



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
2017

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 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 2017 amounted to approximately RMB22,318,000 representing an increase of approximately 138.6% over the corresponding period in 2016.
- Loss attributable to owners of the Company for the six months ended 30 June 2017 was approximately RMB31,532,000.
- Basic loss per share for the six months ended 30 June 2017 was approximately RMB1.55 cents.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017.

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 2017, 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	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Turnover	3	22,318	9,355	11,258	5,969
Cost of sales		(6,099)	(3,265)	(2,908)	(1,796)
Gross profit		16,219	6,090	8,350	4,173
Other gains and losses	5	(29,369)	3,039	(33,784)	1,041
General and administrative expenses		(17,878)	(11,807)	(5,383)	(5,813)
Loss from operations		(31,028)	(2,678)	(30,817)	(599)
Share of results of associates		255	352	120	180
Finance costs	6(a)	(198)	(210)	(127)	(171)
Loss before taxation	6	(30,971)	(2,536)	(30,824)	(590)
Income tax expenses	7	(1,620)	(809)	(1,181)	(588)
Loss for the period		(32,591)	(3,345)	(32,005)	(1,178)
Other comprehensive (loss)/income, net of income tax					
Exchange differences on translating foreign operations		(12,589)	8,771	(8,614)	14,428
Total comprehensive (loss)/income for the period		(45,180)	5,426	(40,619)	13,250

	Notes	Six months ended 30 June		Three months ended 30 June	
		2017	2016	2017	2016
		RMB'000	RMB'000	RMB'000	RMB'000
Loss for the period attributable to:					
Owners of the Company		(31,532)	(1,598)	(31,478)	(656)
Non-controlling interests		(1,059)	(1,747)	(527)	(522)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(44,121)	7,173	(40,092)	13,772
Non-controlling interests		(1,059)	(1,747)	(527)	(522)
Loss per share					
– Basic and diluted (RMB cents)	9	(1.55)	(0.12)	(1.47)	(0.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30 June 2017 <i>RMB'000</i>	(Audited) As at 31 December 2016 <i>RMB'000</i>
	<i>Notes</i>		
Non-current assets			
Plant and equipments		27,909	31,269
Goodwill		12,541	12,541
Available-for-sale financial assets		9,355	9,868
Interests in associates		44,521	46,156
Loans receivables	10	3,806	3,974
		98,132	103,808
Current assets			
Inventories		107	126
Trade, loan and other receivables, prepayments and deposits	10	334,272	305,488
Financial assets at fair value through profit or loss		12,834	43,047
Cash and bank balances		9,350	11,692
		356,563	360,353
Current liabilities			
Trade and other payables	11	35,840	39,610
Tax payables		1,731	110
Obligations under finance leases		1,700	1,707
		39,271	41,427
Net current assets		317,292	318,926
Total assets less current liabilities		415,424	422,734
Non-current liabilities			
Obligations under finance leases		4,186	5,132
Net assets		411,238	417,602
Capital and reserves attributable to owners of the Company			
Share capital		36,184	29,847
Reserves		385,667	397,309
Equity attributable to owners of the Company		421,851	427,156
Non-controlling interests		(10,613)	(9,554)
Total equity		411,238	417,602

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Warrants 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
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 operation	-	-	-	-	-	8,771	-	8,771	-	8,771
Total comprehensive (loss)/ income for the six months ended 30 June 2016	-	-	-	-	-	8,771	(1,598)	7,173	(1,747)	5,426
Issue of new shares	25,780	180,459	-	-	-	-	-	206,239	-	206,239
Transaction costs attributable to issue of new shares	-	(3,093)	-	-	-	-	-	(3,093)	-	(3,093)
At 30 June 2016	29,847	325,164	1,263	495,170	34,896	11,112	(406,548)	490,904	22,597	513,501
At 1 January 2017	29,847	325,164	1,263	495,170	34,568	29,283	(488,139)	427,156	(9,654)	417,602
Loss for the period	-	-	-	-	-	-	(31,532)	(31,532)	(1,059)	(32,591)
Exchange differences on translating foreign operation	-	-	-	-	-	(12,589)	-	(12,589)	-	(12,589)
Total comprehensive loss for the six months ended 30 June 2017	-	-	-	-	-	(12,589)	(31,532)	(44,121)	(1,059)	(45,180)
Issue of shares upon placing of shares	6,337	33,271	-	-	-	-	-	39,608	-	39,608
Transaction costs in relation to issue of shares pursuant to placing of shares	-	(792)	-	-	-	-	-	(792)	-	(792)
Lapse of warrants	-	-	(1,263)	-	-	-	1,263	-	-	-
At 30 June 2017	36,184	357,643	-	495,170	34,568	16,694	(518,408)	421,851	(10,613)	411,238

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 June	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Net cash used in operating activities	(30,905)	(125,991)
Net cash used in investing activities	–	(14,843)
Net cash generated from financing activities	37,665	202,432
Net increase in cash and cash equivalents	6,760	61,598
Cash and cash equivalents, at 1 January	11,692	3,437
Effect of foreign exchange rate changes	(9,102)	6,598
Cash and cash equivalents, at 30 June	9,350	71,633
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	9,350	71,633

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 money lending business, trading and manufacturing of biomass fuel and trading of electronic parts.

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 2016 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 2017. 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 2016 annual financial statements.

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 (i) 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 (ii) interest income earned from the money lending business.

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trading and manufacturing of biomass fuel	–	3,366	–	1,852
Interest income on money lending business	14,774	5,989	7,703	4,117
Trading of electronic parts	7,544	–	3,555	–
	22,318	9,355	11,258	5,969

4. SEGMENT REPORTING

Segment revenues and results

	(Unaudited) For the six months ended 30 June							
	Biomass fuel products		Money lending		Electronic Parts		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover								
External sales	–	3,366	14,774	5,989	7,544	–	22,318	9,355
Result								
Segment results	(2,273)	(3,609)	7,721	4,211	1,446	–	6,894	602
Unallocated corporate expenses							(8,553)	(6,319)
Fair value (loss)/gain on financial assets at fair value through profit or loss							(29,369)	3,039
Loss from operations							(31,028)	(2,678)
Share of results of associates							255	352
Finance costs							(198)	(210)
Loss before taxation							(30,971)	(2,536)
Income tax expenses							(1,620)	(809)
Loss for the period							(32,591)	(3,345)

	(Unaudited)							
	For the three months ended 30 June							
	Biomass fuel products		Money lending		Electronic Parts		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Turnover								
External sales	-	1,852	7,703	4,117	3,555	-	11,258	5,969
Result								
Segment results	(1,126)	(1,186)	4,224	3,078	648	-	3,746	1,892
Unallocated corporate expenses							(779)	(3,532)
Fair value (loss)/gain on financial assets at fair value through profit or loss							(33,784)	1,041
Loss from operations							(30,817)	(599)
Share of results of associates							120	180
Finance costs							(127)	(171)
Loss before taxation							(30,824)	(590)
Income tax expenses							(1,181)	(588)
Loss for the period							(32,005)	(1,178)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2016: Nil).

	Biomass fuel products		Money lending		Electronic Parts		Consolidated	
	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000
Assets								
Segment assets	28,318	27,110	329,286	301,120	19,980	16,923	377,584	345,153
Unallocated corporate assets							77,111	119,008
							454,695	464,161
Liabilities								
Segment liabilities	21,481	18,318	10,723	16,374	5,738	3,719	37,942	38,411
Unallocated corporate liabilities							5,515	8,148
							43,457	46,559

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) For the six months ended 30 June 2017 RMB'000		(Unaudited) For the three months ended 30 June 2017 RMB'000	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Fair value (loss)/gain on financial assets at				
fair value through profit or loss	(29,369)	3,038	(33,784)	1,040
Sundry income	-	1	-	1
	(29,369)	3,039	(33,784)	1,041

6. LOSS BEFORE TAXATION

Loss 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	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
(a) Finance costs				
Interest on obligations under finance leases	198	210	127	171
(b) Staff costs				
(including directors' remuneration)				
Contributions to defined contribution plans	54	75	31	29
Salaries, wages and other benefits	1,624	1,487	816	779
Directors' remuneration	505	838	274	390
Total staff costs	2,183	2,400	1,121	1,198
(c) Other items				
Amortisation of intangible assets	-	99	-	49
Depreciation	3,122	4,369	1,553	1,608
Auditors' remuneration	419	400	181	162
Cost of inventories sold	6,099	3,265	2,908	1,796

7. INCOME TAX EXPENSES

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

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax				
Hong Kong	1,258	809	1,019	588
PRC Enterprise Income Tax	362	–	162	–
	1,620	809	1,181	588

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period ended 30 June 2017.

(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 ended 30 June 2017 (2016: 25%).

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 30 June 2017 was based on the loss for the period attributable to owners of the Company of approximately RMB31,478,000 (2016: loss attributable to owners of the Company of approximately RMB656,000) and on the weighted average number of ordinary shares of approximately 2,146,520,588 shares (2016: 1,788,780,588 shares).

The calculation of basic loss per share for the six months ended 30 June 2017 was based on the loss for the period attributable to owners of the Company of approximately RMB31,532,000 (2016: loss attributable to owners of the Company of approximately RMB1,598,000) and on the weighted average number of ordinary shares of approximately 2,039,791,527 shares (2016: 1,296,575,244 shares).

Diluted loss per share for the three months ended 30 June 2017 (three months ended 30 June 2016) and six months ended 30 June 2017 (six months ended 30 June 2016) were the same as the basic loss per share. The Company's outstanding share options was not included in the calculation of diluted loss per share because the effects of the Company's outstanding share option was anti-dilutive.

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

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Trade debtors	7,689	4,756
Loans receivables (note)	323,619	296,777
Other receivables	5,402	5,570
Rental and other deposits	559	1,533
Prepayments	809	826
	338,078	309,462
Less: Non-current portion		
– Loans receivables (note)	(3,806)	(3,974)
	334,272	305,488

Note:

The Group's loans receivables, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollar. Secured loans receivables are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers.

Ageing analysis of trade debtors and loans receivables

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

	(Unaudited) As at 30 June 2017 <i>RMB'000</i>	(Audited) As at 31 December 2016 <i>RMB'000</i>
0 to 30 days	29,763	18,742
31 to 60 days	3,911	87
61 to 90 days	18,786	147,654
91 to 180 days	117,243	29,746
Over 180 days	148,756	65,078
Over 365 days	12,849	40,226
	331,308	301,533

Customers are generally granted with credit term of 90 days.

11. TRADE AND OTHER PAYABLES

	(Unaudited) As at 30 June 2017 <i>RMB'000</i>	(Audited) As at 31 December 2016 <i>RMB'000</i>
Trade creditors	6,467	946
Accrued expenses and other payables	29,373	38,664
	35,840	39,610

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

	(Unaudited) As at 30 June 2017 <i>RMB'000</i>	(Audited) As at 31 December 2016 <i>RMB'000</i>
0 to 30 days	2,176	–
Over 30 days	4,291	946
	6,467	946

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2017 (the "Period"), the Group recorded an unaudited consolidated turnover of approximately RMB22,318,000 (2016: RMB9,355,000), which represented an increase of approximately 138.6% as compared with that of the corresponding period in 2016.

The increase of turnover was mainly attributed to the increase in revenue from the money lending business and the trading of electronic parts. Interest income earned from the money lending business increased by approximately RMB8,785,000 or 146.7% as compared with the corresponding period in 2016. Meanwhile the revenue from trading of electronic parts had recorded approximately RMB7,544,000 during the period under review.

The other gains and losses were turnaround from a gain of approximately RMB3,039,000 in corresponding period in 2016 to a loss of approximately RMB29,369,000 for the Period under review. The turnaround was attributed to net unrealised loss of approximately RMB29,369,000 (2016: net unrealised gain of RMB3,038,000) recorded from the listed securities portfolio held by the Group as at 30 June 2017.

The general and administrative expenses for the Period increased by approximately RMB6,071,000 or 51.4% as compared with the corresponding period in 2016. The increase was mainly attributed to the increased depreciation charges and advertising expenses recorded during the Period under review compared with the corresponding period in 2016.

Finance costs for the Period decreased by approximately RMB12,000 or 5.7% as compared with the corresponding period in 2016. 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 RMB31,532,000 (2016: RMB1,598,000), which represented approximately RMB29,934,000 or 1,873.2% increase as compared with the corresponding period in 2016.

BUSINESS REVIEW AND FUTURE PROSPECT

During the Period under review, the Group continued to focus on the money lending business in Hong Kong and trading of electronic parts in PRC.

Despite the competitive and uncertain business environment for the loan market in Hong Kong, the persisting high demand for loan products in the market during the Period under review which result the loan portfolio held by the Group was approximately RMB323.6 million. The Group recorded a growth of 146.7% in revenue from money lending business as compared with the corresponding period in 2016. As at 30 June 2017, interest income earned from the money lending business was approximately RMB14,774,000 during the Period under review, which represented approximately 66.2% of the total revenue.

The trading of electronic parts business acquired in 2017 recorded a turnover of approximately RMB7,544,000 during the Period under review. The Group foresee the trading business will meet performance as expectation because the order quantity recorded a constant growth.

The performance of biomass fuel business was significantly influenced by the competitive price of crude oil. 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 2017.

Looking forward, the Group will devote its resources to expand its business in a proactive yet cautious manner, especially in money lending business in Hong Kong. The management will continue to closely monitor the credit risk of the loan portfolio on an ongoing basis. The Group will also explore other potential investment opportunities with positive prospects in order to broaden our income sources and enhance the value of both the Group and its Shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2017, the Group had current assets of approximately RMB356,563,000 (31 December 2016: RMB360,353,000) and liquid assets comprising cash and short term securities investments totalling approximately RMB22,184,000 (31 December 2016: RMB54,739,000). The Group's current ratio, calculated based on current assets of approximately RMB356,563,000 (31 December 2016: RMB360,353,000) over the current liabilities of approximately RMB39,271,000 (31 December 2016: RMB41,427,000), was at a healthy level of approximately 9.1 times as at 30 June 2017 (31 December 2016: 8.7 times).

As at 30 June 2017, the Group had long-term obligations under finance leases of approximately RMB4,186,000 (31 December 2016: RMB5,132,000) and short-term obligations under finance leases of approximately RMB1,700,000 (31 December 2016: RMB1,707,000).

The Group had conducted a fund raising exercise during the Period under review and a total approximately HK\$43.82 million of net proceeds was raised through placing. As at 30 June 2017, the Group's gearing ratio, being the ratio of total liabilities to total assets, was at a low level of approximately 9.6% (31 December 2016: 10.0%).

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.

CAPITAL COMMITMENT

As at 30 June 2017, the Group did not have any material capital commitment (31 December 2016: Nil).

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 8 February 2017, the Company and China Sky Securities Limited (“Placing Agent”) entered into the placing agreement (“Placing Agreement”), pursuant to which the Placing Agent agreed to procure not less than six placees (“Placees”) to subscribe up to 357,756,117 new shares of the Company on a best effort basis, at an issue price of HK\$0.125 (“Placing Price”) per placing share (“Placing Share(s)”) (“Placing”).

The Placing Price, of HK\$0.125 per Placing Share was determined after arm’s length negotiations between the Company and the Placing Agent with reference to the prevailing market price of the shares of the Company (“Share(s)”) and the market conditions. The Placing Price represents (i) a discount of approximately 16.11% to the closing price of HK\$0.149 per Share as quoted on the Stock Exchange on 8 February 2017, being the date of the Placing Agreement; and (ii) a discount of approximately 16.44% to the average closing price of HK\$0.1496 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Directors are of the view that the Placing will further facilitate the existing business development and implementation of the business strategies of the Company and supplement the working capital of the Group to meet any future development and obligations. The Placing also represent good opportunities to broaden the shareholders’ base and the capital base of the Company.

The Placing was completed on 24 February 2017. An aggregate of 357,740,000 Placing Shares have been successfully placed by the Placing Agent to not less than six Placees, at the Placing Price of HK\$0.125 per Placing Share. The Company received net proceeds of approximately HK\$43.82 million from the Placing. The Company intends to apply the said net proceeds as to (i) approximately HK\$35.00 million for further expanding the money lending business; and (ii) approximately HK\$8.82 million for general working capital of the Group.

At the date of this report, net proceeds of HK\$35.00 million and HK\$8.82 million raised from the Placing had been applied for the operation of money lending business and for general working capital of the Group.

CAPITAL STRUCTURE

Authorised share capital

As at 30 June 2017, 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 the Placing on 24 February 2017, the number of Shares in issue was increased from 1,788,780,588 Shares of HK\$0.02 each to 2,146,520,588 Shares of HK\$0.02 each.

USE OF PROCEEDS

	Nature	Original intended use of proceeds stated in announcement dated 2 December 2015 <i>HK\$</i>	Actual use of proceeds as at the date of this report <i>HK\$</i>	Remaining balance <i>HK\$</i>	Progress
Rights issue	Development of money lending business	200,000,000	200,000,000	–	Used as intended
	Future acquisition or investments	40,760,000	31,068,000	9,692,000	Used as intended and the remaining balance unchanged with the original plan
		240,760,000	231,068,000	9,692,000	

	Nature	Original intended use of proceeds stated in announcement dated 8 February 2017 <i>HK\$</i>	Actual use of proceeds as at the date of this report <i>HK\$</i>	Remaining balance <i>HK\$</i>	Progress
Placing of new shares under general mandate	Operation of money lending business	35,000,000	35,000,000	–	Used as intended
	Working capital	8,820,000	8,820,000	–	Used as intended
		43,820,000	43,820,000	–	

SIGNIFICANT INVESTMENTS

The Group had no significant investment during the Period.

EMPLOYEE INFORMATION

Currently, the Group has about 22 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 2017, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 9.6%.

CONTINGENT LIABILITIES

As at 30 June 2017, 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 2017, 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' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2017, 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 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.

SHARE OPTION

The Company has adopted the existing share option scheme (the "Share Option Scheme") on 24 September 2009. The scheme mandate limit of which has been refreshed at the extraordinary general meeting of the Company on 3 October 2016. During the period under review, no share options had been exercised, cancelled nor lapsed.

As at 30 June 2017, certain 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 each 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,	160,850	11 November 2009	11 November 2009 to 10 November 2019	HK\$59.029
Employees and Others	11,886,000	28 November 2013	29 November 2013 to 28 November 2017	HK\$4.557
	178,000,000	22 December 2016	22 December 2016 to 21 December 2017	HK\$0.1605

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 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 2017, 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.

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.

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. Kwok Pak Yu, Steven who possess appropriate professional qualifications, accounting and 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.

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.

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 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 2016 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.

EVENTS AFTER THE REPORTING PERIOD

The Group has no material events after the reporting period.

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

Hong Kong, 9 August 2017

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