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HONG WEI (ASIA) HOLDINGS COMPANY LIMITED

鴻偉(亞洲)控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 8191)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 that the companies listed on GEM are general small and mid-sized companies, 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**”, together with its subsidiaries, collectively, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material aspects 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 2021

Reference is made to the announcement dated 23 March 2022 in relation to change of auditor, expected delay in publication of 2021 audited annual results and publication of 2021 unaudited annual results of the Company. For the background set out in the announcement of the Company dated 23 March 2022, and in order to keep the shareholders of the Company (“**Shareholders**”) and the potential investors informed of the Group’s 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 2021. In order to reflect the likely outcome of our forestry business, based on the directors’ best estimation, the net loss arising from changes in fair values less costs to sell of biological assets of approximately HK\$24.4 million and the impairment loss on right-of-use assets – forestlands of approximately HK\$7.7 million (the “**Valuation Changes of Biological Assets and Right-of-use assets**”) were recognised in the profit or loss. The Valuation Changes of Biological Assets and Right-of-use assets will be ascertained after completion of work by independent professional valuer (the “**Valuer**”), together with the audited comparative figures for the same period in 2020.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2021, unaudited operating results of the Group were as follows:

- Revenue for the year ended 31 December 2021 amounted to approximately HK\$404.3 million, representing an increase of 22.5% from approximately HK\$330.2 million recorded in 2020.
- Gross profit for the year ended 31 December 2021 amounted to approximately HK\$76.2 million, representing an increase of 37.9% from approximately HK\$55.3 million recorded in 2020.
- The net loss arising from changes in fair values less costs to sell of biological assets of approximately HK\$24.4 million and the impairment loss on right-of-use assets – forestlands of approximately HK\$7.7 million were recognised in the profit or loss for the year ended 31 December 2021. These will be ascertained after completion of the Valuer’s work. The net loss arising from changes in fair values less costs to sell of biological assets of approximately HK\$55.1 million and the impairment loss on right-of-use assets – forestlands of approximately HK\$7.6 million were recognised in the profit or loss for the year ended 31 December 2020.
- Loss attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately HK\$34.8 million. Loss attributable to owners of the Company recorded in 2020 was approximately HK\$70.2 million.
- Total comprehensive loss attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately HK\$24.2 million. Total comprehensive loss attributable to owners of the Company recorded in 2020 was approximately HK\$46.9 million.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: nil).

UNAUDITED MANAGEMENT ACCOUNTS

The board (the “**Board**”) of Directors is pleased to announce the unaudited management accounts of the Group for the year ended 31 December 2021, together with the audited comparative figures for the year ended 31 December 2020, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) as below. The audit process for the annual results of the Group for the year ended 31 December 2021 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 2021

	<i>Notes</i>	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Revenue	4	404,287	330,161
Cost of sales		<u>(328,087)</u>	<u>(274,888)</u>
Gross profit		76,200	55,273
Other income	6	14,812	13,933
Other gain, net		140	408
Impairment loss on right-of-use assets - forestlands		(7,742)	(7,598)
Impairment loss on trade and bills receivable		(89)	(4,416)
Net loss arising from changes in fair values less costs to sell of biological assets		(24,400)	(55,131)
Net gain on disposal of biological assets		2,856	–
Selling and distribution expenses		(33,016)	(26,447)
Administration expenses		(29,957)	(20,868)
Finance costs	7	<u>(29,203)</u>	<u>(27,828)</u>
Loss before tax		(30,399)	(72,674)
Income tax (expense)/credit	8	<u>(4,382)</u>	<u>2,462</u>
Loss for the year attributable to owners of the Company	9	<u>(34,781)</u>	<u>(70,212)</u>
Other comprehensive income which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		<u>10,588</u>	<u>23,288</u>
Other comprehensive income for the year		<u>10,588</u>	<u>23,288</u>
Total comprehensive loss for the year		<u>(24,193)</u>	<u>(46,924)</u>
Total comprehensive loss attributable to owners of the Company		<u>(24,193)</u>	<u>(46,924)</u>
Basic and diluted loss per share, in HK cents	10	<u>(80.55)</u>	(Restated) <u>(168.66)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		352,454	334,135
Right-of-use assets		26,893	35,511
Biological assets		25,073	52,519
Intangible assets		1,306	1,734
Investment properties		15,892	–
Deferred tax assets		1,875	1,918
Prepayments for acquisition of property, plant and equipment		50,354	6,664
		473,847	432,481
CURRENT ASSETS			
Inventories	<i>12</i>	137,578	128,250
Trade and bills receivables	<i>13</i>	90,166	78,200
Deposits, prepayments and other receivables		59,944	52,692
Loan receivable		–	7,000
Bank balances and cash		11,557	17,517
		299,245	283,659
CURRENT LIABILITIES			
Trade payables	<i>14</i>	27,346	28,127
Other payables and accrued expenses		56,323	39,031
Tax payable		129	129
Contract liabilities		6,125	1,261
Bank and other borrowings, due within one year	<i>15</i>	186,476	148,762
Due to Director		5	–
Deferred income		4,224	4,103
Lease liabilities		353	709
Notes payable, secured and guaranteed	<i>16</i>	56,721	87,789
		337,702	309,911
NET CURRENT LIABILITIES		(38,457)	(26,252)
TOTAL ASSETS LESS CURRENT LIABILITIES		435,390	406,229

	<i>Notes</i>	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		5,043	678
Bank and other borrowings, due after one year	<i>15</i>	110,620	89,185
Deferred income		26,654	29,997
Lease liabilities		107	147
Notes payable, secured and guaranteed	<i>16</i>	15,940	–
		<u>158,364</u>	<u>120,007</u>
NET ASSETS		<u>277,026</u>	<u>286,222</u>
CAPITAL AND RESERVES			
Share capital	<i>17</i>	268,925	253,928
Reserves		8,101	32,294
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY		<u>277,026</u>	<u>286,222</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2020 (audited)	253,928	(16,968)	30,325	(34,625)	100,486	333,146
Loss for the year	–	–	–	–	(70,212)	(70,212)
Other comprehensive income for the year:						
Exchange differences arising on translation to presentation currency	–	–	–	23,288	–	23,288
Total comprehensive income/ (loss) for the year	–	–	–	23,288	(70,212)	(46,924)
Transfer to statutory reserve	–	–	1,003	–	(1,003)	–
Balance at 31 December 2020 and 1 January 2021 (audited)	253,928	(16,968)	31,328	(11,337)	29,271	286,222
Loss for the year	–	–	–	–	(34,781)	(34,781)
Issuance of shares upon placing (note 17)	14,997	–	–	–	–	14,997
Other comprehensive income for the year:						
Exchange differences arising on translation to presentation currency	–	–	–	10,588	–	10,588
Total comprehensive income/ (loss) for the year	14,997	–	–	10,588	(34,781)	(9,196)
Transfer to statutory reserve	–	–	3,578	–	(3,578)	–
Balance at 31 December 2021 (unaudited)	<u>268,925</u>	<u>(16,968)</u>	<u>34,906</u>	<u>(749)</u>	<u>(9,088)</u>	<u>277,026</u>

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 43.04% direct interest of the Company as at 31 December 2021. 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 People’s Republic of China (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 2021 (“**FY2021**”) included in this announcement are not the Company’s statutory annual consolidated financial statements for FY2021. 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 2020 (“**FY2020**”) that are included in this announcement as comparative information does not constitute the Company’s statutory annual consolidated financial statements for FY2020 but is derived from those financial statements. The Company has delivered the audited consolidated financial statements for FY2020 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 2021, the Group’s current liabilities exceeded its current assets by approximately HK\$38,457,000 (2020: HK\$26,252,000). Its current liabilities, including bank and other borrowings of approximately HK\$186,476,000 (2020: HK\$148,762,000) due within one year (note 15) and notes payable of approximately HK\$56,721,000 (2020: HK\$87,789,000) due within one year (note 16), exceeded its cash and cash equivalents of approximately HK\$11,557,000 (2020: HK\$17,517,000).

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.

3.1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs and revised conceptual framework adopted as at 1 January 2020

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) has issued the following new amendments to HKFRSs which are effective for the first time in the current year:

Amendments to HKAS 39, HKFRS 4, Interest Rate Benchmark Reform - Phase 2
HKFRS 7, HKFRS 9 and HKFRS 16

The application of amendments to HKFRSs had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

HKFRSs issued but not yet effective

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁽¹⁾
Amendments to HKAS 16	Proceeds before Intended Use ⁽²⁾
Amendments to HKAS 37	Cost of Fulfilling a Contract ⁽²⁾
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁽²⁾
Annual Improvements to HKFRSs	2018-2020 Cycle ⁽²⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁽³⁾
Amendments to HKAS 1	Disclosure of Accounting Policies ⁽³⁾
Amendments to HKAS 8	Definition of Accounting Estimates ⁽³⁾
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽³⁾
HKFRS 17	Insurance Contracts ⁽³⁾
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information ⁽³⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture ⁽⁴⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 April 2021

⁽²⁾ Effective for annual periods beginning on or after 1 January 2022

⁽³⁾ Effective for annual periods beginning on or after 1 January 2023

⁽⁴⁾ The effective date to determined

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

4. REVENUE

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
<i>Timing of revenue recognition – at point in time:</i>		
Sales of particleboards	<u>404,287</u>	<u>330,161</u>
Revenue from contracts with customers	<u><u>404,287</u></u>	<u><u>330,161</u></u>

Sales of particleboards are recognised at point in time when particleboards 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 (the “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 years ended 31 December 2021 and 2020, 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 the 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 2021 (Unaudited)

	Particleboards segment HK\$'000	Forestry segment HK\$'000	Total HK\$'000
<i>Segment revenue:</i>			
Reportable segment revenue	<u>404,287</u>	<u>–</u>	<u>404,287</u>
<i>Segment results:</i>			
Reportable segment results	<u>36,985</u>	<u>(30,859)</u>	6,126
Interest income (note 6)			16
Finance costs (note 7)			(29,203)
Unallocated corporate staff costs			(2,355)
Unallocated corporate expenses			<u>(4,983)</u>
Consolidated loss before tax			<u>(30,399)</u>
<i>Other segment information</i>			
Capital expenditures – allocated	87,953	–	87,953
Depreciation – allocated	35,579	985	36,564
Depreciation – unallocated			<u>464</u>
			<u>37,028</u>
Amortisation	479	–	479
Net losses arising from change in fair values less costs to sell of biological assets	–	24,400	24,400
Impairment loss on right-of-use assets-forestlands	–	7,742	7,742
Impairment loss on trade and bills receivables	<u>89</u>	<u>–</u>	<u>89</u>

For the year ended 31 December 2020 (Audited)

	Particleboards segment HK\$'000	Forestry segment HK\$'000	Total HK\$'000
<i>Segment revenue:</i>			
Reportable segment revenue	<u>330,161</u>	<u>–</u>	<u>330,161</u>
<i>Segment results:</i>			
Reportable segment results	<u>25,386</u>	<u>(64,568)</u>	(39,182)
Interest income (note 6)			795
Finance costs (note 7)			(27,828)
Unallocated corporate staff costs			(3,065)
Unallocated corporate expenses			<u>(3,394)</u>
Consolidated loss before tax			<u>(72,674)</u>
<i>Other segment information:</i>			
Capital expenditures – allocated	<u>40,950</u>	<u>–</u>	<u>40,950</u>
Depreciation – allocated	30,695	1,058	31,753
Depreciation – unallocated			<u>819</u>
			<u>32,572</u>
Amortisation	440	–	440
Net loss arising from changes in fair values less costs to sell of biological assets	–	55,131	55,131
Impairment loss on right-of-use assets-forestlands	–	7,598	7,598
Impairment loss for trade and bills receivables	<u>4,416</u>	<u>–</u>	<u>4,416</u>

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 2021 (Unaudited)

	Particleboards segment HK\$'000	Forestry segment HK\$'000	Total HK\$'000
<i>Segment assets:</i>			
Reportable segment assets	721,496	32,921	754,417
Deferred tax assets			1,875
Investment properties			15,892
Unallocated corporate assets			<u>908</u>
Consolidated total assets			<u><u>773,092</u></u>
<i>Segment liabilities:</i>			
Reportable segment liabilities	78,986	1,679	80,665
Deferred tax liabilities			5,043
Bank and other borrowings			297,096
Lease liabilities			460
Notes payable			72,661
Unallocated corporate liabilities			<u>40,141</u>
Consolidated total liabilities			<u><u>496,066</u></u>

As at 31 December 2020 (Audited)

	Particleboards segment HK\$'000	Forestry segment HK\$'000	Total HK\$'000
<i>Segment assets:</i>			
Reportable segment assets	636,545	68,813	705,388
Deferred tax assets			1,918
Loan receivable			7,000
Unallocated corporate assets			<u>1,864</u>
Consolidated total assets			<u><u>716,140</u></u>
<i>Segment liabilities:</i>			
Reportable segment liabilities	96,007	2,094	98,101
Deferred tax liabilities			678
Tax payable			129
Bank and other borrowings			237,947
Lease liabilities			856
Notes payable			87,789
Unallocated corporate liabilities			<u>4,418</u>
Consolidated total liabilities			<u><u>429,918</u></u>

Entity-wide disclosures

Geographical information

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Revenue from the PRC	<u>404,287</u>	<u>330,161</u>
	<u>404,287</u>	<u>330,161</u>

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 biological assets or by location of operation to which they are allocated, in case of rights of use assets, 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:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Customer A	<u>92,385</u>	<u>133,393</u>

6. OTHER INCOME

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Value added tax (“VAT”) refund	9,531	7,865
Government grants*	5,208	5,106
Interest income	16	795
Others	<u>57</u>	<u>167</u>
	<u><u>14,812</u></u>	<u><u>13,933</u></u>

* The amount of HK\$4,164,000 (2020: HK\$3,835,000) represented financial subsidy released from deferred income for interest expenses incurred by the Group for its bank borrowings. The amount of HK\$1,044,000 (2020: HK\$1,271,000) have been received to provide immediate financial support to the Group with no unfulfilled conditions related to the subsidy.

7. FINANCE COSTS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Interests on bank and other borrowings	18,305	16,309
Interests on bonds and notes payable	5,472	9,859
Interests on lease liabilities	9	20
Other finance costs	<u>5,417</u>	<u>1,640</u>
	<u><u>29,203</u></u>	<u><u>27,828</u></u>

8. INCOME TAX EXPENSE/(CREDIT)

Income tax recognised in profit or loss

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Current tax	<u>-</u>	<u>129</u>
Deferred tax charged/(credited):		
– origination and reversal of temporary difference	<u>4,382</u>	<u>(2,591)</u>
	<u><u>4,382</u></u>	<u><u>(2,591)</u></u>
Income tax expenses/(credit)	<u><u>4,382</u></u>	<u><u>(2,462)</u></u>

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	<i>Note</i>	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> <i>(Audited)</i>
Employee benefits expenses (include directors' emoluments)			
Salaries and other benefits		10,835	14,111
Contribution to retirement benefit schemes		444	184
Total employee benefit expenses		11,279	14,295
Depreciation of:			
– property, plant and equipment		35,242	30,398
– right-of-use assets		1,786	2,174
Amortisation:			
– intangible assets	<i>(i)</i>	479	440
Cost of goods sold recognised as expenses		328,087	274,888
Auditor's remuneration			
– Provision in respect of current year		1,593	1,305
– Over provision in respect of prior year		–	(100)
Other taxes		–	2,108
Research and development expenses		2,601	1,418
Exchange gain, net		(140)	(408)

Note:

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

10. LOSS PER SHARE

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

Loss

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(34,781)</u>	<u>(70,212)</u>

Number of shares

	2021 '000 (Unaudited)	2020 '000 (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>43,181</u>	<u>41,630</u>

Notes:

- (i) The weighted average number of ordinary shares used to calculate the basis and diluted loss per share for both years have been adjusted to reflect the share consolidation after the reporting period. Accordingly, the basis and diluted loss per share for the year ended 31 December 2020 is restated.
- (ii) On 13 January 2022, the Company completed the share consolidation on the basis that every twenty issued existing shares be consolidated into one ordinary share. The share consolidation, pursuant to the poll results of extraordinary general meeting held on 11 January 2022, is adjusted in the weighted average number of ordinary shares in issue as if the share consolidation had occurred at 1 January 2020, the beginning of the earliest period reported.

11. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2021 (2020: nil), nor has any dividend been proposed since the end of the reporting period.

12. INVENTORIES

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Raw materials	123,832	104,338
Work in progress	2,381	3,871
Finished goods	<u>11,365</u>	<u>20,041</u>
Total	<u><u>137,578</u></u>	<u><u>128,250</u></u>

13. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Trade receivables	52,853	57,477
Bills receivables	<u>43,349</u>	<u>26,500</u>
	96,202	83,977
Less: allowances for expected credit loss	<u>(6,036)</u>	<u>(5,777)</u>
	<u><u>90,166</u></u>	<u><u>78,200</u></u>

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 (2020: 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.

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within three months	39,962	50,928
Over three months but within six months	5,615	6,361
Over six months	<u>7,276</u>	<u>188</u>
Total	<u><u>52,853</u></u>	<u><u>57,477</u></u>

The maturity period of bills receivable are within 12 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.

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within three months	36,040	16,983
Over three months but within twelve months	<u>7,309</u>	<u>9,517</u>
Total	<u>43,349</u>	<u>26,500</u>

The Group applies the HKFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected credit loss allowance for all trade and bills receivable.

14. TRADE PAYABLES

	<i>Note</i>	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Trade payables	<i>(i)</i>	<u>27,346</u>	<u>28,127</u>

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:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within 3 months	11,760	19,334
Over 3 months but within 6 months	4,326	6,287
Over 6 months	<u>11,260</u>	<u>2,506</u>
	<u>27,346</u>	<u>28,127</u>

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

15. BANK AND OTHER BORROWINGS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Bank borrowings		
– due within one year	113,321	93,810
– due after one year	54,916	30,596
Bank borrowings obtained in relation to discounted bills receivable	18,807	6,369
Other borrowings	76,729	97,097
Unsecured loans from Mr. Wong and his associate		
– due within one year	33,323	–
– due after one year	–	10,075
	<u>297,096</u>	<u>237,947</u>
Less: amount included in current liabilities	<u>(186,476)</u>	<u>(148,762)</u>
Non-current portion	<u><u>110,620</u></u>	<u><u>89,185</u></u>
Analysed as:		
Secured but unguaranteed	177,389	52,353
Secured and guaranteed	86,384	156,508
Unsecured and unguaranteed	<u>33,323</u>	<u>29,086</u>
	<u><u>297,096</u></u>	<u><u>237,947</u></u>

The maturity analysis of other borrowings is as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within one year	57,407	48,583
More than one year, but not exceeding two years	14,108	42,903
More than two years, but not exceeding five years	<u>5,214</u>	<u>5,611</u>
	<u><u>76,729</u></u>	<u><u>97,097</u></u>

16. NOTES PAYABLE

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Current Liabilities:		
Notes payable, secured and guaranteed (<i>note i</i>)	56,721	87,789
Non-Current Liabilities:		
Notes payable, secured and guaranteed (<i>note ii</i>)	<u>15,940</u>	<u>–</u>
	<u><u>72,661</u></u>	<u><u>87,789</u></u>

Notes:

- (i) On 10 August 2018, the Company entered into a subscription agreement (the “**Notes Subscription Agreement**”) with a subscriber (the “**Notes Subscriber**”) for the issuance of secured and guaranteed notes (the “**Notes**”) in the principal amount of HK\$100,000,000 for an initial term of 2 years from the date of issuance, which could be extendable for another year as agreed by the Company and the Notes Subscriber. The Notes carry floating interest at Hong Kong Prime Rate (“**Prime Rate**”) plus 3% per annum, being 8% (2020: 8%) per annum as at 31 December 2021. The Notes are secured by the Company’s fully paid up capital in Hongwei Renhua and personal guarantees executed by the Company’s chairman and executive directors, Mr. Wong and Mrs. Wong (the “**Guarantors**”).

On 13 July 2020, the Company, the Guarantors and the Notes Subscriber entered into a deed of amendment, pursuant to which, among other things, the Notes Subscriber agreed to amend the terms and conditions of the Notes, having effect that, among others, the maturity date of the Notes was extended from 12 August 2020 to 12 August 2021. Please refer to the announcement of the Company dated 13 July 2020 for more details.

On 17 August 2021, a waiver letter had been entered into between the Company and the Notes Subscriber, pursuant to which the Notes Subscriber agreed to, among others, waive the obligation of the Company to fully repay the amount repayable under the Notes up to 6 September 2021, pending negotiation to further extend the repayment date. Please refer to the announcement of the Company dated 17 August 2021 for more details.

On 20 September 2021, a deed of amendment had been executed to amend the terms and conditions of the Notes, having effect that, among others, the aggregate principal amount of the Notes shall be not more than HK\$78,000,000, and the final repayment date of the Notes has been extended to 12 November 2022. Please refer to the announcement of the Company dated 20 September 2021 for more details.

The Notes Subscription Agreement and the instrument constituting the Notes (together with the amended and restated note instrument dated on 31 December 2018, 13 July 2020, 11 December 2020, 17 August 2021 and 20 September 2021, collectively referred to as the “**Instrument**”) contain covenants that, among other things, 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 Notes 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 Notes Subscriber as stipulated in the Instrument.

- (ii) The principal amount of promissory note of HK\$16,000,000 bears an interest of 5% per annum, payable on maturity and will be matured in December 2024. The Company can early redeem the promissory note at 100% of their face value together with all interest accrued on the principal amount by giving not less than seven day’s prior written notice to the noteholder. The promissory note was issued by Hong Wei Pacific Limited, a wholly-owned subsidiary of the Company, for acquiring the entire issued share capital of Champion Commence Limited, a company incorporated in the British Virgin Islands with limited liability. Further details of the acquisition and the issue of the promissory note were set out in the Company’s announcements dated 19 November 2021.

17. SHARE CAPITAL

Issued and fully paid shares

	Number of shares		Share capital	
	2021 '000 (Unaudited)	2020 '000 (Audited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Ordinary shares, issued and fully paid				
At 1 January	832,603	832,603	253,928	253,928
Issue of new shares (<i>note i</i>)	166,521	–	14,997	–
At 31 December	<u>999,124</u>	<u>832,603</u>	<u>268,925</u>	<u>253,928</u>

Note:

- (i) On 25 August 2021, the Company entered into the subscription agreement with Mutual Benefits Enterprise Limited in which Mutual Benefits Enterprise Limited agreed to subscribe 166,521,000 new shares of the Company at a subscription price of HK\$0.09 per subscription share. On 25 October 2021, a total of 166,521,000 subscription shares had been successfully issued and subscription. For Further details, please refer to the announcements of the Company dated 25 August 2021 and 25 October 2021.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2021 (the “**Current Period**”), the Group continued to be engaged in the manufacturing and selling of particleboards (the “**Particleboards Segment**”) and the plantation, timber logging and sales of wood and agricultural products in the PRC (the “**Forestry Segment**”).

Particleboards Segment

During the Current Period, our products were principally used by our customers in the manufacture of furniture and fixtures, sport equipment, decoration and construction materials. Meanwhile, the Chinese economy continued to face uncertainties under the pressure of the ongoing Sino-United States conflicts and the volatility of worldwide capital markets. The negative impacts on the export market have indirectly affected the domestic consumer demand for particleboards. And for the domestic demand for consumer products such as household furniture and fixtures, sport equipment as well as construction materials had remained at a low level and they are looking for lower-cost substitute.

Under such challenging environment, we are determined to further our supply chain operations to mitigate our business risks and strengthen our sustainability and competitiveness by tightening cost control measures.

The unexpected outbreak of the COVID-19 in early 2020 affected many cities and provinces in the PRC domestically as well as the global market in general. Due to the outbreak of the pandemic, the global economy is still facing many uncertainties, and the operational environment of enterprises are becoming more dynamic and challenging, this will further tighten up customers’ spending and lead to reduced demand for furniture and construction materials. Such adverse impact has greatly affected the Group’s revenue in 2021.

Forestry Segment

During the Current Period, the Group had not received any update on the measures 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 policy to strengthen environmental protection since the end of 2018. The Group highly recognises global climate change’s risks and opportunities, and actively supports the PRC government’s efforts to achieve the goal of carbon neutrality before 2060. To support the PRC government’s environmental protection supervision as the main line, the Group will improve the environmental management system and control with our forestry asset and is going to contribute to the realisation of “carbon neutrality”. Nevertheless, the Group will continue to further explore and assess 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 2021, the Group's revenue for Particleboards Segment increased to approximately HK\$404.3 million from approximately HK\$330.2 million, representing an increase of approximately 22.5% as compared to the year ended 31 December 2020. The increase was mainly due to increase in the average unit selling price of particleboards by approximately 11.1% and the increase in sales volume of particleboards by approximately 10.2% during the year.

During the years ended 31 December 2021 and 2020, no income generating activity took place for the Forestry Segment and hence no revenue was recognised for such segment.

Cost of Sales

During the year ended 31 December 2021, the Group's costs of sales increased to approximately HK\$328.1 million from approximately HK\$274.9 million, representing an increase of approximately 19.4% as compared to the year ended 31 December 2020. The increase was mainly attributed to the increase in average unit costs of raw materials particularly the residual wood purchased from external suppliers and the increase in sale volume of particleboards during the year ended 31 December 2021.

Gross profit and margin

During the year ended 31 December 2021, the Group's gross profit increased to approximately HK\$76.2 million from approximately HK\$55.3 million, representing an increase of approximately 37.9% as compared to the year ended 31 December 2020. The Group's gross profit margin increased to approximately 18.8% for the year ended 31 December 2021 from approximately 16.7% for the year ended 31 December 2020. The increase in gross profit was mainly attributable to generally in line with the increase in revenue during the year.

Other income

During the year ended 31 December 2021, the Group's other income increased to approximately HK\$14.8 million from approximately HK\$13.9 million, representing an increase of approximately 6.3% as compared to the year ended 31 December 2020. The increase was mainly attributable to the increase in value add tax refund during the year.

Impairment loss on right-of-use assets – forestlands

As at 31 December 2021, an impairment for right-of-use assets – forestlands of approximately HK\$7.7 million was recognised because based on the company’s understanding the recent transaction prices or latest listing prices of comparable forestlands have declined significantly. The Group engaged Valuer to determine the recoverable amount of the right-of-use assets – forestlands (the “**Recoverable Amounts**”), being the fair values less costs to sell of “bare lands”, using sales comparison approach. During the year ended 31 December 2021, the Group’s right-of-use assets were written down to the Recoverable Amounts by approximately HK\$7.7 million and an impairment loss was recognised in profit or loss. The valuation will be ascertained after completion of the Valuer’s work.

Valuation changes of biological assets

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. During the year ended 31 December 2021, the net loss arising from changes in fair value less costs to sell of biological assets amounted to approximately HK\$24.4 million (2020: net loss of HK\$55.1 million) has been recognised. The Valuer adopted sales comparison approach to determine the combined fair values less costs to sell of the forestlands (the “**Combined Values**”) and the fair value less costs to sell of “bare lands” as at year end date. The fair value less costs to sell of biological assets are difference between the Combined Values and the Recoverable Amounts. Because of the significant decline in the Combined Values, the fair values less costs to sell of the biological assets has decreased significantly. The valuation will be ascertained after completion of the Valuer’s work.

Selling and distribution expenses

During the year ended 31 December 2021, the Group’s selling and distribution expenses increased to approximately HK\$33.0 million from approximately HK\$26.4 million during the year ended 31 December 2020, representing an increase of approximately 24.8%, which was mainly attributable to the increase in freight charges and packaging costs incurred during the year as a result of generally in line with the increase in revenue during the year.

Administration expenses

During the year ended 31 December 2021, the Group’s administration expenses increased to approximately HK\$30.0 million from approximately HK\$20.9 million, representing an increase of approximately 43.6% as compared to the year ended 31 December 2020. The increase was mainly attributable to the increase in social insurance, staff welfare and research and development cost by the Group during the year.

Meanwhile, there was approximately HK\$1.0 million (2020: approximately HK\$1.8 million) incurred mainly for depreciation of right-of-use assets of forestlands, fertiliser fee, replantation cost and other maintenance expenses of forestlands under the Forestry Segment during the year ended 31 December 2021.

Finance costs

During the year ended 31 December 2021, the Group's finance costs increased to approximately HK\$29.2 million from approximately HK\$27.8 million, representing an increase of approximately 4.9% as compared to the year ended 31 December 2020. The increase was mainly caused by increase in bank borrowings.

Loss for the year attributable to owners of the Company

During the year ended 31 December 2021, the Group's loss attributable to owners of the Company amounting to approximately HK\$34.8 million, while the Group's loss attributable to owners of the Company during the year ended 31 December 2020 amounting to approximately HK\$70.2 million. Such decrease in net loss was mainly due to decrease in net loss arising from changes in fair values less costs to sell of biological assets.

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

During the year ended 31 December 2021, the Group's total comprehensive loss attributable to owners of the Company amounting to approximately HK\$24.2 million, while the Group's total comprehensive loss attributable to owners of the Company during the year ended 31 December 2020 amounting to approximately HK\$46.9 million. Such total comprehensive loss mainly comprises loss for the year but a portion of profit was offset by the exchange loss arising from translation.

FUTURE PLANS AND PROSPECT

The prospect of the macroeconomic conditions in 2021 remain grim 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, with an insufficient economic growth momentum, weak financing environment, and unfavorable corporate investment sentiment. Further, the ongoing trade war between China and the United States remains uncertain as to whether additional tariffs would be imposed on furniture products exported from the Mainland China to the United States. The Group's particleboard business will be adversely affected if tariffs were imposed. The Group will closely monitor changes in the domestic policies and continue its efforts in taking proactive production cost saving initiatives, strengthening the controls of the inventory level, negotiating with customers regarding product pricing and considering the feasibility of developing more variety of specifications of particleboards in sizes and thickness to meet the need in different market segments.

We find that the domestic market demand is shifting from quality oriented to cost oriented, we are looking for opportunity to improve and modify our production line to meet this market shift.

Since the grant of timber wood harvesting quotas have been materially curtailed in 2018 as part of the PRC government's policy to strengthen environmental protection, 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 diverse 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 highly recognises global climate change's risks and opportunities, and actively supports the PRC government's efforts to achieve the goal of carbon neutrality before 2060. To support the PRC government's environmental protection supervision as the main line, the Group will improve the environmental management system and control with our forestry asset and is going to contribute to the realisation of "carbon neutrality". The Group will closely keep track of changes in the relevant policies and regulations that implement such governmental approach and will be taking proactive initiatives to maximize the value of its forestry assets.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

In view of the existing contractual obligation and constraints the Company made with its major creditor (particularly the Notes Subscriber) and other financial institutions, Mr. Wong's associate have entered into unsecured loan agreements with the Company in order to allow the Company to access timely financial resources to fulfill its general working capital purposes.

As at 31 December 2021 and 2020, the Group had net current liabilities of approximately HK\$38.5 million and HK\$26.3 million respectively. The current ratio of the Group, being its current assets over its current liabilities, decrease to 0.89x as at 31 December 2021 (2020: 0.92x). No material change in current ratio between years.

During the years ended 31 December 2021, 166,521,000 new ordinary shares of the Company were subscribed and issued by the Company on 25 October 2021. The net proceed of the shares issued under the subscription of HK\$14,667,000 was intended to be fully used, and had been fully used, for the repayment of part of the outstanding amount of the Notes, thereby reducing the Group's gearing ratio and improving the Group's financial position. The subscription shares were issued to the subscriber, being Mutual Benefits Enterprise Limited, which was an investment holding company incorporated in Hong Kong, at the price of HK\$0.09 per share (before the completion of the Share Consolidation (as defined below)). The market value of the subscription shares was approximately HK\$18,151,000, based on the closing price of HK\$0.1090 per share (before the completion of the Share Consolidation) as at 25 August 2021, being the date of the subscription agreement. Each subscription share has no par value. Please refer to the announcements of the Company dated 25 August 2021 and 25 October 2021 for details.

Gearing Ratio

As at 31 December 2021, the gearing ratio stood at 1.34x (2020: 1.14x) calculated by total borrowings (including lease liabilities, bank and other borrowings and notes payable) over shareholders' equity. 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 2021.

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2021 and 2020, 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 2021, 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.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 19 November 2021, one of the Company's subsidiaries, being Hong Wei Pacific Limited entered into a sale and purchase agreement with Great Success Investment Holdings Limited (the "**Vendor**") to acquire the entire 100% equity interests of Champion Commence Limited and its subsidiaries (collectively, the "**Target Group**") and the sale loan by the issue of promissory note of HK\$16 million. The acquisition was subsequently completed in December 2021. Further details of the acquisition and the issue of the promissory note set out in the Company's announcements dated 19 November 2021.

No other acquisition and disposal of subsidiaries and associated companies were noted during the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no significant investment held as at 31 December 2021. The Group has no plan for material investments or capital assets as at the date of this announcement.

IMPORTANT EVENTS AFFECT THE GROUP SINCE THE END OF THE FINANCIAL YEAR

Subsequent to the year ended 31 December 2021, the Company completed the consolidation (the “**Share Consolidation**”) of the shares of the Company on the basis of every twenty (20) then issued shares into one (1) consolidated share, details of which are disclosed in the announcements of the Company dated 16 December 2021 and 11 January 2022 and the circular of the Company dated 23 December 2021.

Moreover, the Company has issued 2,700,000 new consolidated shares to an independent third party subscriber under specific mandate on 4 March 2022, details of which are disclosed in the announcements of the Company dated 16 December 2021 and 4 March 2022 and the circular of the Company dated 23 December 2021.

Crowe (HK) CPA Limited resigned as the auditor of the Group with effect from 23 March 2022. On the same date, McMillan Woods (Hong Kong) CPA Limited was appointed as auditor of the Group with effect from 23 March 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed a total of 177 employees (2020: 167). The remuneration payable to our employees included fees, salaries, retirement benefits scheme contributions and other benefits. For the years ended 31 December 2021 and 2020, the remuneration was approximately HK\$11.3 million and HK\$14.3 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. 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 2021 and 2020, no share option was granted or outstanding.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group’s goals. Since the listing on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) in 2014 (the “**Listing**”), the Group strives to attain and uphold rigorous standards of corporate governance.

Since the Listing, the Board has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. Continuous efforts have been made to review and enhance the Group’s internal controls and procedures in light of changes in regulations and developments in best practices. For the Group, maintaining high standards of corporate governance practices is not just complying with the provisions of the CG Code but also the intent of the regulations to enhance corporate performance and accountability.

Unless otherwise stated in this announcement, the Board is pleased to report that the Company has complied with the code provisions of the CG Code for the year ended 31 December 2021.

SECURITIES DEALING CODE

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the “**Securities Dealing Code**”). The Securities Dealing Code also applies to all employees to whom the same is given and those who are informed that they are subject to its provisions. Having made specific enquiry of the Directors and all the relevant employees, all the Directors and all the relevant employees have complied with the Securities Dealing Code throughout the year ended 31 December 2021.

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 2021 and up to the date of this announcement.

REVIEW OF UNAUDITED MANAGEMENT ACCOUNTS

Reference is made to the announcement of the Company dated 23 March 2022 in relation to change of auditor, expected delay in publication of 2021 audited annual results and publication of 2021 unaudited annual results of the Company. For the backgrounds set out in the aforesaid announcement dated 23 March 2022, among others, that due to the COVID-19 outbreak, the Company experienced delay in providing the necessary information and documents for the audit to Crowe (HK) CPA Limited (“**Crowe**”) (the previous auditors who resigned with effect from 23 March 2022) due to impacts from COVID-19 pandemic as some staff were restricted from work due to quarantine and infection case and hence were not able to retrieve documents and information required for Crowe’s audit work and also unable to arrange for inspection of originals. The key outstanding matters include but not limited to the availability of certain accounting schedules, valuation reports, physical inspection on the Group’s tangible assets, site visits and interviews with certain customers and suppliers and information and supporting documents relating to going concern assessment of the Group. Therefore, Company is unable to publish the audited annual results of the Group for the year ended 31 December 2021 on or before 31 March 2022 in accordance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. In light of delay in timetable, Crowe has proposed new estimated timetable and additional audit fee to complete the 2021 Audit (collectively as “**Proposal**”). However, Crowe has been unable to reach a consensus with the Company on the Proposal, and accordingly Crowe decided to tender resignation. On 23 March 2022, McMillan Woods (Hong Kong) CPA Limited (“**MMW**”) was appointed with effect from 23 March 2022. For the background set out above, the unaudited annual results contained herein have not been agreed with MMW, 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.

PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT

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 2021 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.

It is currently expected that the Company will publish its audited annual results and annual report for the year ended 31 December 2021 on or before 13 May 2022.

The financial information contained herein in respect of the annual results of the Group 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, 31 March 2022

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 Dr. Kaneko Hiroshi as executive Directors; Mr. Yanase Kenichi as non-executive Director; and Dr. Xu Jianmin, Ms. Qian Xiaoyu and Dr. Chow Ho Wan, Owen as independent non-executive Directors.

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