



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

INTERIM REPORT 2018

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 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.

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Corporate Information

Registered office

Unit 504, 5/F., Tower 2, Admiralty Centre
No. 18 Harcourt Road,
Admiralty, Hong Kong

Head office in Hong Kong

Unit 504, 5/F., Tower 2, Admiralty Centre
No. 18 Harcourt Road
Admiralty, Hong Kong

Principal place of business in the PRC

Industrial Park, Renhua County,
Shaoguan City,
Guangdong Province, PRC

Authorised representatives

Mr. Wong Cheung Lok
Ms. Huang Xiuyan

Executive Directors

Mr. Wong Cheung Lok
Ms. Cheung Ngar Kwan
Ms. Huang Xiuyan
Mr. Liu Jiayong

Independent non-executive Directors

Dr. Xu Jianmin
Ms. Qian Xiaoyu
Dr. Chow Ho Wan, Owen

Compliance Officer

Ms. Huang Xiuyan

Principal bankers

Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited

Audit committee

Dr. Chow Ho Wan, Owen (*chairman*)
Dr. Xu Jianmin
Ms. Qian Xiaoyu

Remuneration committee

Xr. Xu Jianmin (*chairman*)
Mr. Wong Cheung Lok
Dr. Chow Ho Wan, Owen

Nomination committee

Mr. Wong Cheung Lok (*chairman*)
Dr. Xu Jianmin
Dr. Chow Ho Wan, Owen

Company secretary

Ms. Tang Yuen Ching Irene HKICPA FCCA

Share registrar and transfer office

Tricor Investors Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor

Graham H. Y. Chan & Co.
Certified Public Accountants (Practising)

Legal advisers to the Company

as to Hong Kong law:
Reed Smith Richards Butler

GEM stock code

8191

Company's website address

www.hongweiasia.com

FINANCIAL HIGHLIGHTS

Operating results of the Group for the six months ended 30 June 2018, were as follows:

- Revenue for the six months ended 30 June 2018 amounted to approximately HK\$211.2 million, representing a decrease of 3.5% from approximately HK\$218.8 million recorded in the same period in 2017.
- Gross Profit for the six months ended 30 June 2018 amounted to approximately HK\$49.6 million, representing an increase of 9.1% from approximately HK\$45.4 million recorded in the same period in 2017.
- Profit attributable to owners of the Company for the six months ended 30 June 2018 amounted to HK\$14.8 million representing an increase of 127.2% from approximately HK\$6.5 million recorded in the same period in 2017.
- The Board does not recommend the payment of interim dividend for the six months period ended 30 June 2018 (2017: nil).

Interim Results

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2018 (“2018 Interim Period”) together with the comparative figures of the corresponding period in 2017 as appropriate.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	110,036	125,964	211,208	218,826
Cost of sales		(85,037)	(101,557)	(161,651)	(173,404)
Gross profit		24,999	24,407	49,557	45,422
Other income	5	4,822	4,347	8,758	8,903
Other losses, net	6	(26)	(1,787)	(12)	(1,765)
Net gains arising from agricultural produce at fair values less costs to sell at the point of harvest		–	–	1,583	–
Net gains/(losses) arising from changes in fair values less costs to sell of biological assets		447	(2,025)	3,277	4,616
Selling and distribution expenses		(8,152)	(11,709)	(16,479)	(20,096)
Administration expenses		(10,038)	(11,842)	(17,106)	(18,742)
Finance costs	7	(6,900)	(6,752)	(14,734)	(11,805)
Profit/(loss) before tax		5,152	(5,361)	14,844	6,533
Income tax expenses	8	–	–	–	–
Profit/(loss) for the period attributable to owners of the Company	9	5,152	(5,361)	14,844	6,533
Other comprehensive (loss)/income which will not be reclassified subsequently to profit or loss:					
Exchange differences arising on translation to presentation currency		(26,959)	9,438	(4,618)	12,614
Other comprehensive (loss)/income for the period		(26,959)	9,438	(4,618)	12,614
Total comprehensive (loss)/income for the period, attributable to owners of the Company		(21,807)	4,077	10,226	19,147
Basic and diluted earnings/(loss) per share, in HK cents	10	0.62	(0.64)	1.78	0.78

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	356,593	364,375
Prepaid lease payments	12	50,457	48,558
Biological assets	12	149,460	127,855
Intangible assets		2,891	3,150
Deferred tax assets		2,510	2,532
Prepayments for acquisition of property, plant and equipment	13	9,265	8,168
Prepayments for acquisition of forestry rights of the forestlands	13	–	28,233
Security deposit	13	1,779	–
Pledged bank deposits		9,870	9,472
		582,825	592,343
CURRENT ASSETS			
Inventories	14	140,778	105,121
Trade and bills receivables	15	54,057	62,633
Deposits, prepayments and other receivables	13	35,259	42,783
Biological assets	12	27,270	22,402
Bank balances and cash		1,878	27,494
		259,242	260,433
CURRENT LIABILITIES			
Trade payables	16	30,818	28,523
Other payables and accrued expenses		27,786	27,966
Bank and other borrowings, due within one year	17	196,393	208,971
Deferred income		3,739	4,382
Secured and guaranteed bond	18	97,788	92,385
		356,524	362,227
NET CURRENT LIABILITIES		(97,282)	(101,794)
TOTAL ASSETS LESS CURRENT LIABILITIES		485,543	490,549
NON-CURRENT LIABILITIES			
Deferred tax liabilities		582	587
Bank and other borrowings, due after one year	17	38,974	53,909
Deferred income		35,499	35,791
		75,055	90,287
NET ASSETS		410,488	400,262
CAPITAL AND RESERVES			
Share capital	19	253,928	253,928
Reserves		156,560	146,334
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY		410,488	400,262

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2018

	Share capital	Capital reserve	Statutory reserve	Foreign currency translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2018 (audited)	253,928	(16,968)	22,841	(1,833)	142,294	400,262
Profit for the period	-	-	-	-	14,844	14,844
Other comprehensive loss for the period:						
Exchange differences arising on translation to presentation currency	-	-	-	(4,618)	-	(4,618)
Total comprehensive (loss)/income for the period	-	-	-	(4,618)	14,844	10,226
Balance at 30 June 2018 (unaudited)	253,928	(16,968)	22,841	(6,451)	157,138	410,488
Balance at 1 January 2017 (audited)	253,928	(16,968)	18,011	(28,712)	116,829	343,088
Profit for the period	-	-	-	-	6,533	6,533
Other comprehensive income for the period:						
Exchange differences arising on translation to presentation currency	-	-	-	12,614	-	12,614
Total comprehensive income for the period	-	-	-	12,614	6,533	19,147
Balance at 30 June 2017 (unaudited)	253,928	(16,968)	18,011	(16,098)	123,362	362,235

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	20,935	34,756
Net cash used in investing activities	(5,184)	(13,494)
Net cash used in financing activities	(34,782)	(26,644)
Net decrease in cash and cash equivalents	(19,031)	(5,382)
Cash and cash equivalents at the beginning of the period	23,832	11,955
Effect of foreign exchange rate changes	(2,923)	3,851
Cash and cash equivalents at the end of the period, represented by bank balances and cash	1,878	10,424

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The unaudited interim condensed consolidated financial statements have been reviewed by the Company’s Audit Committee and were authorised for issue on 10 August 2018 (the “**Approval Date**”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual report for the year ended 31 December 2017.

As at 30 June 2018, the Group’s current liabilities exceeded its current assets by approximately HK\$97,282,000 (31 December 2017: HK\$101,794,000). Its current liabilities, including current bank and other borrowings of approximately HK\$196,393,000 (31 December 2017: HK\$208,971,000), secured and guaranteed bond of approximately HK\$97,788,000 (31 December 2017: HK\$92,385,000), exceeded its cash and cash equivalents of approximately HK\$1,878,000 (31 December 2017: HK\$23,832,000).

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. During the current interim period, Mr. Wong Cheung Lok (“**Mr. Wong**”), ultimate controlling party and chairman of the Company, agreed to provide a revolving facility of HK\$55,000,000 to the Company to meet its financial obligation pursuant to a facility letter dated 22 March 2018 (the “**Facility Letter**”) (note 21). In addition, on 10 August 2018, the Company and a subscriber (the “**Subscriber**”) entered into a subscription agreement (the “**Subscription Agreement**”) pursuant to which the Company has conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the secured and guaranteed notes in the principal amount of up to HK\$100,000,000 (the “**Notes**”) with an initial term of two years from the date of issue of the Notes, extendable for another year as agreed by the parties (note 22). 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 interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s annual report for the year ended 31 December 2017, except for the adoption of new and amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) in the current period as disclosed in note 2.

The financial statements relating to the financial year ended 31 December 2017 that are included in these condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financials for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION AND BASIS OF PRESENTATION *(Continued)*

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of the Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. ADOPTION OF NEW AND AMENDED HKFRSS

(a) New and amended HKFRSS adopted by the Group

During the current interim period, the Group has adopted the following new and amended HKFRSS issued by the HKICPA for the first time:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Considerations
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 1 and HKAS 28	As part of the Annual Improvements to HKFRSS 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as set out below, the Directors consider that the adoption of other new and amended HKFRSS did not have any material impact on the financial position and the financial results of the Group.

HKFRS 9 “Financial Instruments”

In the current period, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSS. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for the financial assets and other items (for example, contract assets), and (3) general hedge accounting.

Key changes in accounting policies resulting from adoption of HKFRS 9 are as follows:

Classification and measurement of financial assets

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised costs, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These superseded HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Notes to the Condensed Consolidated Financial Statements

2. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

(a) New and amended HKFRSs adopted by the Group (Continued)

HKFRS 9 “Financial Instruments” (Continued)

Classification and measurement of financial assets (Continued)

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using effective interest method;
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair values are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial assets and liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9. The Group did not designate or de-designate any financial asset or financial liabilities at FVPL at 1 January 2018.

Notes to the Condensed Consolidated Financial Statements

2. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

(a) New and amended HKFRSSs adopted by the Group (Continued)

HKFRS 9 "Financial Instruments" (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including cash and cash equivalents, trade and bills receivables and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic condition and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

Notes to the Condensed Consolidated Financial Statements

2. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

(a) New and amended HKFRSSs adopted by the Group (Continued)

HKFRS 9 "Financial Instruments" (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss by adjusting their carrying amount, with the exception of trade and bills receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery, This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. There is no material impact as a result of the assessment.

Notes to the Condensed Consolidated Financial Statements

2. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

(a) New and amended HKFRSSs adopted by the Group (Continued)

HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018 (if any).

There is no impact of transition to HKFRS 15 on retained profits at 1 January 2018.

Further details of nature and effect of changes on previous accounting policies are set out below:

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Notes to the Condensed Consolidated Financial Statements

2. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

(a) New and amended HKFRSs adopted by the Group (Continued)

HKFRS 15 “Revenue from Contracts with Customers” (Continued)

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The adoption of HKFRS 15 does not have significant impact on when the Group recognises revenue.

HK(IFRIC) – Int 22 “Foreign Currency Transactions and Advance Considerations”

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)-Int 22 does not have any material impact on the financial position and the financial results of the Group.

(b) New standards, interpretations and amendments to HKFRSs have been issued but not yet effective in the current interim period

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

Except for the adoption of HKFRS 16, the Directors do not anticipate that the application of other new standards, interpretation and amendments to HKFRSs will have a material impact on the financial position and the financial results of the Group.

Notes to the Condensed Consolidated Financial Statements

2. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

(b) New standards, interpretations and amendments to HKFRSs have been issued but not yet effective in the current interim period (Continued)

HKFRS 16 "Leases"

As disclosed in the 2017 annual financial statements, currently the Group classifies leases into operating leases and accounts for the lease arrangements depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for non-cancellable operating lease commitments. A preliminary assessment indicates that the arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of the lease unless it qualifies for low value or short-term lease upon the adoption of HKFRS 16. The Group will perform a more detailed analysis to determine the amounts or new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient.

3. REVENUE

Revenue represents amounts received and receivables for sales of particleboards and timber woods and are recognised at a point in time. An analysis of the Group's revenue is as follows:

	For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue:		
Sales of particleboards	210,698	218,826
Sales of timber woods	510	–
	211,208	218,826

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the executive directors, being the chief operating decision makers (“**CODM**”). The Group’s operating business are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

During the six months ended 30 June 2018, the Group has two reportable operating segments. Details are as follows:

- Particleboards segment, principally engaged in manufacturing and selling of particleboards in the PRC; and
- Forestry segment, principally engaged in timber logging, plantation and sales of wood and agricultural products in the PRC.

The accounting policies of the reportable segments are the same as the Group’s accounting policies as set out in the annual report for the year ended 31 December 2017. Segment revenue represents the revenue generated by each operating segment. Inter-segment revenue represents inter-segment sales which were transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment results represent the profit earned or loss incurred by each operating segment without allocation of central administration expenses (unallocated corporate expenses), interest income, finance costs and income tax expenses. This is the measure reported to CODM for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than pledged bank deposits, security deposit, deferred tax assets and unallocated corporate assets; and
- All liabilities are allocated to reportable segments other than bank and other borrowings, secured and guaranteed bond, deferred tax liabilities and unallocated corporate liabilities.

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION (Continued)

Operating segments

The following tables represent segment information of the Group provided to the Group's CODM for the period.

For the six months ended 30 June 2018

	Particleboards segment HK\$'000 (Unaudited)	Forestry segment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<i>Segment revenue:</i>			
Reportable segment revenue	210,698	2,093	212,791
Elimination of inter-segment revenue	–	(1,583)	(1,583)
Revenue from external customers	210,698	510	211,208
<i>Segment results:</i>			
Reportable segment results	33,770	2,649	36,419
Bank interest income (note 5)			85
Finance costs (note 7)			(14,734)
Unallocated corporate staff costs			(1,585)
Unallocated corporate expense			(5,341)
Consolidated profit before tax			14,844
<i>Other segment information</i>			
Capital expenditures – allocated#	10,984	–	10,984
Depreciation – allocated	14,308	–	14,308
Depreciation – unallocated			320
Total depreciation (note 9)			14,628
Amortisation (note 9)	470	704	1,174
Gain arising from agricultural produce at fair values less costs to sell at the point of harvest (note 12)	–	1,583	1,583
Net gain arising from changes in fair values less costs to sell of biological assets (note 12)	–	3,277	3,277

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

For the six months ended 30 June 2017

	Particleboards segment HK\$'000 (Unaudited)	Forestry segment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<i>Segment revenue:</i>			
Reportable segment revenue	218,826	–	218,826
Elimination of inter-segment revenue	–	–	–
Revenue from external customers	218,826	–	218,826
<i>Segment results:</i>			
Reportable segment results	24,590	1,689	26,279
Bank interest income (note 5)			79
Finance costs (note 7)			(11,805)
Unallocated corporate staff costs			(1,392)
Unallocated corporate expense			(6,628)
Consolidated profit before tax			6,533
<i>Other segment information</i>			
Capital expenditures#	13,079	44,680	57,759
Depreciation (note 9)	12,186	–	12,186
Amortisation (note 9)	261	739	1,000
Net gain arising from changes in fair values less costs to sell of biological assets (note 12)	–	4,616	4,616
Loss on disposal of forestry right of the forestlands (note 6)	–	1,806	1,806

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. Capital expenditures of forestry segment mainly represent the consideration paid for acquisition of forestry rights of the forestlands during the period.

There has been no material change for the amounts of segment assets and liabilities as at 30 June 2018 from the amounts disclosed in 2017 annual financial statements. Accordingly, no segment assets and liabilities is disclosed.

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION (Continued)

Entity-wide disclosures

Geographical information

The Group's operation is located in the PRC and most of the revenue is generated from the PRC and other Asian countries as follows:

	For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue from PRC	210,652	216,457
Revenue from other Asian countries	556	2,369
	211,208	218,826

The Group's non-current assets other than deferred tax assets, security deposit and pledged bank deposits are located in the PRC by location of assets in case of property, plant and equipment, biological assets and prepaid lease payments or by location of operation to which they are allocated, in case of prepayments for acquisition of forestry rights of the forestland and property, plant and equipment, and intangible assets.

Information about major customers

Revenue from a customer arising from sales of particleboards for the period individually contributing over 10% of the total sales of the Group is as follows:

	For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Customer A	118,286	111,096

Notes to the Condensed Consolidated Financial Statements

5. OTHER INCOME

	For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Value added tax ("VAT") refund	6,575	7,251
Government grants	1,799	1,568
Bank interest income	85	79
Others	299	5
	8,758	8,903

6. OTHER LOSSES, NET

	For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net foreign exchange losses/(gain)	12	(41)
Loss on disposal of forestry rights of the forestlands	–	1,806
	12	1,765

7. FINANCE COSTS

	For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on bank and other borrowings	9,302	9,988
Interest on unsecured but guaranteed bonds	–	1,398
Interest on a secured and guaranteed bond	5,403	–
Interest on unsecured loans	–	368
Interest on finance lease liabilities	29	51
	14,734	11,805

Notes to the Condensed Consolidated Financial Statements

8. INCOME TAX EXPENSES

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 Wooden Products (Renhua) Company Limited ("Hongwei Renhua") is 25% during the six months ended 30 June 2018 and 2017.

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 six months ended 30 June 2018 and 2017, 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 six month ended 30 June 2018 and 2017, 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.

Notes to the Condensed Consolidated Financial Statements

9. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period has been arrived at after charging:

	Notes	For the six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Depreciation and amortisation expenses			
Depreciation of property, plant and machinery		14,628	12,186
Amortisation of intangible assets	(i)	240	261
Amortisation of prepaid lease payments	(i)	934	739
Total depreciation and amortisation expenses		15,802	13,186
Employee benefits expenses (included directors' emoluments)			
Salaries and other benefit		7,592	6,913
Contribution to retirement benefit schemes		811	924
Total employee benefit expenses		8,403	7,837
Cost of goods recognised as an expense		161,651	173,404
Professional fee for proposed major and connected acquisition	(ii)	–	2,234

Notes:

- (i) The amount was included in administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.
- (ii) On 26 April 2017, the Company and Mr. Wong Kin Ching, son of Mr. Wong and Ms. Cheung Ngar Kwan (“Mrs. Wong”), entered into a termination agreement to terminate the proposed acquisition of a target company. The target company through its subsidiary is engaged into forestry management. Details are set out in note 21(b)(iv).

Notes to the Condensed Consolidated Financial Statements

10. 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 six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	14,844	6,533

Number of shares

	For the six months ended 30 June	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	832,603	832,603

Basic and diluted earnings per share were the same for both periods as there has been no potential ordinary shares outstanding during the periods presented.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group's addition to plant and equipment amounted to approximately HK\$9,777,000 (2017: HK\$13,079,000).

Notes to the Condensed Consolidated Financial Statements

12. BIOLOGICAL ASSETS AND PREPAID LEASE PAYMENTS

(a) Nature of biological assets

Biological assets are standing timber trees attached to the forestlands which could be logged to produce timber woods as agricultural produce. Majority of timber woods harvested, being the smaller-sized timber woods, were used as raw materials of the Group to produce particleboards for sale and the remaining timber woods harvested, being the larger-sized timber woods, were sold to external customers.

(b) Valuation of biological assets

Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period in accordance with HKAS 41 "Agriculture". The fair values less costs to sell of biological assets were determined with reference to the work performed by LCH (Asia-Pacific) Surveyors Limited (the "**Independent Valuers**"). The Independent Valuers adopted income approach as the valuation methodology as at 31 December 2017 and 30 June 2018 to determine combined value of the biological assets and the forestlands. Fair values of raw land are deducted from the combined value to arrive at the fair values less costs to sell of the Group's biological assets. Any changes in fair value less costs to sell of biological assets are recognised in profit or loss.

(c) Additions to prepaid forestland lease payments and biological assets

During the six months ended 30 June 2018, the Group's addition to forestry rights of the forestlands amounted to approximately HK\$29,293,000 (2017: HK\$44,680,000), among which HK\$3,578,000 (2017: HK\$3,468,000) was added to prepaid forestland lease payments and HK\$25,715,000 (2017: HK\$41,212,000) was added to biological assets. At initial recognition during the six months ended 30 June 2018, the fair values less costs to sell of biological assets were amounted to approximately HK\$28,545,000 (2017: HK\$54,259,000), which were determined with reference to the work performed by the Independent Valuers using income approach (2017: market approach). Gain arising from initial recognition of biological assets of approximately HK\$2,830,000 (2017: HK\$13,047,000) was recognised in profit or loss for the six months ended 30 June 2018.

(d) Disposal of prepaid forestland lease payments and biological assets

There was no disposal of forestry rights of forestlands during the six months ended 30 June 2018. During the six months ended 30 June 2017, the Group disposed forestry rights of forestlands with consideration of approximately HK\$8,049,000. A loss on disposal of forestry rights of the forestlands of HK\$1,806,000 was recognised in profit or loss for the six months ended 30 June 2017.

Notes to the Condensed Consolidated Financial Statements

12. BIOLOGICAL ASSETS AND PREPAID LEASE PAYMENTS *(Continued)*

(e) Changes in fair value less costs to sell of biological assets

An analysis of changes in fair value less costs to sell of biological assets is as follows:

	For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net gain arising on initial recognition of newly acquired biological assets at fair values less costs to sell	2,830	13,047
Net gain/(loss) arising from changes in fair values less costs to sell of biological assets after initial recognition	447	(8,431)
Net gain arising from changes in fair value less costs to sell of biological assets as reported in condensed consolidated statement of profit or loss and other comprehensive income	3,277	4,616

(f) Agricultural produce harvested

The Group's agricultural produce are timber woods, which are measured at fair value less costs to sell at the point of harvest. During the six months ended 30 June 2018, the Group has logged its standing trees and recognised fair value less costs to sell of timber woods of approximately HK\$1,583,000 at the point of harvest, which has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income. During the six months ended 30 June 2017, the Group had not conducted any harvesting work and therefore no fair value less costs to sell of agricultural produce had been recognised.

Notes to the Condensed Consolidated Financial Statements

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
VAT recoverable	19,144	16,191
VAT refund	3,828	2,427
Payments in advance to suppliers	3,223	21,205
Prepaid lease payments	1,838	1,649
Prepayments paid for acquisition of:		
– property, plant and equipment	9,265	8,168
– forestry rights of the forestlands	–	28,233
Security deposit placed to a financial institution to secure a sales and leaseback operating lease arrangement	1,779	–
Others	7,226	1,311
	46,303	79,184
Analysis for reporting purposes:		
Current assets	35,259	42,783
Non-current assets	11,044	36,401
	46,303	79,184

14. INVENTORIES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Raw materials	98,607	83,106
Work in progress	1,178	3,489
Finished goods	40,993	18,526
Total	140,778	105,121

Notes to the Condensed Consolidated Financial Statements

15. TRADE AND BILLS RECEIVABLES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Trade receivables	42,200	39,448
Allowance for doubtful debts	(414)	(418)
	41,786	39,030
Bills receivables	12,271	23,603
	54,057	62,633

The Group's trading terms with its customers are mainly on open account terms, except for new customers, where payment in advance is normally required. The credit period is generally for a period up to 90 days (31 December 2017: 90 days). The Group seeks to maintain strict control over its outstanding receivables to minimise its credit risk. Overdue balances are regularly reviewed by senior management.

Trade receivables are non-interest bearing. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on invoice date, at end of the reporting period.

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Within 3 months	38,249	39,009
Over 3 months but within 6 months	3,537	21
	41,786	39,030

Notes to the Condensed Consolidated Financial Statements

15. TRADE AND BILLS RECEIVABLES (Continued)

The maturity period of bills receivable are within 6 months for the date the Group received the notes as an extended period to the original credit term. The following is an aged analysis of bills receivables presented based on maturity date.

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Within 3 months	6,205	13,011
Over 3 months but within 6 months	6,066	10,592
	12,271	23,603

16. TRADE PAYABLES

An aged analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Within 3 months	26,089	21,231
Over 3 months but within 6 months	3,376	6,478
Over 6 months	1,353	814
	30,818	28,523

Trade payables are non-interest bearing and are normally settled on 30–90 days' term.

Notes to the Condensed Consolidated Financial Statements

17. BANK AND OTHER BORROWINGS

	Notes	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Bank borrowings	(i)	161,205	206,466
Other borrowings – sales and leaseback operating lease arrangements	(ii)	65,767	54,278
Finance lease liability	(iii)	1,871	2,136
Loan from Mr. Wong	(iv)	6,524	–
		235,367	262,880
Secured	(v)	209,870	240,872
Unsecured and unguaranteed		25,497	22,008
		235,367	262,880
Less: amount included in current liabilities		(196,393)	(208,971)
Non-current portion		38,974	53,909

Notes:

- (i) Bank borrowings with an aggregate carrying amount of approximately HK\$62,501,000 (31 December 2017: HK\$83,376,000) bear fixed interest with interest rates ranging from 5.09% to 7.18% (31 December 2017: 5.09% to 7.18%) per annum as at 30 June 2018. Bank borrowings with an aggregate carrying amount of approximately HK\$98,704,000 (31 December 2017: HK\$123,090,000) bear floating interest with interest rates ranging from 2.62% to 6.54% (31 December 2017: 2.62% to 6.88%) per annum as at 30 June 2018.

The maturity analysis of bank borrowings is as follows:

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Within one year	155,394	184,329
More than one year, but not exceeding two years	5,811	22,137
	161,205	206,466

Notes to the Condensed Consolidated Financial Statements

17. BANK AND OTHER BORROWINGS (Continued)

Notes:

(i) (Continued)

As at 30 June 2018, other than a bank borrowing with carrying amount of approximately HK\$11,856,000 (31 December 2017: HK\$11,959,000) which is denominated in United State Dollars (“**USD**”), all other bank borrowings with aggregate carrying amounts of approximately HK\$149,349,000 (31 December 2017: HK\$194,507,000) are denominated in Renminbi (“**RMB**”).

(ii) As at 30 June 2018, the Group’s other borrowings represents sales and leaseback operating lease arrangements with financial institutions, pursuant to which the Group transferred its equipment to the financial institutions and the financial institutions provided loans to the Group with tenure of two to three years (31 December 2017: three years) from the date of advancement. At the end of the terms, the Group could pay a minimal amount of consideration to re-acquire the leased assets. Other borrowings carry fixed interest with interest rates ranging from 9.68% to 10.04% (31 December 2017: 9.68%) per annum as at 30 June 2018. Other borrowings are denominated in RMB.

The maturity analysis of other borrowings is as follows:

	As at 30 June 2018 HK\$’000 (Unaudited)	As at 31 December 2017 HK\$’000 (Audited)
Within one year	33,933	24,108
More than one year, but not exceeding two years	31,834	30,170
	65,767	54,278

Notes to the Condensed Consolidated Financial Statements

17. BANK AND OTHER BORROWINGS (Continued)

Notes:

- (iii) As at 30 June 2018, the Group's finance leases liability represents a finance lease arrangement for the purchase of a motor vehicle. The lease period is for 5 years. At the end of lease term, the Group had an option to purchase the leased motor vehicle at a price that was expected to be sufficiently lower than the fair value of the leased motor vehicle at the end of the lease. None of the lease included contingent rentals. The finance lease liability is denominated in Hong Kong Dollar ("HKD").

An analysis of the finance lease liability is as follows:

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Total minimum lease payments:		
Within one year	589	589
More than one year, but not exceeding two years	589	589
More than two years, but not exceeding five years	785	1,080
	1,963	2,258
Future finance charges on finance leases	(92)	(122)
	1,871	2,136
Present value of minimum lease payments:		
Within one year under current liabilities	542	534
More than one year but not exceeding two years	559	551
More than two years but not exceeding five years	770	1,051
	1,871	2,136

Notes to the Condensed Consolidated Financial Statements

17. BANK AND OTHER BORROWINGS (Continued)

Notes:

- (iv) On 25 June 2018, the Group entered into a loan agreement with Mr. Wong for a short term unsecured loan of approximately HK\$6,524,000 for a period from 25 June 2018 to 15 July 2018. The loan was unsecured and interest free. The unsecured loan of HK\$6,524,000 has been fully repaid in July 2018. The unsecured loan from Mr. Wong is denominated in RMB.
- (v) As at 30 June 2018, the Group's secured bank and other borrowings are secured by the following assets of the Group:
 - (a) the pledge of the Group's buildings, plant and equipment with an aggregate carrying amount of approximately HK\$270,698,000 (31 December 2017: HK\$276,495,000);
 - (b) the pledge of the Group's prepaid lease payments with an aggregate carrying amount of approximately HK\$19,607,000 (31 December 2017: HK\$20,000,000);
 - (c) the pledge of the Group's bank deposits with an aggregate carrying amount of approximately HK\$9,870,000 (31 December 2017: HK\$9,472,000);
 - (d) the pledge of the Group's security deposit with carrying amount of HK\$1,779,000 (31 December 2017: nil);
 - (e) the pledge of the Group's inventories with an aggregate carrying amount of approximately HK\$40,993,000 (31 December 2017: HK\$18,526,000); and
 - (f) the pledge of the Group's motor vehicle under finance lease with carrying amount of approximately HK\$1,986,000 (31 December 2017: HK\$2,845,000).

18. SECURED AND GUARANTEED BOND

On 13 September 2017, the Company issued a 10% secured and guaranteed bond in the principal amount of HK\$100,000,000 at a term of 364 days to an independent subscriber (the "**Bond Subscriber**"). The bond is secured by the Company's fully paid up capital in Hongwei Renhua and personal guarantees executed by Mr. Wong and Mrs. Wong. Under the subscription agreement and several supplemental agreements, Mr. Wong and Mrs. Wong, among other things, undertakes to the Bond Subscriber that as long as any bond 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 them exceeding HK\$530,000,000 and (ii) pledge any of his or her existing specified properties and assets in Hong Kong to anyone.

The secured and guaranteed bond is denominated in HKD.

Notes to the Condensed Consolidated Financial Statements

19. SHARE CAPITAL

	Numbers of shares		Share capital	
	As at 30 June 2018 '000 (Unaudited)	As at 31 December 2017 '000 (Audited)	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Issued and fully paid	832,603	832,603	253,928	253,928

20. COMMITMENTS

Operating lease commitments

As at 30 June 2018, the Group had commitments for future minimum lease under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Not later than one year	610	610
Later than one year and not later than five years	15	319
	625	929

Capital commitments

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Commitments for the acquisition of property, plant and equipment: – Contracted but not provided for in the condensed consolidated financial statements	3,643	4,982

Notes to the Condensed Consolidated Financial Statements

21. RELATED PARTY TRANSACTIONS

Details of the transactions between the Group and its related parties are disclosed below:

(a) Compensation of key management personnel and related parties

The remuneration of Directors and other members of key management personnel during the period was as follows:

	For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Short-term benefits	1,434	1,620
Post-employment benefits	27	30
	1,461	1,650

During the six months ended 30 June 2018, short-term benefits and post-employment benefits for Miss Wong Wan Yu, daughter of Mr. Wong and Mrs. Wong, paid and contributed by the Group were HK\$138,000 (2017: HK\$126,000) and HK\$7,000 (2017: HK\$6,000), respectively, and short-term benefits and post-employment benefits for Mr. Wong Kin Keung, son of Mr. Wong and Mrs. Wong, paid and contributed by the Group were HK\$120,000 (2017: nil) and HK\$6,000 (2017: nil), respectively.

(b) Transactions with related parties

(i) Advancement from and repayment to Mr. Wong

	For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Unsecured loan advanced from Mr. Wong	6,524	9,217
Repayment of unsecured loan to Mr. Wong	–	(1,152)

(ii) Personal guarantee executed by Mr. Wong and Mrs. Wong

As at 30 June 2018 and 31 December 2017, the Group's outstanding secured and guaranteed bond was secured by personal guarantees executed by Mr. Wong and Mrs. Wong. Details are set out in note 18.

Notes to the Condensed Consolidated Financial Statements

21. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties *(Continued)*

(iii) *The Facility Letter*

On 22 March 2018, Mr. Wong and the Company entered into the Facility Letter, pursuant to which Mr. Wong agreed to provide a revolving facility of HK\$55,000,000 to the Company. The Company could make any drawings of the total facility amount at any date falling not less than one month before 31 March 2019. Maturity date of the loans is 12 months after the first drawing and interest is calculated at 12% per annum on outstanding principal amounts. During the six months ended 30 June 2018, the Company did not utilise the facility. Details are set out in note 1.

(iv) *Termination agreement for proposed acquisition*

During the six months ended 30 June 2017, the Company and Mr. Wong Kin Ching entered into a termination agreement to terminate the proposed acquisition of a target company which principally engaged into, through its subsidiary, forestry plantation business, including forestry planning and development. During the six months ended 30 June 2018, no such agreement was entered into by the Company with related parties.

22. SUBSEQUENT EVENT

On 10 August 2018, the Company and the Subscriber entered in to the Subscription Agreement for the subscription of the Notes with principal amount of HK\$100,000,000. As at the Approval Date, the Notes has not yet issued. Further details are set out in note 1 and the Company's announcement dated 10 August 2018.

Management Discussions and Analysis and Prospects

BUSINESS REVIEW

During 2018 Interim Period, the Group continued to be engaged in the manufacturing and selling of particleboards (“**Particleboards Segment**”) and the timber logging, plantation and sales of wood and agricultural products in the PRC (“**Forestry Segment**”).

Particleboards Segment

During the 2018 Interim Period, 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. During 2018 Interim Period, the performance of the Particleboards Segment declined slightly. The decline was mainly due to the decrease in the average unit selling price and sales volume of particleboards by approximately 3.5% and 7.7% respectively during the period. However, as a result of a significant drop of average unit costs of raw materials particularly the residual wood from external suppliers during 2018 Interim Period compare to the corresponding six months ended 30 June 2017 (“**Previous Period**”), the gross profit margin of the Group increased from 20.8% to 23.5%. The drop of average unit costs of residual wood was primarily due to the fact that there was greater availability of commercially acceptable terms of residual wood supply in the market during 2018 Interim Period compared to that of the Previous Period, so the Group was benefitting from the decreased unit costs.

The Chinese economy faces greater uncertainties under the pressure of a trade war with the U.S. and greater fluctuation in the exchange rate of RMB. These might impact negatively on the export market which may in turn indirectly affect the domestic consumer industry. For the Particleboards Segment, although the average cost of raw material namely, the residual wood, from external suppliers had dropped since the last quarter of 2017, we expected that domestic demand remains relatively weak and our financing costs are expected to increase amid a tightening credit policy environment in China.

Forestry Segment

During the six months ended 30 June 2018, the Group generated revenue of approximately HK\$0.5 million from the Forestry Segment by selling larged-sized timber wood to external customers. The Group commenced harvesting work in December 2017 after the relevant harvesting approval was obtained. During the 2018 Interim Period, most of the harvested wood was used internally as raw materials for the production of the Group’s particleboards and a small portion was sold to external parties. The Group has not conducted any harvesting work in the second quarter of year 2018 due to seasonal factor and is expected to resume the harvesting work after the rain season. To maintain a stable supply of our own stock of the residual wood to manage the risks of volatility in supply related factors, the Group continued to carry out the cultivation and maintenance work for the existing forestlands during 2018 Interim Period.

The Group continues to monitor the market and aims at achieving better control over the supply of raw materials, from a combination of external and/or internal sources, which can strengthen its competitiveness and its business sustainability.

FINANCIAL REVIEW

Revenue

During 2018 Interim Period, the Group’s revenue for Particleboards Segment decreased to approximately HK\$210.7 million from approximately HK\$218.8 million, representing a decrease of approximately 3.7% as compared to that for the Previous Period. The decrease was mainly due to the decrease in the average unit selling price and sales volume of particleboards by approximately 3.5% and 7.7% respectively during the period. The decrease in revenue is partially off-set by the appreciation 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 2018 Interim Period as compared with the Previous Period.

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During the 2018 Interim Period, the Group generated revenue of approximately HK\$0.5 million for the Forestry Segment. There was no income generating activity took place during the Previous Period for such segment and hence no revenue was recognised for such segment during that period.

Cost of sales

During the 2018 Interim Period, the Group's costs of sales decreased to approximately HK\$161.7 million from approximately HK\$173.4 million, representing a decrease of approximately 6.8% as compared to that of the Previous Period. The decrease was mainly attributable to the decrease in the average unit costs of raw materials particularly the residual wood from external suppliers by approximately 10.6% during 2018 Interim Period as a result of more supply in the 2018 Interim Period as compared to the Previous Period.

Gross profit and margin

During the 2018 Interim Period, the Group's gross profit increased to approximately HK\$49.6 million from approximately HK\$45.4 million, representing an increase of approximately 9.1% as compared to the Previous Period. The Group's gross profit margin increased to approximately 23.5% in the 2018 Interim Period from approximately 20.8% in the Previous Period. The increase in gross profit margin was mainly attributable to the decrease in average unit price of raw materials particularly the residual wood from external suppliers which offset the decrease in average unit selling price of particleboards during 2018 Interim Period.

Other income, other losses net

During the 2018 Interim Period, the Group's other income decreased to approximately HK\$8.8 million from approximately HK\$8.9 million, representing a decrease of approximately 1.6% as compared to that for the Previous Period. The decrease was mainly attributable to the decrease of value added tax refund which was partly off-set by the increase in subsidy released from deferred income.

During the 2018 Interim Period, the Group's other losses were approximately HK\$12,000, representing a decrease of 99.3% from HK\$1,765,000 for the Previous Period. The decrease in other losses as compared to the Previous Period was mainly because of the absence of loss on disposal of forestry rights of the forestlands recorded for the current period as compared to that recognised in the Previous Period.

Selling and distribution expenses

During the 2018 Interim Period, the Group's selling and distribution expenses decreased to approximately HK\$16.5 million from approximately HK\$20.1 million in the Previous Period, representing a decrease of approximately 18.0%, which was mainly attributable to the decrease in selling expenses as a result of absence of the additional consumption of packaging materials consumed in the Previous Period as a result of the packaging method modification trials carried out in the Previous Period as well as decrease in transportation costs due to the decrease in sales volume of particleboards and decrease in advertising and promotion expenses incurred in 2018 Interim Period.

For the Forestry Segment, there was approximately HK\$0.5 million subcontracting fee for harvesting activities performed by subcontractors in the 2018 Interim Period whereas no such fee was incurred in the same period for 2017.

Administration expenses

During the 2018 Interim Period, the Group's administration expenses decreased to approximately HK\$17.1 million from approximately HK\$18.7 million, representing a decrease of approximately 8.7% as compared to that for the Previous Period, which was mainly attributable to the decrease in the recognition of legal and professional fee incurred in respect of the proposed major and connected transaction first announced in January 2016 which was terminated in April 2017.

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For the Forestry Segment, the administration expenses was approximately HK\$2.2 million during the current reporting period as compared to HK\$1.1 million in the same period for 2017. The increase was mainly attributable to more costs incurred in connection with the cultivation and maintenance work performed for certain forestlands during the six months ended 30 June 2018.

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

During the 2018 Interim Period, net gains arising from changes in fair values less costs to sell of biological assets amounted to approximately HK\$3.3 million, representing a decrease by approximately HK\$1.3 million or 29.0% as compared to the Previous Period.

Finance costs

During the 2018 Interim Period, the Group's finance costs increased to approximately HK\$14.7 million from approximately HK\$11.8 million in the Previous Period, representing an increase of approximately 24.8%. The increase was mainly attributable to interest expenses incurred for the secured and guaranteed bonds issued by the Company on 15 September 2017 while no such interest incurred in 2017.

Profit attributable to owners of the Company

During the 2018 Interim Period, the profit attributable to owners of the Company amounted to HK\$14.8 million, representing a significant increase of approximately 127.2% as compared to that of HK\$6.5 million for the Previous Period. Such increase was mainly due to the increase in gross profit, despite a slight decrease in revenue from Particleboards Segment, as a result of a drop in average unit costs of raw materials particularly the residual wood from external suppliers during 2018 Interim Period, and the decrease in selling and distribution expenses, advertising and promotional expenses and administration expenses as discussed above.

Total comprehensive income attributable to owners of the Company

During the six months ended 30 June 2018, the total comprehensive income attributable to the owners of the Company decreased to approximately HK\$10.2 million from approximately HK\$19.1 million in the Previous Period, representing a decrease of approximately 46.6%. Since the Company's presentation currency is in HKD and the Group's significant assets and liabilities are denominated in RMB, depreciation in the value of RMB as at 30 June 2018 as compared to that as at 31 December 2017 has reduced the amounts reported in HKD. As a result, an exchange loss due to translation effect was recognised in 2018 Interim Period, which partially offset the increase in operating profit.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, there has been no change in the capital structure of the Company compared to that as at year ended 31 December 2017. The capital of the Company only comprises ordinary shares.

During the six months ended 30 June 2018, the Group mainly financed its operations with its working capital, bank and other borrowings, including the secured and guaranteed bonds.

As at 30 June 2018 and 31 December 2017, the Group had bank and other borrowings of approximately HK\$235.3 million and HK\$262.9 million respectively. Other than certain bank and other borrowings which bear fixed interest with interest rates ranging from 5.09% to 7.18% per annum, other bank borrowings bear floating interest with interest rates ranging from 2.62% to 6.54% per annum as at 30 June 2018. The maturity profile of the Group's bank and other borrowings are set out in note 17 to this report.

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As at 30 June 2018, the Group has finance lease liabilities for acquisition of a motor vehicle with outstanding principal amount of approximately HK\$1.9 million (31 December 2017: HK\$2.1 million), of which, approximately HK\$0.5 million is repayable within one year and HK\$1.4 million is repayable more than one year from 30 June 2018. Please refer to note 17 of this report.

As at 30 June 2018, the Group has an unsecured, interest-free, short-term loan from Mr. Wong Cheung Lok (“**Mr. Wong**”), the controlling shareholder and chairman and executive director of the Company, with principal amount of approximately HK\$6.5million (31 December 2017: nil).

As at 30 June 2018, the Group has HK\$100.0 million 10% secured and guaranteed bonds outstanding (31 December 2017: HK\$100.0 million).

As at 30 June 2018 and 31 December 2017, the Group had net current liabilities of approximately HK\$97.3 million and HK\$101.8 million respectively. The current ratio of the Group, calculated by current assets over current liabilities, was 0.73 as at 30 June 2018 (31 December 2017: 0.72x).

Gearing Ratio

As at 30 June 2018, the gearing ratio stood at 0.81x (31 December 2017: 0.89x) calculated by total borrowings over shareholders’ equity. The improved gearing ratio was due to the increase in shareholders’ equity as at 30 June 2018.

FOREIGN EXCHANGE EXPOSURE

As at 30 June 2018 and 31 December 2017, the functional currency of the Company and its major operating subsidiary is RMB. Certain of the Group’s bank balances were denominated in HKD and USD and insignificant amount of the Group’s bank balances were denominated in Euro. The Group manages its foreign currency risk by closely monitoring the movement of the foreign exchange rates. As at 30 June 2018, there were secured and guaranteed bonds booked at approximately HK\$97,788,000 (31 December 2017: HK\$92,385,000) with effective interest rate of 10% per annum (31 December 2017: 10% per annum) and finance lease liabilities of approximately HK\$1,871,000 (31 December 2017: HK\$2,136,000), both denominated in HKD, and bank borrowing with carrying amount of approximately HK\$11,856,000 (31 December 2017: HK\$11,959,000) denominated in USD.

Other than as described above, the Group has no significant exposure to foreign currency risk as it carries out its sales and purchases mainly in RMB.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and commitments can meet its funding requirements.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2018, except for investments in subsidiaries of the Group, there was no significant investments or capital assets held by the Group.

Management Discussions and Analysis and Prospects

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During 2018 Interim Period, the Group did not have any material acquisitions and disposals of subsidiary.

PLEDGE OF ASSETS

Details of pledge of assets are set out in note 17(v) of this report.

COMMITMENTS AND CONTINGENT LIABILITIES

Saved as disclosed in note 20 to this report, the Group does not have other significant capital commitment nor contingent liabilities as at 30 June 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed a total of 181 employees (2017: 174). The remuneration payable to our employees included fees, salaries, retirement benefits scheme contributions and other benefits. For the six months ended 30 June 2018, the remuneration paid to employees was approximately HK\$8.4 million (2017: HK\$7.8 million). The Group determines the employee's remuneration based on factors such as their qualifications, duty, contributions and years of experience. The key principles of the remuneration policy are to remunerate employees in a manner that is competitive in the market, and in the interests of the shareholders of the Company (the "**Shareholders**") as a whole. The Group aims to align the interests of the senior executives with those of Shareholders by remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration.

The Company also adopted a share option scheme, details of which are set out under the heading "Share Option Scheme" below.

SHARE OPTION SCHEME

Prior to the listing of the Company in 2014, 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 19 December 2013, being the date on which the Share Option Scheme is conditionally adopted, and will expire on 18 December 2023.

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 Share Option Scheme 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.

Offer of an Option ("**Offer**") shall be deemed to have been accepted by any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme ("**Grantee**") and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Option duly signed by the Grantee together with a remittance in favour of our Company of HK\$1 by way of consideration for the granting thereof is received by our Company within such period as our Board may determine and specify in the letter of Offer. Such remittance shall in no circumstances be refundable.

Management Discussions and Analysis and Prospects

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by our Board at its absolute discretion and notified by our Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme ("**Option Period**").

Unless otherwise determined by our Board and specified in the offer letter to be given to the Participant at the time of the offer of the Option, there is neither any performance target that needs to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

The subscription price for our Shares under the Share Option Scheme will be at least the highest of (a) the closing price of our Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date on which an Offer is made by our Company to the Grantee (which date must be a Business Day, "**Offer Date**"); (b) a price being the average of the closing prices of our Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date; and (c) the nominal value of a Share.

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 71,111,510 shares, being 8.5% of the total number of Shares in issue as at 30 June 2018, unless the Company obtains a fresh approval from the Shareholders. The maximum entitlement for any one Participant is that the total number of our 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.

No Option has lapsed, or has been granted, exercised or cancelled under the Share Option Scheme during the six months ended 30 June 2018. Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at 30 June 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During 2018 Interim Period, none of the Directors or any of their respective close associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

As at the date of this report, Mr. Wong Kin Ching, the son of Mr. Wong and Ms. Cheung Ngar Kwan ("**Mrs. Wong**"), through companies wholly owned by him is interested in forestry plantation business, including forestry planting and development of forestlands located in Renhua County, Guangdong Province, PRC.

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

On 15 September 2017, pursuant to the subscription agreement dated 13 September 2017 between the Company and the Subscriber (the "**Bond Subscription Agreement**"), the Company issued 10% coupon secured and guaranteed bonds in the principal amount of HK\$100,000,000 (the "**Bonds**") due on 14 September 2018 which bear an effective interest rate of 10% per annum and is secured, among other things, by personal guarantee executed by Mr. Wong and Mrs. Wong (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 ("**Bond Subscriber**"), an independent party of the Company. Under the Bond Subscription Agreement, each of the Guarantors undertakes to the Bond 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 real properties 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.

COMPLIANCE WITH NON-COMPETITION DEED

Mr. Wong, 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 of the Company dated 27 December 2013.

Management Discussions and Analysis and Prospects

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 June 2018, 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	Beneficial owner	430,000,000 (L)	51.65%
Mrs. Wong ⁽²⁾	Interest of spouse	430,000,000 (L)	51.65%

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 June 2018, none of any other persons (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.

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

During 2018 Interim Period, neither the Company nor its subsidiary have purchased, sold or redeemed any listed securities of the Company.

Management Discussions and Analysis and Prospects

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules during the 2018 Interim Period except otherwise stated below.

Code provision A.2.1

In accordance with the code provision A.2.1 of the CG Code, 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 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 who meet 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 is confident and believes that Mr. Wong’s roles as the chairman and chief executive officer is beneficial to the business prospects of the Company.

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 during the 2018 Interim Period.

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 during 2018 Interim Period.

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 during 2018 Interim Period.

EVENT AFTER REPORTING PERIOD

Saved as disclosed in note 22 to this report, the Company has no significant event after the reporting period.

REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The audit committee of the Board of the Company has discussed and reviewed with the management of the Group the condensed consolidated interim financial statements of the Group for 2018 Interim Period, which has not been audited nor reviewed by the Company’s auditors, Graham H.Y. Chan & Co.

Management Discussions and Analysis and Prospects

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for 2018 Interim Period.

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

Hong Kong, 10 August 2018

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; and the independent non-executive Directors are Dr. Xu Jianmin, Ms. Qian Xiaoyu and Dr. Chow Ho Wan, Owen.