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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024**

#### **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.*

## RESULTS

The board of Directors (the “**Board**”) of the Company presents the draft consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2024, together with the comparative audited figures for the year ended 31 December 2023 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2024*

		2024	2023
	Notes	HK\$'000	HK\$'000
Revenue	4	314,378	481,810
Cost of sales		<u>(280,444)</u>	<u>(397,845)</u>
Gross profit		33,934	83,965
Other income		23,159	14,282
Other gain, net		–	110
(Impairment loss)/reversal of impairment loss			
on right-of-use assets – forestlands		(2,077)	511
Impairment loss on trade receivables		(18,660)	(9,423)
Reversal of impairment loss on deposits and other receivables		261	39
Net (loss)/gain arising from changes in fair values less costs to sell of biological assets		(223)	830
Gain on disposal of subsidiaries		–	1,736
Selling and distribution expenses		(21,547)	(28,324)
Administration expenses		(43,673)	(42,988)
Finance costs		<u>(23,957)</u>	<u>(25,215)</u>
Loss before tax		(52,783)	(4,477)
Income tax credit	6	<u>6,506</u>	<u>5,930</u>
(Loss)/profit for the year attributable to owners of the Company	7	<u>(46,277)</u>	<u>1,453</u>

		<b>2024</b>	2023
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Other comprehensive (expenses)/income which may reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		<b>(12,418)</b>	(4,535)
Reclassification of foreign currency translation reserve upon disposal of subsidiary		<u>—</u>	<u>1</u>
Other comprehensive expenses for the year, net of tax		<u><b>(12,418)</b></u>	<u>(4,534)</u>
Total comprehensive loss for the year		<u><b>(58,695)</b></u>	<u>(3,081)</u>
Total comprehensive loss attributable to owners of the Company		<u><b>(58,695)</b></u>	<u>(3,081)</u>
Basic and diluted (loss)/earnings per share, in HK cents	8	<u><b>(87.89)</b></u>	<u>2.76</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2024*

		<b>2024</b>	<b>2023</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>310,695</b>	348,539
Right-of-use assets		<b>17,295</b>	21,302
Biological assets		<b>25,303</b>	26,286
Intangible assets		<b>629</b>	660
Deferred tax assets		<b>9,195</b>	2,968
Prepayments for acquisition of property, plant and equipment		<b>–</b>	88
		<b>363,117</b>	399,843
<b>CURRENT ASSETS</b>			
Inventories		<b>199,854</b>	193,573
Trade and bills receivables	10	<b>64,891</b>	61,393
Deposits, prepayments and other receivables		<b>97,658</b>	100,686
Bank balances and cash		<b>8,428</b>	7,802
Restricted deposit		<b>10,601</b>	11,021
		<b>381,432</b>	374,475
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>32,059</b>	19,140
Other payables and accrued expenses		<b>82,638</b>	87,098
Tax payable		<b>129</b>	129
Contract liabilities		<b>7,438</b>	5,914
Bank and other borrowings, due within one year		<b>197,417</b>	148,269
Deferred income		<b>8,976</b>	7,821
Notes payable		<b>–</b>	53,140
		<b>328,657</b>	321,511
<b>NET CURRENT ASSETS</b>		<b>52,775</b>	52,964
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>415,892</b>	452,807

	<i>Notes</i>	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>2,788</b>	2,948
Bank and other borrowings, due after one year		<b>135,645</b>	170,301
Deferred income		<b>26,109</b>	28,155
Notes payable		<b>58,642</b>	–
		<b>223,184</b>	201,404
<b>NET ASSETS</b>		<b>192,708</b>	251,403
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>270,886</b>	270,886
Reserves		<b>(78,178)</b>	(19,483)
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY</b>		<b>192,708</b>	251,403

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2024*

## 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 40.83% direct interest of the Company as at 31 December 2024. The address of the Company’s registered office and its principal place of business is Unit 603, 6/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, 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**”). The management of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) considered presenting the consolidated financial statement in HKD 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**”).

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

### 3. APPLICATION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

#### (a) Application of new and revised HKFRS Accounting Standards

The Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 ("HK Int 5") (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRS Accounting Standards in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### (b) New and revised HKFRS Accounting Standards, in issue but not yet effective

The Group has not applied any new and revised HKFRS Accounting Standards that have been issued but are not yet effective for the financial year beginning 1 January 2024. These new and revised HKFRS Accounting Standards include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 – Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7 – Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HK Int 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for HKFRS 18 – Presentation and Disclosure in Financial Statements which is detailed as follows:

#### ***HKFRS 18 – Presentation and Disclosure in Financial Statements***

HKFRS 18 will replace HKAS 1 – Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group presents and discloses financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to as alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Company are currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

#### **4. REVENUE**

Revenue represents the amounts received and receivable for sales of particleboards, which are conducted in the PRC by the Group. An analysis of revenue is as follows:

	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
<i>Timing of revenue recognition – at a point in time:</i>		
Sales of particleboards	<u>314,378</u>	<u>481,810</u>
Revenue from contracts with customers	<u><b>314,378</b></u>	<u><b>481,810</b></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 (“CODM”). The Group’s operating businesses 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 2024 and 2023, 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.

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 expense/credit. 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 deferred tax assets and unallocated corporate assets; and
- All liabilities are allocated to reportable segments other than bank and other borrowings, notes payable, other payables and accrued expenses, deferred tax liabilities, tax payable 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 2024

	Particleboards segment HK\$'000	Forestry segment HK\$'000	Total HK\$'000
<i>Segment revenue:</i>			
Reportable segment revenue	<u>314,378</u>	<u>–</u>	<u>314,378</u>
<i>Segment results:</i>			
Reportable segment results	(16,443)	(9,141)	(25,584)
Interest income			34
Finance costs			(23,957)
Unallocated corporate staff costs			(73)
Unallocated corporate expenses			<u>(3,203)</u>
Consolidated loss before tax			<u>(52,783)</u>
<i>Other segment information</i>			
Depreciation – allocated	44,070	811	44,881
Amortisation	8	–	8
Net loss arising from changes in fair values less costs to sell of biological assets	–	223	223
Impairment loss on right-of-use assets – forestlands	–	2,077	2,077
Impairment loss on trade receivables	18,660	–	18,660
Reversal of impairment loss on deposits and other receivables	<u>(261)</u>	<u>–</u>	<u>(261)</u>

For the year ended 31 December 2023

	Particleboards segment HK\$'000	Forestry segment HK\$'000	Total HK\$'000
<i>Segment revenue:</i>			
Reportable segment revenue	481,810	–	481,810
<i>Segment results:</i>			
Reportable segment results	27,934	(3,480)	24,454
Interest income			45
Finance costs			(25,215)
Unallocated corporate staff costs			(420)
Unallocated corporate expenses			(3,341)
Consolidated loss before tax			(4,477)
<i>Other segment information</i>			
Depreciation – allocated	41,637	829	42,466
Depreciation – unallocated	–	–	130
	41,637	829	42,596
Amortisation	85	–	85
Net gain arising from changes in fair values less costs to sell of biological assets	–	(830)	(830)
Reversal of impairment loss on right-of-use assets – forestlands	–	(511)	(511)
Impairment loss on trade receivables	9,423	–	9,423
Reversal of impairment loss on deposits and other receivables	(39)	–	(39)

**As at 31 December 2024**

	<b>Particleboards segment HK\$'000</b>	<b>Forestry segment HK\$'000</b>	<b>Total HK\$'000</b>
<i>Segment assets:</i>			
Reportable segment assets	<b>705,081</b>	<b>30,152</b>	<b>735,233</b>
Deferred tax assets			<b>9,195</b>
Unallocated corporate assets			<b>121</b>
			<hr/>
Consolidated total assets			<b>744,549</b>
			<hr/> <hr/>
<i>Segment liabilities:</i>			
Reportable segment liabilities	<b>136,614</b>	<b>3,026</b>	<b>139,640</b>
Deferred tax liabilities			<b>2,788</b>
Bank and other borrowings			<b>333,062</b>
Notes payable			<b>58,642</b>
Tax payable			<b>129</b>
Other payables and accrued expenses			<b>17,580</b>
			<hr/>
Consolidated total liabilities			<b>551,841</b>
			<hr/> <hr/>

**As at 31 December 2023**

	<b>Particleboards segment HK\$'000</b>	<b>Forestry segment HK\$'000</b>	<b>Total HK\$'000</b>
<i>Segment assets:</i>			
Reportable segment assets	<b>736,010</b>	<b>35,132</b>	<b>771,142</b>
Deferred tax assets			<b>2,968</b>
Unallocated corporate assets			<b>208</b>
			<hr/>
Consolidated total assets			<b>774,318</b>
			<hr/> <hr/>
<i>Segment liabilities:</i>			
Reportable segment liabilities	<b>132,621</b>	<b>1,830</b>	<b>134,451</b>
Deferred tax liabilities			<b>2,948</b>
Bank and other borrowings			<b>318,570</b>
Notes payable			<b>53,140</b>
Tax payable			<b>129</b>
Other payables and accrued expenses			<b>12,964</b>
Unallocated corporate liabilities			<b>713</b>
			<hr/>
Consolidated total liabilities			<b>522,915</b>
			<hr/> <hr/>

## 6. INCOME TAX CREDIT

### Income tax recognised in profit or loss

	2024 HK\$'000	2023 HK\$'000
Current tax	—	—
Deferred tax: – origination and reversal of temporary difference	6,506	5,930
Income tax credit	<u>6,506</u>	<u>5,930</u>

## 7. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging/(crediting):

	2024 HK\$'000	2023 HK\$'000
<i>Note</i>		
Employee benefits expenses (including directors' emoluments)		
Salaries and other benefits	6,396	8,288
Contribution to retirement benefit schemes	786	2,636
Total employee benefit expenses	<u>7,182</u>	<u>10,924</u>
Depreciation of:		
– property, plant and equipment	43,664	41,234
– right-of-use assets	1,217	1,362
Amortisation:		
– intangible assets	8	85
Cost of goods sold recognised as expenses	280,444	397,845
Auditor's remuneration—audit services	850	986
Impairment loss/(reversal of impairment loss) on right-of-use assets – forestlands	2,077	(511)
Net loss/(gain) arising from change in fair values less costs to sell of biological assets	223	(830)
Impairment loss on trade receivables	18,660	9,423
Reversal of impairment loss on deposits and other receivables	(261)	(39)
Research and development expenses	12,612	16,206
Exchange gain, net	<u>—</u>	<u>(110)</u>

*Note:*

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

## 8. (LOSS)/EARNINGS PER SHARE

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

### (Loss)/profit

	2024 HK\$'000	2023 HK\$'000
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u>(46,277)</u>	<u>1,453</u>

### Number of shares

	2024	2023
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share ( <i>note</i> )	<u>52,656</u>	<u>52,656</u>

*Note:* No adjustment has been made to the amount of the basic (loss)/earnings per share for the years ended 31 December 2024 and 2023 in respect of diluted (loss)/earnings per share because there was no potentially dilutive ordinary share in issue during the years ended 31 December 2024 and 2023.

## 9. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2024 (2023: nil), nor has any dividend been proposed since the end of the reporting period.

## 10. TRADE AND BILLS RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	69,673	58,417
Less: loss allowances	<u>(29,713)</u>	<u>(11,869)</u>
	39,960	46,548
Bills receivables at fair value	<u>24,931</u>	<u>14,845</u>
	<u>64,891</u>	<u>61,393</u>

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

	2024 HK\$'000	2023 HK\$'000
Within three months	29,393	41,458
Over three months but within six months	5,920	1,513
Over six months	<u>34,360</u>	<u>15,446</u>
Total	<u>69,673</u>	<u>58,417</u>

# 11. TRADE PAYABLES

	2024 HK\$'000	2023 HK\$'000
Trade payables	<u>32,059</u>	<u>19,140</u>

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:

	2024 HK\$'000	2023 HK\$'000
Within 3 months	21,627	17,129
Over 3 months but within 6 months	2,742	1,105
Over 6 months	<u>7,690</u>	<u>906</u>
	<u>32,059</u>	<u>19,140</u>

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### BUSINESS REVIEW

During the year ended 31 December 2024 (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 bamboo, 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.

In 2024, the Group’s Quan Zhu particleboard production line entered normal production phase, with production capacity gradually released and enhanced. Due to the higher technical difficulty in the production of bamboo particleboards and the current scarcity of supply in the market, Quan Zhu particleboards are expected to contribute more profits. It is anticipated that there will be a further increase in the production volume of Quan Zhu particleboards in 2025.

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 2024.



## **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 2024, the Group's revenue for Particleboards Segment decreased to approximately HK\$314.38 million from approximately HK\$481.81 million, representing a decrease of approximately 35% as compared to the year ended 31 December 2023. The decrease was mainly due to the production and sales of products have decreased.

During the years ended 31 December 2024 and 2023, 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 2024, the Group's costs of sales decreased to approximately HK\$280.44 million from approximately HK\$397.85 million, representing a decrease of approximately 30% as compared to the year ended 31 December 2023. The decrease was mainly due to the decrease in sales.

### **Gross profit and margin**

During the year ended 31 December 2024, the Group's gross profit decreased to approximately HK\$33.93 million from approximately HK\$83.97 million, representing a decrease of approximately 60% as compared to the year ended 31 December 2023. The Group's gross profit margin decreased to approximately 11% for the year ended 31 December 2024 from approximately 17% for the year ended 31 December 2023. The decrease in gross profit was mainly attributable to generally in line with the decrease in revenue during the year.

## **Other income**

During the year ended 31 December 2024, the Group's other income increased to approximately HK\$23.16 million from approximately HK\$14.28 million, representing an increase of approximately 62% as compared to the year ended 31 December 2023. The increase was mainly attributable to the increase in the income from government grants and VAT refund during the year.

## **Impairment loss on right-of-use assets – forestlands**

As at 31 December 2024, recognised impairment loss of right-of-use assets – forestlands of approximately HK\$2.08 million (2023: reversal of impairment loss of approximately HK\$0.51 million) was because based on the company's understanding the recent transaction prices or latest listing prices of comparable forestlands have declined significantly. The Group engaged an independent valuer (the “**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. The impairment loss was recognised in profit or loss.

## **Valuation changes of biological assets**

During the year ended 31 December 2024, the net loss arising from changes in fair value less costs to sell of biological assets amounted to approximately HK\$0.22 million (2023: net gain of HK\$0.83 million) has been recognised. The Valuers adopted the market comparison approach with reference to market determined prices, cultivation areas and species, which has taken into consideration (i) the market determined prices of the similar timbers available in the market and (ii) the costs to sell such timbers as of the date of valuation. Because of the favourable effect on the above factors, the fair value less costs to sell of the biological assets has decreased significantly.

## **Selling and distribution expenses**

During the year ended 31 December 2024, the Group's selling and distribution expenses decreased to approximately HK\$21.55 million from approximately HK\$28.32 million during the year ended 31 December 2023, representing a decrease of approximately 24%, which was mainly attributable to the decrease in freight charges and packaging costs incurred during the year.

## **Administration expenses**

During the year ended 31 December 2024, the Group's administration expenses increased to approximately HK\$43.67 million from approximately HK\$42.99 million, representing an increase of approximately 2% as compared to the year ended 31 December 2023. There were no significant changes in administrative expenses during the year.

## **Finance costs**

During the year ended 31 December 2024, the Group's finance costs decreased to approximately HK\$23.96 million from approximately HK\$25.22 million, representing an decrease of approximately 5% as compared to the year ended 31 December 2023. The decrease was mainly caused by decrease in interest rate.

## **Loss for the year attributable to owners of the Company**

During the year ended 31 December 2024, the Group's loss attributable to owners of the Company amounting to approximately HK\$46.28 million, while the Group's gain attributable to owners of the Company during the year ended 31 December 2023 amounting to approximately HK\$1.45 million. Such decrease was mainly due to the production and sales of products have decreased.

## **Total comprehensive loss attributable to owners of the Company**

During the year ended 31 December 2024, the Group's total comprehensive loss attributable to owners of the Company amounting to approximately HK\$58.70 million, while the Group's total comprehensive loss attributable to owners of the Company during the year ended 31 December 2023 amounting to approximately HK\$3.08 million. Total comprehensive loss mainly comprises loss for the year.

## **PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP**

### **Potential fluctuation in the prices of raw materials**

The Directors consider that residual wood is one of the major raw materials for particleboard production which accounted for approximately 41.6% of the total procurement for the year ended 31 December 2024 (2023: 66.8%).

Our average purchase cost of residual wood was approximately RMB446.07 per tonne for the year ended 31 December 2024 and approximately RMB447.09 per tonne for the year ended 31 December 2023. Fluctuation in price and supply of residual wood will affect the prices and supplies of particleboards. It is believed that residual wood prices may further increase in the next few years. Since residual wood is a plant product, its supplies are vulnerable to many factors beyond our control, including weather, infestations and other forces of nature that may result in shortage in supplies and an increase in price. An increase in demand may also result in an increase in the price of residual wood.

## **Collection risks associated with credit sales**

Our trading terms with some of our customers are primarily on credit. The credit terms are generally up to 90 days. We are exposed to possible credit risks as a result of the competitive conditions under which we operate and the continuing changes in the global economic and financial environment, which may limit our customers' access to credit in the future. We will monitor our trade receivables closely to minimise the credit risks.

## **Competitive market**

We face competition from existing and new players in the particleboard industry in the PRC. To compete effectively and maintain our sales level, we may be forced to, among other actions, reduce prices, provide more sales incentives to customers and increase capital expenditures, which may in turn negatively affect our profit margins.

Our Directors are of the view that particleboard customers have been careful in selecting their particleboard suppliers and are likely to partner with accepted and reliable suppliers and prefer to work with such suppliers on a long term basis. Our Directors believe that our success depends on our ability to compete effectively against our competitors in terms of product quality, stable supplies, research and development capability, customer service, pricing, timely delivery, scale and capacity, efficiency and technical know-how. The Group will strive to maintain its competitiveness by providing products with reliable quality at a competitive price.

## **Operating risks related to the biological assets**

The Group is exposed to the following operating risks related to its biological assets:

### ***(i) Regulatory and environmental risks***

The Group is subject to laws and regulations in the PRC in which it operates. The Group has established environmental policies and procedures aimed at complying with local environmental and other laws. Management will perform regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks. Such risks may also arise from material curtailment or suspension of timber wood harvesting quotas (which are typically granted on an annual basis) to be granted by relevant government department to privately owned enterprises as part of the PRC government strengthening in the drive of environmental protection. The Group is assessing the feasibility of different business strategy that seeks to better utilise its forestry assets.

**(ii) *Supply and demand risks***

The Group is exposed to risks arising from fluctuations in the price and sales volume of logs. The Group's forestlands are maintained for the purpose of providing a stable source of raw materials to the Group to produce particleboards for sale. Where possible, the Group will align harvest volume to its production schedule so as to ensure continuous production of particleboards.

**(iii) *Climate and other natural risks***

The Group's biological assets are exposed to the risk of damage from climate changes, diseases, forest fires and other natural forces. The Group has adopted different measures aimed at monitoring and mitigating those risks, including regular forest inspections by setting up forest patrol team.

**KEY PERFORMANCE INDICATORS**

The Directors consider that financial key performance indicators include revenue, gross profit and margin and (loss)/profit attributable to owners of the Company as set out under the sub-section headed "Financial Review" above as these are commonly used as indicators of the financial performance of a company.

Non-financial key performance indicator includes the total volume of particleboards produced per annum which is an indicator of our production capacity.

**TOTAL VOLUME OF PARTICLEBOARDS PRODUCED PER ANNUM**

The Group produced an aggregate of approximately 245,500 cubic meters particleboards in 2024, comparing to approximately 367,191 cubic meters in 2023. The Group is seeking to improve the utilisation rate of its production capacity by exploring new customers and providing more variety of specifications of particleboards in different sizes and thickness to meet the needs of different market segments.

Data used as the financial and non-financial key performance indicators for the two financial years ended 31 December 2023 and 2024 are sourced from the Group's internal records and consistent methods of calculation are applied.

**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 2024 and 2023, the Group had net current assets of approximately HK\$52.78 million and HK\$52.96 million respectively. As at 31 December 2024, all bank borrowings are dominated in RMB. The current ratio of the Group, being its current assets over its current liabilities, stood at 1.2x as at 31 December 2024 (2023: 1.2x). No material change in current ratio between years.

## **GEARING RATIO**

As at 31 December 2024, the gearing ratio stood at 1.0x (2023: 0.8x) 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 decrease in gearing ratio as at 31 December 2024.

## **FOREIGN EXCHANGE EXPOSURE**

As at 31 December 2024 and 2023, 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 2024, 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**

No acquisition and disposal of subsidiaries and associated companies were noted during the year ended 31 December 2024.

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

The Group had no significant investment held as at 31 December 2024. The Group has no plan for material investments or capital assets except that the Group will acquire machineries and continue the construction work.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

The Group did not have any significant capital commitment nor contingent liabilities as at 31 December 2024.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2024, the Group employed a total of 219 employees (2023: 223). The remuneration payable to our employees included fees, salaries, retirement benefits scheme contributions and other benefits. For the years ended 31 December 2024 and 2023, the remuneration was approximately HK\$7.18 million and HK\$10.92 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 2024 and 2023, 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 2024 (2023: nil).



## **FUTURE PLANS AND PROSPECT**

The prospect of the macroeconomic conditions in 2024 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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2024, neither the Company nor its subsidiaries have purchased, sold or redeemed any listed securities of the Company.



## 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 GEM of 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.

In accordance with the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board is of the view that although Mr. Wong Cheung Lok is the chairman and the chief executive officer of the Company, this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wong Cheung Lok and believes that his role as the chairman and chief executive officer is beneficial to the business prospects of the Company.

Unless otherwise stated in this annual report, 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 2024.

## AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2024 have been reviewed by the Audit Committee in a meeting held on 31 March 2025

## SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by McMillan Woods on the preliminary announcement.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at [www.hongweiasia.com](http://www.hongweiasia.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2024 annual report will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

## APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates and other professional parties for their support throughout the year.

By Order of the Board  
**Hong Wei (Asia) Holdings Company Limited**  
**Wong Cheung Lok**  
*Chairman and executive Director*

Hong Kong, 31 March 2025

*As at the date of this announcement, the executive Directors are Mr. Wong Cheung Lok, Mr. Liu Jiayong and Mr. Wong Kin Ching, and the independent non-executive Directors are Ms. Qian Xiaoyu, Mr. Cheung Wai Yin Wilson and Mr. Guo Ensheng.*

*This announcement will remain on the Stock Exchange's website at <http://www.hkexnews.hk> on the "Latest Listed Company Information" page 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](http://www.hongweiasia.com).*