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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

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") 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.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2013, operating results of the Group were as follows:

– Revenue for the year ended 31 December 2013 amounted to approximately HK$192.3 million, representing an increase of 18.0% from approximately HK$163.0 million recorded in 2012.

– Gross Profit for the year ended 31 December 2013 amounted to approximately HK$56.0 million, representing an increase of 41.9% from approximately HK$39.5 million recorded in 2012.

– Profit attributable to owners of the Company for the year ended 31 December 2013 amounted to approximately HK$7.9 million, representing a decrease of 56.3% from approximately HK$18.0 million recorded in 2012.

– The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: nil).

ANNUAL RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiary (the "Group") for the year ended 31 December 2013 ("Financial Year 2013") together with the comparative audited figures for the financial year ended 31 December 2012 ("Financial Year 2012"). The Group's financial results have been audited by Deloitte Touche Tohmatsu.

Unless otherwise stated, the capitalized terms in this announcement shall have the same meaning as in the prospectus of the Company dated 27 December 2013.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Revenue	*4*	**192,328**	162,983
Cost of sales		**(136,333)**	(123,516)
Gross profit		**55,995**	39,467
Other income		**6,621**	10,228
Other gain and losses		**(321)**	(1,102)
Distribution expenses		**(16,543)**	(16,700)
Administrative expenses		**(15,657)**	(7,127)
Other expenses		**(14,786)**	(958)
Finance costs	*6*	**(6,996)**	(4,143)
Profit before tax		**8,313**	19,665
Income tax expense	*7*	**(446)**	(1,681)
Profit for the year attributable to owners of the Company	*8*	**7,867**	17,984
Other comprehensive income which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**2,970**	138
Other comprehensive income for the year		**2,970**	138
Total comprehensive income for the year		**10,837**	18,122
Total comprehensive income attributable to owners of the Company		**10,837**	18,122
Basic earnings per share, in HK cents	*9*	**1.52**	3.60

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**415,515**	52,796
Prepayment for acquisition of property, plant and equipment		**21,837**	28,331
Prepaid lease payments		**22,697**	22,227
Deferred tax assets		**5,887**	3,523
		465,936	106,877
CURRENT ASSETS			
Inventories	*10*	**52,808**	32,233
Trade and bills receivable	*11*	**31,535**	12,019
Prepayments and other receivables		**37,997**	21,029
Amounts due from related parties		**–**	19,478
Bank balances and cash		**6,900**	2,505
Pledged deposits		**5,458**	2,438
		134,698	89,702
CURRENT LIABILITIES			
Trade and bills payables	*12*	**35,754**	12,883
Other payables		**99,283**	28,517
Tax payable		**2,707**	–
Borrowings	*13*	**111,799**	42,202
Deferred income		**44**	–
		249,587	83,602
NET CURRENT (LIABILITIES)/ASSETS		**(114,889)**	6,100
TOTAL ASSETS LESS CURRENT LIABILITIES		**351,047**	112,977

	Notes	**2013**	2012
		HK$'000	*HK$'000*
CAPITAL AND RESERVES			
Share capital	*14*	**53,333**	51,333
Share premium and reserves		**113,852**	28,932
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY		**167,185**	80,265
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**624**	605
Borrowings	*13*	**182,621**	25,899
Deferred income		**617**	–
Other financial liability		**–**	6,208
		183,862	32,712
		351,047	112,977

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserve *HK$'000*	Other reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
Balance at 1 January 2012	–	–	50,000	2,175	–	11,915	15,513	79,603
Profit for the year	–	–	–	–	–	–	17,984	17,984
Other comprehensive income for the year	–	–	–	–	–	138	–	138
Total comprehensive income for the year	–	–	–	–	–	138	17,984	18,122
Issue of ordinary shares at incorporation	50,000	–	–	–	–	–	–	50,000
Issue of redeemable ordinary shares to Golden Win Group Limited ("Golden Win")	1,333	4,875	–	–	(6,208)	–	–	–
Transfer to statutory reserve	–	–	–	1,912	–	–	(1,912)	–
Reorganisation	–	–	(67,460)	–	–	–	–	(67,460)
Balance at 31 December 2012	51,333	4,875	(17,460)	4,087	(6,208)	12,053	31,585	80,265
Profit for the year	–	–	–	–	–	–	7,867	7,867
Other comprehensive income for the year	–	–	–	–	–	2,970	–	2,970
Total comprehensive income for the year	–	–	–	–	–	2,970	7,867	10,837
Issue of redeemable ordinary shares to Golden Win	2,000	7,383	–	–	(9,383)	–	–	–
Removal of Redemption Right of ordinary shares issued to Golden Win and payment of interest by a shareholder on behalf of the Company	–	–	492	–	15,591	–	–	16,083
Capitalisation of amount due to Mr. Wong Cheung Lok ("Mr. Wong")	–	60,000	–	–	–	–	–	60,000
Transfer to statutory reserve	–	–	–	2,327	–	–	(2,327)	–
Balance at 31 December 2013	53,333	72,258	(16,968)	6,414	–	15,023	37,125	167,185

1. CORPORATE INFORMATION

Hong Wei (Asia) Holdings Company Limited (the "Company") was incorporated with limited liability in Hong Kong on 28 May 2012 under the name of Cheung Kin Holdings (Hong Kong) Company Limited. Mr. Wong owned 93.75% interest of the Company as at 31 December 2013. The address of the Company's registered office and its principal place of business is Unit 204, 2/F, Malaysia Building, 50 Gloucester Road, Wanchai, Hong Kong. The principal activity of the Company is investment holding. Its subsidiary established in the PRC is principally engaged in manufacturing and selling of particleboard.

The functional currency of the Company is Renminbi ("RMB"), while these consolidated financial statements is presented in Hong Kong dollar ("HK$"), which the management of the Company and its subsidiary (hereinafter collectively referred to as the " Group") considered that it is more beneficial for the users of the consolidated financial statements, as the Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 January 2014.

2. 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 taking into account the listing proceeds received subsequent to 31 December 2013 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Except as described below, the application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HK(IFRIC) – Int 21	Levies[1]

[1] *Effective for annual periods beginning on or after 1 January 2014*

[2] *Effective for annual periods beginning on or after 1 July 2014*

[3] *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised*

[4] *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions*

The directors of the Company anticipate that the application of the above new standard, amendments to standards and interpretation will have no material impact on these consolidated financial statements of the Group.

4. REVENUE

Revenue represents revenue arising on sales of particleboards as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales of particleboards	**192,328**	162,983

5. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors, being the chief operating decision makers ("CODM"), in order to allocate resources to segments and to assess their performance. The CODM reviews the Group's revenue and profit as a whole, which is generated solely from the manufacture and sales of particleboards and is determined in accordance with the Group's accounting policies, for resources allocation and performance assessment. Therefore no segment information other than entity-wide disclosure is presented.

The Group's operation is located in the PRC and all revenue is generated from the PRC.

The Group's non-current assets are located in the PRC.

Revenue from customers arising from sales of particle board for the year contributing over 10% of the total sales of the Group are as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**N/A***	17,132

* *The corresponding revenue did not contribute over 10% of the total sales of the Group.*

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans		
– wholly repayable within five years	**9,299**	4,464
– not wholly repayable within five years	**848**	–
Interest on redeemable ordinary shares issued to Golden Win	**492**	–
Less: amounts capitalized in construction in progress	**(3,643)**	(321)
	6,996	4,143

The borrowing cost was capitalised based on the terms of the specific bank borrowings.

7. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**2,667**	–
Deferred tax:		
Current year charge/(credit)	**(2,221)**	1,681
	446	1,681

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 years ended 31 December 2012 and 2013.

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 years ended 31 December 2013 and 2012, 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.

The income tax expenses for the reporting periods can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	HK$'000	*HK$'000*
Profit before tax	**8,313**	19,665
Tax at applicable income tax rate	**3,086**	4,923
Tax effect of expenses not deductible for tax purpose	**2,168**	418
Tax effect of additional deduction based on 10% of revenue	**(4,808)**	(4,075)
Withholding tax on undistributed profit of PRC subsidiary	**–**	415
Income tax expense recognised in profit or loss	**446**	1,681

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31/12/2013 *HK$'000*	Year ended 31/12/2012 *HK$'000*
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	**7,059**	4,935
Amortisation of prepaid lease payments	**470**	147
Total depreciation and amortisation expenses	**7,529**	5,082
Employee benefits expenses (include directors' emoluments)		
Salaries and other benefits	**10,611**	8,715
Contribution to retirement benefit schemes	**1,749**	1,045
Total employee benefit expenses	**12,360**	9,760
Cost of inventories recognised as an expense	**136,333**	123,516
Operating lease expenses	**38**	221
Auditor's remuneration	**853**	41
Expenses in relation to the listing process	**14,059**	863

9. EARNINGS PER SHARE

The calculation of earnings per share attributable to the owners of the company is based on the following data:

Earnings

	Year ended 31/12/2013 *HK$'000*	Year ended 31/12/2012 *HK$'000*
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**7,867**	17,984

9. EARNINGS PER SHARE (CONTINUED)

Number of shares

	Year ended 31/12/2013	Year ended 31/12/2012
	HK$'000	*HK$'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**517,718**	500,000

Notes:

(i) The redeemable ordinary shares of 3,333,500 held by Golden Win had not been included as outstanding ordinary shares in the calculation of basic earnings per share until 21 June 2013 when the shares became no longer subject to redemption.

(ii) The number of ordinary shares outstanding has been retrospectively adjusted for the effect of the share subdivision of the Company's ordinary shares according to a resolution approved by the shareholders' meeting dated 24 July 2013 set out in note 14.

(iii) There was no diluted earnings per share for both years as there has been no potential ordinary shares outstanding during the years presented.

10. INVENTORIES

	31/12/2013	31/12/2012
	HK$'000	*HK$'000*
Raw materials	**29,756**	17,997
Work in progress	**3,598**	–
Finished goods	**19,454**	14,236
Total	**52,808**	32,233

11. TRADE AND BILLS RECEIVABLES

	31/12/2013	31/12/2012
	HK$'000	*HK$'000*
Trade receivables	**27,033**	6,547
Bills receivables	**4,502**	5,472
	31,535	12,019
Allowance for doubtful debts	**–**	–
	31,535	12,019

11. TRADE AND BILLS RECEIVABLE (CONTINUED)

Trade receivables are non-interest bearing and are generally on 30-90 days' credit terms. The following is an aged analysis of trade receivables presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	31/12/2013	31/12/2012
	HK$'000	*HK$'000*
Within 3 months	**27,033**	3,436
3 months to 1 year	**–**	2,741
Over 1 year	**–**	370
Total	**27,033**	6,547

The maturity period of bills receivable are within 6 months.

12. TRADE AND BILLS PAYABLES

		31/12/2013	31/12/2012
	Notes	***HK$'000***	*HK$'000*
Trade payables	*(i)*	**35,754**	10,224
Bills payables		**–**	2,659
		35,754	12,883

Notes:

(i) 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:

	31/12/2013	31/12/2012
	HK$'000	*HK$'000*
Within 3 months	**29,382**	4,469
4 to 6 months	**4,131**	1,611
7 to 12 months	**1,154**	4,144
Over 1 year	**1,087**	–
	35,754	10,224

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

13. BORROWINGS

	Notes	31/12/2013 HK$'000	31/12/2012 HK$'000
Bank loans	*(i)(ii)(iii)(iv)*	**294,420**	65,881
Bank loans obtained in relation to discounted bills receivable		**–**	2,220
		294,420	68,101
Secured		**192,796**	46,618
Unsecured		**101,624**	21,483
		294,420	68,101
Carrying amount repayable			
Repayable within one year		**111,799**	42,202
More than one year, but not exceeding two years		**36,320**	25,899
More than two years, but not exceeding five years		**126,500**	–
More than five years		**19,801**	–
		294,420	68,101
Less: amount included in current liabilities		**(111,799)**	(42,202)
Non-current portion		**182,621**	25,899

Notes:

(i) Other than bank loans with an aggregate carrying amount of HK$87,997,000 which bear fixed interest rate of 6% to 6.90% per annum as at 31 December 2013 (2012: nil) and bank loans with an aggregate carrying amount of HK$2,220,000 obtained in relation to discounted bills receivable which bear fixed interest rate as at 31 December 2012, other bank loans with an aggregate carrying amount of HK$206,423,000 (2012: HK$65,881,000) bear floating interest rates ranging from 6.16% to 6.88% (2012: 1.83% to 7.63%) per annum as at 31 December 2013.

(ii) As at 31 December 2013, the Group's bank loans are secured/guaranteed by:

(a) the pledge of the Group's buildings, plant and equipment with an aggregate carrying amount of HK$285,389,000 (31 December 2012: HK$7,926,000);

(b) the pledge of the Group's prepaid lease payments with an aggregate carrying amount of HK$19,804,000 (31 December 2012: nil);

(iii) As at 31 December 2012, the Group's bank loans of HK$65,881,000 was guaranteed by Mr. Wong;

(iv) As at 31 December 2012, borrowings of HK$2,984,000 were denominated in Euro.

14. SHARE CAPITAL

	Numbers of shares		Share capital	
	31/12/2013	31/12/2012	**31/12/2013**	31/12/2012
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$1.00 each subdivided to HK$0.10 each on 24 July 2013				
Authorised				
At beginning of year	**53,333**	–	**53,333**	–
Upon incorporation *(note (i))*	**–**	50,000	**–**	50,000
Share subdivision *(note (ii))*	**480,002**	–	**–**	–
Increase of authorised share capital *(note(iii))*	**1,466,665**	–	**146,667**	–
Increase on 5 November 2012	**–**	3,333	**–**	3,333
At end of year	**2,000,000**	53,333	**200,000**	53,333
Issued and fully paid				
At beginning of year	**51,333**	–	**51,333**	–
Upon incorporation *(note (i))*	**–**	50,000	**–**	50,000
Issue of redeemable ordinary shares to Golden Win	**2,000**	1,333	**2,000**	1,333
Share subdivision *(note (ii))*	**480,002**	–	**–**	–
Capitalisation of amount due to Mr. Wong *(note (iv))*	**–**	–	**–**	–
At end of year	**533,335**	51,333	**53,333**	51,333

Notes:

(i) At the date of incorporation, 50,000,000 ordinary shares of HK$1.00 each were issued and allotted to Mr. Wong. As of 31 December 2012, Mr. Wong fully paid up the 50,000,000 shares issued and allotted to him.

(ii) On 24 July 2013, each share of HK$1.00 each in the Company's authorised share capital was sub-divided into 10 share of HK$0.10 each, thereby resulting in the increase in the number of the authorised ordinary shares from 53,333,500 shares of HK$1.00 each to 533,335,000 shares of HK$0.10 each and increase of the number of the total issued shares from 53,333,500 shares of HK$1.00 each to 533,335,000 shares of HK$0.10 each.

(iii) On 24 July 2013, the authorised share capital of the Company was increased from HK$53,333,500 divided into 533,335,000 shares of HK$0.10 each to HK$200,000,000 divided into 2,000,000,000 shares of HK$0.10 each.

(iv) On 10 September 2013, Mr. Wong consented to capitalize the amount due to him amounting to HK$60 million, in consideration for the Company to issue and allot to Mr. Wong a total of 100 shares of HK$0.10 each.

All the shares issued rank pari passu in all aspects with other shares in issue.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

The Group is primarily engaged in the manufacturing and sales of particleboards, which are used primarily by the customers of the Group in the manufacturing of furniture, flooring panels, decoration and construction materials. The Group's production base is strategically located in Renhua county, Shaoguan city, with a site area of approximately 254,571 sq.m., comprising production workshops, office building, warehouses, and various buildings and structures under construction. Renhua county, with a gross area of approximately 2,223km^2, is located in the northern mountain region of the Guangdong Province with forest covering approximately 77% of the entire Renhua county, being approximately 1,700 km^2, which provides the Group with abundant wood resources.

Before the new production line commenced Full Production in December 2013, the Group's existing production line has already met the Californian Particleboard Standards of Regulations of the U.S. and the Group's particleboard products are already qualified to use the Adopting International Standard Product mark (PRC GB/T 4897-2003 of the Particleboard International Standards). With the new production line, the Group is able to produce Premium Quality Particleboards that could comply with all the Particleboard PRC GB Standards and Particleboard International Standards.

During the Financial Year 2013, the Group continued to further expand the production capacity by introducing advanced production technology and equipment. As such, a new production line at our production base in Shaoguan was constructed and commenced Test Operation at the end of September 2013 and commenced Full Production at the beginning of December 2013. The old production lines have an annual production capacity of approximately 140,000m^3, while the new production line, which has just commenced Full Production has an approved annual production capacity of approximately 220,000m^3. With the operation of the new production line, the sales orders for and average selling price of the particleboards increased in the last quarter of 2013 due to primarily the better quality particleboards produced by the new production line. For the Financial Year 2013, the approximate sales volume of particleboards increased to 131,800m^3 from approximately 120,000m^3 for the Financial Year 2012; the approximate average selling price of particleboards increased to approximately HK$1,459 per m^3 from approximately HK$1,358 per m^3 for the Financial Year 2012. The Directors believe that the implementation of the new production line provides the Group, amongst others, with the following benefits: (i) the Group is able to produce particleboards with better and more stable quality; (ii) the Group's production is more efficient in energy and raw material savings, thus lowering our production cost; (iii) the Group's products are more environmentally friendly and would comply with all the

Particleboard PRC GB Standards and Particleboard International Standards; (iv) the Group is able to produce customised particleboards and particleboards of various dimensions and specifications, that most other particleboard manufacturers in the PRC may not be able to produce when the Group's new production line commenced Full Production; and (v) allow the Group to expand its market share and solidify its market position in the particleboard industry due to the wider product offering.

Looking forward, there are certain risks that the Group will face in further development such as (i) the principal raw materials used in our production process are Residual Wood and that there might be shortage of supplies of Residual Wood caused by, amongst others, bad weather; (ii) the Group will face competition from existing and new players in the particleboard industry in the PRC; and (iii) there might be potential changes in trade policies and legislation which might adversely affect the Group's sales and profitability. However, the Group believes that the particleboard market will grow in a steady and healthy way, and intends to further enhance its presence in the particleboard industry and capture market share in the Premium Quality Particleboard segment. To achieve these goals, the Group has developed and will strive to implement the following business strategies: (i) increasing competitiveness by expanding product range; (ii) strengthening and expanding sales network across the PRC; (iii) expanding supplier base for the supply of the Residual Wood; (iv) enhancing product research and development; and (v) strengthening brand recognition.

FINANCIAL REVIEW

Revenue

During the Financial Year 2013, the Group's revenue increased to approximately HK$192.3 million from approximately HK$163.0 million, an increase of approximately 18.0%. The increase was mainly due to (i) increase in selling price of particleboards as a result of the new products launched in the last quarter of 2013 and (ii) increase in sales volume as a result of the new production line.

Cost of Sales

During the Financial Year 2013, the Group's costs of sales increased to approximately HK$136.3 million from approximately HK$123.5 million, an increase of approximately 10.4%. The increase was mainly attributed to increase in the quantity sold.

Gross profit and margin

During the Financial Year 2013, the Group's gross profit increased to approximately HK$56.0 million from approximately HK$39.5 million, an increase of approximately 41.9% and the Group's gross profit margin increased to approximately 29.1% from approximately 24.2%. The increase in gross profit was mainly due to increase in quantity sold and improvement in gross profit margin. The improvement in gross profit margin was mainly due to increase in unit selling price, decrease in material cost and higher efficiency of the new production line.

Other income and other gains/losses

Other income and other gains/losses primarily consists of value added tax refund and government grants.

During the Financial Year 2013, the Group's other income decreased to approximately HK$6.6 million from approximately HK$10.2 million, a decrease of approximately 35.3%. The decrease in other income was mainly due to a tremendous decrease in VAT refund as a result of higher input VAT incurred from purchases of machinery for the new production line. However, the decrease was partly offset by an increase in government grants.

Distribution expenses

During the Financial Year 2013, the Group's distribution expenses decreased to approximately HK$16.5 million from approximately HK$16.7 million, a decrease of approximately 0.9%. Although transportation cost increased by approximately 10% which is in line with the increase in sales, the overall distribution expenses decreased because of the decrease in the tax payables (such as city construction tax and education surcharges) as a result of higher input tax incurred in 2013.

Administrative expenses

During the Financial Year 2013, the Group's administrative expenses increased to approximately HK$15.7 million from approximately HK$7.1 million, an increase of approximately 119.7%. The increase was mainly attributed to increase in staff salaries, staff benefits and other overheads as a result of increase in number of staffs and related costs to support the new production line and the Listing.

Other expenses

During the Financial Year 2013, the Group's other expenses increased to approximately HK$14.8 million from approximately HK$1.0 million, the increase was mainly due to the expenses incurred in relation to the Listing.

Finance costs

During the Financial Year 2013, the Group's finance costs increased to approximately HK$7.0 million from approximately HK$4.1 million, an increase of approximately 68.9%. The increase was mainly attributed to increase in the level of working capital request to cope with the new production line.

Profit attributable to owners of the Company

During the Financial Year 2013, the Group's profit attributable to owners of the Company decreased to approximately HK$7.9 million from approximately HK$18.0 million, a decrease of approximately 56.3%. The decrease was mainly attributable to an increase in expenses in relation to the Listing from HK$863,000 for the Financial Year 2012 to HK$14,059,000 for the Financial Year 2013. The decrease was partly offset by an increase in revenue and gross profit.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM of the Stock Exchange on 8 January 2014. There has been no change in the capital structure of the Company since that date. The capital of the Company only comprises ordinary shares.

During the Financial Year 2013, the Group mainly financed its operations with the Group's working capital and bank loans.

As at 31 December 2013 and 2012, the Group had bank loans of approximately HK$294.4 million and HK$68.1 million respectively. Other than certain bank loans obtained which bear fixed interest rate ranging from 6% to 6.9% per annum, other bank loans bear floating interest rates ranging from 6.16 % to 6.88 % per annum as at 31 December 2013.

As at 31 December 2013 and 2012, the Group had net current(liabilities)/assets of approximately HK$(114.9) million and HK$6.1 million respectively. The current ratio of the Group decreased to 0.54x as at 31 December 2013 (2012: 1.07x). Such decrease was mainly due to increase in current liabilities for the investment in property, plant and equipment in relation to the installation of the new production line.

Gearing Ratio

The gearing ratio stood at 1.76x (2012: 0.85x) based on total borrowings over shareholders' equity. The gearing ratio dropped on the Listing Date as a result of proceed from listing which increased the shareholders' equity.

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2013, certain of the Group's bank balances were denominated in HK$ 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 currency rate. During the year, in order to mitigate the currency risk, the Group has entered into certain foreign currency forward contracts to minimise its foreign currency risk in respect of the bank loans denominated in Euro. There was no outstanding foreign currency forward contract as at 31 December 2013 as nil bank loans were denominated in Euro at year end. 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.

The sensitivity analysis below includes only outstanding foreign currency bank balances and adjusts for translation at the end of the year, with all other variables held constant.

The carrying amounts of the Group's foreign currency denominated monetary assets that are subject to currency risk at the end of each reporting period are as follows:

	31/12/2013	31/12/2012
	HK$'000	*HK$'000*
Assets		
Bank balances and cash	**1,051**	584

The following table illustrates the sensitivity of the Group's profit after tax to reasonably possible changes in RMB against HK$ exchange rates. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	The Group	
	Increase/ (decrease) in rate	**(Decrease)/ increase in profit for the year**
	%	*HK$'000*
2012		
If RMB strengthens against HK$	5	(22)
If RMB weakens against HK$	5	22
2013		
If RMB strengthens against HK$	**5**	**(39)**
If RMB weakens against HK$	**5**	**39**

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as at year end exposure does not reflect the exposure during the year.

The Company has no material foreign currency risk exposure.

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 HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the Financial Year 2013, the Group had constructed a new production line, which commenced Test Operation at the end of September 2013. The new production line, which has just commenced full production in December 2013, has an approved annual production capacity of approximately 220,000m^3. Save as disclosed above and in the prospectus of the Company dated 27 December 2013 (the "Prospectus"), there were no significant investments held as at 31 December 2013. There is no plan for material investments on capital assets as at the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Financial Year 2013, the Group did not have any material acquisitions and disposals of subsidiary.

PLEDGE OF ASSETS

As at 31 December 2013, bank deposits in the amount of HK$5,458,000 (31 December 2012: HK$2,438,000) were pledged to banks for issuing letters of credit.

As at 31 December 2013, the Group's bank loans are secured/guaranteed by:

(a) the pledge of the Group's buildings, plant and equipment with an aggregate carrying amount of HK$285,389,000 (31 December 2012: HK$7,926,000);

(b) the pledge of the Group's prepaid lease payments with an aggregate carrying amount of HK$19,804,000 (31 December 2012: nil);

COMMITMENTS

The following table sets out the Group's contractual obligations as at the respective reporting date.

	2013	2012
	HK$'000	*HK$'000*
Capital commitments	**12,219**	176,913
Letters of credit commitments	**7,645**	21,972

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2013 (31 December 2012: nil).

EVENT AFTER THE REPORTING PERIOD

On 8 January 2014, the Company issued 177,780,000 placing shares of HK$0.10 each, at a price of HK$0.39 per placing share and the shares of the Company have been successfully listed on the GEM of the Stock Exchange.

On 3 March 2014, the new Hong Kong Companies Ordinance (the "new CO") has come into effect. One significant change in the new CO is that the new CO has abolished the concept of "par value" of shares for all Hong Kong incorporated companies. In the first year in which the new CO comes into effect (i.e. year ending 31 December 2014 for the Company), the existing share premium as at 3 March 2014 including the share premium arising from the issuance of placing shares on 8 January 2014 and the capital reserve as of 3 March 2014 would become part of the Company's share capital.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group employed a total of 192 employees. The remuneration payable to our employees included fees, salaries, retirement benefits scheme contributions and other benefits. For the Financial Year 2012 and 2013, the remuneration was approximately HK$9.8 million and HK$12.4 million respectively. The Group determines the employee's remuneration based on factors such as qualifications, duty, contributions and years of experience. The key principles of the remuneration policy are to remunerate employees in a manner that is market competitive, consistent with best practice and supports the interests of Shareholders. 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.

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

Since the Listing Date and up to the date of this announcement, neither the Company nor its subsidiary have purchased, sold or redeemed any securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the GEM Listing Rules from the Listing Date and up to the date of this announcement except otherwise stated in this announcement.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Board is of the view that although Mr. Wong Cheung Lok is the Chairman and Chief Executive Officer, this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wong and believes that his appointment to the posts of 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 from the Listing Date and up to the date of this announcement.

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 the Financial Year 2013.

USE OF NET PROCEEDS FROM THE PLACING

The net proceeds from the Company's Placing amounted to approximately HK$54 million. Such net proceeds are intended to be or have been applied in accordance with the proposed applications as set out in the section headed "Future Plans and Prospects" in the Prospectus.

SUFFICIENCY OF PUBLIC FLOAT

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

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Board of the Company has discussed and reviewed with the management of the Group the consolidated financial statements of the Group for the Financial Year 2013.

DIVIDEND

The Board does not recommend the payment of any final dividend for the Financial Year 2013.

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

Hong Kong, 26 March 2014

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. Ong Chor Wei; and the independent non-executive Directors are Dr. Xu Jianmin, Ms. Qian Xiaoyu and Mr. Wong Hei Chiu.

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