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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)

**SUPPLEMENTAL ANNOUNCEMENT
REGARDING THE PUBLISHED UNAUDITED ANNUAL RESULTS
AND
UPDATE ON THE AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the announcement of Hong Wei (Asia) Holdings Company Limited (the “**Company**”) dated 27 March 2020 (the “**2019 Results Announcement**”) in relation to the unaudited annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019 (the “**2019 Annual Results**”). Capitalized terms used herein, unless otherwise defined, shall have the same meanings as those defined in the 2019 Results Announcement.

The audit process for the 2019 Annual Results has been completed on 15 May 2020. The audited financial statements of the Group for the 2019 Annual Results include adjustments made to the unaudited 2019 Annual Results announced in the 2019 Results Announcement as detailed below. The adjustments mainly arose as a result of (i) the inclusion of Valuation Changes of Biological Assets for the year ended 31 December 2019 which had not been ascertained at the time of publication of the 2019 Results Announcement for the reasons stated in that announcement; and (ii) the reclassification of amounts held as “pledged bank deposit” to “restricted and pledged bank deposits”.

	Page No. reference on 2019 Results Announcement	Per 2019 Results Announcement – Amounts reported before Valuation Changes of Biological Assets HK\$'000	Adjustments HK\$'000	Per audited consolidated financial statements – after Valuation Changes of Biological Assets HK\$'000	Notes
<i>Consolidated statement of profit or loss and other comprehensive income</i>					
Net gain/(loss) arising from changes in fair values less costs to sell of biological assets	4	Not included	1,672	1,672	(a)
Profit/(loss) before tax	4	24,840	1,672	26,512	(a)
Profit/(loss) for the year attributable to owners of the Company	4	23,618	1,672	25,290	(a)
Exchange differences arising on translation to presentation currency	4	(9,883)	(30)	(9,913)	(b)
Other comprehensive loss for the year	4	(9,883)	(30)	(9,913)	(b)
Total comprehensive income/(loss) for the year	4	13,735	1,642	15,377	(a), (b)
Total comprehensive income/(loss) for the year attributable to owners of the Company	4	13,735	1,642	15,377	(a), (b)
Basic and diluted earnings/(loss) per share, in HK cents	4	2.84	0.20	3.04	(c)
<i>Consolidated statement of financial position</i>					
Biological assets	5	100,613	1,642	102,255	(a), (b)
Total non-current assets	5	456,149	1,642	457,791	(a), (b)
Pledged bank deposit	5	5,000	(5,000)	–	(d)
Restricted and pledged bank deposits	5	–	5,000	5,000	(d)
Total assets less current liabilities	5	432,321	1,642	433,963	(a), (b)
Net assets	6	331,504	1,642	333,146	(a), (b)
Reserves	6	77,576	1,642	79,218	(a), (b)
Equity attributable to owners of the Company and total equity	6	331,504	1,642	333,146	(a), (b)

	Page No. reference on 2019 Results Announcement	Per 2019 Results Announcement – Amounts reported before Valuation Changes of Biological Assets HK\$'000	Adjustments HK\$'000	Per audited consolidated financial statements – after Valuation Changes of Biological Assets HK\$'000	Notes
<i>Consolidated statement of changes in equity</i>					
For movement for the year ended 31 December 2019:					
Profit before Valuation Changes of Biological Assets for the year	7	23,618	(23,618)	–	(a)
Profit for the year	7	Not included	25,290	25,290	(a)
Exchange differences arising on translation to presentation currency	7	(9,883)	(30)	(9,913)	(b)
Total comprehensive income/(loss) for the year					
– Foreign currency translation reserve	7	(9,883)	(30)	(9,913)	(b)
– Retained profits	7	23,618	1,672	25,290	(a)
– Total	7	13,735	1,642	15,377	(a), (b)
Balance at 31 December 2019					
– Foreign currency translation reserve	7	(34,595)	(30)	(34,625)	(b)
– Retained profits	7	98,814	1,672	100,486	(a)
– Total	7	331,504	1,642	333,146	(a), (b)
<i>Note 5 – Segment Information</i>					
Segment results:					
Reportable segment results – forestry segment	15	(1,919)	1,672	(247)	(a)
Total segment results	15	57,918	1,672	59,590	(a)
Consolidated profit before tax	15	24,840	1,672	26,512	(a)
Other segment information:					
Capital expenditures allocated to particleboards segment	15	6,921	(2,841)	4,080	(e)
Net gain arising from changes in fair values less costs to sell of biological assets included in forestry segment	15	Not included	1,672	1,672	(a)
Segment assets:					
Reportable segment assets – forestry segment	17	124,592	1,642	126,234	(a)
Total reportable segment assets	17	752,359	1,642	754,001	(a)
Pledged bank deposit	17	5,000	(5,000)	–	(d)
Restricted and pledged bank deposits	17	–	5,000	5,000	(d)
Consolidated total assets	17	760,653	1,642	762,295	(a)

	Page No. reference on 2019 Results Announcement	Per 2019 Results Announcement – Amounts reported before Valuation Changes of Biological Assets HK\$'000	Adjustments HK\$'000	Per audited consolidated financial statements – after Valuation Changes of Biological Assets HK\$'000	Notes
<i>Note 11 – Earning/(loss) per share</i>					
Earnings/(loss):					
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share					
	22	23,618	1,672	25,290	(a)

Reference to “Pledged bank deposit” on page 15 of 2019 Results Announcement should be read as “restricted and pledged bank deposits”. In addition, the last paragraph of note 17 “Notes Payable” on page 27 of 2019 Results Announcement should be revised as “As at 31 December 2019, the Group's restricted deposit of HK\$5,000,000 (2018: HK\$ nil) was held at a financial institution, which may only be utilised for the purposes of payment of interest and/or principal amount of the Group’s notes payable.”

Notes:

- (a) Recognition of changes in fair values less costs to sell of biological assets
- (b) Revised the exchange differences on translation to presentation currency after recognition of changes in fair values less costs to sell of biological assets
- (c) Revised basic and diluted earnings per share after recognition of changes in fair values less costs to sell of biological assets
- (d) Reclassification from pledged bank deposit to restricted and pledged bank deposits
- (e) Revised amount after audit

Management discussions and analysis

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Results

Announcement

Revised as follows

Page 31 – Valuation
Change of Biological
Assets

During the year ended 31 December 2019, the net gain arising from changes in fair values less costs to sell of biological assets amounted to approximately HK\$1.7 million (2018: net loss of HK\$64.5 million) has been recognised. The loss in the year 2018 arising from the curtailment of the harvesting quota by the government, which occurred in the end of 2018, that made it difficult for the Group to estimate when the harvesting quota would be granted by the relevant local government resulting in a change in valuation method from the income approach (which involved projections by the Group of the income stream derived from harvesting and selling of the forestry assets in the future) to the sales comparison approach (which considered prices recently paid or listing price for similar assets) for the valuation of biological assets. The circumstances for the year ended 31 December 2019 remain unchanged and a comparison of listing price for the biological assets for the year ended 31 December 2019 and 2018 by the independent valuer resulted in a net fair value gain of the biological assets.

Page 32 – Profit/loss
for the year before/
after Valuation
Changes of Biological
Assets attributable to
owners of the
Company

– headings
– discussion

“Profit/loss for the year attributable to owners of the Company”
During the year ended 31 December 2019, the Group’s profit for the year attributable to owners of the Company amounted to approximately HK\$25.3 million, while the Group’s loss for the year attributable to owners of the Company during the year ended 31 December 2018 amounted to approximately HK\$59.6 million. The loss for the year ended 31 December 2018 was mainly caused by the net loss arising from changes in fair values less costs to sell of biological assets and impairment losses on property, plant and equipment and prepaid forestlands lease payment. Owing to the absence of the abovementioned losses, the Group recorded profit for the year ended 31 December 2019.

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Revised as follows

Page 32 – Total comprehensive income/loss for the year before/after Valuation Changes of Biological Assets attributable to owners of the Company

– headings

“Total comprehensive income/loss for the year attributable to owners of the Company”

– discussion

During the year ended 31 December 2019, the Group’s total comprehensive income for the year attributable to owners of the Company amounting to approximately HK\$15.4 million, while the Group’s total comprehensive loss attributable to owners of the Company during the year ended 31 December 2018 amounting to approximately HK\$82.5 million. Such total comprehensive income/loss mainly comprises profit/loss for the year and exchange differences arising on translation to presentation currency recognised in other comprehensive loss for the year. The main reason for such turnaround is mainly affected by the changes from loss to profit as mentioned above but a portion of profit was offset by the exchange loss arising from translation.

During the year ended 31 December 2019, Renminbi (“RMB”) continues to be weaken against Hong Kong Dollar (“HKD”), which leads to exchange loss arising from translation of RMB-denominated net assets to HKD. Such exchange loss is recognised in other comprehensive income and set off a portion of total comprehensive income attributable to owners of the Company for the year ended 31 December 2019.

Page 35 – Gearing Ratio

As at 31 December 2019, the gearing ratio stood at 1.02x (2018: 0.95x) calculated by total borrowings (including lease liabilities, bank and other borrowings and notes payable) over shareholders’ equity.

Save as disclosed above, the 2019 Annual Results contained in the 2019 Results Announcement remain unchanged.

AUDITOR'S AGREEMENT ON THE 2019 ANNUAL RESULTS

Following the adjustments described above, the Company's auditor, Graham H. Y. Chan & Co., has agreed on the 2019 Annual Results (including the financial figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto) as set out in the 2019 Results Announcement. The audited consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee and were approved by the Board on 15 May 2020.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 as set out in the 2019 Results Announcement (as supplemented by this announcement) and this announcement have been agreed by the Company's auditor, Graham H. Y. Chan & Co., to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 15 May 2020. The work performed by Graham H. Y. Chan & Co. in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Graham H. Y. Chan & Co. on the 2019 Results Announcement (as supplemented by this announcement) or this announcement.

DESPATCH OF ANNUAL REPORT

As the auditing process for the 2019 Annual Results has been completed, the Company expects to despatch its annual report for the year ended 31 December 2019 on or before 20 May 2020.

Save as disclosed above, all other information in the 2019 Results Announcement and the Supplemental Announcement remains unchanged.

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

Hong Kong, 15 May 2020

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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM) of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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.

This announcement will remain on the GEM website (www.hkgem.com) for at least seven days from the day of its posting. This announcement will also be published on the Company's website at www.hongweiasia.com.