



HAO WEN HOLDINGS LIMITED
皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8019

THIRD QUARTERLY REPORT 2015

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (“Directors”) 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 document misleading.

HIGHLIGHTS

- Turnover for the nine months ended 30 September 2015 amounted to approximately RMB34,294,000, representing an increase of approximately 459.9% as compared to the corresponding period in 2014.
- Loss attributable to owners of the Company for the nine months ended 30 September 2015 was approximately RMB28,080,000.
- Loss per share for the nine months ended 30 September 2015 was approximately RMB0.61 cents.
- The Directors do not recommend the payment of any dividends for the nine months ended 30 September 2015.

UNAUDITED FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months and three months ended 30 September 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)

	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Turnover	3	34,294	6,125	28,043	114
Cost of sales		(27,053)	(5,872)	(25,374)	(107)
Gross profit		7,241	253	2,669	7
Other gains and losses	5	674	14,148	2,427	16,687
General and administrative expenses		(13,469)	(20,464)	(4,002)	(7,270)
(Loss)/profit from operations		(5,554)	(6,063)	1,094	9,424
Share of results of associates		326	–	133	–
Impairment loss on goodwill		(43,544)	–	(43,544)	–
Finance costs	6(a)	(120)	(212)	(43)	(147)
(Loss)/profit before taxation	6	(48,892)	(6,275)	(42,360)	9,277
Income tax expenses	7	(733)	–	(323)	–
(Loss)/profit for the period		(49,625)	(6,275)	(42,683)	9,277
Other comprehensive income for the period, net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translating foreign operations		8,421	(221)	9,847	46
Total comprehensive (loss)/income for the period		(41,204)	(6,496)	(32,836)	9,323
(Loss)/profit for the period attributable to:					
Owners of the Company		(28,080)	(6,163)	(21,178)	9,297
Non-controlling interests		(21,545)	(112)	(21,505)	(20)
Total comprehensive (loss)/income for the period attributable to:					
Owners of the Company		(19,659)	(6,384)	(11,331)	9,343
Non-controlling interests		(21,545)	(112)	(21,505)	(20)
(Loss)/earnings per share					
– Basic	8	(RMB0.61 cents)	(RMB0.26 cents)	(RMB0.41 cents)	RMB0.35 cents
– Diluted		(RMB0.61 cents)	(RMB0.26 cents)	(RMB0.41 cents)	RMB0.35 cents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION 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 unaudited consolidated financial statements for the nine months ended 30 September 2015 comprise the unaudited financial statements of the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily engaged in the sales 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

(a) Statement of compliance

The unaudited consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (the “IASB”) and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by IASB. The unaudited consolidated financial information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”).

The unaudited consolidated financial information has been prepared under historical cost basis except for intangible assets and certain financial instruments classified as financial assets at fair value through profit or loss, which are measured at fair value.

This unaudited consolidated financial information should be read in conjunction with the Company’s 2014 Annual Report, which has been prepared in accordance with IFRSs.

The Group has not early adopted the new/revised IFRSs which have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new/revised IFRSs and the Directors so far anticipated that the application of these new/revised IFRSs will have no material impact on the Group’s unaudited consolidated financial information.

(b) 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 subsidiary in the People’s Republic of China (the “PRC”) are Hong Kong dollars and Renminbi (“RMB”) respectively. 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.

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs 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.

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 nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Sale of biodegradable products	1,888	812	246	105
Trading and manufacturing of biomass fuel	25,612	5,313	25,439	9
Interest income on money lending business	6,794	–	2,358	–
	34,294	6,125	28,043	114

4. SEGMENT REPORTING

Segment revenues and results

	(Unaudited)							
	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	1,888	812	25,612	5,313	6,794	–	34,294	6,125
Result								
Segment results	(2,459)	(13,020)	(388)	(469)	4,227	–	1,380	(13,489)
Unallocated corporate income/(expenses)							(7,414)	(6,007)
Fair value gain on financial assets at fair value through profit or loss							480	13,433
Loss from operations							(5,554)	(6,063)
Share of results of associates							326	–
Impairment loss on goodwill							(43,544)	–
Finance costs							(120)	(212)
Loss before taxation							(48,892)	(6,275)
Income tax expenses							(733)	–
Loss for the period							(49,625)	(6,275)

	(Unaudited)							
	For the three months ended 30 September							
	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	246	105	25,439	9	2,358	-	28,043	114
Result								
Segment results	(390)	(4,804)	(144)	(161)	1,727	-	1,193	(4,965)
Unallocated corporate income/(expenses)							(2,511)	(1,849)
Fair value gain on financial assets at fair value through profit or loss							2,412	16,238
Profit from operations							1,094	9,424
Share of results of associates							133	-
Impairment loss on goodwill							(43,544)	-
Finance costs							(43)	(147)
(Loss)/profit before taxation							(42,360)	9,277
Income tax expenses							(323)	-
(Loss)/profit for the period							(42,683)	9,277

5. OTHER GAINS AND LOSSES

	(Unaudited)			
	For the nine months ended 30 September		For the three months ended 30 September	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value gain on financial assets at fair value through profit or loss	480	13,433	2,412	16,238
Sundry income	194	715	15	449
	674	14,148	2,427	16,687

6. (LOSS)/PROFIT BEFORE TAXATION

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

	(Unaudited)		(Unaudited)	
	For the nine months ended		For the three months ended	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
(a) Finance costs				
Interest on other borrowings	–	10	–	10
Interest on convertible notes	–	202	–	137
Interest on obligations under finance lease	120	–	43	–
	120	212	43	147
(b) Staff costs				
Contributions to defined contribution plans	108	63	38	24
Salaries, wages and other benefits	2,895	2,045	1,049	663
	3,003	2,108	1,087	687
(c) Other items				
Amortisation of intangible assets	481	11,914	117	3,971
Depreciation of property, plant and equipment	1,213	565	434	141
Auditors' remuneration	566	1,580	191	786
Impairment loss on intangible assets	1,187	–	–	–
Impairment loss on goodwill	43,544	–	43,544	–
Cost of inventories sold	27,053	5,872	25,374	107

7. INCOME TAX EXPENSES

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax				
Hong Kong	732	–	322	–
PRC enterprise income tax for the period	1	–	1	–
	733	–	323	–

(i) Hong Kong profits tax

Hong Kong income tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period ended 30 September 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 BVI, respectively.

The subsidiaries of the Company established in the PRC is generally subject to PRC enterprise income tax of 25% for the period ended 30 September 2015 (2014: 25%).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the three months ended 30 September 2015 was based on the loss for the period attributable to owners of the Company of approximately RMB21.18 million (2014: profit for the period attributable to owners of the Company of approximately RMB9.30 million) and on the weighted average number of ordinary shares of approximately 5,110,801,686 shares (2014: 2,687,436,853 shares).

The calculation of basic loss per share for the nine months ended 30 September 2015 was based on the loss for the period attributable to owners of the Company of approximately RMB28.08 million (2014: loss attributable to owners of the Company of approximately RMB6.16 million) and on the weighted average number of ordinary shares of approximately 4,595,977,510 shares (2014: 2,343,089,598 shares).

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

9. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Warrants reserve	Convertible note equity reserve	Capital reduction reserve	Share option 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	-	-	-	8,965	-	-	-	-	8,965	-	8,965
Issuance of shares upon conversion of convertible notes	113,526	59,274	105	(8,722)	-	-	-	-	164,183	-	164,183
Issuance of unlisted warrants	-	-	1,349	-	-	-	-	-	1,349	-	1,349
Recognised upon acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	98,448	98,448
Issuance of shares upon exercise of unlisted warrants	3,946	3,367	(186)	-	-	-	-	-	7,127	-	7,127
Issuance of shares upon exercise bonus warrants	1,700	5	(5)	-	-	-	-	-	1,700	-	1,700
Total comprehensive loss for the nine months ended 30 September 2014	-	-	-	-	-	-	(221)	(6,163)	(6,384)	(112)	(6,496)
At 30 September 2014	265,992	146,894	1,263	243	92,489	36,239	(11,762)	(307,160)	224,198	98,336	322,534
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
Loss for the period	-	-	-	-	-	-	-	(28,080)	(28,080)	(21,545)	(49,625)
Exchange differences on translating foreign operations	-	-	-	-	-	-	8,421	-	8,421	-	8,421
At 30 September 2015	406,748	147,798	1,263	-	92,489	36,239	(2,165)	(341,702)	340,670	76,515	417,185

10. DIVIDEND

The Directors do not recommend the payment of any dividends for the nine months ended 30 September 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 30 September 2015 (the “Period”), the Group recorded an unaudited consolidated turnover of approximately RMB34,294,000 (2014: RMB6,125,000), which represented an increase of approximately 459.9% 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, the sale of biodegradable products in Hong Kong and the trading and manufacturing of biomass fuel. For the Period under review, interest income earned from money lending business, revenue from the sale of biodegradable products in Hong Kong and the revenue from trading and manufacturing of biomass fuel products had recorded approximately RMB6,794,000, RMB1,888,000 and RMB25,612,000, respectively.

The general and administrative expenses for the Period decreased by approximately RMB6,995,000 or 34.2% 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 RMB11,433,000. The decrease in amortisation was mainly attributed to the decrease in the carrying amount of intangible assets as a result of impairment loss recognised in 2014.

Finance costs for the Period decreased by approximately RMB92,000 or 43.4% 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 RMB28,080,000 (2014: RMB6,163,000), which represented an increase of approximately RMB21,917,000 or 355.6% as compared with the corresponding period in 2014. The increase was mainly attributable to the impairment loss on goodwill of approximately RMB43.5 million recognised during the Period.

Business Review

During the Period under review, the Group continues to engage in the sale of biodegradable food containers and disposable industrial packaging for consumer products, 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 by papers, which results in major global deforestation.

The rises in raw material costs and sub-contracting charges 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 impairment on the intangible assets in relation to our biodegradable containers and disposable industrial packaging products during the Period under review.

Even though the PRC Government has implemented "Pearl River Delta Regional Air Quality Management Plan" which is favourable to the Group's biomass fuel business, it is hard for our management to solicit contracts from power plants under the depressing global commodity market environment since crude oil is more economical as compared to biomass fuel and it does not violate the Pearl River Delta Regional Air Quality Management Plan.

Furthermore, the rejoin of Iran into the crude oil market had reversed the rebound of the crude oil price in June 2015 from US\$62.3 to US\$47.2 in September 2015 (source: International Monetary Fund: Monthly Commodity Report). The persistent unfavourable factors impeded the recovery of crude oil market. After evaluation, the Directors have set a more conservative tone for the biomass fuel business and decided to provide an impairment on goodwill to reflect the reduced recoverable amount.

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 RMB86,892,000 as at 30 September 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

Oil has slumped more than 40% as compared to 2014 and the global oversupply will persist as the Organisation of Petroleum Exporting Countries continues to pump more than its collective quota. The Directors will take a cautious and prudent approach on developing the biomass fuel business in the coming 12 months. Nevertheless, a Pulitzer Prize-winning oil historian expect that global supply and demand will begin to move into balance by late 2016 or 2017. In the long run, the Directors believe 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.

In view of the Group's biodegradable products business, it was facing fierce competition on penetrating and developing its markets. As the price competition has intensified while the manufacturing costs are likely to remain high in forthcoming years, the future of the Group's biodegradable products business will be challenging. In the light of the aforesaid, the management will closely monitor the performance and consider possible alternatives and revise its strategies accordingly to improve its performance.

The Hong Kong property market prices have been impacted by the tightened control over Hong Kong's authorised financial institutions, stringent policies on the property market implemented by the Hong Kong Government and the expectation of raising interest rates by US Federal Reserves, yet the market demand for property mortgage loan products in Hong Kong stays strong. Being the best alternative to banks' mortgage loan, well experienced in 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 will remain competitive in the property mortgage loan market in Hong Kong. The Group will take a more proactive approach and we are confident that this segment will generate promising returns to our shareholders in the foreseeable future.

The Group will closely monitor the performance and business environment of the biodegradable products, biomass fuel and money lending industries and will regularly review and adjust our business strategies in response to the changes.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations through internally-generated cash flows and finance lease provided by financial institutions. As at 30 September 2015, the Group had cash and cash equivalents amounting to approximately RMB6,141,000. With the limited available resources during the Period, the Directors expected that the Group might depend on further financing from its shareholders and financial institutions 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 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.

CAPITAL STRUCTURE

As 30 September 2015, the total number of issued shares of the Company was 5,110,801,686 shares of HK\$0.10 each.

Upon the Capital Reduction (as defined below) became effective after 4:00 p.m. on Thursday, 15 October 2015 but before 9:00 a.m. on Friday, 16 October 2015 and Share Consolidation (as defined below) became effective on 9 November 2015, the number of issued shares of the Company has become 255,540,084 shares of HK\$0.02 each as at the date of this report.

MAJOR EVENTS DURING AND AFTER 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 consideration of HK\$19.2 million. The transaction was completed on 16 February 2015.

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.

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”).

Immediately following the Capital Reduction becoming effective, each authorised but unissued Share would 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.

The Grand Court of the Cayman Islands (the “Court”) has approved the Capital Reduction at the hearing held on 8 October 2015 (Cayman Islands time) and a copy of the order granted by the Court sanctioning the Capital Reduction and the minutes approved by the Court were filed and duly registered with the Registrar of Companies in the Cayman Islands on 15 October 2015 (Cayman Islands time). Accordingly, the Capital Reduction and the Sub-division became effective after 4:00 p.m. on Thursday, 15 October 2015 but before 9:00 a.m. on Friday, 16 October 2015 (due to time difference between Hong Kong and Cayman Islands).

Share Consolidation

On 21 September 2015, the Company proposed to implement the Share Consolidation by consolidating every 20 issued and unissued ordinary shares of HK\$0.10 each (or new Shares of HK\$0.001 each upon the Capital Reduction and the Sub-division having become effective) in the share capital of the Company into one Consolidated Share of HK\$2.00 each (“Consolidated Shares”) (or HK\$0.02 each upon the Capital Reduction and the Sub-division having become effective) (“Share Consolidation”).

Immediately following the Share Consolidation becoming effective, the authorised share capital of the Company would be HK\$1,000,000,000 divided into 500,000,000 Consolidated Shares of HK\$2.00 each (or HK\$1,000,000,000 divided into 50,000,000,000 Consolidated Shares of HK\$0.02 each upon the Capital Reduction and the Sub-division having become effective, of which 255,540,084 Consolidated Shares would be in issue).

An extraordinary general meeting of the Company was held on 6 November 2015 and the resolution was duly passed by poll as an ordinary resolution. Accordingly, the Share Consolidation became effective on 9 November 2015.

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 28 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 September 2015, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 6.3%.

CONTINGENT LIABILITIES

As at 30 September 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 September 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

At 30 September 2015, to the best knowledge of the Directors and chief executive of the Company, there is no person (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Section 336 of the SFO.

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.

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 September 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.

Upon the Sub-division became effective after 4:00 p.m. on Thursday, 15 October 2015 but before 9:00 a.m. on Friday, 16 October 2015 and Share Consolidation became effective on 9 November 2015, each option gives the holder the right to subscribe for one share of HK\$0.02 of the Company. At 9 November 2015, the exercise price per share and number of options outstanding were adjusted, 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.

Details of grantees	No. of options outstanding	Date granted	Period during which options are exercisable	Exercise price per share
Chow Yik (Director)	250,000	28 November 2013	29 November 2013 to 28 November 2017	HK\$6.38
Consultants, Advisers, Service Providers, Employees and Others	114,893	11 November 2009	11 November 2009 to 10 November 2019	HK\$82.64
	8,490,000	28 November 2013	29 November 2013 to 28 November 2017	HK\$6.38

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

As at 30 September 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.

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 financial 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.

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.

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

Hong Kong, 12 November 2015

As at the date hereof, the executive Directors are Mr. Chow Yik, Mr. Lok Wing Fu and Ms. Tsui Annie; the independent non-executive Directors are Mr. Kwok Pak Yu, Steven, Mr. Ho Kei Wing, Nelson and Ms. Ma Sijing.