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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 2019

CHARACTERISTICS OF THE 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 that the 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 2019, 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 2018.

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Three months		Nine months	
		ended 30 September 2019	2018	ended 30 September 2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	98,291	103,624	260,161	314,832
Cost of sales		(80,696)	(83,063)	(214,740)	(244,714)
Gross profit		17,595	20,561	45,421	70,118
Other income	4	3,661	4,347	11,226	13,105
Other income/(losses), net		3	(42)	(36)	(54)
Net gains 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)	–	3,164
Selling and distribution expenses		(6,436)	(7,542)	(17,983)	(24,021)
Administration expenses		(5,363)	(6,255)	(16,391)	(23,361)
Finance costs	5	(6,777)	(6,862)	(19,311)	(21,596)
Profit before tax		2,683	4,094	2,926	18,938
Income tax expenses	6	–	–	–	–
Profit for the period attributable to owners of the Company	7	2,683	4,094	2,926	18,938

	<i>Notes</i>	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive loss which will not be reclassified subsequently to profit or loss:					
Exchange differences arising on translation to presentation currency		<u>(10,611)</u>	<u>(20,938)</u>	<u>(12,445)</u>	<u>(25,556)</u>
Other comprehensive loss for the period		<u>(10,611)</u>	<u>(20,938)</u>	<u>(12,445)</u>	<u>(25,556)</u>
Total comprehensive loss for the period		<u>(7,928)</u>	<u>(16,844)</u>	<u>(9,519)</u>	<u>(6,618)</u>
Total comprehensive loss for the period, attributable to owners of the Company		<u>(7,928)</u>	<u>(16,844)</u>	<u>(9,519)</u>	<u>(6,618)</u>
Basic and diluted earnings per share, in HK cents	8	<u>0.32</u>	<u>0.49</u>	<u>0.35</u>	<u>2.27</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Accumulated Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2019 (audited)	253,928	(16,968)	25,835	(24,712)	79,686	317,769
Profit for the period	-	-	-	-	2,926	2,926
Other comprehensive loss for the period						
Exchange differences arising on translation to presentation currency	-	-	-	(12,445)	-	(12,445)
Total comprehensive (loss)/income for the period	-	-	-	(12,445)	2,926	(9,519)
Balance at 30 September 2019 (unaudited)	<u>253,928</u>	<u>(16,968)</u>	<u>25,835</u>	<u>(37,157)</u>	<u>82,612</u>	<u>308,250</u>
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>

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. On 22 March 2018 and 22 March 2019, Mr. Wong Cheung Lok ("Mr. Wong"), ultimate controlling shareholder and chairman of the Company, and the Company entered into facility letters (the "Facility Letters"), pursuant to which Mr. Wong agreed to provide a revolving facility of HK\$55,000,000 to the Company. On 14 August 2019, Ms. Wong Wan Yu, daughter of Mr. Wong, and the Company entered into facility letter, pursuant to which Ms. Wong agreed to provide a revolving facility of HK\$10,000,000 to the Company. 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 2019 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 2018. 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 16	Leases
HK(IFRIC) – Int 23	Uncertainty over income Tax Treatments Prepayment
Amendments to HKFRS 9	Features with Negative Compensation Plan
Amendments to HKAS 19	Amendment, Curtailment or Settlement Long-term
Amendments to HKAS 28	Interest in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Sales of particleboards	260,161	314,322
Sales of timber woods	–	510
	<u>260,161</u>	<u>314,832</u>

3. OPERATING SEGMENTS

The following tables represent segment information for the period.

For the nine months ended 30 September 2019

	Particleboards segment HK\$'000 (Unaudited)	Forestry segment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<i>Segment revenue:</i>			
Revenue from external customers	260,161	–	260,161
<i>Segment results:</i>			
Reportable segment results	29,365	(1,448)	27,917
Interest income			517
Finance costs			(19,311)
Unallocated corporate staff costs			(2,510)
Unallocated corporate expenses			(3,687)
Consolidated profit before tax			2,926
<i>Other segment information</i>			
Capital expenditures – allocated [#]	3,364	–	3,364
Depreciation – allocated	21,291	807	22,098
Depreciation – unallocated			394
Total depreciation			22,492
Amortisation	336	–	336

For the nine months ended 30 September 2018

	Particleboards segment <i>HK\$'000</i> (Unaudited)	Forestry segment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (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>
Total depreciation			<u>21,551</u>
Amortisation	689	1,040	1,729
Net 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
	<u>–</u>	<u>3,164</u>	<u>3,164</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.

4. OTHER INCOME

	For the nine months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Value added tax (“VAT”) refund	7,542	9,895
Government grants	3,153	2,731
Bank interest income	517	95
Others	14	384
	<u>11,226</u>	<u>13,105</u>

5. FINANCE COSTS

	For the nine months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	10,310	13,546
Interest on secured and guaranteed notes payable and bonds	8,350	8,008
Interest on unsecured loans	621	–
Interest on finance lease liabilities	30	42
	<u>19,311</u>	<u>21,596</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 2019 and 2018 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 2019 and 2018 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 2019 and 2018, 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	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation:		
– Property, plant and equipment	9,029	21,551
– Right-of-use assets	13,463	–
Total depreciation expenses	22,492	21,551
Amortisation:		
– Intangible assets	336	352
– Prepaid lease payments	–	1,377
Total amortisation expenses	336	1,729
Employee benefits expenses (include directors' emoluments)		
Salaries and other benefits	10,181	11,260
Contribution to retirement benefit schemes	1,315	1,425
Total employee benefit expenses	11,496	12,685
Cost of goods recognised as an expense	214,740	244,714
Auditor's remuneration		
Provision in respect of current period	1,013	1,215
Non-audit services	–	200
	1,013	1,415

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	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	2,926	18,938

Number of shares

	For the nine months ended 30 September	
	2019	2018
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	832,603	832,603

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 30 September 2019 (“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 Current Period, our products were principally used by our customers in the manufacturing of furniture and fixtures, sport equipment, decoration and construction materials. Meanwhile, the Chinese economy continued to face uncertainties under the pressure of the ongoing trade war with the U.S. and greater fluctuation in the exchange rate of RMB in the first half year of 2019. The negative impacts on the export market have indirectly affected the domestic consumer industry. The domestic demand for consumer products such as household furniture and fixtures, sport equipment as well as construction materials had remained at a weak level whereas our financing costs are rising given the financial institutions are more prudent in granting loans. Under such challenging environments, although the sales of the Company for the first nine months in 2019 is lower than that for the same period last year, the Company managed to increase the sales by quarter in 2019 and the shortfall as compared to the comparable quarter in 2018 has narrowed, as a result of our marketing measures such as adjusting our pricing scheme and modifying product mix. Therefore, we are being optimistic to expect an improvement in sales in Q4. In order to tackle the challenging business environment currently facing China market, we are still determined to try exploring further diversifications in our supply chain operations in order to mitigate our business risks by tightening cost control amidst weakening sales to strengthen our sustainability and competitiveness.

Forestry Segment

In or about the end of 2018, the Group noted that the grant by the relevant government department of timber wood harvesting quotas had been materially curtailed as part of the PRC government’s strengthening drive of environmental protection. Such tightened control is expected to last for a certain period which is unknown to and uncontrolled by the Group as of the date of this announcement. In the mean time, the Group is exploring different diversification in better utilising its forestry resource.

FINANCIAL REVIEW

Revenue

During the nine months ended 30 September 2019, the Group's revenue for Particleboards Segment decreased to approximately HK\$260.2 million from approximately HK\$314.3 million, representing a decrease of approximately 17.2% 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 7.1% and 6.7% respectively, and the depreciation of the exchange rate of RMB to Hong Kong Dollar ("HKD"), which is the presentation currency of the financial statements of the Group, during the nine months ended 30 September 2019 as compared with that of the Previous Period.

During the nine months ended 30 September 2019, no income generating activity took place for the Forestry Segment and hence no revenue was recognized for such segment. The Group generated revenue of approximately HK\$0.5 million for the Forestry Segment during the Previous Period.

Cost of Sales

During the nine months ended 30 September 2019, the Group's costs of sales decreased to approximately HK\$214.7 million from approximately HK\$244.7 million, representing a decrease of approximately 12.3% as compared to that of the Previous Period. The decrease was mainly attributable due to the decrease in the volume of goods sold and also as a result of lower average unit costs of raw materials, particularly the residual wood from external suppliers, recorded during the nine months ended 30 September 2019.

Gross profit and margin

During the nine months ended 30 September 2019, the Group's gross profit decreased to approximately HK\$45.4 million from approximately HK\$70.1 million, representing a decrease of approximately 35.2% as compared to that of the Previous Period. The Group's gross profit margin decreased to approximately 17.4% for the nine months ended 30 September 2019 from approximately 22.3% in the Previous Period.

The decrease in gross profit was mainly attributable to the decrease in revenue during the nine months ended 30 September 2019 while the scale of reduction in the cost of sales was less than that of the decrease in revenue. In connection with the decrease in sales, production during the Current Period fell by approximately 19.1% over the same period last year, resulting in an increase in average unit cost and a decline in gross profit margin.

Other income, other losses (net)

During the nine months ended 30 September 2019, the Group's other income decreased to approximately HK\$11.2 million from approximately HK\$13.1 million, representing a decrease of approximately 14.5% 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 interest received and subsidy released from deferred income during the nine months ended 30 September 2019.

Selling and Distribution expenses

During the nine months ended 30 September 2019, the Group's selling and distribution expenses decreased to approximately HK\$18.0 million from approximately HK\$24.0 million in the Previous Period, representing a decrease of approximately 25.0%. The decrease in selling and distribution expenses were mainly attributable to the decrease in transportation and packaging cost incurred during the Current Period due to the decrease in sales of particleboards.

Administration expenses

During the nine months ended 30 September 2019, the Group's administration expenses decreased to approximately HK\$16.4 million from approximately HK\$23.4 million, representing a decrease of approximately 29.9% as compared to that for the Previous Period. The decrease in administration expenses was mainly attributable to the decrease in fertilizer fee, replantation cost and other maintenance expenses of forestlands in the Forestry Segment and legal fees and entertainment expenses incurred during the Current Period. The decrease in administration expenses were partly set-off by the increase in donation fees during the Current Period.

Finance costs

During the nine months ended 30 September 2019, the Group's finance costs decreased to approximately HK\$19.3 million from approximately HK\$21.6 million in the Previous Period, representing a decrease of approximately 10.6%. The decrease was mainly attributable to the decrease in bank and other borrowings, which was partly set-off by the increase in interest incurred for the unsecured loans during the Current Period.

Profit attributable to owners of the Company

During the nine months ended 30 September 2019, the profit attributable to owners of the Company amounted to HK\$2.9 million, representing a decrease of approximately 84.7% as compared to that of HK\$18.9 million for the Previous Period. Such decrease was mainly due to the decrease in gross profit of approximately HK\$24.7 million. The decrease in gross profit was partly set-off by the decrease in selling and distribution expenses, administration expense and finance costs as discussed above.

Total comprehensive loss attributable to owners of the Company

During the nine months ended 30 September 2019, the Company recorded a total comprehensive loss attributable to the owners of the Company of approximately HK\$9.5 million, representing an increase of approximately 43.9% as compared to the total comprehensive loss of approximately HK\$6.6 million for the nine months ended 30 September 2018. Such increase was attributable to the decrease in profit for the Current Period as compared to the Previous Period which was partly set-off by the decrease in the exchange loss arising from the translation of RMB to HKD which is the presentation currency of the consolidated financial statements.

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

During the nine months ended 30 September 2019, 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 2019, except for detailed 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.

At the date of this announcement, Mr. Wong Kin Ching, appointed as the executive director of the Company on 16 August 2019, the son of Mr. Wong and Ms. Cheung Ngar Kwan (Mrs. Wong), 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

So far as the Directors are aware, as at 30 September 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571. Laws of Hong Kong) (the “SFO”) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange, are as follows:

Long position in the Shares

Name	Capacity/ Nature of interest	Aggregate number of Shares or underlying Shares (Note 1)	Approximate percentage of interest in our Company
Mr. Wong Cheung Lok (“Mr. Wong”)	Beneficial owner	430,000,000 (L)	51.65%
Ms. Cheung Ngar Kwan (“Mrs. Wong”) ⁽²⁾	Interest of spouse	430,000,000 (L)	51.65%
Mr. Wong Kin Ching	Beneficial owner	372,000 (L)	0.04%

Notes:

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

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, the Company issued secured and guaranteed redeemable notes in the principal amount of HK\$100,000,000 for a term of two years (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. The notes are guaranteed by Mr. Wong and Mrs. Wong (“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 notes is(are) entitled to request immediate redemption of the notes 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 2019.

QUARTERLY DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2019 (2018: Nil).

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

Hong Kong, 11 November 2019

As at the date of this announcement, the executive Directors are Mr. Wong Cheung Lok, Ms. Cheung Ngar Kwan, Mr. Liu Jiayong, Mr. Wong Kin Ching and Mr. Lai Weifeng; and the independent non-executive Directors are Dr. Xu Jianmin, Ms. Qian Xiaoyu and Dr. Chow Ho Wan, Owen.