Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF THE 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.*

PUBLICATION OF UNAUDITED MANAGEMENT ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

Due to the COVID-19 outbreak, as of the date of this announcement, the auditors of the Company were unable to conduct the relevant audit field works in the People's Republic of China ("**PRC**") and the professional valuers (the "**Valuers**") are in the progress to perform valuation work on the biological assets. These inevitably cause delay in publication of the outstanding financial results of the Group. It is expected that the audit field works would be resumed as soon as practicable after the COVID-19 outbreak having become relieved with relevant relaxation on travel restriction measures and the Valuers could complete the valuation as soon as practicable. In order to keep the shareholders of the Company ("**Shareholders**") and the potential investors informed of the Company's and its subsidiaries' ("**Group**") business operation and financial position, the Board would like to provide the Shareholders and the potential investors with the preliminary unaudited financial information of the Group for the year ended 31 December 2019 without taking into account the effect of any changes in fair values less costs to sell of biological assets ("**Valuation Changes of Biological Assets**"), which will be ascertained after completion of the Valuers' work, together with the audited comparative figures for the same period in 2018.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019, unaudited operating results of the Group were as follows:

– Revenue for the year ended 31 December 2019 amounted to approximately HK$396.7 million, representing a decrease of 2.5% from approximately HK$406.9 million recorded in 2018.

– Gross profit for the year ended 31 December 2019 amounted to approximately HK$84.1 million, representing a decrease of 1.9% from approximately HK$85.7 million recorded in 2018.

– Valuation Changes of Biological Assets for the year ended 31 December 2019 have not been reflected. A net loss arising from Valuation Changes of Biological Assets was approximately HK$64.5 million in 2018.

– Profit attributable to owners of the Company before Valuation Changes of Biological Assets for the year ended 31 December 2019 amounted to approximately HK$23.6 million. Loss attributable to owners of the Company recorded in 2018 after Valuation Changes of Biological Assets was approximately HK$59.6 million.

– Total comprehensive income attributable to owners of the Company before Valuation Changes of Biological Assets for the year ended 31 December 2019 amounted to approximately HK$13.7 million. Total comprehensive loss attributable to owners of the Company recorded in 2018 after Valuation Changes of Biological Assets was approximately HK$82.5 million.

– The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: nil).

UNAUDITED MANAGEMENT ACCOUNTS

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the unaudited management accounts of the Group for the year ended 31 December 2019, together with the audited comparative figures for the year ended 31 December 2018, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") as below. For the reasons explained in the paragraph headed "Review of Unaudited Management Accounts" in this announcement, the Valuation Changes of Biological Assets for the year ended 31 December 2019 have not been reflected in the unaudited management accounts and the audit process for the annual results of the Group for the year ended 31 December 2019 has not been completed as at the date of this announcement.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Revenue	4	**396,682**	406,879
Cost of sales		**(312,547)**	(321,136)
Gross profit		**84,135**	85,743
Other income	6	**17,457**	17,661
Other losses, net	7	**(514)**	(775)
Impairment loss on property, plant and equipment		**–**	(2,203)
Impairment loss on prepaid forestlands lease payments		**–**	(5,366)
Gain arising from agricultural produce at fair values less costs to sell at the point of harvest		**–**	1,583
Selling and distribution expenses		**(28,519)**	(31,737)
Administration expenses		**(23,082)**	(30,079)
Finance costs	8	**(24,637)**	(27,787)
Profit before Valuation Changes of Biological Assets and tax		**24,840**	7,040
Net loss arising from Valuation Changes of Biological Assets		**N/A#**	(64,516)
Profit/(loss) before/after Valuation Changes of Biological Assets and before tax		**24,840**	(57,476)
Income tax expense	9	**(1,222)**	(2,138)
Profit/(loss) before/after Valuation Changes of Biological Assets for the year attributable to owners of the Company	10	**23,618**	(59,614)
Other comprehensive loss which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(9,883)**	(22,879)
Other comprehensive loss for the year		**(9,883)**	(22,879)
Total comprehensive income/(loss) before/after Valuation Changes of Biological Assets for the year		**13,735**	(82,493)
Total comprehensive income/(loss) before/after Valuation Changes of Biological Assets attributable to owners of the Company		**13,735**	(82,493)
Basic and diluted earnings/(loss) per share, in HK cents	11	**2.84**	(7.16)

The Valuation Changes of Biological Assets for the year ended 31 December 2019 will be ascertained after completion of the Valuers' work.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**309,455**	339,042
Prepaid lease payments		**–**	42,567
Right-of-use assets		**43,110**	–
Biological assets		**100,613**	102,602
Intangible assets		**2,066**	2,559
Deferred tax assets		**317**	350
Prepayments for acquisition of property, plant and equipment		**588**	3,455
Security deposit		**–**	1,712
		456,149	492,287
CURRENT ASSETS			
Inventories	*13*	**105,840**	126,626
Trade and bills receivables	*14*	**83,868**	49,139
Deposits, prepayments and other receivables		**40,107**	42,357
Bank balances and cash		**69,689**	6,204
Pledged bank deposit		**5,000**	6,277
		304,504	230,603
CURRENT LIABILITIES			
Trade payables	*15*	**19,407**	34,058
Other payables and accrued expenses		**34,880**	25,721
Contract liabilities		**613**	4,502
Bank and other borrowings, due within one year	*16*	**171,445**	202,514
Deferred income		**3,732**	3,738
Lease liabilities		**723**	–
Notes payable, secured and guaranteed	*17*	**97,532**	–
		328,332	270,533
NET CURRENT LIABILITIES		**(23,828)**	(39,930)
TOTAL ASSETS BEFORE/AFTER VALUATION CHANGES OF BIOLOGICAL ASSETS LESS CURRENT LIABILITIES		**432,321**	452,357

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,723**	560
Bank and other borrowings, due after one year	*16*	**67,832**	3,184
Deferred income		**30,671**	34,113
Lease liabilities		**591**	–
Notes payable, secured and guaranteed	*17*	**–**	96,731
		100,817	134,588
NET ASSETS BEFORE/AFTER VALUATION CHANGES OF BIOLOGICAL ASSETS		**331,504**	317,769
CAPITAL AND RESERVES			
Share capital	*18*	**253,928**	253,928
Reserves		**77,576**	63,841
EQUITY BEFORE/AFTER VALUATION CHANGES OF BIOLOGICAL ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY		**331,504**	317,769

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital	Capital reserve	Statutory reserve	Foreign currency translation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note (i))	*(note (ii))*			
Balance at 1 January 2018 (audited)	253,928	(16,968)	22,841	(1,833)	142,294	400,262
Loss after Valuation Changes of Biological Assets for the year	–	–	–	–	(59,614)	(59,614)
Other comprehensive loss for the year:						
Exchange differences arising on translation to presentation currency	–	–	–	(22,879)	–	(22,879)
Total comprehensive loss after Valuation Changes of Biological Assets for the year	–	–	–	(22,879)	(59,614)	(82,493)
Transfer to statutory reserve	–	–	2,994	–	(2,994)	–
Balance at 31 December 2018 and 1 January 2019 (audited)	253,928	(16,968)	25,835	(24,712)	79,686	317,769
Profit before Valuation Changes of Biological Assets for the year	–	–	–	–	23,618	23,618
Other comprehensive loss for the year:						
Exchange differences arising on translation to presentation currency	–	–	–	(9,883)	–	(9,883)
Total comprehensive (loss)/ income before Valuation Changes of Biological Assets for the year	–	–	–	(9,883)	23,618	13,735
Transfer to statutory reserve	–	–	4,490	–	(4,490)	–
Balance before Valuation Changes of Biological Assets at 31 December 2019 (unaudited)	**253,928**	**(16,968)**	**30,325**	**(34,595)**	**98,814**	**331,504**

(i) Capital reserve represents the excess of consideration paid by the Company for acquiring the entire shares capital of Hongwei Wooden Products (Renhua) Company Limited ("**Hongwei Renhua**") over its capital at the time of the group reorganisation in the year 2012.

(ii) In accordance with relevant laws and regulations in the People's Republic of China (the "**PRC**"), the PRC subsidiary is required to transfer at least 10% of its profit after tax reported in its statutory financial statements prepared under the relevant accounting principles and financial regulations applicable to enterprises established in the PRC to the statutory reserve.

The appropriation to statutory reserve may cease if the balance of the statutory reserve has reached 50% of the PRC subsidiary's registered capital.

The statutory reserve can be used to make up losses or for conversion into capital. The PRC subsidiary may, upon the approval by a resolution of the owner, convert its statutory reserve into capital in proportion to its then existing capital contribution. However, when converting the PRC subsidiary's statutory reserve into capital, the balance of such reserve remaining unconverted must not be less than 25% of its registered capital.

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 2019. The address of the Company's registered office and its principal place of business is Unit No.5, 10/F., Well Tech Centre, No.9 Pat Tat Street, San Po Kong, Kowloon, Hong Kong.

During the year, the Company's principal activity is investment holding and its principal subsidiaries are principally engaged in manufacturing and selling of particleboards and forestry business in the PRC.

The functional currency of the Company is Renminbi ("**RMB**"), while these consolidated financial statements are presented in Hong Kong dollar ("**HKD**"), 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 GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Information relating to the Company's statutory financial statements to be disclosed under section 436 of the Companies Ordinance

The unaudited financial information relating to the financial year ended 31 December 2019 ("**FY2019**") included in this announcement are not the Company's statutory annual consolidated financial statements for FY2019. The Company will deliver the audited consolidated financial statements to the Registrar of Companies in due course as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. As of the date of this announcement, the Company's auditors have yet to report on these financial statements.

The financial statements relating to the financial year ended 31 December 2018 ("**FY2018**") that are included in this announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for FY2018 but is derived from those financial statements. The Company has delivered the audited consolidated financial statements for FY2018 to the Registrar of the Companies and the Company's auditors have reported on those financial statements. The auditors' report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

As at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately HK$23,828,000 (2018: HK$39,930,000). Its current liabilities, including bank and other borrowings of approximately HK$171,445,000 (2018: HK$202,514,000) due within one year (note 16) and notes payable of approximately HK$97,532,000 (2018: HK$ nil) due within one year (note 17), exceeded its cash and cash equivalents of approximately HK$69,689,000 (2018: HK$6,204,000).

The Directors have given careful consideration to the Group's financial performance, working capital, liquidity position and available banking facilities from its principal bankers and financial institutions, and the stability of the Group's business, operations and relationships with its suppliers, bankers and financial institutions. In addition, Mr. Wong agreed to provide financial support to the Group. In view of this, the Directors are of the view that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

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

During the year, the Group has adopted the following new and amended HKFRSs issued by the HKICPA for the first time:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment Curtailment or Settlement
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described the impacts on adoption of HKFRS 16 below, the application of the above new or revised standards, amendments and interpretations in the current period has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 "Leases", and the related interpretations, HK(IFRIC) 4 "Determine whether an arrangement contains a lease", HK(SIC) 15 "Operating leases incentives", and HK(SIC) 27 "Evaluating the substance of transactions involving the legal form of a lease". HKFRS 16 introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use-asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balances of right-of-use assets and lease liabilities at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16 upon transition are set out below:

	31 December 2018 *HK$'000* (Audited)	Effect on adoption of HKFRS 16 *HK$'000* (Unaudited)	1 January 2019 *HK$'000* (Unaudited)
Property, plant and equipment	339,042	(1,733)	337,309
Prepaid lease payments	42,567	(42,567)	–
Right-of-use assets	–	45,802	45,802
Total non-current assets	**492,287**	**1,502**	**493,789**
Deposits, prepayments and other receivables	42,357	(1,502)	40,855
Total current assets	**230,603**	**(1,502)**	**229,101**
Bank and other borrowings, due within one year	202,514	(551)	201,963
Lease liabilities	–	551	551
Total current liabilities	**270,533**	**–**	**270,533**
Net current liabilities	**(39,930)**	**(1,502)**	**(41,432)**
Total assets less current liabilities	**452,357**	**–**	**452,357**
Bank and other borrowings, due after one year	3,184	(1,051)	2,133
Lease liabilities	–	1,051	1,051
Total non-current liabilities	**134,588**	**–**	**134,588**
Net assets	**317,769**	**–**	**317,769**

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land and buildings and a motor vehicle. Before the adoption of HKFRS 16, the Group classified each of its lease (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance lease were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as operating lease expenses in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepaid lease payments, and other payables and accrued expenses, respectively.

Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group has applied certain of the practical expedients and transition requirements as set out in HKFRS 16.

Leases previously classified as finance lease

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance lease (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under HKAS 17). The requirements of HKFRS 16 were applied to these leases from 1 January 2019.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the following practical expedients:

– reliance on previous assessment on whether leases are onerous;

– the use of recognition exemption to lease with a remaining lease term of less than 12 months at 1 January 2019;

– the exclusion of initial direct costs of the measurement of the right-of-use asset at the date of initial application; and

– the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Sale and leaseback arrangement

For leases that were classified as finance leases under sale and leaseback arrangement applying HKAS 17, the transferred assets continue to recognised under "property, plant and equipment" and the remaining balance of transferred proceeds continues to recognised under "bank and other borrowings" in the consolidated statement of financial position from 1 January 2019.

Summarised financial effect

Based on the foregoing, as at 1 January 2019:

– Motor vehicle under finance lease arrangements previously presented within "property, plant and equipment" of approximately HK$1,733,000 is now presented within the line item "right-of-use assets". The corresponding obligation under finance lease previously presented within "bank and other borrowings" due within one year of approximately HK$551,000 and due after one year of approximately HK$1,051,000 are now presented within the line item "lease liabilities" in current liabilities and non-current liabilities, respectively. There has been no change in the amount recognised.

– Prepaid rent previously presented within "prepaid lease payments" in non-current assets of approximately HK$42,567,000 and "deposits, prepayments and other receivables" in current assets of approximately HK$1,502,000 are now presented within the line item "right-of-use assets" in non-current assets. There has been no change in the amount recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018 (audited)	319
Less: commitments relating to a lease with remaining lease term ending on or before 31 December 2019	(319)
Adjustment to lease liabilities at 1 January 2019 (unaudited)	–

There is no change in lease liabilities presented and the amounts recognised at 1 January 2019. The interest rate implicit in the lease applied to the lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 3.63%.

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

HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material[1]
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

In addition to the above new standard and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards,* will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company do not anticipate that the application of the new standard and amendments to HKFRSs above will have a material effect on the Group's consolidated financial statements.

4. REVENUE

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Timing of revenue recognition – a point in time:		
Sales of particleboards	**396,682**	406,369
Sales of timber woods	**–**	510
Revenue from contracts with customers	**396,682**	406,879

Sales of particleboards and timber woods are recognised at point in time when particleboards and timber woods are delivered to customers.

5. SEGMENT INFORMATION

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

During the year ended 31 December 2019 and 2018, the Group has two reportable operating segments. Details are as follows:

(i) Particleboards segment, principally engaged in manufacturing and selling of particleboards in the PRC; and

(ii) Forestry segment, principally engaged in timber logging, plantation and sales of timber woods and agricultural products in PRC.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment revenue represents the revenue generated by each operating segment. Inter-segment revenue represents inter-segment sales which were transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

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

– All assets are allocated to reportable segments other than pledged bank deposit, security deposit, deferred tax assets and unallocated corporate assets; and

– All liabilities are allocated to reportable segments other than bank and other borrowings, notes payable, lease liabilities, deferred tax liabilities and unallocated corporate liabilities.

Operating segments

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

For the year ended 31 December 2019 (Unaudited)

	Particleboards segment *HK$'000*	**Forestry segment** *HK$'000*	**Total** *HK$'000*
Segment revenue:			
Reportable segment revenue	**396,682**	**–**	**396,682**
Segment results:			
Reportable segment results before Valuation Changes of Biological Assets	**59,837**	**(1,919)**	**57,918**
Interest income *(note 6)*			**520**
Finance costs *(note 8)*			**(24,637)**
Unallocated corporate staff costs			**(3,455)**
Unallocated corporate expenses			**(5,506)**
Consolidated profit before tax and before Valuation Changes of Biological Assets			**24,840**
Other segment information			
Capital expenditures – allocated	**6,921**	**–**	**6,921**
Depreciation – allocated	**28,083**	**1,069**	**29,152**
Depreciation – unallocated			**669**
			29,821
Amortisation	**445**	**–**	**445**
Expected credit loss for trade and bills receivables *(note 7)*	**480**	**–**	**480**

For the year ended 31 December 2018 (Audited)

	Particleboards segment *HK$'000*	Forestry segment *HK$'000*	Total *HK$'000*
Segment revenue:			
Reportable segment revenue	406,369	2,093	408,462
Elimination of inter-segment revenue	–	(1,583)	(1,583)
Consolidated revenue	406,369	510	406,879
Segment results:			
Reportable segment results after Valuation Changes of Biological Assets	53,258	(71,847)	(18,589)
Interest income *(note 6)*			101
Finance costs *(note 8)*			(27,787)
Unallocated corporate staff costs			(3,278)
Unallocated corporate expenses			(7,923)
Consolidated loss before tax but after Valuation Changes of Biological Assets			(57,476)
Other segment information:			
Capital expenditures – allocated	17,692	–	17,692
Depreciation – allocated	27,857	–	27,857
Depreciation – unallocated			630
			28,487
Amortisation	906	1,372	2,278
Gain arising from agricultural produce at fair values less costs to sell at the point of harvest	–	1,583	1,583
Impairment loss on property, plant and equipment	2,203	–	2,203
Impairment loss on prepaid forestlands lease payments	–	5,366	5,366
Net loss arising from changes in fair values less costs to sell of biological assets	–	64,516	64,516
Expected credit loss for trade and bills receivables *(note 7)*	709	–	709

Capital expenditures of particleboards segment mainly represent the addition of property, plant and equipment and prepayments made for acquisition of property, plant and equipment during the year.

As at 31 December 2019 (Unaudited)

	Particleboards segment *HK$'000*	**Forestry segment** *HK$'000*	**Total** *HK$'000*
Segment assets:			
Reportable segment assets before Valuation Changes of Biological Assets	**627,767**	**124,592**	**752,359**
Deferred tax assets			**317**
Pledged bank deposit			**5,000**
Unallocated corporate assets			**2,977**
Consolidated total assets before Valuation Changes of Biological Assets			**760,653**
Segment liabilities:			
Reportable segment liabilities	**80,364**	**2,032**	**82,396**
Deferred tax liabilities			**1,723**
Bank and other borrowings			**239,277**
Lease liabilities			**1,314**
Notes payable			**97,532**
Unallocated corporate liabilities			**6,907**
Consolidated total liabilities			**429,149**

As at 31 December 2018 (Audited)

	Particleboards segment *HK$'000*	Forestry segment *HK$'000*	Total *HK$'000*
Segment assets:			
Reportable segment assets after Valuation Changes of Biological Assets	582,935	128,312	711,247
Deferred tax assets			350
Pledged bank deposit			6,277
Security deposit			1,712
Unallocated corporate assets			3,304
Consolidated total assets after Valuation Changes of Biological Assets			722,890
Segment liabilities:			
Reportable segment liabilities	98,301	1,801	100,102
Deferred tax liabilities			560
Bank and other borrowings			205,698
Notes payable			96,731
Unallocated corporate liabilities			2,030
Consolidated total liabilities			405,121

Entity-wide disclosures

Geographical information

The Group's operation is located in the PRC and all of its revenue is generated from the PRC and other Asian countries for both years. The analysis is as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue from the PRC	**396,682**	406,323
Revenue from other Asian countries	**–**	556
	396,682	406,879

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

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Customer A	**182,457**	229,512
Customer B	**43,536**	N/A*

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

6. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Value added tax ("**VAT**") refund	**12,368**	12,440
Government grants*	**4,526**	4,738
Bank interest income	**520**	101
Others	**43**	382
	17,457	17,661

* The amount of HK$3,746,000 (2018: HK$3,749,000) represented financial subsidy released from deferred income for interest expenses incurred by the Group for its bank borrowings. The amount of HK$780,000 (2018: HK$989,000) have been received to provide immediate financial support to the Group with no unfulfilled conditions related to the subsidy.

7. OTHER LOSSES, NET

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Net foreign exchange losses	**34**	66
Expected credit loss for trade and bills receivables	**480**	709
	514	775

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interests on bank and other borrowings	**12,501**	15,872
Interests on bonds and notes payable	**11,039**	10,452
Interests on lease liabilities	**40**	–
Interests on obligations under finance leases	**–**	55
Other finance costs	**1,057**	1,408
	24,637	27,787

9. INCOME TAX EXPENSE

Income tax recognised in profit or loss

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax	**–**	–
Deferred tax charged/(credited):		
– origination and reversal of temporary difference	**1,222**	1,608
– write-down of previously recognised deferred tax assets	**–**	2,070
– recognition of deferred tax assets previously not recognised	**–**	(1,540)
	1,222	2,138
Income tax expenses	**1,222**	2,138

10. PROFIT/(LOSS) FOR THE YEAR BEFORE/AFTER VALUATION CHANGES OF BIOLOGICAL ASSETS

Profit/(loss)for the year before/after Valuation Changes of Biological Assets has been arrived at after charging:

	Note	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Employee benefits expenses (include directors' emoluments)			
Salaries and other benefits		**15,181**	15,602
Contribution to retirement benefit schemes		**949**	1,017
Total employee benefit expenses		**16,130**	16,619
Depreciation of:			
– property, plant and equipment		**27,772**	28,487
– right-of-use assets		**2,049**	–
Amortisation:			
– intangible assets	*(i)*	**445**	463
– release of prepaid land lease payments	*(i)*	**–**	443
– release of prepaid forestland lease payments	*(i)*	**–**	1,372
Cost of goods sold recognised as expenses		**312,547**	321,136
Auditor's remuneration			
– Provision in respect of current year		**1,450**	1,380
– Non-audit services		**–**	200
Operating lease payments for lease with remaining lease term ended on or before 31 December 2019	*(ii)*	**319**	610
Other taxes		**2,801**	3,242
Legal, consultancy and professional fees		**1,640**	3,406
Entertainment and travelling expenses		**1,364**	3,426
Donation		**707**	178

Note:

(i) The amount was included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

(ii) Amounts in 2018 represent the lease rentals recognised over the lease terms for operating leases under HKAS 17. Upon adoption of HKFRS 16, the Group has applied one of the practical expedients permitted by the standard to account for lease with remaining lease term ended on or before 31 December 2019 as short-term lease and all other leases are no longer recognised under operating lease payments (note 3).

11. EARNINGS/(LOSS) PER SHARE

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

Earnings/(Loss)

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit/(loss) for the year before/after Valuation Changes of Biological Assets attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**23,618**	(59,614)

Number of shares

	2019	2018
	'000	*'000*
	(Unaudited)	(Audited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**832,603**	832,603

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.

12. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2019 (2018: nil), nor has any dividend been proposed since the end of the reporting period.

13. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Raw materials	**91,534**	89,321
Work in progress	**2,750**	3,956
Finished goods	**11,556**	33,349
Total	**105,840**	126,626

14. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**77,060**	32,554
Bills receivables	**8,016**	17,337
	85,076	49,891
Less: allowances for expected credit loss	**(1,208)**	(752)
	83,868	49,139

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 (2018: 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, presented based on invoice date, at the end of the reporting period.

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within three months	**76,536**	31,950
Over three months but within six months	**79**	–
Over six months	**445**	604
Total	**77,060**	32,554

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.

	2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Audited)
Within three months	**5,132**	11,286
Over three months but within six months	**2,884**	6,051
Total	**8,016**	17,337

15. TRADE PAYABLES

	Note	2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Audited)
Trade payables	*(i)*	**19,407**	34,058

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:

	2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Audited)
Within 3 months	**13,229**	25,823
Over 3 months but within 6 months	**4,489**	6,834
Over 6 months	**1,689**	1,401
	19,407	34,058

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

16. BANK AND OTHER BORROWINGS

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Bank borrowings, due within one year	*(i)*	**134,739**	158,618
Other borrowings	*(ii)*	**90,338**	43,195
Finance lease liability		**–**	1,602
Unsecured loans from Mr. Wong and his associate	*(iii)*	**14,200**	–
Other unsecured loan		**–**	2,283
		239,277	205,698
Less: amount included in current liabilities		**(171,445)**	(202,514)
Non-current portion		**67,832**	3,184
Analysed as:			
Secured but unguaranteed	*(iv)*	**62,799**	110,877
Secured and guaranteed	*(iv)(v)*	**142,184**	65,603
Unsecured and unguaranteed		**34,294**	29,218
		239,277	205,698

Notes:

(i) Other than bank borrowings with an aggregate carrying amount of approximately HK$72,560,000 (2018: HK$79,775,000) which bear fixed interest rate ranging from 4.35% to 5.79% (2018: 4.35% to 5.87%) per annum as at 31 December 2019, other bank borrowings with an aggregate carrying amount of approximately HK$62,179,000 (2018: HK$78,843,000) bear floating interest rates ranging from 4.57% to 6.31% (2018: 4.75% to 6.88%) per annum as at 31 December 2019.

As at 31 December 2019, all bank borrowings were denominated in RMB.

(ii) As at 31 December 2019, the Group's other borrowings represents sales and leaseback arrangements with financial institutions, pursuant to which the Group transfers certain of its equipments to the financial institutions for loans to the Group with tenure of one to three years (2018: two to three years) from the date of advancements. At the end of the terms, the Group could pay a minimal amount of consideration to re-acquire the leased equipments. Other borrowings of approximately HK$31,696,000 (2018: HK$31,569,000) carried fixed interest with effective interest rates ranging from 11.48% to 11.65% (2018: 9.68%) whereas other borrowings of approximately HK$58,642,000 (2018: HK$11,626,000) carried floating interest with effective interest rates ranging from 9.76% to 12.21% (2018:12.21%) as at 31 December 2019. Other borrowings are denominated in RMB in both years.

The maturity analysis of other borrowings is as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**22,506**	41,061
More than one year, but not exceeding two years	**33,131**	2,133
More than two years, but not exceeding five years	**34,701**	–
	90,338	43,194

(iii) On 22 March 2018 and 22 March 2019, Mr. Wong and the Company entered into short term unsecured revolving loan agreements (as supplemented by a supplemental agreement), pursuant to which Mr. Wong agreed to provide revolving facility of HK$55,000,000 to the Company. On 14 August 2019, Mr. Wong's associate and daughter, Ms. Wong Wan Yu ("**Ms. Wong**"), and the Company entered into a short term unsecured revolving loan agreement (as supplemented by a supplemental agreement), pursuant to which Ms. Wong agreed to provide revolving facility of HK$10,000,000 to the Company. As at 31 December 2019, the Company has utilised HK$7,500,000 and HK$6,700,000 in respect of revolving facilities provided by Mr. Wong and Ms. Wong, respectively. These loans are due in the year 2020, carries interest at 7% per annum and are unsecured and unguaranteed.

(iv) As at 31 December 2019, the Group's secured bank and other 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$252,125,000 (2018: HK$286,674,000);

(b) the pledge of the Group's right-of-use assets with an aggregate carrying amount of approximately HK$17,825,000 (2018: prepaid lease payments of approximately HK$18,652,000);

(c) the pledge of the Group's inventories with an aggregate carrying amount of approximately HK$11,556,000 (2018: HK$33,349,000);

(d) the pledge of the Group's security deposit with carrying amount of HK$Nil (2018: HK$1,712,000); and

(e) the pledge of the Group's bank deposits with an aggregate carrying amount of approximately HK$ Nil (2018: HK$6,277,000).

(v) As at 31 December 2019 and 2018, the Group's secured and guaranteed bank borrowings of approximately HK$52,467,000 are secured by personal guarantees executed by Mr. Wong and Mr. Wong Kin Ching, son of Mr. Wong for the maximum amount of guarantees up to approximately HK$221,031,000 (2018: HK$225,976,000). As at 31 December 2019, the Group's secured and guaranteed other borrowings of approximately HK$89,717,000 (2018: HK$ nil) are secured by personal guarantees executed by Mr. Wong and Mrs. Wong / Mr. Wong, Mrs. Wong and Mr. Wong Kin Ching.

17. NOTES PAYABLE

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Notes payable, secured and guaranteed *(note)*	**97,532**	96,731

Note:

On 13 August 2018, pursuant to the subscription agreement dated 10 August 2018 (the "**Note Subscription Agreement**") between the Company and Haitong Global Investment SPC III acting on behalf of and for a segregated portfolio ("**Note Subscriber**"), the Company issued secured and guaranteed notes in the principal amount of HK$100,000,000 (the "**Note**") due on 12 August 2020, extendable to 12 August 2021 (subject to the approval of the noteholder) to the Note Subscriber. The Note carry an interest rate of 8% per annum for the first six months from the date of issue and prime rate (as per HSBC's then current Hong Kong Dollar best lending rate in effect) plus 3% per annum for the rest of its term, and is secured, among other things, by personal guarantee executed by Mr. Wong and Mrs. Wong (together, "**Guarantors**").

The Note Subscription Agreement and the instrument constituting the Notes ("**Instrument**") contain covenants that require Mr. Wong to remain as the single largest shareholder of the Company, the chairman of the Board and executive director of the Company and restrict the creation by either of the Guarantors of any additional encumbrances over real properties owned by them in Hong Kong as at the date of the Note Subscription Agreement and the Instrument, the breach of which will constitute an event of default. In addition, the bankruptcy or inability to pay debts when due of the Guarantors or any change of control (within the meaning of the Code on Takeovers and Mergers) of the Company will also constitute an event of default. Upon the occurrence of a continuing event of default, the holder(s) of the Note is(are) entitled to request immediate redemption of the Note at a higher interest rate and such amount which would give a 20% internal rate of return (inclusive of all interest and fee payable by the Company) to the Note Subscriber as stipulated in the Instrument. Please refer to the announcement of the Company date 10 August 2018 for more details.

As at 31 December 2019, the Group's pledged bank deposit of HK$5,000,000 (2018: HK$ Nil) has been pledged to secure the notes payable.

18. SHARE CAPITAL

Issued and fully paid shares

	Number of shares		**Share capital**	
	2019	*2018*	***2019***	*2018*
	'000	*'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Ordinary shares, issued and fully paid				
At 31 December	**832,603**	832,603	**253,928**	253,928

There is no movement in share capital between years.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2019 ("**Current Period**"), the Group continued to be engaged in the manufacturing and selling of particleboards ("**Particleboards Segment**") and the plantation, timber logging and sales of wood and agricultural products in the PRC ("**Forestry Segment**").

Particleboards Segment

During the Current Period, our products were principally used by our customers in the manufacturing of furniture and fixtures, sport equipment, decoration and construction materials. Meanwhile, the Chinese economy continued to face uncertainties under the pressure of the ongoing trade war with the U.S. and greater fluctuation in the exchange rate of RMB in the first half of 2019. The negative impacts on the export market have indirectly affected the domestic consumer industry. The domestic demand for consumer products such as household furniture and fixtures, sport equipment as well as construction materials had remained at a weak level whereas our financing costs are rising given the financial institutions are more prudent in granting loans.

Under such challenging environments, although the sales of the Company for the first nine months in 2019 was lower than that for the same period last year, the Company managed to increase the sales in the last quarter and recover the shortfall in the last three quarters. Therefore, the overall sales of the Company in 2019 is similar to 2018, as a result of our marketing measures such as adjusting our pricing scheme and modifying product mix.

In order to tackle the challenging business environment currently facing the world market, we are still determined to try exploring further diversifications in our supply chain operations in order to mitigate our business risks by tightening cost control amidst weakening sales to strengthen our sustainability and competitiveness.

Unexpectedly, the outbreak of the COVID-19 in early 2020 affected many cities and provinces of the PRC domestically as well as the global market in general. Due to the outbreak of the pandemic, the global economy is faced with increased uncertainties, and the operation environment of enterprises are becoming more dynamic and challenging, it further tightened up customers' spending and reduced demand for furniture and construction materials. Such adverse impact has not been reflected in the Group's revenue in 2019.

Forestry Segment

During the Current Period, the Group has not learnt any update on the measure regarding the grant by the relevant government department of timber wood harvesting quotas which have been materially curtailed as part of the PRC government's strengthening drive of environmental protection since about the end of 2018. As a result, the Group is unable to resume any of the harvesting activity since such curtailment is expected to continue to last for a certain period which is unknown and uncontrollable by the Group. Nevertheless, the Group will continue to further explore and assess the other possible alternatives to utilize its forestry resources in order to benefit the Group as a whole.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2019, the Group's revenue for Particleboards Segment decreased to approximately HK$396.7 million from approximately HK$406.4 million, representing a decrease of approximately 2.4% as compared to the year ended 31 December 2018. The decrease was mainly due to decrease in the average unit selling price of particleboards by approximately 7.7% which was partly off-set by the increase in sales volume of particleboard by approximately 5.8% during the year.

During the year ended 31 December 2019, no income generating activity took place for the Forestry Segment and hence no revenue was recognised for such segment. The Group generated revenue of approximately HK$0.5 million for the Forestry Segment during the year ended 31 December 2018.

Cost of Sales

During the year ended 31 December 2019, the Group's costs of sales decreased to approximately HK$312.5 million from approximately HK$321.1 million, representing a decrease of approximately 2.7% as compared to the year ended 31 December 2018. The decrease was mainly attributed to the decrease in average unit costs of raw materials particularly the residual wood purchased from external suppliers during the year ended 31 December 2019.

Gross profit and margin

During the year ended 31 December 2019, the Group's gross profit decreased to approximately HK$84.1 million from approximately HK$85.7 million, representing a decrease of approximately 1.9% as compared to the year ended 31 December 2018. The Group's gross profit margin increased to approximately 21.2% for the year ended 31 December 2019 from approximately 21.1% for the year ended 31 December 2018. The decrease in gross profit was mainly attributable to the decrease in revenue during the year.

Other income and other losses, net

During the year ended 31 December 2019, the Group's other income decreased to approximately HK$17.5 million from approximately HK$17.7 million, representing a decrease of approximately 1.1% as compared to the year ended 31 December 2018. The decrease was mainly attributable to the decrease in subsidies received by the Group during the year.

During the year ended 31 December 2019, there was other losses, net in the amount of approximately HK$514,000 (2018: HK$775,000) which mainly comprises expected credit loss for trade and bills receivables.

Impairment losses on property, plant and equipment and prepaid forestlands lease payments

In the absence of indicator of impairment loss of property, plant and equipment, no impairment loss was recognised for the year ended 31 December 2019. For the year ended 31 December 2018, an impairment loss of property, plant and equipment of approximately HK$2,203,000 was recognised.

The prepayments made for leases of forestlands, previously recorded as prepaid lease payments, have been re-classified as right-of-use assets after the adoption of HKFRS 16 "Leases", which is effective since 1 January 2019. No indicator of impairment loss of right-of-use assets was identified as at 31 December 2019 and therefore no impairment loss was recognised for 2019. For the year ended 31 December 2018, an impairment loss of prepaid forestlands lease payments of approximately HK$5,366,000 was recognised.

Valuation Changes of Biological Asset

Due to the COVID-19 outbreak, the valuation process by the Valuer has been delayed due to late receipt of third party industry data for valuation of biological assets and as of the date of this announcement the valuation work has not yet completed. Therefore, Valuation Changes of Biological Assets have not been reflected in the unaudited management accounts for the year ended 31 December 2019. During the year ended 31 December 2018, net loss arising from Valuation Changes of Biological Assets amounted to approximately HK$64.5 million. Such loss was arising from the circumstances occurred in the year 2018 that made it difficult for the Group to estimate when the harvesting quota would be granted by the relevant local government which result in a change in valuation method from income approach (which involved projection by the Group of the income stream derived from harvesting and selling of the forestry assets in the future) to sales comparison approach (which considered prices recently paid or listing price for similar assets) for the determination of overall fair values less costs to sell of biological assets.

Selling and distribution expenses

During the year ended 31 December 2019, the Group's selling and distribution expenses decreased to approximately HK$28.5 million from approximately HK$31.7 million, representing a decrease of approximately 10.1%, which was mainly attributable to the decrease in transportation and packaging cost incurred during the Current Period. Some of the Group's customers directly picked up the particleboards at the Group's premise during the Current Period while they normally required the Group to deliver the particleboards to them previously. As a result, transportation costs incurred for delivery of products to customers decreased during the Current Period.

During the year ended 31 December 2019, no income generating activity took place and also no subcontracting fee for harvesting activities performed by subcontractors under the Forestry Segment during the year ended 31 December 2018 (2018: HK$0.5 million).

Administration expenses

During the year ended 31 December 2019, the Group's administration expenses decreased to approximately HK$23.1 million from approximately HK$30.1 million, representing a decrease of approximately 23.3% as compared to the year ended 31 December 2018. The Group implemented cost saving strategy during the Current Period in order to cope with the challenging environment. The strategy causes the Group's administration expenses, including traveling and entertainment expenses, legal, consultancy and professional expenses, decreased during the Current Period.

Meanwhile, there was approximately HK$1.8 million incurred mainly for the fertilizer fee, replantation cost and other maintenance expenses of forestlands under the Forestry Segment during the year ended 31 December 2019 (2018: HK$3.3 million).

Finance costs

During the year ended 31 December 2019, the Group's finance costs decreased to approximately HK$24.6 million from approximately HK$27.8 million, representing a decrease of approximately 11.3% as compared to the year ended 31 December 2018. A significant portion of the Group's bank borrowings has been fully repaid at the first quarter of the Current Period and the Group's other borrowings were mostly incurred at the last quarter of the Current Period. As such, the finance costs decrease during the Current Period.

Profit/loss for the year before/after Valuation Changes of Biological Assets attributable to owners of the Company

During the year ended 31 December 2019, the Group's profit (before Valuation Changes of Biological Assets) attributable to owners of the Company amounting to approximately HK$24.8 million, while the Group's loss (after Valuation Changes of Biological Assets) attributable to owners of the Company during the year ended 31 December 2018 amounting to approximately HK$59.6 million. The loss after Valuation Changes of Biological Assets for the year ended 31 December 2018 was mainly caused by the net loss arising from Valuation Changes of Biological Assets and impairment losses on property, plant and equipment and prepaid forestlands lease payment. Owing to absence of the abovementioned impairment losses and no Valuation Changes of Biological Assets being reflected in this unaudited management accounts, there was an unaudited profit before Valuation Changes of Biological Assets for the year ended 31 December 2019.

Total comprehensive income/loss before/after Valuation Changes of Biological Assets attributable to owners of the Company

During the year ended 31 December 2019, the Group's total comprehensive income (before Valuation Changes of Biological Assets) attributable to owners of the Company amounting to approximately HK$13.7 million, while the Group's total comprehensive loss (after Valuation Changes of Biological Assets) attributable to owners of the Company during the year ended 31 December 2018 amounting to approximately 82.5 million. Such total comprehensive income/loss mainly comprises profit/loss for the year before/after Valuation Changes of Biological Assets and exchange differences arising on translation to presentation currency recognised in other comprehensive loss for the year. The main reason for such turnaround is mainly affected by the changes from loss to profit as mentioned above but a portion of profit was offset by the exchange loss arising from translation.

During the year ended 31 December 2019, Renminbi ("**RMB**") continues to be weaken against Hong Kong Dollar ("**HKD**"), which leads to exchange loss arising from translation of RMB-denominated net assets to HKD. Such exchange loss is recognised in other comprehensive income and set off a portion of total comprehensive income (before Valuation Changes of Biological Assets) attributable to owners of the Company for the year ended 31 December 2019.

FUTURE PLANS AND PROSPECT

The macroeconomic conditions in 2020 remain severe and complicated. Due to the COVID-19 outbreak, major developed economies are expected to report weak economic growth. In China, the economy is still in its downward cycle, insufficient economic growth momentum, weak financing environment, and unfavorable corporate investment sentiment. The furniture industry and the building decoration industry are the two largest markets for particleboards. It remains uncertain as to whether additional tariffs will be imposed on furniture products exported from the Mainland China to the United States as a result of the ongoing trade war between China and the United States. The Group's particleboard business will be adversely affected if tariffs are imposed. The Group will closely monitor changes in the domestic policies and continue its efforts towards taking proactive production cost saving initiatives, negotiating with customers regarding product pricing and considering the feasibility of developing more kinds of specifications in size and thickness to meet different market segments.

Since the grant of timber wood harvesting quotas have been materially curtailed in 2018 as part of the PRC government's strengthening environmental protection drive, and such enhanced control is expected to last for a period which is unknown to the Group at the moment, the Group has commenced the feasibility study on new business strategy that seeks to better utilise its forestry resources. In this regard, the Company has noted that the PRC government is supportive of the development and promotion of a more diversified and ecologically friendly forestry economy, such as undergrowth planting, aquaculture, collection and forest tourism. The aim is to achieve ecological protection and economic development in a manner consistent with the State's strategy of developing a green economy, a low-carbon economy and a circular economy. The Group will closely keep track of changes in the relevant policies and regulations that implement such governmental approach and will taking proactive initiatives to maximize the value of its forestry assets.

In view of the COVID-19 outbreak commencing from the beginning of 2020 within the PRC as well as overseas region, causing substantial suspension in logistic flows in material supplies, workforce movement as well as general community activities and hence causing much unfavorable impact in the consumer markets and the industrial activities domestically and globally in the first quarter of 2020 ("2020Q1"). Consequently, the Group noted that its revenue and business performance was significant affected from such outbreak in 2020Q1 and the business performance of 2020Q1 will possibly result in a deeper loss of approximately HK$6 million loss making as compared to a loss of approximately HK$1.4 million for the same period in 2019. Nevertheless, the Group will continue to assess and monitor the ongoing business risks such as customers credit, material supplies sustainability, workforce health condition and financial liquidity during this stringent business atmosphere to ensure the business sustainability will not be much adversely affected.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019 and 2018, the Group had bank borrowings of approximately HK$134.7 million and HK$158.6 million respectively. As at 31 December 2019, all bank borrowings are dominated in RMB. Other than certain bank borrowings which bear fixed interest rate ranging from 4.35% to 5.79% per annum, other bank borrowings bear floating interest rates ranging from 4.57% to 6.31% per annum as at 31 December 2019.

As at 31 December 2019, the Group had other borrowings comprising sales and leaseback arrangement with financial institutions, which provides loans to the Group with tenure of one to three years (2018: two to three years) from the date of advancement. The carrying amount of such borrowings amounted to approximately HK$90.3 million as at 31 December 2019 (2018: HK$43.2 million), taking into account the effect of discounting. Other borrowings of approximately HK$31.7 million (2018: HK$31.6 million) carried fixed interest with effective interest rates ranging from 11.48% to 11.65% (2018: 9.68%) whereas other borrowings of approximately HK$58.6 million (2018: HK$11.6 million) carried floating interest with effective interest rates ranging from 6.18% to 12.21% (2018:12.21%) as at 31 December 2019.

In view of the existing contractual obligation and constraints the Company made with its major creditor particularly the Note Subscriber in August 2018 and other financial institutions, Mr. Wong and his associate each has separately entered into short term unsecured revolving loan agreements (as supplemented by supplement agreements) with the Company in order to allow the Company to access timely financial resources to fulfill its general working capital purposes. Details of these loans are set out in note 16(iii) to this announcement.

As at 31 December 2019 and 2018, the Group had net current liabilities of approximately HK$23.8 million and HK$39.9 million respectively. The current ratio of the Group, being its current assets over its current liabilities, increase to 0.93x as at 31 December 2019 (2018: 0.85x). Improvement in current ratio of the Group is caused by the receipt of proceeds from other borrowings that could allow the Group to repay by installments mostly over one year.

On 13 August 2018, the Company issued secured and guaranteed redeemable notes in the principal amount of HK$100,000,000 for a term of two years (extendable for another one year) to Haitong Global Investment SPC III acting on behalf of and for a segregated portfolio. The notes bear interest on the outstanding principal amount of 8% per annum for the first six months and prime rate plus 3% for the remaining initial term and the extended term if applicable. The notes are guaranteed by Mr. Wong and Mrs. Wong ("**Guarantors**"). The Note Subscription Agreement and the instrument constituting the Notes ("**Instrument**") contain covenants that require Mr. Wong to remain as the single largest shareholder of the Company, the chairman of the Board and executive director of the Company and restrict the creation by either of the Guarantors of any additional encumbrances over real properties owned by them in Hong Kong as at the date of the Note Subscription Agreement and the Instrument, the breach of which will constitute an event of default. In addition, the bankruptcy or inability to pay debts when due of the Guarantors or any change of control (within the meaning of the Code on Takeovers and Mergers) of the Company will also constitute an event of default. Upon the occurrence of a continuing event of default, the holder(s) of the notes is(are) entitled to request immediate redemption of the notes at a higher interest rate and such amount which would give a 20% internal rate of return (inclusive of all interest and fee payable by the Company) to the Note Subscriber as stipulated in the Instrument.

Upon adoption of HKFRS 16 "Leases" from 1 January 2019, the Group reclassified the lease liability for motor vehicle from bank and other borrowings and recognised new lease liability for lease of office premise. As at 31 December 2019, lease liabilities were amounted to approximately HK$1.3 million whereas the lease liability for motor vehicle amounting to approximately HK$1.6million was included in bank and other borrowings as at 31 December 2018.

During the years ended 31 December 2019 and 2018 respectively, no new shares were issued by the Company.

Gearing Ratio

As at 31 December 2019, the gearing ratio stood at 1.02x (2018: 0.95x) calculated by total borrowings (including lease liabilities, bank and other borrowings and notes payable) over shareholders' equity before (2018: after) Valuation Changes of Biological Assets. Advancement of long-term other borrowings to replace short-term bank borrowings to meet the working capital needs results in increase in gearing ratio as at 31 December 2019.

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2019 and 2018, functional currency of the Company and its major operating subsidiary is RMB while the presentation currency of the Company is HKD. The Group's bank balances were mainly denominated in RMB and HKD. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate. As at 31 December 2019, lease liabilities and secured and guaranteed notes payable were denominated in HKD.

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 OR CAPITAL ASSETS

The Group had no significant investment held as at 31 December 2019. The Group has no plan for material investments or capital assets as at the date of this announcement.

PLEDGE OF ASSETS

Details of pledge of assets of the Group as at 31 December 2019 are set out in note 16 and note 17 to this announcement.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group has no material capital commitment. As at 31 December 2018, the Group had capital commitments of approximately HK$3.4 million for acquisition of property, plant and equipment which are contracted but not yet completed and therefore not included in the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed a total of 171 employees (2018: 183). The remuneration payable to our employees included fees, salaries, retirement benefits scheme contributions and other benefits. For the years ended 31 December 2019 and 2018, the remuneration was approximately HK$16.1 million and HK$16.6 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 through performance and long-term incentive plans in addition to their fixed remuneration.

The Company also adopted a share option scheme. As at 31 December 2019 and 2018, no share option was granted or outstanding.

DIVIDEND

Dividend Policy

Dividends may be paid out by ways of cash or by other means we consider appropriate. Payment of any dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors consider relevant. The declaration, payment and amount of any future dividends will be subject to our constitutional document comprising the Articles of Association, where necessary, the approval of our Shareholders.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: nil).

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

During the year ended 31 December 2019, neither the Company nor its subsidiaries have purchased, sold or redeemed any listed 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 2019 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 positions as both the 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 2019 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 2019 and up to the date of this announcement.

REVIEW OF UNAUDITED MANAGEMENT ACCOUNTS

As of the date of this announcement, due to the COVID-19 outbreak, the audit process for the annual results for the year ended 31 December 2019 has not been completed and the Valuers are still in the process of performing valuation work on the biological assets. The unaudited annual results contained herein have not been agreed with the Company's auditor as required under Rule 18.49 of the GEM Listing Rules. An announcement relating to the audited results will be made when the audit process is completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited management accounts contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the audit process.

The Stock Exchange and the Securities and Futures Commission (SFC) published further guidance (the "Further Guidance") on 16 March 2020 which, among other things, allowed the issuers to defer the publication of its annual report initially for up to 60 days from the date of the Further Guidance if the issuers could publish audited or unaudited annual results on or before 31 March 2020. It is uncertain when the travel restrictions and other precautionary measures against the COVID-19 can be lifted. The Group will continue to monitor the latest development and work towards publishing the annual report within the extended period stipulated in the Further Guidance.

The financial information contained herein in respect of the annual results of the Group do not include any Valuation Changes of Biological Assets for 2019. Adjustments will be made once the Valuation Changes of Biological Assets have been confirmed. In addition, such financial information have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 27 March 2020

As at the date of this announcement, the Board comprises Mr. Wong Cheung Lok, Ms. Cheung Ngar Kwan, Mr. Liu Jiayong, Mr. Wong Kin Ching and Mr. Lai Weifeng as executive Directors; and Dr. Xu Jianmin, Ms. Qian Xiaoyu and Dr. Chow Ho Wan, Owen as independent non-executive Directors.

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.