Taxes <sup>2</sup>   |
| Amendments to HKFRS 10<br>and HKAS 28 | Sale or Contribution of Assets between an Investor<br>and its Associate or Joint Venture <sup>4</sup> |
| HKFRS 9                               | Financial Instrument <sup>1</sup>   |
| HKFRS 15                              | Revenue from Contracts with Customers <sup>1</sup>  |
| HKFRS 16                              | Leases <sup>3</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective from 1 January 2017, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with limited exceptions. Earlier application is permitted provided HKFRS 15 Revenue from Contracts with Customers is also applied.

<sup>4</sup> No mandatory effective date yet determined but is available for adoption.

**(b) Adoption of new accounting policy arising from acquisition of forests rights**

After the completion of acquisition of forests rights during the current reporting period, the Group has adopted additional accounting policy for biological assets as described below:

*Biological assets*

Biological assets predominately consist of various standing trees in natural and plantation forests. Forest establishment and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Biological assets are measured at fair value less costs to sell at the date of initial recognition and at the end of each reporting period and the gain or loss arising from changes in fair value less costs to sell of biological assets is recognised in profit or loss in which it arises.

Agricultural produce represents logged timbers and residual woods. The agricultural produce is recognised at the point of harvest at its fair value less costs to sell. A gain or loss arising from agricultural produce at the point of harvest measuring at its fair value less costs to sell is included in profit or loss for the period in which it arises.

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

### 3. REVENUE

Revenue represents revenue arising on sales of particleboards as follows:

|                         | <b>For the nine months ended</b> |                 |
|-------------------------|----------------------------------|-----------------|
|                         | <b>30 September</b>              | 30 September    |
|                         | <b>2016</b>                      | 2015            |
|                         | <i>HK\$'000</i>                  | <i>HK\$'000</i> |
|                         | <b>(Unaudited)</b>               | (Unaudited)     |
| Sales of particleboards | <b><u>324,245</u></b>            | <u>276,345</u>  |

### 4. FINANCE COSTS

|                                      | <b>For the nine months ended</b> |                 |
|--------------------------------------|----------------------------------|-----------------|
|                                      | <b>30 September</b>              | 30 September    |
|                                      | <b>2016</b>                      | 2015            |
|                                      | <i>HK\$'000</i>                  | <i>HK\$'000</i> |
|                                      | <b>(Unaudited)</b>               | (Unaudited)     |
| Interest on bank loans               |                                  |                 |
| – wholly repayable within five years | <b><u>17,499</u></b>             | <u>21,933</u>   |

## 5. INCOME TAX EXPENSE/(CREDIT)

|  | <b>30 September<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | 30 September<br>2015<br>HK\$'000<br>(Unaudited) |
|--|---|---|
| Current tax:   |   |   |
| PRC Enterprise Income Tax                                  | —   | (823)   |
| Deferred tax:  |   |   |
| Current period charge/(credit)                             | <b>3,785</b>  | (1,288)   |
|  | <b>3,785</b>  | (2,111)   |
| Profit before tax  | <b>38,843</b>   | 32,705  |
| Tax at applicable income tax rate                          | <b>10,820</b>   | 8,176   |
| Tax effect of expenses not deductible for tax purpose      | <b>1,070</b>  | 5,676   |
| Tax effect of additional deduction based on 10% of revenue | <b>(8,105)</b>  | (15,963)  |
| Income tax expense/(credit) recognised in profit or loss   | <b>3,785</b>  | (2,111)   |

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Hongwei (Renhua) is 25% during the nine months ended 30 September 2016 and 2015 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 2016 and 2015 respectively, Hongwei (Renhua) is entitled to such preferential policy and only 90% of the income of Hongwei (Renhua) from the sale of particle board was regarded as taxable income.



## 6. PROFIT FOR THE PERIOD

Profit has been arrived at after charging:

|   | <b>Nine months<br/>ended<br/>30 September<br/>2016<br/><i>HK\$'000</i><br/>(Unaudited)</b> | Nine months<br>ended<br>30 September<br>2015<br><i>HK\$'000</i><br>(Unaudited) |
|---|--|--|
| <b>Depreciation and amortisation expenses</b>                         |  |  |
| Depreciation of property, plant and equipment                         | <b>18,220</b>  | 19,316   |
| Amortisation of intangible assets                                     | <b>1,226</b>   | –  |
| Amortisation of prepaid lease payments                                | <b>513</b>   | 360  |
|   | <hr/>  | <hr/>  |
| Total depreciation and amortisation expenses                          | <b>19,959</b>  | 19,676   |
|   | <hr/> <hr/>  | <hr/> <hr/>  |
| <b>Employee benefits expenses<br/>(include directors' emoluments)</b> |  |  |
| Salaries and other benefits   | <b>10,281</b>  | 10,093   |
| Contribution to retirement benefit schemes                            | <b>1,329</b>   | 1,366  |
|   | <hr/>  | <hr/>  |
| Total employee benefit expenses                                       | <b>11,610</b>  | 11,459   |
|   | <hr/> <hr/>  | <hr/> <hr/>  |
| Cost of inventories recognised as an expense                          | <b>242,436</b>   | 212,955  |
| Auditor's remuneration  |  |  |
| Provision in respect of current period                                | <b>1,350</b>   | 970  |
| Underprovision in respect of prior year                               | <b>300</b>   | –  |
| Non-audit services  | <b>308</b>   | –  |
|   | <hr/>  | <hr/>  |
| Total auditor's remuneration  | <b>1,958</b>   | 970  |
|   | <hr/> <hr/>  | <hr/> <hr/>  |

## 7. EARNINGS PER SHARE

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

### Earnings

|   | <b>Nine months<br/>ended<br/>30 September<br/>2016<br/><i>HK\$'000</i><br/>(Unaudited)</b> | Nine months<br>ended<br>30 September<br>2015<br><i>HK\$'000</i><br>(Unaudited) |
|---|--|--|
| Profit for the period attributable to owners<br>of the Company for the purpose of<br>basic earnings per share | <b><u>35,057</u></b>   | <u>34,816</u>  |

### Number of shares

|   | <b>Nine months<br/>ended<br/>30 September<br/>2016<br/>'000</b> | Nine months<br>ended<br>30 September<br>2015<br>'000 |
|---|---|--|
| Weighted average number of ordinary shares<br>for the purpose of basic earnings per share | <b><u>832,603</u></b>   | <u>764,516</u>                                       |

## **MANAGEMENT DISCUSSIONS AND ANALYSIS**

### **BUSINESS REVIEW**

For the nine months ended 30 September 2016, the Group continues to engage in the manufacturing and sales of particleboards, which are used primarily by the customers of the Group in the manufacturing of furniture, flooring panels, decoration and construction materials. The products of the Group were well received by the customers and as a result, new customers were won and sales increased and gross profit margin has recorded an increase to 25.2% for the nine months ended 30 September 2016 as compared with 22.9% for the corresponding period last year.

The Group continued to look for opportunities to widen our supplier base for the supply of the residual wood materials which is a key raw material for the Group's production of particleboards in view of the sustaining increase in the unit costs of wood materials over the years. Given the continued expansion of our operations and the planned expansion of our production capacity, the management believes that it would be in the best interests of the Company to consider upstream acquisitions of forestry rights in order to allow the Group greater assurance on the supply of wood materials and better ability to control the costs of such raw materials. The acquisition agreement with respect to the acquisition by the Group of the entire issued share capital of a company engaging in forestry plantation business (the "Acquisition") announced by the Company on 12 January 2016 which constitutes a major and connected transaction of the Company has yet to be completed as of the date of this announcement. Apart from the Acquisition, our Group has also acquired forest rights from independent third parties at different locations within a 500-mile diameter from the Group's production base since 2016. Some of these acquisitions have been completed and some are still in progress up to the date of this announcement. For further details, please refer to the announcements of the Company dated 12 January 2016, 21 May 2016 and 20 September 2016 and the 2015 annual report of the Company dated 31 May 2016.

In addition, our Group is also working on the new business activity in relation to the distribution, marketing and service of sports car "Gumpert Apollo". The Group remains in close contact with the car manufacturer and the expectation on the timing of receiving such first order in the following financial year does not change.

Looking forward, in order to cope with the competitive market conditions, we have strived to maintain our competitiveness by expanding into cities that our business has not yet covered and strengthening the quality of our products. We have been seeking to increase our sales with broadened basis of raw wood supplies. Through better cost control, we continue to seek for maximizing our profitability and creating more value for our Shareholders.

## **FINANCIAL REVIEW**

### **Revenue**

During the nine months ended 30 September 2016 (the “Current Period”), the Group’s revenue increased to approximately HK\$324.2 million from approximately HK\$276.3 million for the nine months ended 30 September 2015 (the “Previous Period”), representing an increase of approximately 17.3%. The increase was mainly due to increase in the sales volume of particleboards.

### **Cost of Sales**

During the Current Period, the Group’s costs of sales increased to approximately HK\$242.4 million from approximately HK\$213.0 million for the Previous Period, representing an increase of approximately 13.8%. The increase was mainly attributed to the increased quantity sold and was generally in line with the increase in sales.

### **Gross profit and margin**

During the Current Period, the Group’s gross profit increased to approximately HK\$81.8 million from approximately HK\$63.4 million for the Previous Period, representing an increase of approximately 29.0% and the Group’s gross profit margin increased to approximately 25.2% from approximately 22.9% for the Previous Period. The increase in gross profit was mainly due to the increase in selling price for our products during Current Period.

### **Other income**

During the Current Period, the Group’s other income decreased to approximately HK\$12.7 million from approximately HK\$36.2 million for the Previous Period, representing a decrease of approximately 64.9%. The decrease was mainly attributable to (i) the lack of an one-off PRC government subsidy for interest expenses incurred in relation to bank borrowings of the Group; and (ii) the decrease in the rate of refund by the PRC government as a transitional arrangement for the change of VAT refund policy in the Current Period as compared with the refund rate enjoyed by the Group in the Previous Period.

### **Selling and Distribution expenses**

During the Current Period, the Group’s selling and distribution expenses increased to approximately HK\$27.4 million from approximately HK\$24.0 million for the Previous Period, representing an increase of approximately 14.2%. Such increase was generally in line with the increase in sales for the Current Period.

### **Administrative expenses**

During the Current Period, the Group’s administrative expenses increased to approximately HK\$25.1 million from approximately HK\$16.9 million for the Previous Period, representing an increase of approximately 48.5%. Such increase was mainly attributed to increase in legal and other professional fees and other miscellaneous expenses due to the increase in revenue for the Current Period.

## **Finance costs**

During the Current Period, the Group's finance costs decreased to approximately HK\$17.5 million from approximately HK\$21.9 million for the Previous Period, representing a decrease of approximately 20.1%. The decrease was mainly attributed to repayment of several bank borrowings and puttable notes during the Current Period.

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

During the Current Period, the Group's profit attributable to owners of the Company increased to approximately HK\$35.1 million from approximately HK\$34.8 million for the Previous Period, representing an increase of approximately 0.9%.

## **USE OF PROCEEDS OF PLACING IN JUNE 2015**

Unless stated otherwise, the defined terms used in this section shall have the same meaning as those defined in the announcements of the Company dated 22 May 2015 and 2 June 2015 ("Placing Announcements") respectively. On 2 June 2015, the Company has completed the placing of a total of 121,488,000 shares to no less than six Placees at the Placing Price of HK\$0.56 per Placing Share, the net proceeds of which amounted to approximately HK\$65.0 million ("2015 June Placing"). Upon completion of the 2015 June Placing, the issued shares of the Company have increased from 711,115,100 shares to 832,603,100 shares.

As of 30 September 2016, the net proceeds from the 2015 June placing were mainly used as to HK\$20.0 million to repay bank borrowings and puttable notes and the remaining of HK\$45.0 million as to general working capital of the Group such as procurement of raw materials, research and development and administration expenses.

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

During the nine months ended 30 September 2016, neither the Company nor its subsidiary have purchased, sold or redeemed any listed securities of the Company.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

During the Current Period, saved as disclosed below, 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.

As of the date of this announcement, 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 ("Acquisition 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 Acquisition Agreement was not yet completed as at the date of this announcement. Details of the Acquisition Agreement and a supplemental agreement dated 20 September 2016 are set out in the announcements of the Company dated 12 January 2016 and 20 September 2016.

**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 2016, 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/<br>Nature of interest | Aggregate<br>number of Shares<br>or underlying<br>Shares<br><i>(Note 1)</i> | Approximate<br>percentage of<br>interest in our<br>Company |
|--|---------------------------------|---|--|
| Mr. Wong Cheung Lok<br>(“Mr. Wong”) <sup>(2)</sup>   | Beneficial owner                | 430,000,000 (L)   | 51.65%   |
| Ms. Cheung Ngar Kwan<br>(“Mrs. Wong”) <sup>(3)</sup> | Interest of spouse              | 430,000,000 (L)   | 51.65%   |

*Notes:*

- (1) The letter “L” denotes the person’s long positions in the Shares.
- (2) 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 as at 30 September 2016, the following persons (other than a Director or chief executive) 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:

| <b>Name</b>                                     | <b>Capacity/<br/>Nature of interest</b>     | <b>Aggregate<br/>number of Shares<br/>or underlying<br/>Shares<br/>(Note 1)</b> | <b>Approximate<br/>percentage of<br/>interest in our<br/>Company</b> |
|---|---|---|--|
| China Strategic Holdings Limited <sup>(2)</sup> | Person having a security interest in shares | 400,000,000 (L)   | 48.04%   |
| Mr. Wong Kin Ching <sup>(3)</sup>               | Beneficial owner                            | 348,837,209 (L)   | 41.90%   |

*Notes:*

- (1) The letter "L" denotes the person's long positions in the Shares.
- (2) U Credit (HK) Limited, a company indirectly wholly-owned by China Strategic Holdings Limited through China Strategic Asset Holdings Limited and China Strategic Financial 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.
- (3) On 12 January 2016, the Company entered into an acquisition agreement with Mr. Wong Kin Ching, the son of Mr. Wong Cheung Lok and Ms. Cheung Ngar Kwan, and conditionally agreed to acquire the entire issued share capital of Gifted Multitude Limited (the "Target Company"), which is, through its subsidiary, principally engaged in forestry plantation business, including forestry planning and development, for a consideration of HK\$183,000,000. Part of the consideration will 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 this announcement, the acquisition is still in progress and is subject to a series of approvals. For further details, please refer to the announcements of the Company dated 12 January 2016 and 20 September 2016.

Save as disclosed herein, our Directors are not aware of any other person (other than a Director or chief executive) who, as at 30 September 2016, have any 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.

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

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 Cheung Lok, an executive Director and controlling shareholder of the Company. 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 Mr. Wong Cheung Lok 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.

Please refer to the announcement of the Company dated 10 December 2015 for more details.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by the compliance adviser of the Company, VBG Capital Limited (formerly known as V Baron Global Financial Services Limited) (“VBG Capital”), as at 30 September 2016, except for the compliance adviser agreement entered into between VBG Capital and the Company dated 23 December 2013, neither VBG Capital or its directors, employees or close associates had any interest in relation to the Group.

## **RESIGNATION OF DIRECTOR**

Mr. Ong Chor Wei has resigned as a non-executive Director of the Company with effect from 12 October 2016.

## **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 2016.

## **QUARTERLY DIVIDEND**

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2016 (2015: Nil).

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

Hong Kong, 11 November 2016

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