



HAO WEN HOLDINGS LIMITED

皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019

I N T E R I M R E P O R T 2 0 1 5



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This report, for which the directors (“Director(s)”) of Hao Wen Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- Unaudited turnover of the Group for the six months ended 30 June 2015 amounted to approximately RMB6,251,000 representing an increase of approximately 4.0% over the corresponding period in 2014.
- Loss attributable to owners of the Company for the six months ended 30 June 2015 was approximately RMB6,902,000.
- Basic loss per share for the six months ended 30 June 2015 was approximately RMB0.16 cents.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015.

UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months and the three months ended 30 June 2015, together with the comparative unaudited figures for the corresponding periods in last financial year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

	Notes	Six months ended 30 June		Three months ended 30 June	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Turnover	3	6,251	6,011	2,560	2,714
Cost of sales		(1,679)	(5,765)	(615)	(2,444)
Gross profit		4,572	246	1,945	270
Other gains and losses	5	(1,753)	(2,539)	4,554	(452)
General and administrative expenses		(9,467)	(13,194)	(4,486)	(6,759)
(Loss)/profit from operations		(6,648)	(15,487)	2,013	(6,941)
Share of results of associates		193	–	32	–
Finance costs	6(a)	(77)	(65)	(44)	–
(Loss)/profit before taxation	6	(6,532)	(15,552)	2,001	(6,941)
Income tax expenses	7	(410)	–	(207)	–
(Loss)/profit for the period		(6,942)	(15,552)	1,794	(6,941)
Other comprehensive loss, net of income tax					
Exchange differences on translating foreign operations		(1,426)	(267)	(704)	(161)
Total comprehensive (loss)/profit for the period		(8,368)	(15,819)	1,090	(7,102)

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
Note	RMB'000	RMB'000	RMB'000	RMB'000
(Loss)/profit for the period attributable to:				
Owners of the Company	(6,902)	(15,460)	1,791	(6,955)
Non-controlling interests	(40)	(92)	3	14
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(8,328)	(15,727)	1,087	(7,116)
Non-controlling interests	(40)	(92)	3	14
(Loss)/earnings per share				
– Basic and diluted	9	(RMB0.16 cents) (RMB0.72 cents)	RMB0.04 cents	(RMB0.32 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30 June 2015 <i>RMB'000</i>	(Audited) As at 31 December 2014 <i>RMB'000</i>
Non-current assets	<i>Notes</i>		
Plant and equipments		22,731	17,306
Intangible assets		2,076	3,645
Goodwill		213,259	213,259
Available for sale financial assets	10	15,080	–
Interests in associates		54,568	54,833
Loans receivable	11	3,417	17,042
		311,131	306,085
Current assets			
Inventories		310	610
Trade, loan and other receivables, prepayments and deposits	11	116,357	77,243
Financial assets at fair value through profit or loss		38,003	20,456
Cash and bank balances		35,904	29,406
		190,574	127,715
Current liabilities			
Trade and other payables	12	46,934	39,882
Tax payables		1,238	901
Obligations under finance leases		810	609
		48,982	41,392
Net current assets		141,592	86,323
Total assets less current liabilities		452,723	392,408
Non-current liabilities			
Obligations under finance leases		2,702	1,970
Net assets		450,021	390,438
Capital and reserves attributable to owners of the Company			
Share capital		406,748	339,771
Reserves		(54,747)	(47,393)
Equity attributable to owners of the Company		352,001	292,378
Non-controlling interests		98,020	98,060
Total equity		450,021	390,438

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Warrants reserve	Convertible note equity reserve	Capital reduction reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	146,820	84,248	-	-	92,489	36,239	(11,541)	(300,997)	47,258	-	47,258
Issuance of convertible notes	-	-	-	8,442	-	-	-	-	8,442	-	8,442
Issuance of shares upon conversion of convertible notes	28,690	63,304	-	(8,442)	-	-	-	-	83,552	-	83,552
Issuance of unlisted warrants	-	-	1,349	-	-	-	-	-	1,349	-	1,349
Recognised upon acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	98,448	98,448
Total comprehensive loss for the six months ended 30 June 2014	-	-	-	-	-	-	(267)	(15,460)	(15,727)	(92)	(15,819)
At 30 June 2014	175,510	147,552	1,349	-	92,489	36,239	(11,808)	(316,457)	124,874	98,356	223,230
At 1 January 2015	339,771	146,824	1,263	-	92,489	36,239	(10,586)	(313,622)	292,378	98,060	390,438
Placement of shares	66,977	974	-	-	-	-	-	-	67,951	-	67,951
Total comprehensive loss for the six months ended 30 June 2015	-	-	-	-	-	-	-	(6,902)	(6,902)	(40)	(6,942)
Exchange differences on translating foreign operations	-	-	-	-	-	-	(1,426)	-	(1,426)	-	(1,426)
At 30 June 2015	406,748	147,798	1,263	-	92,489	36,239	(12,012)	(320,524)	352,001	98,020	450,021

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(25,144)	(7,186)
Net cash used in investing activities	(34,684)	(18)
Net cash generated from financing activities	67,255	1,350
Net increase/(decrease) in cash and cash equivalents	7,427	(5,854)
Cash and cash equivalents, at 1 January	29,406	9,024
Effect of foreign exchange rate changes	(929)	–
Cash and cash equivalents, at 30 June	35,904	3,170
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	35,904	3,170

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 1 August 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands, and its shares have been listed on the GEM of the Stock Exchange with effect from 20 July 2001.

The Group is primarily engaged in the sale of biodegradable food containers and disposable industrial packaging for consumer products, trading and manufacturing of biomass fuel and money lending business.

2. BASIS OF PREPARATION

The consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). These interim financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”).

(a) Changes in accounting policies

This unaudited consolidated financial information should be read in conjunction with Company’s 2014 Annual Report, which has been prepared in accordance with IAS 34 except for adoption of new and revised IFRSs which are effective to the Group for accounting periods beginning on or after 1st January 2015. The adoption of the new IFRSs has no material impact on the Group’s results and financial position for current or prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current period, that have no material impact on the Group.

(b) Basis of measurement

The unaudited consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its major subsidiaries are Hong Kong dollars and Renminbi ("RMB"). For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency. All financial information presented in RMB has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and report amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the 2014 annual financial statement.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. TURNOVER

Turnover represents the sales value of goods supplied to customers, which excludes value-added tax and is stated after deduction of any goods returns and trade discounts and interest income earned from the money lending business.

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of biodegradable products	1,642	707	576	219
Trading and manufacturing of biomass fuel	173	5,304	73	2,495
Interest income on money lending business	4,436	–	1,911	–
	6,251	6,011	2,560	2,714

4. SEGMENT REPORTING

Segment revenues and results

	(Unaudited)							
	For the six months ended 30 June							
	Biodegradable products		Biomass fuel products		Money lending		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Turnover								
External sales	1,642	707	173	5,304	4,436	–	6,251	6,011
Result								
Segment results	(2,069)	(8,216)	(244)	(308)	2,500	–	187	(8,524)
Unallocated corporate expenses							(4,903)	(6,963)
Fair value loss on financial assets at fair value through profit or loss							(1,932)	–
Loss from operations							(6,648)	(15,487)
Share of results of associates							193	–
Finance costs							(77)	(65)
Loss before taxation							(6,532)	(15,552)
Income tax expenses							(410)	–
Loss for the period							(6,942)	(15,552)

(Unaudited)
For the three months ended 30 June

	Biodegradable products		Biomass fuel products		Money lending		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover								
External sales	576	219	73	2,495	1,911	–	2,560	2,714
Result								
Segment results	(808)	(3,823)	(63)	(49)	1,353	–	482	(3,872)
Unallocated corporate expenses							(2,911)	(3,069)
Fair value gain on financial assets at fair value through profit or loss							4,442	–
Profit/(loss) from operations							2,013	(6,941)
Share of results of associates							32	–
Finance costs							(44)	–
Profit/(loss) before taxation							2,001	(6,941)
Income tax expenses							(207)	–
Profit/(loss) for the period							1,794	(6,941)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2014: Nil).

	Biodegradable products		Biomass fuel products		Money lending		Consolidated	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	As at	As at	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets								
Segment assets	13,118	15,730	260,575	253,805	82,699	77,117	356,392	346,652
Unallocated corporate assets							145,313	87,148
							501,575	433,800
Liabilities								
Segment liabilities	4,653	3,790	41,126	34,808	2,314	269	48,093	38,867
Unallocated corporate liabilities							3,591	4,495
							51,684	43,362

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to operating segments other than interests in associates, available for sale financial assets, financial assets at fair value through profit or loss and other corporate assets.

All liabilities are allocated to operating segments other than corporate liabilities.

5. OTHER GAINS AND LOSSES

	(Unaudited)		(Unaudited)	
	For the six months ended 30 June	For the six months ended 30 June	For the three months ended 30 June	For the three months ended 30 June
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value (loss)/gain on financial assets at fair value through profit or loss	(1,932)	(2,805)	4,442	(572)
Sundry income	179	266	112	120
	(1,753)	(2,539)	4,554	(452)

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit from ordinary activities before taxation is arrived at after charging:

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
(a) Finance costs				
Interest on obligations under finance lease	77	–	44	–
Interest on convertible notes	–	65	–	–
<hr/>				
Total interest expenses for financial liabilities that are not designated as at fair value through profit or loss	77	65	44	–
<hr/>				
(b) Staff costs				
Contributions to defined contribution plans	70	39	35	29
Salaries, wages and other benefits	1,846	1,382	897	752
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Total staff costs	1,916	1,421	932	781
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(c) Other items				
Amortisation of intangible assets	364	7,943	182	3,972
Depreciation	779	424	407	144
Auditors' remuneration	375	794	187	400
Impairment of intangible assets	1,187	–	346	–
Cost of inventories sold	1,679	5,765	615	2,444

7. INCOME TAX EXPENSES

Income tax expenses in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax				
Hong Kong	410	–	207	–
PRC Enterprise Income Tax	–	–	–	–
	410	–	207	–

(i) Hong Kong profits tax

Hong Kong profit tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period ended 30 June 2015.

(ii) Income taxes outside Hong Kong

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Company and the Company’s subsidiaries registered in the BVI are not subject to any income tax in the Cayman Islands and the BVI, respectively.

The subsidiary of the Group established in the PRC is generally subject to PRC Enterprise Income Tax on its taxable income at an income tax rate of 25% in respect of the Period (2014: 25%).

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the three months ended 30 June 2015 was based on the profit for the period attributable to owners of the Company of approximately RMB1.79 million (2014: loss attributable to owners of the Company of approximately RMB6.96 million) and on the weighted average number of ordinary shares of approximately 4,408,768,719 shares (2014: 2,188,001,686 shares).

The calculation of basic loss per share for the six months ended 30 June 2015 was based on the loss for the period attributable to owners of the Company of approximately RMB6.90 million (2014: loss attributable to owners of the Company of approximately RMB15.46 million) and on the weighted average number of ordinary shares of approximately 4,334,298,924 shares (2014: 2,155,824,890 shares).

Diluted (loss)/earnings per share for the three months ended 30 June 2015 (three months ended 30 June 2014) and six months ended 30 June 2015 (six months ended 30 June 2014) were the same as the basic (loss)/earnings per share. The Company's outstanding share options and warrants were not included in the calculation of diluted (loss)/earnings per share because the effects of the Company's outstanding share option and warrants were anti-dilutive.

10. AVAILABLE FOR SALE FINANCIAL ASSETS

On 6 February 2015, Starry Regent Limited, a wholly own subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, pursuant to which Starry Regent Limited agreed to acquire 5.4% equity interest in Peak Zone Group Limited at the consideration of HK\$19.2 million. The transaction was completed on 16 February 2015.

11. TRADE, LOAN AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Trade debtors	1,709	1,499
Less: allowance for doubtful debts	-	-
	1,709	1,499
Loans receivable (note)	79,748	64,907
Other receivables	6,891	1,350
Trade deposit	28,761	22,103
Rental and other deposits	1,129	548
Prepayments	1,536	3,878
	119,774	94,285
Less: Non-current portion		
– Loans receivable (note)	(3,417)	(17,042)
	116,357	77,243

Note:

The Group's loans receivable, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollar. Loans receivable are interest bearing and are repayable with fixed terms agreed with the Group's customers.

Aging analysis of trade debtors and loans receivable

Included in trade and other receivables are trade debtors and loans receivable with aging analysis as of the end of the reporting period:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
0 to 30 days	28,536	17,093
31 to 60 days	76	6,721
61 to 90 days	384	11,901
91 to 180 days	13,997	12,383
Over 180 days	38,464	18,308
	81,457	66,406

Customers are generally granted with credit term of 90 days and the loan to customers were repaid in accordance with the terms of the loan agreements.

12. TRADE AND OTHER PAYABLES

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Trade creditors	2,780	1,273
Accrued expenses and other payables	44,154	38,609
	46,934	39,882

Included in trade and other payables are trade creditors with the following aging analysis:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
0 to 30 days	178	–
Over 30 days	2,602	1,273
	2,780	1,273

The average credit period on purchases of goods is 30 days.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2015 (the "Period"), the Group recorded an unaudited consolidated turnover of approximately RMB6,251,000 (2014: RMB6,011,000), which represented an increase of approximately 4.0% as compared with that of the corresponding period in 2014.

The increase of turnover was mainly attributed to the increase of consolidated income in the money lending business and the sale of biodegradable products in Hong Kong which offset the decrease in trading and manufacturing of biomass fuel. For the Period under review, interest income earned from money lending business and revenue from the trading of biodegradable products in Hong Kong had recorded approximately RMB4,436,000 and RMB1,642,000, respectively. For the period under review, the revenue from the trading and manufacturing of biomass fuel had decreased by RMB5,131,000 or 96.7% to approximately RMB173,000 as compared to the corresponding period.

The general and administrative expenses for the Period decreased by approximately RMB3,727,000 or 28.2% as compared with the corresponding period in 2014. This was due to amortisation of intangible assets recorded under the Period as compared with corresponding period in 2014 was decreased by approximately RMB7,579,000. The decrease in amortisation was mainly attributed to the decrease in the carrying amount of intangible assets as a result of impairment recognised in 2014.

Finance costs for the Period increased by approximately RMB12,000 or 18.5% as compared with the corresponding period in 2014. The amount recorded in corresponding period in 2014 represented interest expense on the convertible notes as the convertible note was converted and settled during the year of 2014 which resulted to interest expenses ceased to incur. The finance costs for the Period under review represented the interest expenses on the obligations under finance leases entered by the Group for the acquisition of fixed assets.

Loss attributable to owners of the Company for the Period amounted to RMB6,902,000 (2014: RMB15,460,000), which represented approximately RMB8,558,000 or 55.4% decrease as compared with the corresponding period in 2014.

BUSINESS REVIEW

During the Period under review, the Group continues to engage in the trading of biodegradable food containers and disposable industrial packaging for consumer products and the money lending business in Hong Kong and trading and manufacturing of biomass fuel in the PRC.

The biodegradable food containers and disposable industrial packaging products are traded under the brand name “Earth Buddy”. The materials used to produce such products are mainly agricultural waste, such as sugar cane dregs (a side-product of sugar refinery), straw, wheat stalk, reed and bamboo. Our biodegradable products are 100% biodegradable to avoid environmental and aesthetic pollution. In this sense, our biodegradable products are truly environmental friendly as they are produced by recycling waste materials into useful products, unlike some of our competitors, who make their disposable containers of papers, which results in major global deforestation, or edible materials, such as corn starch.

The rises in raw material costs and sub-contracting charges as a result of the escalating raw material prices and labour costs have weakened the competitiveness of our biodegradable containers and disposable industrial packaging products. In addition, the strong Renminbi and the economic downturn in Europe also have had adverse impact on the results of our biodegradable containers and disposable industrial packaging products. In view of the unsatisfactory results, the Board has made a further provision for an asset impairment loss in respect of the intangible assets in relation to our biodegradable containers and disposable industrial packaging products during the Period under review.

In accordance to the “Pearl River Delta Regional Air Quality Management Plan”, most “city-level” municipalities in the region will complete the ban on the combustion of high-polluting fuel in designated areas. Current facilities that are required to be modified to produce clean energy and those that fail to adjust will be forced to discontinue its operations. The ban will include the burning of traditional fuels such as washed coal, coal briquettes, coke, charcoal, industrial oil and the direct burning of non-processed raw biomass waste/materials such as crop, straw and other agriculture residues.

The above PRC government policy is favourable for the Group to participate in the trading and manufacturing of biomass fuel which allowing the Group to expand its business and offer a wider diversity of products and services. Finally, the Group stabilized the product quality manufactured after fine-tuning and completed the final phase of production lines.

However, the Group's expectation on the performance of the business of trading and manufacturing of biomass fuel will be challenging. The business environment is unfavourable to the Group's expansion, the overall price of the energy market in the global market in the last quarter of 2014 was plummeted which constrained the Group's development of biomass fuel in PRC. The crude oil price performance from last quarter of 2014 to half year of 2015 continued to decrease from US\$97.3 in September 2014 (source: International Monetary Fund: Monthly Commodity Report) to US\$62.3 in June 2015. During the Period, the management of the Group is hard to solicit the contract from power plant to use higher quality wooden pellet and biofuel mass under the depressing global commodity market environment. Crude oil is more economical than biomass fuel while not violating Pearl River Delta Region Air Quality Management Plan.

The Group has been proactively expanding our money lending business in Hong Kong especially the property mortgage loans. The increase in loan portfolio was mainly attributed to persisting high demand for loan products in the market, recording approximately RMB79,748,000 as at 30 June 2015. The Group monitor the credit risk of the loan portfolio on an ongoing basis. There were no bad debts recorded under the Period review.

Future Prospect

After the completion of the production lines for biomass fuel, the Directors are confident that the market price of biomass fuel will recover to a higher level. However, the recent Iran nuclear agreement with Western countries have totally changed the oil market from a more "balanced market" in 2016 as demand outstrips growth towards an unbalanced stage. This landmark agreement will remove economic sanctions towards Iran and allowed Iran to rejoin the world economic stage and exports its goods (including crude oil) and putting more crude oil in the market resulted to pressure on crude oil prices in near-to-medium term.

In the long run, the Directors believed that the ban in Pearl River Delta Region will create abundant market opportunities for the Group's wooden pellet and biomass energy solution businesses and the Group will execute the development plan in the alignment with the market trend of the energy to capitalize on the above opportunities.

The Group will dedicate its effort continuously in research and development through updating its technology and products development in order to enlarge the biomass energy solution businesses. Looking forward, the Group will continue to look for appropriate investment opportunities in the clean energy sector with reasonable and potential returns.

The Directors intend to focus on the biodegradable products business by penetrating and developing the European market that has a population which, on average, has a higher level of awareness of environmental issues. The Group has intention to develop the worldwide market for its biodegradable products. The weak Euro which made the Group's biodegradable products manufactured in PRC not having price competitiveness on penetrating European market. Hence, the Group is still actively seeking strategic partners in different geographical regions to expand its business through business cooperation in various forms including technology transfer and business joint ventures. The goal of the Group is to build a sustainable and profitable global business while contribute to protect and enhance the global environment. At present, the Group's biodegradable products are manufactured by subcontracting factories. In the event that the Group has adequate financial resources, the Group has intention to acquire or set up its own factory for the manufacturing of the biodegradable products.

The Directors of the view that despite the keen and intense market competition, and in addition to the recent political event of occupy central in Hong Kong, crack down parallel traders and the Hong Kong property market was recently impacted by the tight control on Hong Kong's authorised financial institutions and the Hong Kong Government's stringent policy on the property market, the market demand for property mortgage loan products in Hong Kong remains strong. Being the best alternative to banks' mortgage loan, leveraging on well experience management in carrying property mortgage loan business, diversified products and services and the Group's prudent, lasting and effective approach in implementing loan policy, the Directors believe the Group remain highly competitive in the property mortgage loan market in Hong Kong and we are confident about the future performance of our property mortgage loan portfolio, interest income and profit which will generate promising returns to our shareholders in the foreseeable future.

Furthermore, the Group will review regularly and closely monitor the market trend of the industry and the performance of our biodegradable products and the volatile market trend on global commodity and PRC biomass fuel and the business environment which will affect property mortgage loan market in Hong Kong and this setting the Group business strategy on those business units.

The Directors believed that the above-mentioned measures will improve the market share of the Group's products and thus the returns to shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations through internally-generated cash flows and banking facilities provided by its principal bankers. As at 30 June 2015, the Group had cash and cash equivalents amounting to approximately RMB35,904,000. With the limited available resources during the Period, the Directors expected that the Group might depend on further financing from its shareholders and bankers to finance its business operations and to achieve its business objectives.

CHARGES ON GROUP'S ASSETS

Save as the finance leases entered by the Group, none of the assets of the Group has been pledged to secure any loan granted to the Group.

FOREIGN EXCHANGE EXPOSURE

Since almost all transactions of the Group are denominated in Hong Kong dollars and most of the bank deposits are kept Hong Kong dollars to minimize exposure to foreign exchange risk, the Directors consider the Group's risk exposure to currency fluctuations to be minimal. Therefore, the Group had not implemented any formal hedging on alternative policies to deal with such exposure during the Period.

CAPITAL STRUCTURE

The issued share capital of the Company increased to 5,110,801,686 shares upon the placement of 851,800,000 shares under general mandate granted at the annual general meeting of the Company held on 18 May 2015.

EQUITY SECURITIES ISSUED FOR CASH UNDER GENERAL MANDATE

During The Period Under Review:

Placement of new shares

On 2 June 2015, the Company and Gransing Securities Co., Limited ("Placing Agent I") entered into placing agreement ("Placing Agreement I"), pursuant to which Placing Agent I agreed to procure not less than six places to subscribe up to 601,800,000 new shares (on a best effort basis) at an issue price of HK\$0.103 ("Placing Price I") per share ("Placing I").

On 2 June 2015, the Company and Grand China Securities Limited ("Placing Agent II") entered into placing agreement ("Placing Agreement II"), pursuant to which Placing Agent II agreed to procure not less than six places to subscribe up to 250,000,000 new shares (on a best effort basis) at an issue price of HK\$0.103 ("Placing Price II") per share ("Placing II").

The Directors consider that the Placing I and Placing II, collectively as "Placings", would provide strengthen the financial position of the Group and provide working capital of the Group to meet any future development and obligation. The Placings also represent good opportunities to broaden the shareholders' base and the capital base of the Company.

The Placing Price I and Placing Price II, collectively as "Placing Prices", of HK\$0.103 per share was determined after arm's length negotiation between the Company, the Placing Agents I and the Placing Agents II with reference to the prevailing market price of the shares and the market condition. The Placing Price represents (1) a discount of approximately 19.53% to the closing price of HK\$0.128 per share as quoted on the Stock Exchange on 2 June 2015, being the date of the Placing Agreements I and Placing Agreements II, collectively as "Placing Agreements",

(2) a discount of approximately 13.74% to the average market price of HK\$0.1194 per share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreements, and (3) a discount of approximately 10.67% to the average closing price of HK\$0.1153 per share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Placing Agreements.

The transactions Placing I and Placing II were completed on 15 June 2015.

During The Year Ended 31 December 2014:

Issuance of unlisted warrants

On 30 April 2014, the Company and the placing agent entered into the placing agreement, pursuant to which the Company appointed the placing agent as its agent to place warrants conferring the right to subscribe for up to 364,800,000 shares in aggregate at an issue price of HK\$0.005 per warrant to more than 6 independent third parties. The reason of issuing the warrants is not interest bearing and the placing will not have an immediate dilutive effect on the shareholding of the existing shareholders. The Directors consider that the placing is an appropriate means of raising additional working capital for the Company while boarding the shareholder and capital base of the Company.

Each warrant carries the right to subscribe for one share at an initial subscription price of HK\$0.18 per share, subject to adjustment. The price represents (1) premium of 43.41% over the closing price of HK\$0.129 per share as quoted on the Stock Exchange on 30 April 2014, being the date of the placing agreement, and (2) a premium of about 38.06% over the average closing price of approximately HK\$0.134 per share as quoted on the Stock Exchange for the last five trading days. The initial subscription price and the aggregate of it with the issue price were determined based on an arm's length negotiations between the Company and the placing agent with reference to the current market conditions and historical share price. The subscription right is exercisable during a period of three years from the date of issue of the warrants.

Assuming that all of the 364,800,000 warrants are placed, the gross proceeds and the net proceeds derived from the issue of the warrants, which are estimated to be HK\$1,824,000 and approximately HK\$1,778,400 respectively, are intended to be used by the Company as general working capital of the Group. The Company will receive additional gross proceeds of approximately HK\$65,664,000 upon exercise in full of the subscription rights attaching to the warrants, are intended to be use such proceeds as general working capital of the Group.

On 3 September 2014, a holder of the unlisted warrants in the principal amount of HK\$9 million, has exercised his rights to convert the unlisted warrants into 50 million conversion shares at the subscription price of HK\$0.18 per conversion share. The proceeds from issuance of the unlisted warrants, net of expense of HK\$9,000,000 (approximately RMB7,127,000).

USE OF PROCEEDS

		Original intended use of proceeds stated in announcement dated 30 April 2015 HK\$	Actual use of proceeds as at the date of this report HK\$
Issue of unlisted warrants	Working Capital	1,778,400	1,778,400
Exercise in full of the subscription rights attached to unlisted warrants	Working Capital	65,664,000	9,000,000
		67,442,400	10,778,400
		Original intended use of proceeds stated in circular dated 25 June 2014 HK\$	Actual use of proceeds as at the date of this report HK\$
Placement of convertible bonds	Operational expenses	4,000,000	4,000,000
	Money lending business*	12,000,000	12,000,000
	Acquisition of machinery	34,000,000	34,000,000
	Property money lending business	10,000,000	10,000,000
	Listed equity financing business	10,000,000	10,000,000
	Professional personal lending business	10,000,000	10,000,000
	Future acquisition	70,000,000	70,000,000
	Working capital for future 2 years	45,000,000	45,000,000
		195,000,000	195,000,000
Exercise in full of bonus warrants upon the exercise rights attached to convertible bonds	Future working capital	20,000,000	2,100,000
	Future investment opportunities	20,000,000	-
		40,000,000	2,100,000

		Original intended use of proceeds stated in announcement dated 16 June 2015 HK\$	Actual use of proceeds as at the date of this report HK\$
Placing of new shares under general mandate	Operation of money lending business	46,400,000	46,400,000
	General working capital	40,000,000	27,000,000
		86,400,000	73,400,000

* On 20 July 2015, the Board resolved the use of proceed on renovation of the factory of approximately HK\$ 12 million will allocate to the operation of money lending business. The Board considered the return on property mortgage and corporate secured loans will be higher than biomass fuel project acquired by the Group in 2013.

MAJOR EVENTS DURING THE PERIOD

Material acquisition

On 6 February 2015, Starry Regent Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, pursuant to which Starry Regent Limited agreed to acquire 5.4% equity interests in Peak Zone Group Limited at the at the consideration of HK\$19.2 million. The transaction was completed on 16 February 2015.

Placement of new shares

Placing I and Placing II were completed on 15 June 2015. An aggregate of 601,800,000 new shares and 250,000,000 new shares were issued respectively.

Proposed capital reduction of issued shares and sub-division of unissued shares

On 3 June 2015, the Company proposed to implement the reduction of the paid-up capital on each of the issued ordinary shares with par value of HK\$0.10 each in the share capital of the Company ("Shares") by cancelling the paid-up capital to the extent of HK\$0.099 per issued Share, thereby reducing the nominal value of each issued Share from HK\$0.10 to HK\$0.001. ("Capital Reduction"). The ordinary shares immediately after Capital Reduction will with par value of HK\$0.001 each in the share capital of the Company (New Shares).

Immediately following the Capital Reduction becoming effective, each authorised but unissued Share will also be sub-divided into one hundred (100) New Shares with a nominal value of HK\$0.001 each (Sub-division).

The credit arising from the Capital Reduction be credited to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate.

An extraordinary general meeting of the Company was held on 15 July 2015 and the Capital Reduction and Sub-division have been conditionally approved by the shareholders of the Company.

SIGNIFICANT INVESTMENTS

Saved as Starry Regent Limited acquired 5.4% equity interests in Peak Zone Group which complied on 16 February 2015, the Group had no significant investments during the Period.

EMPLOYEE INFORMATION

Currently, the Group has about 25 employees working in Hong Kong and in the PRC. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

GEARING RATIO

As at 30 June 2015, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 10.3%.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any material contingent liabilities.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2015, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION

The Company has adopted the existing share option scheme (the “New Scheme”) on 24 September 2009 and scheme mandate limit of which has been refreshed on 18 May 2015. Details of the New Scheme is as follows:

1 Purposes

The purpose of the New Scheme is to provide incentives or rewards to the participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

2 Qualifying participants

The qualifying participants include any employee (whether full time or part time), executive or officer, director (including executive, non-executive and independent non-executive directors) of any member of the Group or any invested entity, which is any entity in which the Group holds an equity interest, and any consultant, adviser or agent of any member of the Board, who have contributed or will contribute to the growth and development of the Group or any invested entity.

3 Maximum number of shares

The maximum number of shares in respect of which options may be granted under the New Scheme shall be 425,900,168 shares, 10% of the shares of the Company in issue as at 18 May 2015 (as at the date of annual report 2014: 182,400,167 shares, 10% of the shares of the Company in issue as at 25 November 2013). The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The total number of shares available for issue under the New Scheme is 177,097,875, which is approximately 3.47% of the issued share capital of the Company as at the date of this report.

As at the date of annual report 2014: the total number of shares available for issue under the New Scheme is 182,302,128, which is approximately 4.28% of the issue share capital of the Company.

4 Maximum entitlement of each participant

Maximum entitlement of each participant is 1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant, any further grant of options to a participant in excess of the Individual Limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant must be subject to the Shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting.

5 Option period

The option period is determined by the Board provided that it is not later than 10 years from the date the Board makes an offer of the grant of an option subject to the provision for early termination. There is no minimum period for which an option must be held before it can be exercised.

6 Acceptance of offer

Options granted must be accepted within 28 days from the date of the offer of grant of the option, upon payment of HK\$10 per grant.

7 Exercise price

The exercise price must be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

8 Remaining life of the scheme

It shall be effective for a period of ten years commencing on 24 September 2009.

OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

Pursuant to the New Scheme, the Directors may, at their discretion, offer to employees, Directors of the Company or its subsidiaries other eligible participants options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares as stated on the Stock Exchange's daily quotations sheet on the date of the offer of grant which must be on trading day and the average closing price of the shares as stated on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer of grant. The options vest immediate from the date of grant and are then exercisable within a period of ten years subject to the provisions for early termination thereof.

At 30 June 2015, the Directors, employees, consultants, advisors and other service providers of the company had the following interests in options to subscribe for shares of the company under the share option scheme of the company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.10 of the Company:

Details of grantees	No. of options outstanding	Date granted	Period during which options are exercisable	Exercise price per share
Chow Yik (Director)	5,000,000	28 November 2013	29 November 2013 to 28 November 2017	HK\$0.319
Consultants, Advisers, Service Providers, Employees and Others	2,297,875	11 November 2009	11 November 2009 to 10 November 2019	HK\$4.132
	169,800,000	28 November 2013	29 November 2013 to 28 November 2017	HK\$0.319

The options granted to the Directors are registered under the names of the Directors who are also the beneficial owners.

DIRECTOR'S AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 30 June 2015, save for the share option scheme, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the Period.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Period.

AUDIT COMMITTEE

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee include the review and supervision of the financial reporting process and the internal monitoring system of the Group. As at the date of this report, the audit committee has three members comprising Mr. Kwok Pak Yu, Steven, Mr. Ho Kei Wing, Nelson and Ms. Ma Sijing the three independent non-executive Directors. The audit committee meets at least quarterly. The Group's unaudited interim results for the Period have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the standard set out in Rules 5.48 to 5.67 (the “Model Code”) of the GEM Listing Rules, in relation to the dealings in securities of the Company by the Directors.

Having made specific enquiry of all Directors, each Director of the Company has confirmed that he has complied with the standards set out in the Model Code during the Period under review.

By Order of the Board
Hao Wen Holdings Limited
Chow Yik
Chairman

Hong Kong, 14 August 2015

As at the date of this report, the Board comprises the following Directors:

Executive Directors:

Mr. Chow Yik
Mr. Lok Wing Fu

Independent non-executive Directors:

Mr. Kwok Pak Yu, Steven
Mr. Ho Kei Wing, Nelson
Ms. Ma Sijing