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 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**", each a "**Director**") 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 2015, operating results of the Group were as follows:

– Revenue for the year ended 31 December 2015 amounted to approximately HK$400.7 million, representing a slight increase of 1.0% from approximately HK$396.6 million recorded in 2014.

– Gross profit for the year ended 31 December 2015 amounted to approximately HK$95.3 million, representing a decrease of 15.5% from approximately HK$112.8 million recorded in 2014.

– Profit attributable to owners of the Company for the year ended 31 December 2015 amounted to approximately HK$24.7 million, representing a decrease of 5.9% from approximately HK$26.2 million recorded in 2014.

– Total comprehensive income attributable to owners of the Company for the year ended 31 December 2015 amounted to approximately HK$5.9 million, representing a decrease of approximately 75.5% from approximately HK$24.2 million recorded in 2014.

– The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

MATTERS ARISING IN CONNECTION WITH THE RESIGNATION OF THE COMPANY'S PREVIOUS AUDITORS

In connection with the resignation of the Company's previous auditors, Deloitte Touche Tohmatsu ("**Deloitte**") with effect from 18 March 2016 following disagreement by the Company with Deloitte's revised audit fee proposal due to the changes in audit scope including but not limited to certain prepayments relating to a supplier and two counterparties in bids for raw materials which amounted to approximately HK$110.83 million as at 31 December 2015 (or approximately 14% of the consolidated total assets of the Group as at that date):

– the Company is pleased to confirm that those prepayments have been fully settled as at the date of this announcement, either by way of refund or delivery of goods purchased for which the prepayments were made; and

– the Company has commissioned a specific review by its incumbent auditors of internal control and risk management systems of the Group (the "**Specific Review**") with respect to such prepayments. Material findings under the Specific Review and remedial measures being and to be implemented by the Group are summarised below. The Company will report on the status of its implementation of remedial measures in its interim report for the six months ending 30 June 2016.

ANNUAL RESULTS

The board of Directors (the "**Board**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2015 together with the comparative audited figures for the financial year ended 31 December 2014. The Group's financial results have been audited by Messrs. Graham H.Y. Chan & Co.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	4	**400,659**	396,583
Cost of sales		**(305,402)**	(283,789)
Gross profit		**95,257**	112,794
Other income	6	**24,995**	2,818
Other gains and losses		**50**	1,603
Selling and distribution expenses		**(33,162)**	(34,471)
Administration expenses		**(27,733)**	(27,675)
Other expenses		**(4,627)**	(3,856)
Finance costs	7	**(28,048)**	(26,645)
Profit before tax		**26,732**	24,568
Income tax (expense)/credit	8	**(2,077)**	1,625
Profit for the year attributable to owners of the Company	9	**24,655**	26,193
Other comprehensive loss which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(18,714)**	(1,985)
Other comprehensive loss for the year		**(18,714)**	(1,985)
Total comprehensive income for the year		**5,941**	24,208
Total comprehensive income attributable to owners of the Company		**5,941**	24,208
Basic and diluted earnings per share, in HK cents	10	**3.15**	3.70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	**2015** HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**353,334**	394,686
Prepayment for acquisition of property, plant and equipment		**11,218**	21,423
Prepaid lease payments		**20,403**	22,144
Intangible assets		**9,825**	–
Deferred tax assets		**2,526**	7,500
		397,306	445,753
CURRENT ASSETS			
Inventories	*11*	**47,819**	80,189
Trade and bills receivable	*12*	**77,577**	118,075
Prepayments and other receivables	*13*	**184,374**	59,068
Bank balances and cash		**68,442**	8,531
Pledged deposits		**15,524**	3,803
		393,736	269,666
CURRENT LIABILITIES			
Trade payables	*14*	**45,950**	37,014
Other payables		**49,746**	48,448
Tax payable		**–**	2,698
Bank borrowings, due within one year	*15*	**191,919**	178,427
Deferred income		**1,857**	688
Puttable notes and guaranteed bonds		**39,635**	23,792
		329,107	291,067
NET CURRENT ASSETS/(LIABILITIES)		**64,629**	(21,401)
TOTAL ASSETS LESS CURRENT LIABILITIES		**461,935**	424,352

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2015

		2015	2014
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**585**	622
Bank borrowings, due after one year	*15*	**113,548**	160,945
Deferred income		**22,131**	7,968
		136,264	169,535
NET ASSETS		**325,671**	254,817
CAPITAL AND RESERVES			
Share capital	*16*	**253,928**	189,015
Reserves		**71,743**	65,802
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY		**325,671**	254,817

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
Balance at 1 January 2014	53,333	72,258	(16,968)	6,414	15,023	37,125	167,185
Profit for the year	–	–	–	–	–	26,193	26,193
Other comprehensive loss for the year:							
Exchange differences arising on translation to presentation currency	–	–	–	–	(1,985)	–	(1,985)
Total comprehensive (loss)/income for the year	–	–	–	–	(1,985)	26,193	24,208
Issue of new shares	17,778	51,556	–	–	–	–	69,334
Share issue expenses	–	(5,910)	–	–	–	–	(5,910)
Transfer from share premium upon abolition of par value	117,904	(117,904)	–	–	–	–	–
Transfer to statutory reserve	–	–	–	3,301	–	(3,301)	–
Balance at 31 December 2014 and 1 January 2015	189,015	–	(16,968)	9,715	13,038	60,017	254,817
Profit for the year	–	–	–	–	–	24,655	24,655
Other comprehensive loss for the year:							
Exchange differences arising on translation to presentation currency	–	–	–	–	(18,714)	–	(18,714)
Total comprehensive (loss)/income for the year	–	–	–	–	(18,714)	24,655	5,941
Issue of new shares	68,033	–	–	–	–	–	68,033
Share issue expenses	(3,120)	–	–	–	–	–	(3,120)
Transfer to statutory reserve	–	–	–	3,536	–	(3,536)	–
Balance at 31 December 2015	253,928	–	(16,968)	13,251	(5,676)	81,136	325,671

1. GENERAL INFORMATION

Hong Wei (Asia) Holdings Company Limited (the "**Company**") was incorporated with limited liability in Hong Kong on 28 May 2012. Its ultimate controlling party and chairman of the Company is Mr. Wong Cheung Lok ("**Mr. Wong**"), who owned 51.65% direct interest of the Company as at 31 December 2015. The address of the Company's registered office and its principal place of business is Unit 4, 17/F, Winning Centre, 29 Tai Yau Street, San Po Kong, Kowloon, Hong Kong. The principal activity of the Company is investment holding. Its principal subsidiary, Hongwei Wooden Products (Renhua) Company Limited ("**Hongwei Renhua**"), established in the People's Republic of China (the "**PRC**") is principally engaged in manufacturing and selling of particleboards.

The functional currency of the Company is Renminbi ("**RMB**"), while these consolidated financial statements are presented in Hong Kong dollar ("**HK$**"), which the management of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") considered that it is more beneficial for the users of the consolidated financial statements, as the shares of the Company 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 PREPARATION AND ACCOUNTING POLICIES

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 banking facilities available to the Group, the directors are of the view that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statement has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. In addition, these consolidated financial statements include applicable disclosures provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "**GEM Listing Rules**").

The financial information relating to the year ended 31 December 2015 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for the 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 Hong Kong Companies Ordinance is as follows:

The Company has not yet delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver such financial statements in due course.

The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2015. 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 section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs issued by HKICPA for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the amendments to 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.

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

[1] *Effective for annual periods beginning on or after 1 January 2018*
[2] *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016*
[3] *Effective for annual periods beginning on or after 1 January 2016*
[4] *Effective for annual periods beginning on or after a date to be determined*

Except for HKFRS 9 and HKFRS 15, the directors of the Company do not anticipate that the application of the new and revised HKFRSs above will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirement of HKFRS 9 in relation to the impairment of financial assets is:

- HKFRS 9 requires an expected credits loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the directors of the Company anticipate that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2015.

HKFRS 15 Revenue from Contracts with Customers

HKFRS15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations 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, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e, when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9, "Accounts and Audit", of the Hong Kong Companies Ordinance (Cap. 622) came into operation at the start of the Company's current financial year. The adoption of the requirements has primarily impacted the presentation and disclosure of information in the consolidated financial statements. These changes mainly include the presentation of the Company's statement of financial position as a note disclosure instead of a primary statement, updating any references to the Hong Kong Companies Ordinance to refer to the current Hong Kong Companies Ordinance and replacing certain terminology no longer used in the Hong Kong Companies Ordinance with terminology used in HKFRSs.

Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or GEM Listing Rules but not under the new Hong Kong Companies Ordinance or amended GEM Listing Rules are not disclosed in these consolidated financial statements.

4. REVENUE

Revenue represents revenue arising on sales of particleboards as follows:

	2015	2014
	HK$'000	*HK$'000*
Sales of particleboards	**400,659**	396,583

5. SEGMENT INFORMATION

HKFRS 8 Operating Segments 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 before tax as a whole, which is generated solely from the manufacture and sale of particle board 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 most of the revenue is generated from the PRC and other Asian countries as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue from PRC	**390,747**	375,308
Revenue from other Asian countries	**9,912**	21,275
	400,659	396,583

The Group's non-current assets other than deferred tax assets are located in the PRC by location of assets in case of property, plant and equipment and prepaid lease payments or by location of operation to which they are allocated, in case of prepayment for acquisition of property, plant and equipment and intangible assets.

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

	2015 *HK$'000*	2014 *HK$'000*
Customer A	**99,687**	N/A*
Customer B	**N/A***	54,492

* *The corresponding revenue did not contribute over 10% of the total revenue of the Group for that year.*

6. OTHER INCOME

	2015 *HK$'000*	2014 *HK$'000*
Value added tax ("VAT") refund	**22,975**	1,940
Government grants*	**1,807**	846
Bank interest income	**144**	32
Others	**69**	–
	24,995	2,818

* The amount of HK$1,579,000 (2014: HK$257,000) represented financial subsidy released from deferred income for interest expenses incurred by the Group for its bank borrowings. The amount of HK$228,000 (2014: HK$589,000) have been received to provide immediate financial support to the Group with no unfulfilled conditions related to the subsidy.

7. FINANCE COSTS

	2015 *HK$'000*	2014 *HK$'000*
Interest on bank loans	**24,483**	25,325
Interests on puttable notes and guaranteed bonds	**3,565**	1,320
	28,048	26,645

8. INCOME TAX EXPENSE/(CREDIT)

	2015	2014
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax		
– over provision in respect of prior years	**(2,643)**	–
Deferred tax:		
Current year	**4,720**	(1,625)
Income tax expense/(credit)	**2,077**	(1,625)

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% in both years.

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 (the "**Tax Concessions**"). During the years ended 31 December 2015 and 2014, 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.

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2015	2014
	HK$'000	*HK$'000*
Employee benefits expenses (include directors' emoluments)		
Salaries and other benefits	**12,390**	13,797
Contribution to retirement benefit schemes	**2,110**	2,047
Total employee benefit expenses	**14,500**	15,844
Depreciation of property, plant and equipment	**26,438**	28,059
Amortisation:		
– intangible assets	**578**	–
– release of prepaid lease payments	**466**	473
Cost of good sold:		
– write-down of inventories	**843**	–
– cost of inventories recognised as an expense	**304,559**	283,789
Auditor's remuneration	**2,829**	1,532
Donation	**1,807**	1,508

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2015	2014
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**24,655**	26,193

Number of shares

	2015	2014
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**781,678**	707,219

Note: Basic and diluted earnings per share were the same for both years as there has been no potential dilutive ordinary shares outstanding during the years.

11. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw materials	**26,697**	46,514
Work in progress	**2,885**	3,513
Finished goods	**18,237**	30,162
Total	**47,819**	80,189

As at 31 December 2015, all finished goods with carrying amount of approximately HK$18,237,000 (2014: nil) were pledged to a bank to secure the banking facilities granted by the bank, which the corresponding bank borrowings have been drawn down subsequent to the end of the reporting period.

12. TRADE AND BILLS RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**41,895**	86,607
Allowance for doubtful debts	**(347)**	–
	41,548	86,607
Bills receivables	**36,029**	31,468
	77,577	118,075

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 (2014: 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 and their carrying amounts approximate to their fair values.

The following is an aged analysis of trade receivables, before allowance for doubtful debts, presented based on invoice date, at the end of the reporting period.

	2015	2014
	HK$'000	*HK$'000*
Within three months	**30,603**	36,299
Over three months but within six months	**8,124**	21,279
Over six months	**3,168**	29,029
Total	**41,895**	86,607

The maturity period of bills receivable are within 6 months from 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 the maturity date.

	2015	2014
	HK$'000	*HK$'000*
Within three months	**12,931**	19,429
Over three months but within six months	**23,098**	12,039
Total	**36,029**	31,468

Other than the following balances, there are no other customers with balances representing more than 10% of the total balance of trade receivables in that year.

	2015	2014
	HK$'000	*HK$'000*
A	**11,469**	N/A*
B	**6,350**	N/A*
C	**4,322**	N/A*
D	**N/A***	15,778
E	**N/A***	14,380
F	**N/A***	12,801
G	**N/A***	8,666
Total	**22,141**	51,625

* The corresponding balance did not contribute over 10% of the total trade receivables of the Group in that year.

Most of the trade receivables are neither past due nor impaired and have good repayment history in prior years. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$11,162,000 (2014: HK$51,410,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

An aged analysis of trade receivables which are past due but not impaired, based on past due date, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 3 months	**8,342**	7,855
Over 3 months	**2,820**	43,555
Total	**11,162**	51,410

Trade receivables that were past due but not impaired related to customers that have good track records with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable. A substantial amount of which has been received after the end of the reporting period.

Movement in the allowance for doubtful debts is as follows:

	2015	2014
	HK$'000	*HK$'000*
Balance at beginning of year	**–**	–
Impairment loss recognised on trade receivables	**361**	–
Effect of foreign currency exchange differences	**(14)**	–
Balance at end of year	**347**	–

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$347,000 (2014: nil) which related to a customer that was in financial difficulty and the directors of the Company consider the recoverability of these debts is remote. The Group does not hold any collateral over these balances.

At 31 December 2015, trade receivables with an aggregate carrying amount of HK$21,302,000 (2014: HK$7,961,000) have been charged to secure the general banking facilities of the Group.

13. PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
VAT recoverable	**7,024**	1,728
VAT refund	**8,834**	336
Payments in advance to suppliers *(note (i))*	**43,343**	14,404
Deposits paid for securing a sourcing agreement *(note (ii))*	**23,000**	–
Prepayments to counterparties in bid of raw materials *(note (iii))*	**92,370**	39,646
Receivable from disposal of property, plant and equipment *(note (iv))*	**7,290**	–
Prepaid lease payments	**448**	476
Others	**2,065**	2,478
	184,374	59,068

Notes:

(i) As at 31 December 2015, included in payments in advance to suppliers are prepayments of approximately HK$38,040,000 (2014: HK$2,430,000) made to suppliers for securing wood supplies. Subsequent to the end of the reporting period and up to the date of this announcement, substantial amounts have been settled with delivery of raw materials.

(ii) On 25 May 2015, the Company and a supplier entered into a sourcing agreement which provided the payment of HK$23,000,000 security deposit for the sourcing of not less than 100,000 tonne of wood materials from outside China and Southern China regions as ordered from time to time by the Group. Subsequent to the end of the reporting period and up to the date of this announcement, the entire balance has been settled with delivery of wood materials ordered.

(iii) As at 31 December 2015, included in prepayments to counterparties in bid of raw materials amounting to approximately HK$87,827,000 (2014: HK$34,822,000) are due from two suppliers who offered wood harvests through bidding/auction. Pursuant to bidding/auction agreements, the suppliers should refund in full without interest to the Group should there be no successful bidding/auction. The Group does not hold any collateral over these balances. Subsequently, the amounts have been refunded in full.

Subsequent to the end of the reporting period, the Group further places RMB50,000,000 (or equivalent to approximately HK$59,682,000) to these suppliers. Up to the date of this announcement, RMB16,100,000 (or equivalent to approximately HK$19,217,000) has been refunded. On 19 May 2016, the Group and these suppliers entered into repayment schedules, pursuant to which the remaining balance of RMB33,900,000 (or equivalent to approximately HK$40,465,000) will be refunded in full before the end of July 2016. Details are set out in note 17 to this announcement.

(iv) On 10 August 2015, the Group entered into a disposal agreement with an independent third party purchaser for the sale of old production line for a consideration of approximately HK$15,280,000, of which approximately HK$7,990,000 has been received during the current year and the remaining balance of approximately HK$7,290,000 was outstanding as at 31 December 2015. Pursuant to the disposal agreement, the entire consideration should be received in full on or before the end of October 2015. Accordingly, the unsettled balance as at 31 December 2015 was past due. However, management believes that no impairment allowance is necessary in respect of such balance as the balance is still considered fully recoverable. The Group does not hold any collateral over the balance. Subsequent to the end of the reporting period, the amounts have been received in full.

14. TRADE PAYABLES

		2015	2014
	Notes	***HK$'000***	*HK$'000*
Trade payables	*(i)*	**45,950**	37,014
		45,950	37,014

Note:

(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:

	2015	2014
	HK$'000	*HK$'000*
Within 3 months	**23,240**	23,404
Over 3 months but within 6 months	**17,400**	7,937
Over 6 months but within 12 months	**4,707**	3,155
Over 1 year	**603**	2,518
	45,950	37,014

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

15. BANK BORROWINGS

	Notes	2015 HK$'000	2014 HK$'000
Bank borrowings	*(i)(ii)*	**305,467**	336,203
Bank borrowings obtained in relation to discounted bills receivable		**–**	3,169
		305,467	339,372
Secured		**171,064**	193,086
Unsecured but guaranteed	*(iii)*	**9,549**	–
Unsecured and unguaranteed		**124,854**	146,286
		305,467	339,372
Carrying amount repayable:			
Within one year		**191,919**	178,427
More than one year, but not exceeding two years		**54,033**	40,357
More than two years, but not exceeding five years		**59,515**	120,588
		305,467	339,372
Less: amount included in current liabilities		**(191,919)**	(178,427)
Non-current portion		**113,548**	160,945

Notes:

(i) Other than bank borrowings with an aggregate carrying amount of HK$106,890,000 (2014: HK$95,732,000) which bear fixed interest rate of 4.79% to 9.27% (2014: 6.16% to 8.10%) per annum as at 31 December 2015, other bank borrowings with an aggregate carrying amount of HK$198,577,000 (2014: HK$240,471,000) bear floating interest rates ranging from 4.85% to 7.80% (2013: 6.55% to 8.64%) per annum as at 31 December 2015.

(ii) As at 31 December 2015, the Group's secured bank borrowings are secured by the following assets of the Group:

(a) the pledge of the Group's property, plant and equipment with an aggregate carrying amount of HK$195,383,000 (2014: HK$221,398,000);

(b) the pledge of the Group's prepaid lease payments with an aggregate carrying amount of HK$20,851,000 (2014: HK$22,620,000);

(c) the pledge of the Group's bank deposits with an aggregate carrying amount of HK$15,524,000 (2014: HK$3,803,000); and

(d) the pledge of the Group's trade receivable with an aggregate carrying amount of HK$21,302,000 (2014: HK$7,961,000).

(iii) As at 31 December 2015, the Group's unsecured but guaranteed bank borrowings is secured by a corporate guarantee executed by an independent third party. Such corporate guarantee is secured by the Group's plant and machinery with carrying amount of approximately HK$22,965,000 and personal guarantee executed by Mr. Wong.

All bank borrowings are denominated in RMB.

16. SHARE CAPITAL

	Numbers of shares		Share capital	
	2015	2014	**2015**	2014
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares, issued and fully paid				
At 1 January	**711,115**	533,335	**189,015**	53,333
Issue of new shares *(note (i)、(ii))*	**121,488**	177,780	**68,033**	17,778
Less: share issue expenses	**–**	–	**(3,120)**	–
Transition to no-par value regime under Hong Kong Companies Ordinance *(note (iii))*	**–**	–	**–**	117,904
At 31 December	**832,603**	711,115	**253,928**	189,015

Notes:

(i) On 22 May 2015, the Company and a placing agent entered into a placing agreement pursuant to which the placing agent has agreed to place, on a best effort basis, the placing shares comprising up to 142,218,000 new shares of the Company at a placing price of HK$0.56 per placing share to not less than six independent placees. On 2 June 2015, a total of 121,488,000 placing shares have been successfully placed by the placing agent. For further details, please refer to the announcements of the Company dated 22 May 2015 and 2 June 2015.

(ii) On 8 January 2014, the Company issued 177,780,000 placing shares at a price of HK$0.39 per placing share to certain professional, institutional and other investors pursuant to the prospectus of the Company dated 27 December 2013.

(iii) The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. On that date, the share premium account was subsumed into share capital in accordance with section 37 of Schedule 11 to the Hong Kong Companies Ordinance. These changes did not have impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Hong Kong Companies Ordinance.

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

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) As announced on 12 January 2016, the Company entered into an acquisition agreement and conditionally agreed to acquire the entire issued share capital of a company (the "**Target Company**"), which is, through its subsidiary, principally engaged in forestry plantation business, including forestry planning and development, for a consideration of approximately HK$150,000,000. The Target Company is wholly owned by Mr. Wong Kin Ching, the son of Mr. Wong and Ms. Cheung Ngar Kwan. The consideration should be satisfied by the allotment and issue of an aggregate of 348,837,209 shares at an issue price of HK$0.43 each by the Company to Mr. Wong Kin Ching. Up to the date of this announcement, the acquisition is still in progress and is subject to a series of approvals.

(b) Subsequent to the end of the reporting period, the Group has further placed RMB50,000,000 (or equivalent to approximately HK$59,682,000) to suppliers as prepayments in bid of raw materials. Up to the date of this announcement, RMB16,100,000 (or equivalent to approximately HK$19,217,000) has been refunded. On 19 May 2016, the Group and these suppliers entered into repayment schedules, pursuant to which the remaining balance of RMB33,900,000 (or equivalent to approximately HK$40,465,000) will be refunded in full before the end of July 2016.

(c) Subsequent to the end of the reporting period, Hongwei Renhua entered into the following acquisition agreements:

(i) On 17 January 2016, Hongwei Renhua entered into an acquisition agreement with independent third parties for acquisition of forest rights in relation to forests with aggregate size of approximately 3,398 mu, for an initial consideration of RMB12,000,000 (or equivalent to approximately HK$14,324,000);

(ii) On 21 May 2016, the Company announced that:

(1) On 25 January 2016, Hongwei Renhua entered into an acquisition agreement with an independent third party for acquisition of forest rights in relation to forests with aggregate size of approximately 3,992 mu, for an initial consideration of RMB13,000,000 (or equivalent to approximately HK$15,517,000); and

(2) On 21 May 2016, Hongwei Renhua entered into an acquisition agreement with an independent third party for acquisition of forest rights in relation to forests with aggregate size of 2,619.5 mu, for an initial consideration of RMB9,000,000 (or equivalent to approximately HK$10,743,000).

The above acquisitions have been arranged through the same agent. Details are disclosed in the Company's announcement dated 21 May 2016; and

(iii) In May 2016, Hongwei Renhua entered into several acquisition agreements with independent third parties for acquisition of forest rights in relation to forests with aggregate size of approximately 7,444 mu, for an aggregate initial consideration of RMB26,000,000 (or equivalent to approximately HK$31,034,000).

The initial considerations for each of the above acquisitions are subject to downward adjustment on a dollar for dollar basis, should the market value of those forest rights determined by an independent valuer to be appointed by Hongwei Renhua be less than the initial consideration. Up to the date of this announcement, the above acquisitions are still in progress.

18. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform to the current year's presentation.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

In 2015, the Group continues to be primarily engaged in the manufacturing and sales of particleboards, which are used mainly by the customers of the Group in the manufacturing of furniture, flooring panels, decoration and construction materials. The Group also continues to further enhance its presence in the particleboard industry and capture market share in the Premium Quality Particleboard segment, and have implemented certain steps to expand our product range, strengthen and expand our sales network across the PRC, expand our supplier base for the supply of the residual wood, enhance our product research and development, and strengthen our brand recognition.

Our Group's production lines are certified to have met the Californian Particleboard Standards of Regulations of the United States of America and the Group's particleboard products are certified for being qualified to use the Adopting International Standard Product mark (PRC GB/T 4897-2003 of the Particleboard International Standards).

With the smooth running of the production line of the Group, the sales orders increased steadily with very competitive selling price due to the better quality particleboards produced. The Directors believe that our production line will continue to provide the Group, amongst others, with the following benefits: (i) the Group is able to produce particleboards with better and more consistent quality; (ii) the Group's production lines are more efficient in energy and raw material consumption, thus lowering its production cost; (iii) the Group's products are more environmentally friendly and would comply with all the Particleboard PRC GB Standards and Particleboard International Standards; (iv) the Group is able to produce customised particleboards and particleboards of various dimensions and specifications, that most other particleboard manufacturers in the PRC may not be able to produce; and (v) the Group is able to expand its market share and solidify its market position in the particleboard industry due to its capability to offer a wider product offering.

In addition, our Group has commenced a new business of vehicle distribution ("New Business Activity"). The Company considers that the New Business Activity will diversify the Group's businesses and broaden its revenue base. Accordingly, the Company is of the view that the commencement of the New Business Activity will be in the interest of the Company and its shareholders as a whole. According to a distribution agreement entered into by the Company with Sino Partner Global Limited ("SPG"), the Company was appointed as an authorized dealer and vested with the rights of distribution, marketing and service of sports car "Gumpert Apollo" in a designated city. The Company has dealt with SPG for their new car launch, which is still in progress up to the date of this announcement.

Looking forward, we have been seeking to expand our supplier base for the supply of the residual wood materials which are key raw materials for our production of particleboards. Although the current year's average cost per tonne of residual woods decrease slightly, we expect that the unit cost of wood material will increase by review of the trend in these past years. Given the continued expansion of the Group's operations, the Board has determined that it would be in the best interests of the Company to consider upstream acquisitions of forests rights as set out in note 17 to this announcement in order to give it greater assurance on the supply and better ability to control the costs of such raw materials.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2015, the Group's revenue increased slightly to approximately HK$400.7 million from approximately HK$396.6 million, representing an increase of approximately 1.0% as compared to the year ended 31 December 2014. The increase was mainly due to increase in sales volume during the year.

Cost of Sales

During the year ended 31 December 2015, the Group's costs of sales increased to approximately HK$305.4 million from approximately HK$283.8 million, representing an increase of approximately 7.6% as compared to the year ended 31 December 2014. The increase was mainly attributed to increase in the quantity produced and sold and the increase in factory overhead cost.

Gross profit and margin

During the year ended 31 December 2015, the Group's gross profit decreased to approximately HK$95.3 million from approximately HK$112.8 million, representing a decrease of approximately 15.5% as compared to the year ended 31 December 2014. The Group's gross profit margin dropped to approximately 23.8% in 2015 from approximately 28.4% in 2014. The decrease in gross profit and gross profit margin was mainly due to the slight decrease in average unit selling price and significant increase in the factory overhead cost in 2015.

Other income

During the year ended 31 December 2015, the Group's other income increased significantly to approximately HK$25.0 million from approximately HK$2.8 million, representing approximately 8.9 times as compared to the year ended 31 December 2014. The significant increase was due to the significant increase in Value-added tax ("**VAT**") refund under comprehensive utilisation of resources policy issued by the PRC government as a result of (i) one off refund for transitional arrangement of change of VAT refund policy in the current year; and (ii) less VAT paid in prior year as input VAT arising from acquiring machineries have been mostly set off with output VAT.

Selling and distribution expenses

During the year ended 31 December 2015, the Group's selling and distribution expenses decreased slightly to approximately HK$33.2 million from approximately HK$34.5 million, representing a decrease of approximately 3.8% as compared to the year ended 31 December 2014. The decrease was mainly attributable to better cost control measures imposed.

Administration expenses

During the year ended 31 December 2015, the Group's administration expenses remain at the same level of approximately HK$27.7 million as compared to the year ended 31 December 2014.

Finance costs

During the year ended 31 December 2015, the Group's finance costs increased to approximately HK$28.0 million from approximately HK$26.6 million, representing an increase of approximately 5.3% as compared to the year ended 31 December 2014. The increase was mainly attributable to an increase in the interest incurred for the puttable notes.

Profit attributable to owners of the Company

During the year ended 31 December 2015, the Group's profit attributable to owners of the Company decreased to approximately HK$24.7 million from approximately HK$26.2 million, representing a decrease of approximately 5.9% as compared to the year ended 31 December 2014. The decrease was mainly attributable to the decrease in gross profit during this year.

Total comprehensive income attributable to owners of the Company

During the year ended 31 December 2015, the total comprehensive income attributable to owners of the Company decreased to approximately HK$5.9 million from approximately HK$24.2 million, representing a decrease of approximately 75.5% as compared to the year ended 31 December 2014. Such decrease was mainly due to the exchange differences of approximately HK$18.7 million arising from translation of RMB to HK$ which is the presentation currency of the consolidated financial statements due to the depreciation of RMB.

FUTURE PLANS AND PROSPECT

The year 2015 was the second full year operation of the Group after the Company was listed on the GEM of the Stock Exchange on 8 January 2014. The Group will continue to further strengthen its foundation, optimise its system and promote its product innovation to drive a steady growth of its business although China economy growth shows slow in these years. The Group will continue to leverage on its business know-how and continue to strengthen its brand recognition and solidify its market position within the PRC; beginning from Renhua County in Guangdong Province, to the other regions of the PRC and even to overseas, ultimately making "Hongwei" the brand with a global reach in the particleboard industry.

In future, the Group will keep putting more resources into expanding its customised-particleboard market segment. With the conservation of the environment in mind, the Group will continue to devote significant resources to the research and development of its non-formaldehyde and fire-resistant particleboards. It is the goal of the Group to make non-formaldehyde particleboards its flagship product in the future.

The Group has noted increase in the unit costs of wood materials purchased by it over the years. Given the continued expansion of the Group's operations, the Board has determined that it would be in the best interests of the Company to consider upstream acquisitions of forest rights in order to give it greater assurance on the supply and better ability to control the costs of such raw materials. In addition to the proposed major and connected acquisition of the forest rights which was the subject of the Company's announcement dated 12 January 2016, since the beginning of 2016 and as part of the Group's efforts to broaden its sources for wood materials which constitute a key raw material for the Group's production activities, the Group has entered into agreements (details of which are disclosed in note 17 to this announcement) with different independent third parties to acquire forest rights at different locations in Renhua County, Guangdong Province and Sanming City, Fujian Province within a 500 mile diameter from the Group's production base.

Further, in the Group's endeavor to become as a high-tech enterprise, it will also be stepping up on protection of its intellectual property; patents will be applied for the Group's existing production technology and equipment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM of the Stock Exchange on 8 January 2014 (the "**Listing Date**"). 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 year ended 31 December 2015, the Group mainly financed its operations with the Group's working capital, bank borrowings, and proceeds from issuance of guaranteed bonds and placing of new shares.

As at 31 December 2015 and 2014, the Group had bank borrowings of approximately HK$305.5 million and HK$339.4 million respectively. Other than certain bank borrowings obtained which bear fixed interest rate ranging from 4.79% to 9.27% per annum, other bank borrowings bear floating interest rates ranging from 4.85% to 7.80% per annum as at 31 December 2015.

As at 31 December 2015 and 2014, the Group had net current assets of approximately HK$64.6 million and net current liabilities of approximately HK$21.4 million respectively. The current ratio of the Group, being its current assets over its current liabilities, increased to 1.20x as at 31 December 2015 (2014: 0.93x). Such increase was mainly due to an increase in working capital obtained from placing of new shares.

In 2015, apart from the general bank borrowings, the Company issued guaranteed bonds to three subscribers in an aggregate principal amount of HK$17 million with an interest rate of 15% per annum due in 2016. The proceeds from issuance of the said bonds have been utilised for the Group's repayment of bank and other loans and general working capital purpose. Please refer to announcement dated 10 December 2015 for details.

Gearing Ratio

As at 31 December 2015, the gearing ratio stood at 1.06x (2014: 1.43x) based on total borrowings over shareholders' equity. The gearing ratio improved as the shareholders' equity has increased as a result of placing of new shares in the current year.

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2015 and 2014, functional currency of the Company and its major operating subsidiary is RMB. 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. As at 31 December 2015, there were puttable notes and guaranteed bonds denominated in US$ and HK$ with effective interest rate ranging from 12% to 18% per annum.

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. In order 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

There was no significant investment held as at 31 December 2015. There is no plan for material investments on capital assets as at the date of this announcement except for those set out in note 17 to this announcement.

PLEDGE OF ASSETS

As at 31 December 2015, the Group's secured bank borrowings are secured by the following assets of the Group:

(a) the pledge of the Group's property, plant and equipment with an aggregate carrying amount of approximately HK$195,383,000 (2014: HK$221,398,000);

(b) the pledge of the Group's prepaid lease payments with an aggregate carrying amount of approximately HK$20,851,000 (2014: HK$22,620,000);

(c) the pledge of the Group's bank deposits with an aggregate carrying amount of approximately HK$15,524,000 (2014: HK$3,803,000); and

(d) the pledge of the Group's trade receivables with an aggregate carrying amount of approximately HK$21,302,000 (2014: HK$7,961,000).

As at 31 December 2015, the Group's unsecured but guaranteed bank borrowings is secured by a corporate guarantee executed by an independent third party. Such corporate guarantee is secured by the Group's plant and machinery with carrying amount of approximately HK$22,965,000 and personal guarantee executed by Mr. Wong Cheung Lok.

As at 31 December 2015, all finished goods with carrying amount of approximately HK$18,237,000 (2014: nil) were pledged to a bank to secure the banking facilities granted by the bank, which the corresponding bank borrowings have been drawn down subsequent to the end of the reporting period.

COMMITMENTS

The Group does not have any significant capital commitment as at 31 December 2015.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2015 (2014: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed a total of 191 employees (2014: 175). The remuneration payable to our employees included fees, salaries, retirement benefits scheme contributions and other benefits. For the years ended 31 December 2015 and 2014, the remuneration was approximately HK$14.5 million and HK$15.8 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 the shareholders of the Company (the "**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.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, VBG Capital Limited ("**VBG**"), as at 31 December 2015, except for the compliance adviser agreement entered into between the Company and VBG dated 23 December 2013, neither VBG or its directors, employees or close associates had any interest in relation to the Group.

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

During the year ended 31 December 2015, neither the Company nor its subsidiaries 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 during the year ended 31 December 2015 except for the deviation from code provision A.2.1:

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 Group. 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 Group. 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 Cheung Lok and believes that his appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Group.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all the Directors confirmed that they have complied with the required standard of dealings concerning securities transactions by the Directors for the year ended 31 December 2015 and up to the date of this announcement.

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 the year ended 31 December 2015 and up to the date of this announcement.

REVIEW OF RESULTS BY AUDIT COMMITTEE AND AUDITORS

The Audit Committee of the Company has reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group in respect of the Group's consolidated financial statements for the year ended 31 December 2015.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditors, Messrs. Graham H.Y. Chan & Co., to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2015. The work performed by Messrs. Graham H.Y. Chan & Co. in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Graham H.Y. Chan & Co. on this preliminary results announcement.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: nil).

MATTERS ARISING IN CONNECTION WITH THE RESIGNATION OF THE COMPANY'S PREVIOUS AUDITORS

In connection with the resignation of the Company's previous auditors, Deloitte with effect from 18 March 2016 following disagreement by the Company with Deloitte's revised audit fee proposal due to the changes in audit scope including but not limited to certain prepayments relating to a supplier and two counterparties in bids for raw materials which amounted to approximately HK$110.83 million as at 31 December 2015 (or approximately 14% of the consolidated total assets of the Group as at that date):

– the Company is pleased to confirm that those prepayments have been fully settled as at the date of this announcement, either by way of refund or delivery of goods purchased for which the prepayments were made; and

– the Company had commissioned a specific review by its incumbent auditors of internal control and risk management systems of the Group (the "**Specific Review**") with respect to such prepayments. Material findings under the Specific Review and remedial measures being implemented by the Group as a result of such findings are summarised as follows:

Findings	**Remedial measures**
Supplier selection process	
Internal procedures in relation to supplier selection have not been consistently applied to all suppliers including wood suppliers and there had been inadequate procedure for, and documentary records of, verification undertaken regarding suppliers.	The Group will fully implement supplier selection procedures across all its suppliers. The Group is updating its procedures for, to require adequate documentary records of, verification undertaken regarding suppliers.

Findings	Remedial measures
Managing, processing, approval and monitoring recovery of payments in advance to suppliers and payments of security deposits for tendering activities	
Incomplete procedures in relation to prepayments (including basis and limits for prepayment amounts, payment authorisation procedures, and documentary records) and monitoring supplier deliveries against prepayments or refund of security deposits for unsuccessful tenders.	The Group has put together in writing complete procedures in relation to prepayments (including security deposit payments) covering payment authorisations, for significant prepayments, more systematic monitoring and reporting of cash flow position and receivables collections, which the Company will require full implementation by all Group members.
Internal procedures in relation to prepayments have not been consistently applied to all Group companies and departments and to all prepayments (including security deposits).	
Prepayments to counterparties in bids for raw materials	
Lack of policy and procedures for tendering activities.	The Group has now developed policy and procedures for tendering activities and will require strict implementation by all Group members going forward.

The Company will report on the status of its implementation of remedial measures in its interim report for the six months ending 30 June 2016.

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

Hong Kong, 31 May 2016

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 Directors are Mr. Ong Chor Wei and Mr. Lai Ming Wai; 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.