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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 2017

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.

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 2017, 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 2016.

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Three months ended 30 September | | Nine months ended 30 September | |
|--|-------|------------------------------------|------------------|-----------------------------------|------------------|
| | | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Revenue | 2 | 138,477 | 117,329 | 357,303 | 324,245 |
| Cost of sales | | (109,192) | (88,830) | (282,596) | (242,436) |
| Gross profit | | 29,285 | 28,499 | 74,707 | 81,809 |
| Other income | 2 | 5,864 | 3,216 | 14,767 | 12,650 |
| Other losses | | (49) | – | (8) | (108) |
| Net gains arising from changes in fair values less costs to sell of biological assets | | 33 | 13,010 | 2,843 | 15,141 |
| Selling and distribution expenses | | (10,783) | (10,387) | (30,879) | (27,395) |
| Administration expenses | | (8,336) | (8,449) | (27,078) | (25,084) |
| Other expenses | | – | (316) | – | (672) |
| Finance costs | 4 | (6,295) | (5,558) | (18,100) | (17,499) |
| Profit before tax | | 9,719 | 20,015 | 16,252 | 38,842 |
| Income tax expense | 5 | – | (3,252) | – | (3,785) |
| Profit for the period attributable to owners of the Company | 6 | 9,719 | 16,763 | 16,252 | 35,057 |
| Other comprehensive income/ (expenses) which will not be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences arising on translation to presentation currency | | 9,882 | (3,167) | 22,496 | (11,359) |
| Other comprehensive income/ (expenses) for the period | | 9,882 | (3,167) | 22,496 | (11,359) |
| Total comprehensive income for the period | | 19,601 | 13,596 | 38,748 | 23,698 |
| Total comprehensive income attributable to owners of the Company | | 19,601 | 13,596 | 38,748 | 23,698 |
| Basic earnings per share, in HK cents | 7 | 1.17 | 2.01 | 1.95 | 4.21 |

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 2017 | 253,928 | (16,968) | 18,011 | (28,712) | 116,829 | 343,088 |
| Profit for the period | - | - | - | - | 16,252 | 16,252 |
| Other comprehensive income for the period | | | | | | |
| Exchange differences arising on translation to presentation currency | - | - | - | 22,496 | - | 22,496 |
| Total comprehensive income for the period | - | - | - | 22,496 | 16,252 | 38,748 |
| Balance at 30 September 2017 | <u>253,928</u> | <u>(16,968)</u> | <u>18,011</u> | <u>(6,216)</u> | <u>133,081</u> | <u>381,836</u> |
| 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 loss for the period: | | | | | | |
| Exchange differences arising on translation to presentation currency | - | - | - | (11,359) | - | (11,359) |
| Total comprehensive (loss)/ income 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> |

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 2016, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS").

Amendments to HKAS 7
Amendments to HKAS 12

Disclosure Initiative
Recognition of Deferred Tax Assets for Unrealised Losses

2. REVENUE AND OTHER INCOME

| | For the nine months ended 30 September | |
|--------------------------------|---|--------------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Revenue: | | |
| Sales of particleboards | 357,303 | 324,245 |
| Other income: | | |
| Value added tax ("VAT") refund | 11,665 | 10,947 |
| Government grants | 2,963 | 1,453 |
| Bank interest income | 117 | 245 |
| Others | 22 | 5 |
| | 14,767 | 12,650 |

3. OPERATING SEGMENTS

For the nine months ended 30 September 2017

| | Particleboards segment <i>HK\$'000</i> (Unaudited) | Forestry segment <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|---|---|---|---|
| Segment revenue: | | | |
| Revenue from external customers | <u>357,303</u> | <u>–</u> | <u>357,303</u> |
| Segment results | <u>43,351</u> | <u>1,410</u> | <u>44,761</u> |
| Capital expenditure* | 21,098 | 59,509 | 80,607 |
| Depreciation | 18,977 | – | 18,977 |
| Amortisation | 396 | 1,118 | 1,514 |
| Net gain arising from changes in fair values | | | |
| less costs to sell of biological assets | – | 4,670 | 4,670 |
| Loss on disposal of forestry right of the forestlands | <u>–</u> | <u>1,827</u> | <u>1,827</u> |

* Capital expenditures of particleboards segment mainly represent the addition of property, plant and equipment. Capital expenditures of forestry segment mainly represent the acquisition of forestry rights of the forestlands.

Reconciliation of segment results

| | <i>HK\$'000</i> (Unaudited) |
|------------------------------|--------------------------------|
| Segment results | 44,761 |
| Interest income | 117 |
| Corporate staff cost | (2,063) |
| Corporate overhead | (8,463) |
| Unallocated finance costs | (18,100) |
| Income tax expenses | – |
| Profit for the period | <u>16,252</u> |

4. FINANCE COSTS

| | For the nine months ended 30 September | |
|---|---|--|
| | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) |
| Interest on bank and other borrowings | 14,753 | 14,014 |
| Interest on puttable notes and guaranteed bonds | 2,458 | 3,485 |
| Interest on unsecured loans | 821 | – |
| Interest on finance lease liabilities | <u>68</u> | <u>–</u> |
| | <u>18,100</u> | <u>17,499</u> |

5. INCOME TAX EXPENSE

| | For the nine months ended 30 September | |
|-----------------------|---|--------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Deferred tax: | | |
| Current period charge | — | 3,785 |
| | <u>—</u> | <u>3,785</u> |

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 2017 and 2016 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 2017 and 2016 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:

| | For the nine months ended 30 September | |
|---|---|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Depreciation and amortisation expenses | | |
| Depreciation of property, plant and equipment | 18,977 | 18,220 |
| Amortisation of intangible assets | 396 | 1,226 |
| Amortisation of prepaid lease payments | 1,118 | 513 |
| | <hr/> | <hr/> |
| Total depreciation and amortisation expenses | 20,491 | 19,959 |
| | <hr/> | <hr/> |
| Employee benefits expenses (include directors' emoluments) | | |
| Salaries and other benefits | 10,423 | 10,281 |
| Contribution to retirement benefit schemes | 1,366 | 1,329 |
| | <hr/> | <hr/> |
| Total employee benefit expenses | 11,789 | 11,610 |
| | <hr/> | <hr/> |
| Cost of inventories recognised as an expense | 282,596 | 242,436 |
| Auditor's remuneration | | |
| Provision in respect of current period | 1,153 | 1,350 |
| Underprovision in respect of prior year | – | 300 |
| Non-audit services | 1,210 | 308 |
| | <hr/> | <hr/> |
| | 2,363 | 1,958 |
| | <hr/> | <hr/> |
| Professional fee for proposed major and connected transaction* | 2,234 | – |
| | <hr/> | <hr/> |
| Loss on disposal of forestry rights of the forest lands | 1,827 | – |
| | <hr/> | <hr/> |

* The proposed major and connected transaction was terminated during the nine months ended 30 September 2017. Please refer to the announcement of the Company dated 26 April 2017 for more details.

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 nine months ended 30 September | |
|---|---|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit for the period attributable to owners of the Company for the purpose of basic earnings per share | 16,252 | 35,057 |

Number of shares

| | For the nine months ended 30 September | |
|---|---|-------------|
| | 2017 | 2016 |
| | '000 | '000 |
| | (Unaudited) | (Unaudited) |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 832,603 | 832,603 |

MANAGEMENT DISCUSSION AND ANALYSES

BUSINESS REVIEW

During the nine months ended 30 September 2017, the Group continued to engage in the manufacturing and selling of particleboards (“Particleboards Segment”) and the timber logging, plantation and sales of wood and agricultural products in the People’s Republic of China (“PRC”) (“Forestry Segment”).

Particleboards Segment

During the nine months ended 30 September 2017, the Group continued to engage in the manufacturing and selling of particleboards and our products were principally used by our customers in the manufacturing of furniture and fixtures, sport equipment, decoration and construction materials. For the nine months ended 30 September 2017, the Group’s revenue increased to approximately HK\$357.3 million, representing an increase of approximately 10.2% as compared to that for the nine months ended 30 September 2016. However, the Group’s gross profit margin decreased to approximately 20.9% for the nine months ended 30 September 2017, from approximately 25.2% for the nine months ended 30 September 2016. The decrease was mainly attributable to the increase in average unit cost of raw materials particularly residual wood from external suppliers and the consumption of extra raw materials as a result of products modification during the nine months ended 30 September 2017.

In view of the increasing cost of sales mainly attributable to the increased average unit cost of residual wood purchased from external suppliers, the Group has commenced to identify appropriate subcontractors to carry out the forestry harvesting plan in certain forestry acquired in order to obtain adequate supply of residual wood to meet the production need so as to reduce the average unit costs of raw materials production costs and hence to improve the profitability. Meanwhile, the Group will continue to optimize our customer base, enhance our product research and development and monitor the key performance indicators in order to strengthen our competitiveness.

Forestry Segment

During the nine months ended 30 September 2017, the Group has submitted application to the relevant local authority for harvesting approval for selected forestry acquired by the Group. It is expected that such approval will probably be granted within a short period of time and hence the Group will commence harvesting process soon after the approval is granted. Hence, the Group aims to have better control over the supply of raw materials and the costs of sales which strengthen competitiveness of the Group and its business sustainability when there is pressure on the gross profit margin due to rising costs.

FINANCIAL REVIEW

Revenue

During the nine months ended 30 September 2017 (“Current Period”), the Group’s revenue increased to approximately HK\$357.3 million from approximately HK\$324.2 million, representing an increase of approximately 10.2% as compared to the nine months ended 30 September 2016 (“Previous Period”). The increase was mainly due to the increase in the average unit selling price of particleboard by approximately 9.8% and the increase in sales volume by approximately 3.5% during the Current Period.

Cost of Sales

During the nine months ended 30 September 2017, the Group’s costs of sales increased to approximately HK\$282.6 million from approximately HK\$242.4 million, representing an increase of approximately 16.6% as compared to the nine months ended 30 September 2016. The increase was mainly attributable to the increase in average unit price of raw materials, primarily residual wood purchased from independent third parties in the open market, by approximately 20.7% during the Current Period.

Gross profit and margin

During the nine months ended 30 September 2017, the Group’s gross profit decreased to approximately HK\$74.7 million from approximately HK\$81.8 million, representing a decrease of approximately 8.7% as compared to the nine months ended 30 September 2016. The Group’s gross profit margin decreased to approximately 20.9% for the Current Period from approximately 25.2% for the Previous Period. The decrease was mainly attributable to the increase in average unit selling price of particleboards which was partially set off by the increase in average unit price of raw materials during the Current Period.

Other income

During the nine months ended 30 September 2017, the Group’s other income increased to approximately HK\$14.8 million from approximately HK\$12.7 million as reported for the Previous Period, representing an increase of approximately 16.7%. The increase was mainly due to (i) the increase in refund of value added tax under the relevant policy issued by the PRC government and (ii) various one-off government grants received and recognized in the Current Period.

Selling and Distribution expenses

During the nine months ended 30 September 2017, the Group’s selling and distribution expenses increased to approximately HK\$30.9 million from approximately HK\$27.4 million as reported for the Previous Period, representing an increase of approximately 12.7%. The increase was mainly attributable to the increase in packing expense to improve the packing method and to reduce the risk of damage to particleboards during transportation for the Current Period.

Administrative expenses

During the nine months ended 30 September 2017, the Group's administration expenses increased to approximately HK\$27.1 million from approximately HK\$25.1 million reported in Previous Period, representing an increase of approximately 7.9%. The increase was mainly attributable to the increase in legal and professional fee charged in Current Period arising from the termination of a major and connected transaction in relation to the acquisition in April 2017.

Finance costs

During the nine months ended 30 September 2017, the Group's finance costs increased to approximately HK\$18.1 million from approximately HK\$17.5 million, representing an increase of approximately 3.4% as compared to the nine months ended 30 September 2016.

For the Current Period, finance costs mainly included interest on bank loans and other borrowings, namely, interest on 12% short term unsecured guaranteed loans with outstanding principal of HK\$10.0 million and interest on 15% guaranteed bonds with outstanding principal of HK\$17.0 million as at beginning of Current Period, which was partly repaid during Current Period and the outstanding balance as at 30 September 2017 was HK\$14.0 million. Besides, there was half month's interest on 10% HK\$100.0 million secured and guaranteed bonds which was issued on 15 September 2017 as detailed below.

On 15 September 2017, the Group has issued secured and guaranteed bonds in the principal amount of HK\$100.0 million at an interest rate of 10% with a term of 364 days. The proceeds of such issue was mainly used to repay the aforesaid HK\$10.0 million short term unsecured guaranteed loans, the aforesaid guaranteed bonds of HK\$14 million and part of the Group's outstanding long terms bank loans. Details of the secured and guaranteed bonds were set out in the announcement of the Company dated 13 September 2017.

Net gains arising from changes in fair values less costs to sell of biological assets

During the nine months ended 30 September 2017, the Group's net gains arising from changes in fair values less costs to sell of biological assets decreased to approximately HK\$2.8 million from approximately HK\$15.1 million for the Previous Period, representing a decrease of approximately HK\$12.3 million or 81.2% as compared to the nine months ended 30 September 2016.

The decrease was mainly attributable to the changes in the approach of valuation methodology of biological assets to the income approach during the Current Period, while the market approach as the valuation methodology was adopted at initial recognition.

The market approach was adopted at initial recognition as the Group did not have any harvesting plan at initial recognition. The Group has subsequently prepared harvesting plan and submitted application to the relevant government authority for the logging of timber trees. Therefore, the adoption of income approach as the valuation methodology at the end of Current Period is considered to be more appropriate.

Profit attributable to owners of the Company

During the nine months ended 30 September 2017, the Group's profit attributable to owners of the Company amounted to HK\$16.3 million, representing a significant decrease of approximately 53.6% as compared to the Group's profit of HK\$35.1 million for the nine months ended 30 September 2016. The significant decrease was mainly attributable to the decrease in gross profit and margin due to the increase in average unit price of raw materials, the increase in selling and distribution expenses due to the changes in packing methods, the increase in administration expenses due to the increase in legal and professional fee and the decrease in net gains arising from changes in fair values less costs to sell of biological assets due to changes in approach of valuation methodology.

Total comprehensive income attributable to owners of the company

During the nine months ended 30 September 2017, the total comprehensive income attributable to the owners of the Company increased to approximately HK\$38.7 million from approximately HK\$23.7 million, representing an increase of approximately 63.5% as compared to the nine months ended 30 September 2016. The net increase was attributable to the increase in exchange gain arising from the translation of RMB to HK\$ which is the presentation currency of the consolidated financial statements which was partially set off by the decrease in operating profit.

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

During the nine months ended 30 September 2017, 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 2017 and as at the date of this announcement, 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.

However, Mr. Wong Kin Ching, the son of Mr. Wong Cheung Lok and Ms. Cheung Ngar Kwan (both executive Directors), through companies wholly owned by him, is interested in 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 2017, 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”) ⁽²⁾ | Beneficial owner | 430,000,000 (L) | 51.65% |
| Ms. Cheung Ngar Kwan (“Mrs. Wong”) ⁽³⁾ | 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 2017, 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:

| Name | Capacity/ Nature of interest | Aggregate number of Shares or underlying Shares (Note 1) | Approximate percentage of interest in our Company |
|---|---|---|--|
| China Strategic Holdings Limited ⁽²⁾ | Person having a security interest in shares | 400,000,000 (L) | 48.04% |

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.

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 2017, 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

2015 Bonds

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.

On 9 December 2016, each of the subscribers of the guaranteed bonds entered into a supplemental deed with the Company and Mr. Wong, pursuant to which, among other things, the maturity date of the guaranteed bonds is agreed to extend to one-and-a-half-year anniversary from the date of issuance of the bonds.

On 9 June 2017, each of the subscribers of the guaranteed bonds has further entered into a supplemental deed with the Company and Mr. Wong, pursuant to which, among other things, the maturity date of the guaranteed bonds is agreed to be further extended to two-year anniversary from the date of issuance of the bonds.

On 14 September 2017, the Company obtained consent from each of the subscribers for the early redemption of the guaranteed bond on or before 18 September 2017. On 18 September 2017, all outstanding amounts under the bonds, together with accrued interest payable, were repaid to all subscribers.

Please refer to the announcements of the Company dated 10 December 2015, 10 December 2016 and 9 June 2017 for more details.

2017 Bonds

On 15 September 2017, pursuant to the subscription agreement dated 13 September 2017 between the Company and the Subscriber (the “Subscription Agreement”) the Company issued 10% coupon guaranteed bonds of HK\$100,000,000 (the “Bonds”) due on 14 September 2018 which bear an effective interest rate of 10% per annum and are secured, amongst other things, by personal guarantee executed by Mr. Wong Cheung Lok, an executive Director and controlling shareholder of the Company and Ms. Cheung Ngar Kwan (“Mrs. Wong”), being the spouse of Mr. Wong and an executive Director of the Company (together, “Guarantors”), to Haitong International Investment Fund SPC acting on behalf of and for the account of Haitong International Investment Fund SPC — Fund I SP (“Subscriber”), an independent party of the Company. Under the Subscription Agreement, each of the Guarantors undertakes to the Subscriber that as long as any Bonds is outstanding, he or she shall not (i) provide any guarantee in any form to anyone which will result in the aggregate amount of indebtedness (secured or unsecured) guaranteed by the Guarantors exceeding HK\$530,000,000; and (ii) pledge any of his or her existing properties and assets in Hong Kong to anyone.

Under the terms of the instrument constituting the Bonds (the “Instrument”), it will constitute an event of default if: (i) any of the Guarantors is (a) unable to pay for the payments due from the Company under their guarantee obligations and the terms and conditions of the Bonds, or (b) is declared bankrupt by a competent court; and (ii) the Guarantors provide any other guarantee in any form to anyone which will result in the aggregate amount of indebtedness (secured or unsecured) guaranteed by the Guarantors exceeding HK\$530,000,000. Upon the occurrence of a continuing event of default, the holder(s) of the Bonds are entitled to request immediate redemption of the Bonds at a higher interest rate as stipulated in the Instrument.

Please refer to the announcement of the Company dated 13 September 2017 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 2017.

QUARTERLY DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2017 (2016: Nil).

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

Hong Kong, 10 November 2017

As at the date of this announcement, the executive Directors are Mr. Wong Cheung Lok, Ms. Cheung Ngar 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.