



# 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

**2024** INTERIM  
REPORT

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# CORPORATE INFORMATION

## **REGISTERED OFFICE**

Unit 603, 6/F., Tower 1,  
Admiralty Centre, 18 Harcourt Road,  
Admiralty, Hong Kong

## **HEAD OFFICE IN HONG KONG**

Unit 603, 6/F., Tower 1,  
Admiralty Centre, 18 Harcourt Road,  
Admiralty, Hong Kong

## **PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")**

Industrial Park, Renhua County, Shaoguan City,  
Guangdong Province, PRC

## **AUTHORISED REPRESENTATIVES**

Mr. Wong Cheung Lok  
Mr. Kwong Lun Kei Victor

## **EXECUTIVE DIRECTORS**

Mr. Wong Cheung Lok  
Mr. Liu Jiayong  
Mr. Wong Kin Ching

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Ms. Qian Xiaoyu  
Mr. Cheung Wai Yin Wilson  
Mr. Guo Ensheng

## **COMPLIANCE OFFICER**

Mr. Wong Kin Ching

## **PRINCIPAL BANKERS**

Agricultural Bank of China Limited  
Industrial and Commercial Bank of China Limited

**AUDIT COMMITTEE**

Mr. Cheung Wai Yin Wilson (*chairman*)

Ms. Qian Xiaoyu

Mr. Guo Ensheng

**REMUNERATION COMMITTEE**

Mr. Guo Ensheng (*chairman*)

Mr. Wong Cheung Lok

Mr. Cheung Wai Yin Wilson

**NOMINATION COMMITTEE**

Mr. Wong Cheung Lok (*chairman*)

Mr. Cheung Wai Yin Wilson

Mr. Guo Ensheng

**COMPANY SECRETARY**

Mr. Kwong Lun Kei Victor (*Solicitor of HKSAR*)

**SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investors Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

**AUDITOR**

McMillan Woods (Hong Kong) CPA Limited

*Certified Public Accountants (Practising)*

*and Registered PIE Auditor*

**GEM STOCK CODE**

8191

**COMPANY'S WEBSITE ADDRESS**

[www.hongweiasia.com](http://www.hongweiasia.com)

## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2024, operating results of the Group were as follows:

- Revenue for the six months ended 30 June 2024 amounted to approximately HK\$168.7 million, representing a decrease of approximately 18.8% from approximately HK\$207.9 million recorded in the same period in 2023. This is due to the technical upgrade and modification of the production equipment that has been shut down.
- Gross profit for the six months ended 30 June 2024 amounted to approximately HK\$28.9 million, representing a decrease of approximately 27.6% from approximately HK\$39.9 million recorded in the same period in 2023.
- Profit attributable to owners of the Company for the six months ended 30 June 2024 amounted to approximately HK\$10.8 million as compared to profit attributable to owners of the Company of approximately HK\$11.5 million recorded in the same period in 2023.
- The Board does not recommend the payment of an interim dividend for the six months period ended 30 June 2024 (30 June 2023: nil).

## INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (“**Current Period**“ or “**2024 Interim Period**”) together with the comparative figures of the six months 30 June 2023 (“**Previous Period**” or “**Corresponding period**”) as appropriate.

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

|   |       | Six months ended<br>30 June |             |
|---|-------|-----------------------------|-------------|
|   | Notes | 2024                        | 2023        |
|   |       | HK\$’000                    | HK\$’000    |
|   |       | (Unaudited)                 | (Unaudited) |
| Revenue   | 3     | <b>168,677</b>              | 207,853     |
| Cost of sales   |       | <b>(139,775)</b>            | (167,947)   |
| Gross profit  |       | <b>28,902</b>               | 39,906      |
| Other income  | 5     | <b>16,531</b>               | 15,919      |
| Impairment loss on right-of-use assets -<br>forestlands   |       | –                           | (20)        |
| Gain on disposal of biological assets and<br>right-of-use assets-forestland   |       | –                           | 112         |
| Selling and distribution expenses   |       | <b>(10,923)</b>             | (14,490)    |
| Administration expenses   |       | <b>(13,576)</b>             | (17,571)    |
| Finance costs   | 6     | <b>(10,118)</b>             | (12,350)    |
| Profit before tax   |       | <b>10,816</b>               | 11,506      |
| Income tax credit   | 7     | –                           | –           |
| Profit for the period attributable to owners of<br>the Company  | 8     | <b>10,816</b>               | 11,506      |
| Other comprehensive (expenses)/income<br>which will not be reclassified subsequently<br>to profit or loss:<br>Exchange differences arising on translation<br>to presentation currency |       | <b>(1,451)</b>              | 6,817       |
| Other comprehensive (expenses)/income for<br>the period   |       | <b>(1,451)</b>              | 6,817       |

|  |   | <b>Six months ended<br/>30 June</b> |             |
|--|---|-------------------------------------|-------------|
|  |   | <b>2024</b>                         | 2023        |
| Notes  |   | <b>HK\$'000</b>                     | HK\$'000    |
|  |   | <b>(Unaudited)</b>                  | (Unaudited) |
| <hr/>  |   |                                     |             |
| Total comprehensive income for the period                        |   | <b>9,365</b>                        | 18,323      |
| <hr/>  |   |                                     |             |
| Total comprehensive income attributable to owners of the Company |   | <b>9,365</b>                        | 18,323      |
| <hr/>  |   |                                     |             |
| Basic and diluted earnings per share, in HK cents                | 9 | <b>20.54</b>                        | 21.85       |
| <hr/>  |   |                                     |             |

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |       | <b>30 June</b>     | 31 December      |
|--|-------|--------------------|------------------|
|  |       | <b>2024</b>        | 2023             |
|  | Notes | <b>HK\$'000</b>    | HK\$'000         |
|  |       | <b>(Unaudited)</b> | <b>(Audited)</b> |
| <b>NON-CURRENT ASSETS</b>                                    |       |                    |                  |
| Property, plant and equipment                                |       | <b>335,895</b>     | 348,539          |
| Right-of-use assets  |       | <b>20,810</b>      | 21,302           |
| Biological assets  | 11    | <b>27,025</b>      | 26,286           |
| Intangible assets  |       | <b>5,212</b>       | 660              |
| Deferred tax assets  |       | <b>7,072</b>       | 2,968            |
| Prepayments for acquisition of property, plant and equipment | 14    | <b>179</b>         | 88               |
|  |       | <b>396,193</b>     | 399,843          |
| <b>CURRENT ASSETS</b>  |       |                    |                  |
| Inventories  | 12    | <b>226,284</b>     | 193,573          |
| Trade and bills receivables                                  | 13    | <b>62,374</b>      | 61,393           |
| Deposits, prepayments and other receivables                  | 14    | <b>102,394</b>     | 100,686          |
| Bank balances and cash                                       |       | <b>6,349</b>       | 7,802            |
| Restricted deposit   |       | <b>10,957</b>      | 11,021           |
|  |       | <b>408,358</b>     | 374,475          |
| <b>CURRENT LIABILITIES</b>                                   |       |                    |                  |
| Trade payables   | 15    | <b>36,436</b>      | 19,140           |
| Other payables and accrued expenses                          |       | <b>78,944</b>      | 87,098           |
| Tax payables   |       | <b>1,354</b>       | 129              |
| Contract liabilities   |       | <b>9,327</b>       | 5,914            |
| Bank and other borrowings, due within one year               | 16    | <b>174,851</b>     | 148,269          |
| Deferred income  |       | <b>7,791</b>       | 7,821            |
| Notes payable, secured and guaranteed                        | 17    | <b>53,936</b>      | 53,140           |
|  |       | <b>362,639</b>     | 321,511          |
| <b>NET CURRENT ASSETS</b>                                    |       | <b>45,719</b>      | 52,964           |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                 |       | <b>441,912</b>     | 452,807          |



|   |       | <b>30 June</b>     | 31 December      |
|---|-------|--------------------|------------------|
|   |       | <b>2024</b>        | 2023             |
|   | Notes | <b>HK\$'000</b>    | HK\$'000         |
|   |       | <b>(Unaudited)</b> | <b>(Audited)</b> |
| <b>NON-CURRENT LIABILITIES</b>                |       |                    |                  |
| Deferred tax liabilities                      |       | <b>7,053</b>       | 2,948            |
| Bank and other borrowings, due after one year | 16    | <b>148,134</b>     | 170,301          |
| Deferred income                               |       | <b>25,956</b>      | 28,155           |
|   |       | <b>181,143</b>     | 201,404          |
| <b>NET ASSETS</b>                             |       |                    |                  |
|   |       | <b>260,769</b>     | 251,403          |
| <b>CAPITAL AND RESERVES</b>                   |       |                    |                  |
| Share capital                                 | 18    | <b>270,886</b>     | 270,886          |
| Reserves                                      |       | <b>(10,117)</b>    | (19,483)         |
| <b>EQUITY ATTRIBUTABLE TO OWNERS</b>          |       |                    |                  |
| <b>OF THE COMPANY AND TOTAL EQUITY</b>        |       |                    |                  |
|   |       | <b>260,769</b>     | 251,403          |

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

|  | Share capital  | Capital reserve | Statutory reserve | Foreign currency translation reserve | Retained profits/(Accumulated losses) | Total          |
|--|----------------|-----------------|-------------------|--------------------------------------|---------------------------------------|----------------|
|  | HK\$'000       | HK\$'000        | HK\$'000          | HK\$'000                             | HK\$'000                              | HK\$'000       |
| Balance at 1 January 2024 (audited)                                  | <b>270,886</b> | <b>(16,968)</b> | <b>38,722</b>     | <b>(38,131)</b>                      | <b>(3,106)</b>                        | <b>251,403</b> |
| Profit for the period  | –              | –               | –                 | –                                    | <b>10,816</b>                         | <b>10,816</b>  |
| Other comprehensive expenses for the period:                         |                |                 |                   |                                      |                                       |                |
| Exchange differences arising on translation to presentation currency | –              | –               | –                 | <b>(1,450)</b>                       | –                                     | <b>(1,450)</b> |
| Total comprehensive income for the period                            | –              | –               | –                 | <b>(1,450)</b>                       | <b>10,816</b>                         | <b>9,366</b>   |
| Transfer to statutory reserve  | –              | –               | <b>1,518</b>      | –                                    | <b>(1,518)</b>                        | –              |
| Balance at 30 June 2024 (unaudited)                                  | <b>270,886</b> | <b>(16,968)</b> | <b>40,240</b>     | <b>(39,581)</b>                      | <b>6,192</b>                          | <b>260,769</b> |
| Balance at 1 January 2023 (audited)                                  | 270,886        | (16,968)        | 37,262            | (33,597)                             | (3,099)                               | 254,484        |
| Profit for the period  | –              | –               | –                 | –                                    | 11,506                                | 11,506         |
| Other comprehensive expenses for the period:                         |                |                 |                   |                                      |                                       |                |
| Exchange differences arising on translation to presentation currency | –              | –               | –                 | 6,820                                | –                                     | 6,820          |
| Total comprehensive income for the period                            | –              | –               | –                 | 6,820                                | 11,506                                | 18,326         |
| Transfer to statutory reserve  | –              | –               | 1,766             | –                                    | (1,766)                               | –              |
| Balance at 30 June 2023 (unaudited)                                  | 270,886        | (16,968)        | 39,028            | (26,777)                             | 6,641                                 | 272,810        |

# UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2024                     | 2023        |
|  | HK\$'000                 | HK\$'000    |
|  | (Unaudited)              | (Unaudited) |
| Net cash generated from/(used in) operating activities                                       | 3,909                    | (59,202)    |
| Net cash used in investing activities  | 5,651                    | 8,354       |
| Net cash (used in)/generated from financing activities                                       | (17,395)                 | 72,496      |
| Net (decrease)/increase in cash and cash equivalents   | (7,835)                  | 21,638      |
| Cash and cash equivalents at the beginning of the period                                     | 7,802                    | 2,541       |
| Effect of foreign exchange rate changes  | 6,382                    | (15,994)    |
| Cash and cash equivalents at the end of the period,<br>represented by bank balances and cash | 6,349                    | 8,185       |

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The unaudited interim consolidated financial statements have been prepared in accordance 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**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The unaudited interim consolidated financial statements have been reviewed by the Company’s audit committee and were authorised for issue on 28 August 2024 (the “**Approval Date**”)

The unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual report for the year ended 31 December 2023.

As at 30 June 2024, the Group’s current assets exceeded its current liabilities by approximately HK\$45,719,000 (31 December 2023: HK\$52,964,000). Its current liabilities, including current bank and other borrowings of approximately HK\$174,851,000 (31 December 2023: HK\$148,269,000), exceeded its cash and cash equivalents of approximately HK\$6,349,000 (31 December 2023: HK\$7,802,000).

Taking into consideration of the Group’s financial performance, working capital, liquidity position, available facilities from its principal bankers, financial institutions and the stability of the Group’s business, operations and relationships with its suppliers, bankers and financial institution, the Directors have prepared and assessed working capital forecast for a period of 12 months ending on 30 June 2024. In addition, Mr. Wong and his family members (“**Wong’s family**”) have agreed to provide financial support to the Group and will not demand the Group to repay the amounts due to them unless the Group could be able to do so. 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.

The unaudited interim consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s annual report for the year ended 31 December 2023, except for the adoption of new and amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) in the current period as disclosed in note 2.

The annual consolidated financial statements relating to the financial year ended 31 December 2023 that are included in these interim consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financials for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the annual consolidated financial statements for the year ended 31 December 2023 to the Registrar of the Companies as required by section 662(3) of, and part 3 of Schedule 6 to, the Companies Ordinance. The Company’s auditor has reported on those annual consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on GEM on the Stock Exchange (the “GEM Listing Rules”) and the Hong Kong Companies Ordinance.

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual report of the Group for the year ended 31 December 2023.

The unaudited condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2023, except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning 1 January 2024.

### Changes in accounting policy and disclosures

The adoption of the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period do not have material impact on the results and the financial position of the Group.

|                                  |   |
|----------------------------------|---|
| Amendments to HKFRS 16           | Lease Liability in a Sale and Leaseback   |
| Amendments to HKAS 1             | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) |
| Amendments to HKAS 1             | Non-current Liabilities with Covenants  |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements   |

The Group has not early applied any new and amended HKFRSs and interpretations that have been issued but are not yet effective for the current accounting period.

## 3. 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:

|  | For the six months ended 30 June |             |
|--|----------------------------------|-------------|
|  | 2024                             | 2023        |
|  | HK\$’000                         | HK\$’000    |
|  | (Unaudited)                      | (Unaudited) |
| <b>Timing of revenue recognition – at a point in time:</b> |                                  |             |
| Sales of particleboards                                    | 168,677                          | 207,853     |
| Revenue from contracts with customers                      | 168,677                          | 207,853     |

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

#### 4. SEGMENT INFORMATION

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

During the six months ended 30 June 2024, the Group has two reportable operating segments. Details are as follows:

- a. Particleboards segment, principally engaged in manufacturing and selling of particleboards in the PRC; and
- b. 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 as set out in the annual report for the year ended 31 December 2023. Segment revenue represents the revenue generated by each operating segment.

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 resources between segments:

- All assets are allocated to reportable segments other than loan receivable, 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, tax payable, deferred tax liabilities and unallocated corporate liabilities.

##### **Operating segments**

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

#### 4. SEGMENT INFORMATION (CONTINUED)

##### Operating segments (Continued)

For the six months ended 30 June 2024

|                                   | Particleboards<br>segment<br>HK\$'000<br>(Unaudited) | Forestry<br>segment<br>HK\$'000<br>(Unaudited) | Total<br>HK\$'000<br>(Unaudited) |
|-----------------------------------|--|--|----------------------------------|
| <i>Segment revenue:</i>           |  |  |                                  |
| Reportable segment revenue        | 168,677  | –  | 168,677                          |
| <i>Segment results:</i>           |  |  |                                  |
| Reportable segment results        | 24,482   | (1,416)  | 23,066                           |
| Interest income (note 5)          |  |  | 23                               |
| Finance costs (note 6)            |  |  | (10,118)                         |
| Unallocated corporate staff costs |  |  | (578)                            |
| Unallocated corporate expense     |  |  | (1,577)                          |
| Consolidated profit before tax    |  |  | 10,816                           |
| <i>Other segment information</i>  |  |  |                                  |
| Capital expenditures – allocated* | –  | –  | –                                |
| Depreciation – allocated          | 21,177   | 412  | 21,589                           |
| Depreciation – unallocated        |  |  | –                                |
| Total depreciation (note 8)       |  |  | 21,589                           |
| Amortisation (note 8)             | 35   | –  | 35                               |

#### 4. SEGMENT INFORMATION (CONTINUED)

##### Operating segments (Continued)

For the six months ended 30 June 2024

|                                   | Particleboards<br>segment<br>HK\$'000<br>(Unaudited) | Forestry<br>segment<br>HK\$'000<br>(Unaudited) | Total<br>HK\$'000<br>(Unaudited) |
|-----------------------------------|--|--|----------------------------------|
| <i>Segment revenue:</i>           |  |  |                                  |
| Reportable segment revenue        | 207,853  | –  | 207,853                          |
| <i>Segment results:</i>           |  |  |                                  |
| Reportable segment results        | 28,177   | (1,631)  | 26,546                           |
| Interest income (note 5)          |  |  | 19                               |
| Finance costs (note 6)            |  |  | (12,350)                         |
| Unallocated corporate staff costs |  |  | (1,513)                          |
| Unallocated corporate expense     |  |  | (1,196)                          |
| Consolidated profit before tax    |  |  | 11,506                           |
| <i>Other segment information</i>  |  |  |                                  |
| Capital expenditures – allocated* | –  | –  | –                                |
| Depreciation – allocated          | 21,501   | 843  | 22,344                           |
| Depreciation – unallocated        |  |  | 90                               |
| Total depreciation (note 8)       |  |  | 22,434                           |
| Amortisation (note 8)             | 329  | –  | 329                              |

\* 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 period.



#### 4. SEGMENT INFORMATION (CONTINUED)

##### 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 period. The analysis is as follows:

|                      | For the six months ended 30 June |             |
|----------------------|----------------------------------|-------------|
|                      | 2024                             | 2023        |
|                      | HK\$'000                         | HK\$'000    |
|                      | (Unaudited)                      | (Unaudited) |
| Revenue from the PRC | 168,677                          | 207,853     |

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 right-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 period individually contributing over 10% of the total sales of the Group is as follows:

|            | For the six months ended 30 June |             |
|------------|----------------------------------|-------------|
|            | 2024                             | 2023        |
|            | HK\$'000                         | HK\$'000    |
|            | (Unaudited)                      | (Unaudited) |
| Customer A | 31,413                           | 61,576      |

#### 5. OTHER INCOME

|                                | For the six months ended 30 June |             |
|--------------------------------|----------------------------------|-------------|
|                                | 2024                             | 2023        |
|                                | HK\$'000                         | HK\$'000    |
|                                | (Unaudited)                      | (Unaudited) |
| Value added tax ("VAT") refund | 5,108                            | 5,306       |
| Government grants              | 10,962                           | 10,452      |
| Interest income                | 23                               | 19          |
| Others                         | 438                              | 142         |
|                                | 16,531                           | 15,919      |

## 6. FINANCE COSTS

|  | For the six months ended 30 June |               |
|--|----------------------------------|---------------|
|  | 2024                             | 2023          |
|  | HK\$'000                         | HK\$'000      |
|  | (Unaudited)                      | (Unaudited)   |
| Interests on bank and other borrowings             | 7,530                            | 10,509        |
| Interests on notes payable                         | 796                              | –             |
| Interests on lease liabilities                     | –                                | 1             |
| Interests on loans from Mr. Wong and his associate | 1,792                            | 1,445         |
| Others   | –                                | 395           |
|  | <b>10,118</b>                    | <b>12,350</b> |

## 7. INCOME TAX CREDIT

|                                       | For the six months ended 30 June |             |
|---------------------------------------|----------------------------------|-------------|
|                                       | 2024                             | 2023        |
|                                       | HK\$'000                         | HK\$'000    |
|                                       | (Unaudited)                      | (Unaudited) |
| Current tax                           | –                                | –           |
| Deferred tax credited:                |                                  |             |
| – Origination of temporary difference | –                                | –           |
| Income tax credit                     | –                                | –           |

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Hongwei Wooden Products (Renhua) Co. Ltd. ("Hongwei Renhua") is 15% during the six months ended 30 June 2024 and 2023.

Pursuant to the EIT Law and its implementation regulations, where an enterprise utilises the resources as listed in the Catalogue of Resources for Comprehensive Utilisation Entitling Enterprises to Income Tax Preferences (資源綜合利用企業所得稅優惠目錄) as its major raw materials to make products which are not restricted or prohibited by the state and are consistent with the relevant state or industrial standards, only 90% of the income derived therefrom shall be accounted for as taxable income of the enterprise in that year (the "Tax Concessions"). During the six months ended 30 June 2024 and 2023, Hongwei (Renhua) is entitled to such preferential policy and only 90% of the income of Hongwei Renhua from the sale of particleboard was regarded as taxable income.

## 7. INCOME TAX CREDIT (CONTINUED)

According to the EIT Law and Implementation Regulation of the EIT Law, enterprises that engage in qualified agricultural business are eligible for exemption from payment of enterprise income tax. During the six months ended 30 June 2024 and 2023, the Group's two subsidiaries are principally engaged in qualifying agricultural business and therefore, the profit of them are entitled to exemption from payment of enterprise income tax (the "Tax Exemption").

## 8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

|   |       | For the six months ended 30 June |             |
|---|-------|----------------------------------|-------------|
|   |       | 2024                             | 2023        |
|   |       | HK\$'000                         | HK\$'000    |
|   | Notes | (Unaudited)                      | (Unaudited) |
| <b>Depreciation and amortisation expenses</b>                       |       |                                  |             |
| Depreciation of:  | (i)   |                                  |             |
| – property, plant and equipment                                     |       | 21,177                           | 21,078      |
| – right-of-use assets   |       | 412                              | 1,356       |
| Amortisation of intangible assets                                   |       | –                                | 329         |
| Total depreciation and amortisation expenses                        |       | 21,589                           | 22,763      |
| <b>Employee benefits expenses (including directors' emoluments)</b> |       |                                  |             |
| Salaries and other benefits   |       | 3,925                            | 2,830       |
| Contribution to retirement benefit schemes                          |       | 594                              | 1,365       |
| Total employee benefit expenses                                     |       | 4,519                            | 4,195       |
| Cost of inventories recognised as an expense                        |       | 139,775                          | 167,947     |

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

## 9. EARNINGS PER SHARE

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

### Earnings

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2024                     | 2023        |
|   | HK\$'000                 | HK\$'000    |
|   | (Unaudited)              | (Unaudited) |
| Profit for the period attributable to owners of the Company for the purpose of basic and diluted profit per share | 10,816                   | 11,506      |

### Number of shares

|  | Six months ended 30 June |                           |
|--|--------------------------|---------------------------|
|  | 2024                     | 2023                      |
|  | '000                     | '000                      |
|  | (Unaudited)              | (Unaudited)<br>(Restated) |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | 52,656                   | 52,656                    |

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

## 10. DIVIDENDS

No interim dividend was paid or proposed for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

## 11. BIOLOGICAL ASSETS

### (a) Nature of activities

Biological assets are standing timber trees attached to the forestlands which could be logged to produce timber woods as agricultural produce. Majority of timber woods harvested, being the small-sized timber woods, were used as raw materials of the Group to produce particleboards for sale and the remaining timber woods harvested, being the larger-sized timber woods, were sold to external customers.

### (b) Valuation of biological assets

The Group's biological assets are measured at fair values less costs to sell at initial recognition and at the end of each reporting period in accordance with HKAS 41 "Agriculture". The fair values less costs to sell of biological assets were determined with reference to the work performed by the independent valuers (the "Valuers"). The Valuers have various professional qualifications and extensive experience in the valuation of agricultural and biological assets and its related businesses for the listed companies in Hong Kong. Accordingly, the directors are of the view that the Valuers are competent to determine the fair values less costs to sell of the Group's biological assets. The Group's management has discussion with the Valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

## 11. BIOLOGICAL ASSETS (CONTINUED)

### (b) Valuation of biological assets (Continued)

Because the fair values less costs to sell of the Group's biological assets are non-cash in nature, are derived from many assumptions and are affected by factors including different usage of the timbers harvested, presence of natural defects in the wood, growth and death rates of trees, calamities, market prices at the time of harvest and buyers' preference, any changes in assumptions and factors may affect the fair values less costs to sell of the Group's biological assets dramatically.

No gain on initial recognition has been recognised in profit or loss for both years.

## 12. INVENTORIES

|                  | <b>As at<br/>30 June<br/>2024<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2023<br/>HK\$'000<br/>(Audited)</b> |
|------------------|--|--|
| Raw materials    | 158,172  | 141,759  |
| Work in progress | 5,468  | 7,534  |
| Finished goods   | 62,644   | 44,280   |
| Total            | 226,284  | 193,573  |

## 13. TRADE AND BILLS RECEIVABLES

|                       | <b>As at<br/>30 June<br/>2024<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2023<br/>HK\$'000<br/>(Audited)</b> |
|-----------------------|--|--|
| Trade receivables     | 56,586   | 58,417   |
| Bills receivables     | 8,413  | 14,845   |
|                       | 64,999   | 73,262   |
| Less: Loss allowances | (2,625)  | (11,869)   |
| Total                 | 62,374   | 61,393   |

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 360 days (31 December 2023: 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 approximately equal to their fair values.

### 13. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

|   | <b>As at<br/>30 June<br/>2024<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2023<br/>HK\$'000<br/>(Audited)</b> |
|---|--|--|
| Within three months                     | 39,741   | 41,458   |
| Over three months but within six months | 267  | 1,513  |
| Over six months                         | 16,578   | 15,446   |
| Total                                   | <b>56,586</b>  | 58,417   |

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 maturity date.

|  | <b>As at<br/>30 June<br/>2024<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2023<br/>HK\$'000<br/>(Audited)</b> |
|--|--|--|
| Within three months                        | 6,664  | 10,281   |
| Over three months but within twelve months | 1,749  | 4,564  |
| Total                                      | <b>8,413</b>   | 14,845   |

### 14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

|  | <b>As at<br/>30 June<br/>2024<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2023<br/>HK\$'000<br/>(Audited)</b> |
|--|--|--|
| VAT recoverable  | 21,847   | 21,091   |
| Payments in advance to suppliers                                     | 78,108   | 71,744   |
| Prepayments paid for acquisition of property,<br>plant and equipment | 179  | 88   |
| Prepayments in advance to staff                                      | 1,588  | 1,615  |
| Others   | 2,218  | 7,570  |
|  | <b>103,940</b>   | 102,108  |

#### 14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

|                                | <b>As at<br/>30 June<br/>2024<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2023<br/>HK\$'000<br/>(Audited)</b> |
|--------------------------------|--|--|
| Less : Loss allowance          | <b>(1,367)</b>   | <b>(1,334)</b>   |
|                                | <b>102,573</b>   | <b>100,774</b>   |
| Analyses for reporting purpose |  |  |
| Current assets                 | <b>102,394</b>   | <b>100,686</b>   |
| Non-current assets             | <b>179</b>   | <b>88</b>  |
|                                | <b>102,573</b>   | <b>100,774</b>   |

#### 15. TRADE PAYABLES

|                | <b>As at<br/>30 June<br/>2024<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2023<br/>HK\$'000<br/>(Audited)</b> |
|----------------|--|--|
| Trade payables | <b>36,436</b>  | <b>19,140</b>  |

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:

|   | <b>As at<br/>30 June<br/>2024<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2023<br/>HK\$'000<br/>(Audited)</b> |
|---|--|--|
| Within three months                     | <b>32,471</b>  | <b>17,129</b>  |
| Over three months but within six months | <b>2,179</b>   | <b>1,105</b>   |
| Over six months                         | <b>1,786</b>   | <b>906</b>   |
| Total                                   | <b>36,436</b>  | <b>19,140</b>  |

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

## 16. BANK AND OTHER BORROWINGS

|  |       | As at<br>30 June<br>2024<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2023<br>HK\$'000<br>(Audited) |
|--|-------|---|---|
| Bank borrowings  | (i)   |   |   |
| – due within one year  |       | 148,464   | 120,417   |
| – due after one year   |       | 99,084  | 113,235   |
| Bank borrowings obtained in relation to discounted bill receivable | (i)   | 6,466   | 7,832   |
| Other borrowings   | (ii)  | 24,428  | 34,803  |
| Unsecured loans from Mr. Wong and his associate                    | (iii) |   |   |
| – due within one year  |       | –   | –   |
| – due after one year   |       | 44,543  | 42,283  |
|  |       | <b>322,985</b>                                      | 318,570   |
| Less: amount included in current liabilities                       |       | <b>(174,851)</b>                                    | (148,269)   |
| Non-current portion  |       | <b>148,134</b>                                      | 170,301   |
| Analysed as:   |       |   |   |
| Secured but unguaranteed   | (iv)  | 33,929  | 34,061  |
| Secured and guaranteed   | (iv)  | 241,562   | 239,276   |
| Unsecured and unguaranteed   |       | 47,494  | 45,233  |
|  |       | <b>322,985</b>                                      | 318,570   |

### Notes:

- (i) Save as the bank borrowings with an aggregate carrying amount of approximately HK\$172,130,000 (31 December 2023: approximately HK\$152,469,000) as at 30 June 2024, except for bank loans with fixed annual interest rates ranging from 3.05% to 5.35% (2023: 3.05% to 5.35%), and bank borrowings with an aggregate carrying amount of approximately HK\$81,884,000 (31 December 2023: approximately HK\$89,015,000) as at 30 June 2024, interest will be calculated based on a floating annual interest rate ranging from 3.25% to 6.5% (2023: 3.25% to 6.5%) . All bank borrowings are denominated in RMB.
- (ii) As at 30 June 2024, the Group's other borrowings represents sales and leaseback operating lease arrangements with financial institutions, pursuant to which the Group transfers certain of its equipments to the financial institutions for loans to the Group with tenure of one to three years (2023: one to three years) from the date of advancements. At the end of the lease term, the Group could pay a minimal amount of consideration to re-acquire the leased equipments. Other borrowings of approximately HK\$24,428,000 (31 December 2023: approximately HK\$34,803,000) as at 30 June 2024. Other borrowings are denominated in RMB.



## 16. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

The maturity analysis of other borrowings is as follows:

|  | As at<br>30 June<br>2024<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2023<br>HK\$'000<br>(Audited) |
|--|---|---|
| Within one year                                  | 19,921  | 20,020  |
| More than one year, but not exceeding two years  | 4,507   | 14,783  |
| More than two year, but not exceeding five years | –   | –   |
|  | <b>24,428</b>                                       | <b>34,803</b>   |

- (iii) As at 30 June 2024, the balance represented the unsecured loans from Mr. Wong, Mrs. Wong & Ms. Wong Wan Yu (“**Ms. Wong**”), a daughter of Mr. and Mrs. Wong, which amounted to approximately HK\$10,000,000, HK\$15,085,000 and HK\$19,458,000. Both loans carry interest of 7% per annum, unsecured and are repayable in year 2023. As at 31 December 2023, the balance represented the unsecured loans from Mr. Wong, Mrs. Wong and Ms. Wong, which amounted to approximately HK\$10,000,000, HK\$14,069,000 and HK\$18,214,000. Both loans carry interest of 7% per annum, unsecured and are repayable in year 2026.

Details are set out in note 27(iii) to the consolidated financial statements in Annual Report 2022.

- (iv) As at 30 June 2024, the Group’s secured bank and other borrowings are secured by the following assets of the Group:
- (a) the pledge of the Group’s property, plant and equipment with an aggregate carrying amount of approximately HK\$167,166,000 (31 December 2023: approximately HK\$167,811,000);
  - (b) the pledge of the Group’s right-of-use assets with an aggregate carrying amount of approximately HK\$15,852,000 (31 December 2023: approximately HK\$15,912,000);
  - (c) the pledge of the Group’s inventories with an aggregate carrying amount of approximately HK\$62,603,000 (31 December 2023: approximately HK\$44,280,000) and;
  - (d) the pledge of the Group’s bills receivables with aggregate carrying amount of approximately HK\$6,466,000 (31 December 2023: approximately HK\$7,832,000).
- (v) As at 30 June 2024, the Group’s secured and guaranteed bank borrowings of approximately HK\$164,867,000 (31 December 2023: approximately HK\$165,502,000) are secured by personal guarantees executed by Mr. Wong and Mr. Wong Kin Ching for the maximum amount of guarantee up to approximately HK\$214,752,000 (31 December 2023: approximately HK\$215,580,000). As at 30 June 2024, the Group’s secured and guaranteed other borrowings of approximately HK\$15,066,000 (31 December 2023: approximately HK\$15,124,000) are secured by personal guarantees executed by Mr. Wong and Mrs. Wong/Mr. Wong, Mrs. Wong and Mr. Wong Kin Ching.

## 17. NOTES PAYABLE

|   | <b>As at<br/>30 June<br/>2023<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2023<br>HK\$'000<br>(Audited) |
|---|--|---|
| Current Liabilities:                            |  |   |
| Notes payable, secured and guaranteed (noted i) | <b>53,936</b>  | 53,140  |
|   | <b>53,936</b>  | 53,140  |

Note: (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 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 Note Subscriber entered into a deed of amendment, pursuant to which, among other things, the Note 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 2023. Please refer to the announcement of the Company dated 20 September 2021 for more details.

The Note 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.

## 17. NOTES PAYABLE (CONTINUED)

Notes: *(Continued)*

On 15 March 2024, 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\$52,400,000, and the final repayment date of the Notes has been extended to 25 June 2026. Please refer to the announcement of the Company dated 15 March 2024 for more details.

## 18. SHARE CAPITAL

|  | Numbers of shares       |                             | Share capital               |                                 |
|--|-------------------------|-----------------------------|-----------------------------|---------------------------------|
|  | 30 June<br>2024<br>'000 | 31 December<br>2023<br>'000 | 30 June<br>2024<br>HK\$'000 | 31 December<br>2023<br>HK\$'000 |
| Ordinary shares, issued and fully paid |                         |                             |                             |                                 |
| At 1 January                           | <b>52,656</b>           | 52,656                      | <b>270,886</b>              | 270,886                         |
|  | <b>52,656</b>           | 52,656                      | <b>270,886</b>              | 270,886                         |

## 19. RELATED PARTY TRANSACTIONS

Information about related parties and their relationships with the Group are as follows:

| Name of related party | Relationship                          |
|-----------------------|---------------------------------------|
| Ms. Wong              | Daughter of Mr. Wong and Mrs. Wong    |
| Mr. Wong Kin Ching    | Director and son of Mr. and Mrs. Wong |
| Mr. Wong Kin Keung    | Son of Mr. and Mrs. Wong              |

Details of transactions between the Group and its related parties are disclosed below.

### a) Transactions with related parties

|  | As at<br>30 June<br>2024<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2023<br>HK\$'000<br>(Audited) |
|--|---|---|
| Loan advanced from related parties:          |   |   |
| – Mr. Wong                                   | –   | –   |
| – Mrs. Wong                                  | 65  | 185   |
| – Ms. Wong                                   | 1,394   | 7,649   |
|  | <b>1,459</b>  | <b>7,834</b>  |
| Loan principal repayment to related parties: |   |   |
| – Mr. Wong                                   | –   | –   |
| – Mrs. Wong                                  | –   | –   |
| – Ms. Wong                                   | 150   | 1,666   |
|  | <b>150</b>  | <b>1,666</b>  |
| Loan facilities provided by:                 |   |   |
| – Mr. Wong                                   | 10,000  | 10,000  |
| – Mrs. Wong                                  | 15,000  | 15,000  |
| – Ms. Wong                                   | 15,000  | 15,000  |
|  | <b>40,000</b>                                       | <b>40,000</b>   |

## 19. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Personal guarantee executed by Directors

|  | As at<br>30 June<br>2024<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2023<br>HK\$'000<br>(Audited) |
|--|---|---|
| Personal guarantees executed by Mr. Wong and Mrs. Wong in respect of the following balances:                     |   |   |
| – notes payable  | 53,936  | 53,162  |
| Personal guarantees executed by Mr. Wong, Mrs. Wong and Mr. Wong Kin Ching in respect of the following balances: |   |   |
| – other borrowings   | 15,066  | 15,124  |
| Personal guarantees executed by Mr. Wong Kin Ching and Mr. Wong in respect of the following balances:            |   |   |
| – bank borrowings*   | 164,867   | 165,502   |

\* Maximum amount of guarantee provided by Mr. Wong and Mr. Wong Kin Ching are each approximately HK\$214,752,000 (31 December 2023: approximately HK\$215,580,000)

### (c) Compensation of key management personnel and related parties

The remuneration of Directors and other members of key management personnel during the six months ended 30 June 2024 is as follows:

|   | For the six months ended 30 June |                                 |
|---|----------------------------------|---------------------------------|
|   | 2024<br>HK\$'000<br>(Unaudited)  | 2023<br>HK\$'000<br>(Unaudited) |
| Short-term employee benefits                        | 1,162                            | 3,654                           |
| Post-employment benefits                            | –                                | –                               |
| Total compensation paid to key management personnel | 1,162                            | 3,654                           |

During the six months ended 30 June 2024, short-term benefits and post-employment benefits for Ms. Wong, paid and contributed by the Group were approximately HK\$30,000 (2023: approximately HK\$120,000) and approximately HK\$0 (2023: approximately HK\$0), respectively and short-term benefits and post-employment benefits for Mr. Wong Kin Keung, son of Mr. Wong and Mrs. Wong, paid and contributed by the Group were approximately HK\$0 (2023: approximately HK\$0) and approximately HK\$0 (2023: approximately HK\$0), respectively.

# MANAGEMENT DISCUSSIONS AND ANALYSIS

## BUSINESS REVIEW

During the six months ended 30 June 2024 (“**Current Period**” or “**2024 Interim Period**”), the Group continued to be engaged in the manufacturing and selling of particleboards (“**Particleboards Segment**”) and the plantation, timber logging and sales of wood and agricultural products in the People’s Republic of China (the “**PRC**”) (“**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, and 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. The domestic demand for consumer products such as household furniture and fixtures, sport equipment as well as industry demand for construction materials had remained at a low level and they are looking for lower-cost substitute.

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

The group strives to adopt a strategy of raw material differentiation, product differentiation, and market differentiation, producing all bamboo particleboard using bamboo instead of wood. During the period, the group has repeatedly carried out technological upgrades to equipment shutdowns to ensure the quality of all bamboo particleboard produced. At present, the group has given priority to promoting all bamboo boards to the market ahead of its competitors in the industry and has made promotional efforts, achieving good results.

### **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 2024 Interim Period, the Group's revenue for Particleboards Segment decreased to approximately HK\$168.7 million from approximately HK\$207.9 million, representing a decrease of approximately 18.8% as compared to the six months ended 30 June 2023 (“**Previous Period**” or “**Corresponding Period**”). The decrease is mainly due to multiple shutdowns and technological upgrades during the mid-2024 period, resulting in a decrease in the production and sales of particleboard.

During the periods ended 30 June 2024 and 2023, no income generating activity took place for the Forestry Segment and hence no revenue was recognized for such segment.

### **Cost of sales**

During the 2024 Interim Period, the Group's costs of sales decreased to approximately HK\$139.8 million from approximately HK\$167.9 million, representing a decrease of approximately 16.8% as compared to the Previous Period. The decrease is mainly due to an decrease in product sales volume.

### **Gross profit and margin**

During the 2024 Interim Period, the Group's gross profit decreased to approximately HK\$28.9 million from approximately HK\$39.9 million, representing an decrease of approximately 27.6% as compared to the Previous Period. The gross profit margin of our group has decreased from approximately 19.2% in the previous period to approximately 17.1% in the mid-2024 period.

The decrease in gross profit margin are mainly due to the decrease in product sales volume.

### **Other income**

During the 2024 Interim Period, the Group's other income increased to approximately HK\$16.5 million from approximately HK\$15.9 million, representing an increase of approximately 3.8% as compared to that for the Previous Period. The increase is mainly due to the increase in value-added tax refunds.

### **Selling and distribution expenses**

During the 2024 Interim Period, the Group's selling and distribution expenses decreased to approximately HK\$10.9 million from approximately HK\$14.5 million in the Previous Period, representing a decrease of approximately 24.6%. The decrease in sales and distribution expenses is mainly due to the decrease in sales of particleboard, which resulted in a decrease in transportation and packaging costs incurred during this period.

### **Administration expenses**

During the 2024 Interim Period, the Group's administration expenses decreased to approximately HK\$13.6 million from approximately HK\$17.6 million, representing an decrease of approximately 22.7% as compared to the Previous Period. The decrease in administrative expenses is mainly due to the decrease in research and development expenses.

### **Finance costs**

During the 2024 Interim Period, the Group's finance costs decreased to approximately HK\$10.1 million from approximately HK\$12.4 million in the Previous Period, representing a decrease of approximately 18.1%. The decrease in financial costs is mainly due to a decrease in notes payable.

### **Profit attributable to owners of the Company**

During the 2024 Interim Period, the profit attributable to owners of the Company amounted to approximately HK\$10.8 million, as compared to the loss attributable to owners of the Company amounted to approximately HK\$11.5 million for the Previous Period. Such decrease was mainly due to the decrease in cost of sales, selling expenses and finance costs as discussed above.

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

During the six months ended 30 June 2024, the Group's total comprehensive income attributable to owners of the Company amounted to approximately HK\$9.4 million, while the Group's total comprehensive expenses attributable to owners of the Company during the same period last year amounted to approximately HK\$18.3 million. The decrease is mainly due to the increase in expenses related to the exchange differences arising on translation to presentation currency.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2024, there has been no change in the capital structure of the Company compared to that as at 31 December 2023. The capital of the Company only comprises ordinary shares.

During the six months ended 30 June 2024, the Group mainly financed its operations with its working capital, bank and other borrowings, including the secured and guaranteed notes.

As at 30 June 2024 and 31 December 2023, the Group had bank and other borrowings of approximately HK\$174.9 million and HK\$148.3 million respectively. As at 30 June 2024, all bank borrowings are denominated in RMB save as those disclosed in note 16(i). The maturity profile of the Group's bank and other borrowings are set out in note 16 to this report.

As at 30 June 2024 and 31 December 2023, the Group had net current assets of approximately HK\$45.7 million and HK\$53 million respectively. The current ratio of the Group, calculated by current assets over current liabilities, was 1.1x as at 30 June 2024 (31 December 2023: 1.2x).

### **Gearing Ratio**

As at 30 June 2024, the gearing ratio stood at 1.4x (31 December 2023: 1.5x) calculated by total borrowings (including lease liabilities, bank and other borrowings and notes payable) over shareholders' equity.

## **FOREIGN EXCHANGE EXPOSURE**

As at 30 June 2024 and 31 December 2023, the 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 exchange rates. As at 30 June 2024, 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 its sales receipts and payments for purchases are mainly in RMB.

## **TREASURY POLICIES**

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. In order to manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.



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

The Group had no significant investment held as at 30 June 2024. The Group has no plan for material investments or capital assets except that the Group will acquire new machineries and continue the construction work as mentioned in note 14 to the consolidated financial statements in the annual report 2023.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

During 2024 Interim Period, the Group did not have any material acquisitions and disposals of subsidiary.

## **PLEDGE OF ASSETS**

Details of pledge of assets are set out in note 16(iv) of this report.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

The Group does not have other significant capital commitment nor contingent liabilities as at 30 June 2024.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2024, the Group employed a total of 232 employees (30 June 2023: 169). The remuneration payable to our employees included fees, salaries, retirement benefits scheme contributions and other benefits. For the 2024 Interim Period and the corresponding period in 2023, the remuneration paid to employees was approximately HK\$4.8 million and HK\$5.7 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 in the interests of the shareholders of the Company ("Shareholders") as a whole. The Group aims to align the interests of the senior executives with those of Shareholders by remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration.

The Company also adopted a share option scheme. As at 30 June 2024, no share option was granted or outstanding.

## **SECURED AND GUARANTEED NOTES**

On 13 August 2018, pursuant to the subscription agreement dated 10 August 2018 ("**Note Subscription Agreement**") between the Company and AI Global Investment SPC (formerly known as Haitong Global Investment SPC III) acting on behalf of and for a segregated portfolio ("**Note Subscriber**"), the Company issued secured and guaranteed notes in the principal amount of HK\$100,000,000 (the "**Notes**") originally due on 12 August 2020 to the Note Subscriber. The Notes carries an interest rate at Hong Kong prime rate plus 3% per annum, and is secured, among other things, by personal guarantee executed by Mr. Wong and Mrs. Wong (together, "**Guarantors**").

On 13 July 2020, the Company, the Guarantors and the Note Subscriber entered into a deed of amendment, pursuant to which, among other things, the Note 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 Note Subscription Agreement and the instrument constituting the Notes (“**Instrument**”) contain covenants that require Mr. Wong to remain as the single largest shareholder of the Company, the chairman of the Board and executive director of the Company and restrict the creation by either of the Guarantors of any additional encumbrances over real properties owned by them in Hong Kong as at the date of the Note Subscription Agreement and the Instrument, the breach of which will constitute an event of default. In addition, the bankruptcy or inability to pay debts when due of the Guarantors or any change of control (within the meaning of the Code on Takeovers and Mergers) of the Company will also constitute an event of default. Upon the occurrence of a continuing event of default, the holder(s) of the Notes is(are) entitled to request immediate redemption of the Notes at a higher interest rate and such amount which would give a 20% internal rate of return (inclusive of all interest and fee payable by the Company) to the Note Subscriber as stipulated in the Instrument.

On 15 March 2024, 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\$52,400,000, and the final repayment date of the Notes has been extended to 25 June 2026. Please refer to the announcement of the Company dated 15 March 2024 for more details.

#### **COMPLIANCE WITH NON-COMPETITION DEED**

Mr. Wong Cheung Lok, our controlling shareholder (the “**Covenanter**”), entered into a deed of non-competition (the “**Non-competition Deed**”) in favour of our Company, pursuant to which the Covenanter has undertaken to our Company that he would not, and that his associates (except any member of our Group) would not, during the restricted period set out therein, directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with our existing core business. Mr. Wong has confirmed to the Company that the Non-competition Deed has been fully complied with during the period ended 30 June 2024 and up to the date of this report.

Details of the undertaking has been set out in the section headed “Relationship with Controlling Shareholders” of the prospectus of the Company dated 28 December 2013.

## THE INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

So far as the Directors are aware, as at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571. Laws of Hong Kong) (the “SFO”) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange, are as follows:

### Long position in the Shares

| Name   | Capacity/<br>Nature of interest | Aggregate number<br>of Shares or<br>underlying Shares<br>(Note 1) | Approximate<br>percentage<br>of interest<br>in our<br>Company |
|--|---------------------------------|---|---|
| Mr. Wong Cheung Lok (“Mr. Wong”)                       | Beneficial owner                | 21,500,000 (L)  | 40.83%  |
| Ms. Cheung Ngar Kwan (“Mrs. Wong”) <sup>(Note 2)</sup> | Interest of spouse              | 21,500,000 (L)  | 40.83%  |
| Mr. Wong Kin Ching                                     | Beneficial owner                | 18,600 (L)  | 0.04%   |

Notes:

- (1) The letter “L” denotes the person’s long positions in the Shares.
- (2) Mrs. Wong is the spouse of Mr. Wong. Under the SFO, Mrs. Wong is deemed to be interested in the same number of Shares in which Mr. Wong is interested.

## SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 30 June 2024, none of any other persons (other than a Director or chief executive) had any interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the 2024 Interim Period, neither the Company nor its subsidiary have purchased, sold or redeemed any listed securities of the Company.

## **DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESSES**

During the six months ended 30 June 2024, save as disclosed below, none of the Directors, the controlling shareholder of the Company or any of their respective close associates, has engaged in any business that competes or may compete with the business of the Group, or has or may have any other conflict of interest with the Group.

During the six months ended 30 June 2024, Mr. Wong Kin Ching, an executive Director, directly or indirectly, owned the following companies of which he also serves as the sole director: Gifted Multitude Limited, Hung Tat Investment (Hong Kong) Company Limited and Shaoguan Hongwei Forestry Company Limited (韶關鴻偉林場有限公司). Gifted Multitude Limited and Hung Tat Investment (Hong Kong) Company Limited are investment holding companies which wholly own, directly or indirectly, Shaoguan Hongwei Forestry Company Limited (韶關鴻偉林場有限公司), which is the operating company incorporated in the PRC and engaged in the forestry plantation business, including forestry planting and development with respect to forestlands located at Renhua County, Guangdong Province, PRC.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the GEM Listing Rules during the 2024 Interim Period except otherwise stated below.

### **Code provision C.2.1**

In accordance with the code provision C.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 who meet 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 appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard of dealings concerning securities transactions by the directors during the 2024 Interim Period.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No Director had a material interest in any contract of significance to the business of the Group to which the Company or its subsidiary was a party during the 2024 Interim Period.

## **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 2024 Interim Period.

## **EVENT AFTER REPORTING PERIOD**

As of the date of this report, the Directors are not aware of any important events affecting the Group which have occurred since 30 June 2024.

## **REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The audit committee of the Board of the Company has discussed and reviewed with the management of the Group the consolidated interim financial statements of the Group for the 2024 Interim Period, which has not been audited nor reviewed by the Company's auditors, McMillan Woods (Hong Kong) CPA Limited.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the 2024 Interim Period (30 June 2023: nil).

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

Hong Kong, 30 August 2024

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