



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

First Quarterly Report
2015



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.

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

UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2015

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2015.

Unless otherwise stated, the capitalised terms in this report shall have the same meaning as in the annual report of the Company dated 24 March 2015 (“**Annual Report**”).

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	3	84,012	71,092
Cost of sales		(61,512)	(51,965)
Gross profit		22,500	19,127
Other income		3,526	3,633
Other gain/(losses)		–	62
Distribution expenses		(7,693)	(5,591)
Administrative expenses		(6,505)	(5,189)
Other expenses		(483)	(540)
Finance costs	4	(7,319)	(5,437)
Profit before tax		4,026	6,065
Income tax expense	5	(525)	(793)
Profit for the period attributable to owners of the Company	6	3,501	5,272

	Notes	2015 HK\$'000	2014 HK\$'000
Other comprehensive income which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		1,651	(1,614)
Other comprehensive income for the period		1,651	(1,614)
Total comprehensive income for the period		5,152	3,658
Total comprehensive income attributable to owners of the Company		5,152	3,658
Basic earnings per share, in HK cents	7	0.49	0.74

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Balance at 1 January 2014	53,333	72,258	(16,968)	6,414	15,023	37,125	167,185
Profit for the period	-	-	-	-	-	5,272	5,272
Other comprehensive income for the period	-	-	-	-	(1,614)	-	(1,614)
Total comprehensive income for the period	-	-	-	-	(1,614)	5,272	3,658
Issue of new shares	17,778	51,556	-	-	-	-	69,334
Transaction costs attributable to issue of shares	-	(4,768)	-	-	-	-	(4,768)
Effect of the new Hong Kong Companies Ordinance	119,046	(119,046)	-	-	-	-	-
Balance at 31 March 2014	190,157	-	(16,968)	6,414	13,409	42,397	235,409
Balance at 1 January 2015	189,015	-	(16,968)	9,715	13,038	60,017	254,817
Profit for the period	-	-	-	-	-	3,501	3,501
Other comprehensive income for the period	-	-	-	-	1,651	-	1,651
Total comprehensive income for the period	-	-	-	-	1,651	3,501	5,152
Balance at 31 March 2015	189,015	-	(16,968)	9,715	14,689	63,518	259,969

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. 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 for the three months ended 31 March 2015 have not been audited by the Company's auditors, 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 2014, 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. ADOPTION OF NEW AND REVISED IFRS

In the Review Period, the Group has adopted a number of new and revised IFRSs, amendments to International Accounting Standards and Interpretations (hereinafter collectively referred to as the "new and revised IFRSs") issued by the IASB that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2013. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the Review Period and prior periods/years.

The Group has not adopted in advance the new and revised IFRSs that have been issued but are not yet effective. The Directors anticipate that the application of the new and revised IFRSs will have no material impact on the results and financial position of the Group.

3. REVENUE

Revenue represents revenue arising on sales of particleboards as follows:

	For the three months ended	
	31 March 2015 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Unaudited)
Sales of particleboards	84,012	71,092

4. FINANCE COSTS

	For the three months ended	
	31 March 2015 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Unaudited)
Interest on bank loans		
– wholly repayable within five years	7,319	4,885
– not wholly repayable within five years	–	552
	7,319	5,437

5. INCOME TAX EXPENSE

	For the three months ended	
	31 March 2015 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	525	847
Deferred tax:		
Current year charge/(credit)	-	(54)
	525	793
Profit before tax	4,026	6,065
Tax at applicable income tax rate	1,150	1,669
Tax effect of expenses not deductible for tax purpose	1,475	901
Tax effect of additional deduction based on 10% of revenue	(2,100)	(1,777)
Income tax expense recognised in profit or loss	525	793

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 three months ended 31 March 2015 and 2014 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 2015 and 2014 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.

6. PROFIT FOR THE PERIOD

Profit has been arrived at after charging:

	For the three months ended	
	31 March 2015 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Unaudited)
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	6,639	6,868
Amortisation of prepaid lease payments	125	122
Total depreciation and amortisation expenses	6,764	6,990
Employee benefits expenses (include Directors' emoluments)		
Salaries and other benefits	3,145	2,728
Contribution to retirement benefit schemes	484	577
Total employee benefit expenses	3,629	3,305
Cost of inventories recognised as an expense	61,512	51,965

7. 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 three months ended	
	31 March 2015 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	3,501	5,272

Number of shares

	For the three months ended	
	31 March 2015 '000	31 March 2014 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	711,115	711,115

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

The Group is primarily engaged in the manufacturing and sales of particleboards, which are used primarily by the customers of the Group in the manufacturing of furniture, flooring panels and, decoration and construction materials. The Group's production base is strategically located in Shaoguan city, Renhua county of Guangdong Province, the People's Republic of China (the "PRC"), comprising of production workshops, an office building, warehouses and, various buildings and structures under construction. Renhua county, with a gross area of approximately 2,223km², is located in the northern mountain region of the Guangdong Province with an approximately 1,700 km² of forest covering the entire Renhua county, which provides the Group with abundant wood resources.

The Group's production lines are certified to have met the Californian Particleboard Standards of Regulations of the United States of America and the Group's particleboard products are certified for being qualified to use the Adopting International Standard Product mark (PRC GB/T 4897-2003 of the Particleboard International Standards). The production line which commenced production in December 2013 (the "**2013 Production Line**") is currently able to produce Premium Quality Particleboards that could comply with all the Particleboard PRC GB Standards and Particleboard International Standards.

In the first quarter of 2015, the Group continued to utilise the production capacity with the advanced production technology and equipment, and actively explored to broaden the sales channel in both the PRC market and the overseas market. With the operation of the 2013 Production Line, the sales orders increased steadily with very competitive selling price due to the better quality particleboards produced by the 2013 Production Line. The Directors believe that the implementation of the 2013 Production Line will continue to provide the Group, amongst others, with the following benefits: (i) the Group is able to produce particleboards with better and more consistent quality; (ii) the Group's production lines are more efficient in energy and raw material savings, thus lowering its production cost; (iii) the Group's products are more environmentally friendly and would comply with all the Particleboard PRC GB Standards and Particleboard International Standards; (iv) the Group is able to produce customised particleboards and particleboards of various dimensions and specifications, that most other particleboard manufacturers in the PRC may not be able to produce; and (v) the Group is able to expand its market share and solidify its market position in the particleboard industry due to its capability to offer a wider product offering.

Currently, our customers include home or office furniture and sport equipment manufacturers principally engaged in the manufacture of home or office furniture and sport equipment for sale in the China market or export to overseas markets, we shall continue to actively explore and broaden the sales channels in both the PRC market and the overseas market. During the first quarter of 2015, we have or are in the course of implementing the implementation plans for achieving the business objectives as set out in the prospectus of the Company dated 27 December 2013 (the “**Prospectus**”) by, among others, introduction of moisture resistant particleboard to the market and employing additional personnel to the sales and marketing team. In the future, we will continue to strive to further increase our competitiveness and expand our sales network across the PRC.

FINANCIAL REVIEW

Revenue

During the three months ended 31 March 2015, the Group’s revenue increased to approximately HK\$84.0 million from approximately HK\$71.1 million for the three months ended 31 March 2014, representing a slight increase of approximately 18.2%. The increase was mainly due to the increase in sales volume as a result of the 2013 Production Line operating in 24 hours production which assisted the Group in expanding its market share and widen its product offering.

Cost of Sales

During the three months ended 31 March 2015, the Group’s costs of sales increased to approximately HK\$61.5 million from approximately HK\$52.0 million for the three months ended 31 March 2014, representing an increase of approximately 18.4%. The increase was mainly attributed to increase in the quantity sold.

Gross profit and margin

During the three months ended 31 March 2015, the Group’s gross profit increased to approximately HK\$22.5 million from approximately HK\$19.1 million for the three months ended 31 March 2014, representing an increase of approximately 17.6% and the Group’s gross profit margin remained steady at approximately 26.8% as compared to that of approximately 26.9% for the three months ended 31 March 2014.

Distribution expenses

During the three months ended 31 March 2015, the Group's distribution expenses increased to approximately HK\$7.7 million from approximately HK\$5.6 million for the three months ended 31 March 2014, representing an increase of approximately 37.6%. The increase was mainly due to increase in transportation cost which incurred from the increase in sales quantity and sales volume of particleboards.

Administrative expenses

During the three months ended 31 March 2015, the Group's administrative expenses increased to approximately HK\$6.5 million from approximately HK\$5.2 million for the three months ended 31 March 2014, representing an increase of approximately 25.4%. The increase was mainly attributed to increase in staff salaries, staff benefits and other overheads to support the 2013 Production Line.

Finance costs

During the three months ended 31 March 2015, the Group's finance costs increased to approximately HK\$7.3 million from approximately HK\$5.4 million for the three months ended 31 March 2014, representing an increase of approximately 34.6%. The increase was mainly attributed to increase in the level of working capital required to cope with the overall increase of operational scale of the Group and the increase in interest cost.

Profit attributable to owners of the Company

During the three months ended 31 March 2015, the Group's profit attributable to owners of the Company decreased to approximately HK\$3.5 million from approximately HK\$5.3 million for the three months ended 31 March 2014, representing a decrease of approximately 33.6%. The decrease was mainly attributable to the increase in transportation cost and finance cost.

SHARE OPTION SCHEME

Prior to the listing of the Company's shares (the "**Shares**") on GEM (the "**Listing**"), the Company had conditionally adopted a share option scheme (the "**Share Option Scheme**") on 19 December 2013 which became unconditional and effective upon the Listing. The purpose of the Share Option Scheme is to enable the Group to grant options to eligible participants as incentives or awards for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any entity which the Group holds any equity interest. The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is conditionally adopted.

The Board may, at its discretion, invite any executive, non-executive or independent non-executive Directors or any employees (whether full-time or part-time) of the Company, or any of its subsidiary or associated companies or any other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group to take up the Options. The basis of eligibility of any of the class of the participants to the grant of any option shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group and any entity which the Group holds any equity interest.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the placing of 177,780,000 Shares with professional, institutional and other investors by the Company pursuant to the Prospectus (the "**Placing**"), unless the Company obtains a fresh approval from the shareholders of the Company.

The maximum entitlement for any one eligible participant is that the total number of the Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

As at 31 March 2015, no option has been granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed herein, at no time during the three months ended 31 March 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

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

For the three months ended 31 March 2015, neither the Company nor its subsidiary have purchased, sold or redeemed any securities of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules from the Listing Date and up to 31 March 2015 except otherwise stated herein.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision A.2.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board is of the view that although Mr. Wong Cheung Lok is the chairman and the chief executive officer of the Company, this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wong Cheung Lok and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Except as disclosed in the Prospectus, since the Listing Date and up to 31 March 2015, none of the Directors or any of their respective 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.

COMPLIANCE WITH NON-COMPETITION DEED

Mr. Wong Cheung Lok, our Controlling Shareholder (the “**Covenanter**”) entered into a deed of non-competition (the “**Non-competition Deed**”) in favour of our Company, pursuant to which the Covenanter has undertaken to our Company that he would not, and that his associates (except any member of our Group) would not, during the restricted period set out therein, directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with our existing core business.

Details of the undertaking has been set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus.

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 31 March 2015, 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	Beneficial owner	500,000,100 (L)	70.31%
Ms. Cheung Ngar Kwan (“Mrs. Wong”) ⁽²⁾	Interest of spouse	500,000,100 (L)	70.31%

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

So far as the Directors are aware, as at 31 March 2015, the following persons had an interest or short position in the shares or underlying shares of our Company 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 who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiary:

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	Beneficial owner	500,000,100 (L)	70.31%
Mrs. Wong ⁽²⁾	Interest of spouse	500,000,100 (L)	70.31%

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.

Save as disclosed herein, our Directors are not aware of any other person who, as at 31 March 2015, have an 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 be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, V Baron Global Financial Services Limited (“Baron”), as at 31 March 2015, except for the compliance adviser agreement entered into between the Company and Baron dated 23 December 2013, neither Baron or its directors, employees or associates had any interest in relation to the Group.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard of dealings concerning securities transactions by the directors since the Listing Date and up to 31 March 2015.

DIRECTORS’ INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company or its subsidiary was a party since the Listing Date and up to 31 March 2015.

USE OF NET PROCEEDS FROM THE PLACING

The net proceeds from the Placing amounted to approximately HK\$54 million. Such net proceeds have been applied in accordance with the proposed applications as set out in the section headed “Management Discussion and Analysis – Use of Net Proceeds from the Placing” in the Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules since the Listing Date and up to 31 March 2015.

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 three months ended 31 March 2015.

QUARTERLY DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2015 (2014: Nil).

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

Hong Kong, 12 May 2015

As at the date of this report, the executive Directors are Mr. Wong Cheung Lok, Ms. Cheung Ngai Kwan, Ms. Huang Xiuyan and Mr. Liu Jiayong; the non-executive Director is Mr. Ong Chor Wei; and the independent non-executive Directors are Dr. Xu Jianmin, Ms. Qian Xiaoyu and Mr. Wong Hei Chiu.