



# HAO WEN HOLDINGS LIMITED 皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019

Interim Report | **2016**



**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 2016 amounted to approximately RMB9,355,000 representing an increase of approximately 49.7% over the corresponding period in 2015.
- Loss attributable to owners of the Company for the six months ended 30 June 2016 was approximately RMB1,598,000
- Basic loss per share for the six months ended 30 June 2016 was approximately RMB0.12 cents.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016.

## 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 2016, 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	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
<b>Turnover</b>	3	<b>9,355</b>	6,251	<b>5,969</b>	2,560
Cost of sales		<b>(3,265)</b>	(1,679)	<b>(1,796)</b>	(615)
<b>Gross profit</b>		<b>6,090</b>	4,572	<b>4,173</b>	1,945
Other gains and losses	5	<b>3,039</b>	(1,753)	<b>1,041</b>	4,554
General and administrative expenses		<b>(11,807)</b>	(9,467)	<b>(5,813)</b>	(4,486)
<b>(Loss)/profit from operations</b>		<b>(2,678)</b>	(6,648)	<b>(599)</b>	2,013
Share of results of associates		<b>352</b>	193	<b>180</b>	32
Finance costs	6(a)	<b>(210)</b>	(77)	<b>(171)</b>	(44)
<b>(Loss)/profit before taxation</b>	6	<b>(2,536)</b>	(6,532)	<b>(590)</b>	2,001
Income tax expenses	7	<b>(809)</b>	(410)	<b>(588)</b>	(207)
<b>(Loss)/profit for the period</b>		<b>(3,345)</b>	(6,942)	<b>(1,178)</b>	1,794
<b>Other comprehensive income/(loss), net of income tax</b>					
Exchange differences on translating foreign operations		<b>8,771</b>	(1,426)	<b>14,428</b>	(704)
<b>Total comprehensive income/(loss) for the period</b>		<b>5,426</b>	(8,368)	<b>13,250</b>	1,090

		Six months ended 30 June		Three months ended 30 June	
		2016	2015	2016	2015
Note		RMB'000	RMB'000	RMB'000	RMB'000
<b>(Loss)/profit for the period attributable to:</b>					
	Owners of the Company	<b>(1,598)</b>	(6,902)	<b>(656)</b>	1,791
	Non-controlling interests	<b>(1,747)</b>	(40)	<b>(522)</b>	3
<b>Total comprehensive income/(loss) attributable to:</b>					
	Owners of the Company	<b>7,173</b>	(8,328)	<b>13,772</b>	1,087
	Non-controlling interests	<b>(1,747)</b>	(40)	<b>(522)</b>	3
			(Restated)		(Restated)
<b>(Loss)/earnings per share</b>					
	– Basic and diluted	9	RMB(0.12) cents	RMB(3.01) cents	RMB(0.04) cents
					RMB0.77 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30 June 2016 RMB'000	(Audited) As at 31 December 2015 RMB'000
<b>Non-current assets</b>			
Plant and equipments		33,406	33,038
Intangible assets		99	198
Goodwill		63,271	63,271
Available for sale financial assets		12,211	11,851
Interests in associates		60,257	58,583
Loans receivable	10	3,734	1,597
		<b>172,978</b>	168,538
<b>Current assets</b>			
Inventories		630	360
Trade, loan and other receivables, prepayments and deposits	10	236,403	118,340
Financial assets at fair value through profit or loss		63,883	45,216
Cash and bank balances		71,633	3,437
		<b>372,549</b>	167,353
<b>Current liabilities</b>			
Trade and other payables	11	23,802	26,920
Tax payables		902	721
Obligations under finance leases		1,589	884
		<b>26,293</b>	28,525
<b>Net current assets</b>		<b>346,256</b>	138,828
<b>Total assets less current liabilities</b>		<b>519,234</b>	307,366
<b>Non-current liabilities</b>			
Obligations under finance leases		5,733	2,437
<b>Net assets</b>		<b>513,501</b>	304,929
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		29,847	4,067
Reserves		461,057	276,518
Equity attributable to owners of the Company		<b>490,904</b>	280,585
Non-controlling interests		22,597	24,344
<b>Total equity</b>		<b>513,501</b>	304,929

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital RMB'000	Share premium RMB'000	Warrants reserve RMB'000	Capital reduction reserve RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
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)
<b>At 30 June 2015</b>	<b>406,748</b>	<b>147,798</b>	<b>1,263</b>	<b>92,489</b>	<b>36,239</b>	<b>(12,012)</b>	<b>(320,524)</b>	<b>352,001</b>	<b>98,020</b>	<b>450,021</b>
At 1 January 2016	4,067	147,798	1,263	495,170	34,896	2,341	(404,950)	280,585	24,344	304,929
Loss for the period	-	-	-	-	-	-	(1,598)	(1,598)	(1,747)	(3,345)
Exchange differences on translating foreign operations	-	-	-	-	-	8,771	-	8,771	-	8,771
Total comprehensive income/(loss) for the six months ended 30 June 2016	-	-	-	-	-	8,771	(1,598)	7,173	(1,747)	5,426
Issue of new ordinary shares	25,780	180,459	-	-	-	-	-	206,239	-	206,239
Transaction costs attributable to issue of new ordinary shares	-	(3,093)	-	-	-	-	-	(3,093)	-	(3,093)
<b>At 30 June 2016</b>	<b>29,847</b>	<b>325,164</b>	<b>1,263</b>	<b>495,170</b>	<b>34,896</b>	<b>11,112</b>	<b>(406,548)</b>	<b>490,904</b>	<b>22,597</b>	<b>513,501</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	<b>(125,991)</b>	(25,144)
Net cash used in investing activities	<b>(14,843)</b>	(34,684)
Net cash generated from financing activities	<b>202,432</b>	67,255
Net increase in cash and cash equivalents	<b>61,598</b>	7,427
Cash and cash equivalents, at 1 January	<b>3,437</b>	29,406
Effect of foreign exchange rate changes	<b>6,598</b>	(929)
Cash and cash equivalents, at 30 June	<b>71,633</b>	35,904
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>71,633</b>	35,904

## NOTES TO CONSOLIDATED 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) Statement of compliance

This unaudited consolidated financial information should be read in conjunction with Company’s 2015 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 2016. 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 2015 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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Sale of biodegradable products	–	1,642	–	576
Trading and manufacturing of biomass fuel	<b>3,366</b>	173	<b>1,852</b>	73
Interest income on money lending business	<b>5,989</b>	4,436	<b>4,117</b>	1,911
	<b>9,355</b>	6,251	<b>5,969</b>	2,560

### 4. SEGMENT REPORTING

#### Segment revenues and results

	(Unaudited) For the six months ended 30 June							
	Biodegradable products		Biomass fuel products		Money lending		Consolidated	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
<b>Turnover</b>								
External sales	–	1,642	<b>3,366</b>	173	<b>5,989</b>	4,436	<b>9,355</b>	6,251
<b>Result</b>								
Segment results	<b>(779)</b>	(2,069)	<b>(3,609)</b>	(244)	<b>4,211</b>	2,500	<b>(177)</b>	187
Unallocated corporate expenses							<b>(5,539)</b>	(4,903)
Fair value gain/(loss) on financial assets at fair value through profit or loss							<b>3,038</b>	(1,932)
Loss from operations							<b>(2,678)</b>	(6,648)
Share of results of associates							<b>352</b>	193
Finance costs							<b>(210)</b>	(77)
Loss before taxation							<b>(2,536)</b>	(6,532)
Income tax expenses							<b>(809)</b>	(410)
Loss for the period							<b>(3,345)</b>	(6,942)

(Unaudited)  
For the three months ended 30 June

	Biodegradable products		Biomass fuel products		Money lending		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Turnover</b>								
External sales	-	576	1,852	73	4,117	1,911	5,969	2,560
<b>Result</b>								
Segment results	(563)	(808)	(1,186)	(63)	3,078	1,353	1,329	482
Unallocated corporate expenses							(2,968)	(2,911)
Fair value gain on financial assets at fair value through profit or loss							1,040	4,442
(Loss)/profit from operations							(599)	2,013
Share of results of associates							180	32
Finance costs							(171)	(44)
(Loss)/profit before taxation							(590)	2,001
Income tax expenses							(588)	(207)
(Loss)/profit for the period							(1,178)	1,794

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2015: 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
	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>								
Segment assets	2,386	10,901	114,272	113,980	264,751	92,304	381,409	217,185
Unallocated corporate assets							164,118	118,706
							<b>545,527</b>	335,891
<b>Liabilities</b>								
Segment liabilities	1,269	4,914	20,766	17,895	4,316	1,605	26,351	24,414
Unallocated corporate liabilities							5,675	6,548
							<b>32,026</b>	30,962

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	2015	For the three months ended 30 June	2015
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value gain/(loss) on financial assets at fair value through profit or loss	3,038	(1,932)	1,040	4,442
Sundry income	1	179	1	112
	<b>3,039</b>	(1,753)	<b>1,041</b>	4,554

## HAO WEN HOLDINGS LIMITED

### 6. (LOSS)/PROFIT BEFORE TAXATION

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

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
<b>(a) Finance costs</b>				
Interest on obligations under finance lease	<b>210</b>	77	<b>171</b>	44
<b>(b) Staff costs</b>				
Contributions to defined contribution plans	<b>75</b>	70	<b>29</b>	35
Salaries, wages and other benefits	<b>1,487</b>	1,846	<b>779</b>	897
Total staff costs	<b>1,562</b>	1,916	<b>808</b>	932
<b>(c) Other items</b>				
Amortisation of intangible assets	<b>99</b>	364	<b>49</b>	182
Depreciation	<b>4,369</b>	779	<b>1,608</b>	407
Auditors' remuneration	<b>400</b>	375	<b>162</b>	187
Impairment of intangible assets	–	1,187	–	346
Cost of inventories sold	<b>3,265</b>	1,679	<b>1,796</b>	615

**7. INCOME TAX EXPENSES**

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

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>For the six months</b>		<b>For the three months</b>	
	<b>ended 30 June</b>		<b>ended 30 June</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Current tax				
Hong Kong	<b>809</b>	410	<b>588</b>	207
PRC Enterprise Income Tax	-	-	-	-
	<b>809</b>	410	<b>588</b>	207

**(i) Hong Kong profits tax**

Hong Kong profit tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period ended 30 June 2016.

**(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 (2015: 25%).

**8. DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

**9. (LOSS)/EARNINGS PER SHARE**

The calculation of basic (loss)/earnings per share for the three months ended 30 June 2016 was based on the loss for the period attributable to owners of the Company of approximately RMB656,000 (2015: profit attributable to owners of the Company of approximately RMB1.8 million) and on the weighted average number of ordinary shares of approximately 1,788,780,588 shares (2015 (restated): 233,302,217 shares).

The calculation of basic loss per share for the six months ended 30 June 2016 was based on the loss for the period attributable to owners of the Company of approximately RMB1.6 million (2015: loss attributable to owners of the Company of approximately RMB6.9 million) and on the weighted average number of ordinary shares of approximately 1,296,575,244 shares (2015 (restated): 229,361,441 shares).

Diluted (loss)/earnings per share for the three months ended 30 June 2016 (three months ended 30 June 2015) and six months ended 30 June 2016 (six months ended 30 June 2015) 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. TRADE, LOAN AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS**

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Trade debtors	<b>22,193</b>	20,411
Loans receivable (note)	<b>211,249</b>	89,292
Other receivables	<b>4,479</b>	3,942
Trade deposit	<b>2</b>	4,188
Rental and other deposits	<b>1,480</b>	1,371
Prepayments	<b>734</b>	733
	<b>240,137</b>	119,937
Less: Non-current portion		
– Loans receivable (note)	<b>(3,734)</b>	(1,597)
	<b>236,403</b>	118,340

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:

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
0 to 30 days	<b>56,694</b>	1,551
31 to 60 days	<b>861</b>	509
61 to 90 days	<b>43,386</b>	–
91 to 180 days	<b>62,552</b>	47,981
Over 180 days	<b>69,949</b>	59,662
	<b>233,442</b>	109,703

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.

**11. TRADE AND OTHER PAYABLES**

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Trade creditors	<b>4,228</b>	2,661
Accrued expenses and other payables	<b>19,574</b>	24,259
	<b>23,802</b>	26,920

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

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
0 to 30 days	<b>1,828</b>	–
Over 30 days	<b>2,400</b>	2,661
	<b>4,228</b>	2,661

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the six months ended 30 June 2016 (the “**Period**”), the Group recorded an unaudited consolidated turnover of approximately RMB9,355,000 (2015: RMB6,251,000), which represented an increase of approximately 49.7% as compared with that of the corresponding period in 2015.

The increase of turnover was mainly attributed to the increase of consolidated income in the money lending business and the trading and manufacturing of biomass fuel which partially offset by the decrease in sale of biodegradable products. For the Period under review, interest income earned from money lending business and revenue from the trading and manufacturing of biomass fuel had recorded approximately RMB5,989,000 and RMB3,366,000, respectively. No sale of biodegradable products was made during the Period under review (2015: RMB1,642,000) due to tough operating environment.

The other gain and loss was turnaround from a loss of approximately RMB1,753,000 in corresponding period in 2015 to a gain of approximately RMB3,039,000 for the Period under review. The turnaround was attributed to net unrealised gain of approximately RMB3,038,000 (2015: net unrealised loss of RMB1,932,000) recorded from the listed securities portfolio held by the Group as at 30 June 2016.

The general and administrative expenses for the Period increased by approximately RMB2,340,000 or 24.7% as compared with the corresponding period in 2015. The increase was mainly attributed to an increased depreciation charges recorded during the Period under review compared with the corresponding period in 2015.

Finance costs for the Period increased by approximately RMB133,000 or 172.7% as compared with the corresponding period in 2015. 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 RMB1,598,000 (2015: RMB6,902,000), which represented approximately RMB5,304,000 or 76.8% decrease as compared with the corresponding period in 2015.

## BUSINESS REVIEW

During the Period under review, the Group continues to engage in trading and manufacturing of biomass fuel in the PRC and the money lending business in Hong Kong.

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. During the Period under review, the demand for the biodegradable products was weak which mainly due to the recession of economy in the European countries. During the Period under review, no sale was recognized for the biodegradable products business.

In view of the competitive business environment, the crude oil price continues to remain at a low price and the economic environment in the PRC is sluggish, the development of biomass fuel business in the PRC is more challenging. During the Period under review, the performance of biomass fuel business was significantly influenced by its substitute product, crude oil's competitive price.

As at 30 June 2016, the loan portfolio held by the Group was approximately RMB211.2 million. Interest income earned from money lending business was approximately RMB6.0 million for the six months ended 30 June 2016.

## Future Prospect

Owing to the recent decline in the local landed property market and the keen and competitive business environment for the loan market in Hong Kong. Despite the proceeds from Rights Issues provide extra funding for the Group to expand the finance business, in view of the recent operating environment, the management have implemented various measures when conducting our loan and finance business and will further re-balancing and adjusting our loan portfolio to alternative finance business in cautious manner.

According to the futures markets continue pointing to a modest increase over the remaining year, though uncertainty about its outlook is at its highest level after the financial crisis. Risks include more subdued aggregate demand, sustained oil production growth and geopolitical risks.

As the uncertainties on the crude oil market remains significantly high, the Directors is leaving little room for operating and expanding the biomass fuel business, the Directors will minimise the capital expenditure and actively cutting the unnecessary costs for a long period of time in order to preserve the future ability of expanding the biomass fuel business until the unfavourable factors in energy market has gone. The Directors is pessimistic for the performance of biomass fuel business in 2016.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally financed its operations through internally-generated cash flows, finance lease provided by financial institutions and shareholder's equity of the Company.

As at 30 June 2016, the Group had current assets of approximately RMB372,549,000 (31 December 2015: RMB167,353,000) and liquid assets comprising cash and short term securities investments totalling approximately RMB135,516,000 (31 December 2015: RMB48,653,000). The Group's current ratio, calculated based on current assets of approximately RMB372,549,000 (31 December 2015: RMB167,353,000) over the current liabilities of approximately RMB26,293,000 (31 December 2015: RMB28,525,000), was at a healthy level of approximately 14.2 times as at 30 June 2016 (31 December 2015: 5.9 times).

As at 30 June 2016, the Group had long-term obligations under finance leases of approximately RMB5,733,000 (31 December 2015: RMB2,437,000) and short-term obligations under finance leases of approximately RMB1,589,000 (31 December 2015: RMB884,000).

The Group had conducted a fund raising exercise during the Period under review and a total approximately HK\$241.6 million of net proceeds was raised through rights issue of the Company. As at 30 June 2016, the Group's gearing ratio, being the ratio of total liabilities to total assets, was at a low level of approximately 5.9% (31 December 2015: 9.2%).

With the amount of liquid assets and short term securities investments on hand, the management at the date of this report is of the view the Group has sufficient financial resources to meet its ongoing operational requirements.

## **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 minimise 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.

## MAJOR EVENTS DURING THE PERIOD

### ***Rights issue***

On 2 December 2015, the Company proposed to raise approximately not less than HK\$245.32 million and not more than HK\$287.12 million before expenses by rights issue, on the basis of six (6) rights shares of HK\$0.02 each in the share capital of the Company for every one (1) share of the Company (the "Share(s)") held on 29 January 2016 at the subscription price of HK\$0.16 per rights share ("Rights Issue"). The number of rights shares proposed to be issued was not less than 1,533,240,504 new Shares and not more than 1,794,509,862 new Shares ("Rights Shares"). The Company and Grand China Securities Limited ("Underwriter") entered into the underwriting agreement ("Underwriting Agreement"), pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite all the Rights Shares subject to the terms and conditions set out in the Underwriting Agreement. Completion of the Rights Issue took place on 29 February 2016. Details of the Rights Issue were set out in the Company's prospectus dated 1 February 2016, the circular dated 28 December 2015 and the Company's announcements dated 2 December 2015, 21 January 2016 and 26 February 2016.

The entire net proceeds from the Rights Issue was approximately HK\$241.6 million and the Company intended to apply net proceeds from the Rights Issue, as to (i) approximately HK\$200 million for further development of money lending business; and (ii) approximately HK\$41.6 million for any future acquisition or investments.

## CAPITAL STRUCTURE

### ***Authorised share capital***

As at 30 June 2016, the authorised share capital of the Company ("Authorised Share Capital") was HK\$1,000,000,000 divided into 50,000,000,000 Shares of HK\$0.02 each. The Authorised Share Capital had no change during the Period.

### ***Issued share capital***

Upon the completion of Rights Issue on 29 February 2016, the number of Shares in issue was changed from 255,540,084 Shares of HK\$0.02 each to 1,788,780,588 Shares of HK\$0.02 each.

## USE OF PROCEEDS

The Company would like to provide information on the use of proceeds as follows:

	<b>Nature</b>	<b>Original intended use of proceeds stated in announcement dated 30 April 2014 HK\$</b>	<b>Actual use of proceeds as at the date of this report HK\$</b>	<b>Remaining balance HK\$</b>	<b>Progress</b>
Issue of unlisted warrants	Working Capital	1,778,000	1,778,000	–	Used as intended
Exercise in full of the subscription rights attached to unlisted warrants	Working Capital	65,664,000	9,000,000	56,664,000	Used as intended and the remaining balance unchanged with the original plan
		67,442,000	10,778,000	56,664,000	

	Nature	Original intended use of proceeds stated in circular dated 25 June 2014 and change in use of proceeds in announcement dated	Actual use of proceeds as at	Remaining balance HK\$	Progress
		20 July 2015 HK\$	the date of this report HK\$		
Exercise in full of bonus warrants upon the exercise rights attached to convertible bonds	Future working Capital	20,000,000	2,100,000	17,900,000	Used as intended and the remaining balance unchanged with the original plan
	Future investment opportunities	20,000,000	–	20,000,000	The remaining balance unchanged with the original plan
		40,000,000	2,100,000	37,900,000	

Nature		Original	Actual use	Remaining	Progress
		intended use of proceeds stated in announcement dated 2 December 2015	of proceeds as at the date of this report		
		HK\$	HK\$	HK\$	
Rights issue	Development of money lending business	200,000,000	200,000,000	–	Used as intended
	Future acquisition on investments	40,760,000	17,068,000	23,692,000	Used as intended and the remaining balance unchanged with the original plan
		240,760,000	217,068,000	23,692,000	

The net proceeds of approximately HK\$23,692,000 raised from the Rights issue has not been utilised as at the date hereof and kept in the bank of the Company.

## SIGNIFICANT INVESTMENTS

The Group had no significant investment during the Period.

## EMPLOYEE INFORMATION

Currently, the Group has about 27 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 2016, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 5.9%.

## CONTINGENT LIABILITIES

As at 30 June 2016, 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 2016, 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 "Share Option Scheme") on 24 September 2009 and scheme mandate limit of which has been refreshed at the AGM held on 18 May 2015, adjusted on 9 November 2015 due to share consolidation and further refreshed at the AGM held on 12 May 2016.

As at 30 June 2016, consultants, advisers and other service providers of the Company had the following interests in options to subscribe for shares of the Company granted for nil consideration under the Share Option Scheme. The options are unlisted. Each option gives the holder the right to subscribe for one share of HK\$0.02 of the Company.

Details of grantees	No. of options outstanding	Date granted	Period during which options are exercisable	Exercise price per share
Consultants, Advisers, Service Providers, Employees and Others	160,850	11 November 2009	11 November 2009 to 10 November 2019	HK\$59.029
	11,886,000	28 November 2013	29 November 2013 to 28 November 2017	HK\$4.557

Apart from the foregoing, at no time during the Period was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

## **DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

As at 30 June 2016, save as disclosed above, 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.

## **SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES**

As at 30 June 2016, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person (other than the Directors and chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

## **COMPETING INTEREST**

Up to the date of this report, none of the Directors or the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) of the Company has an interest in any business which directly or indirectly competes with the business of the Group, or has any other conflict of interests with the Group.

## **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 (“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 control and risk management systems of the Group on ongoing basis. During the Period, the Audit committee comprised of three members and all of whom are independent non-executive Directors. Mr. Ho Kei Wing, Nelson resigned on 4 July 2016 and Ms. Ho Yuen Ki was appointed on 10 August 2016 as a replacement. Mr. Kwok Pak Yu, Steven who possess appropriate professional qualifications, or accounting or related financial management expertise, is the Chairman of the Audit Committee. The Audit Committee meets at least quarterly. The Group’s unaudited interim results for the Period have been reviewed by the Audit Committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal control and risk management systems of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group. During the Period, no material matters were identified and reported by the Audit Committee to the Board.

## 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.

**COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE**

Save as disclosed in the 2015 annual report of the Company, none of the Directors is aware of any information which would reasonably indicate that the Company has not, for any part of the Period, complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules.

As to the deviation from code provisions A.4.1 that non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company, and A.6.7 that independent non-executive Directors did not attend all general meetings; the Board will continue to review the current situation from time to time and shall make necessary changes when appropriate and, the compliance officer and company secretary of the Company had reminded and will continue to remind the relevant independent non-executive Directors as well as all current independent non-executive Directors to attend the general meetings of the Company in future.

By Order of the Board  
**Hao Wen Holdings Limited**  
**Tsui Annie**  
*Chairlady*

Hong Kong, 12 August 2016

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

*Executive Directors:*

Ms. Tsui Annie  
Ms. Wang Ziyi

*Independent non-executive Directors:*

Mr. Kwok Pak Yu, Steven  
Ms. Ma Sijing  
Ms. Ho Yuen Ki