



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

2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 (the “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 GEM of the Stock Exchange (the “GEM Listing Rules”) 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

- Turnover of the Group for the nine months ended 30 September 2018 (the “Period”) was approximately RMB56,107,000, representing an increase of approximately 63.1% as compared with that of the corresponding period in 2017.
- Profit attributable to owners of the Company for the nine months ended 30 September 2018 was approximately RMB9,246,000.
- Earnings per share was approximately RMB0.43 cents.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2018.

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 2018, 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	
		2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Turnover	3	56,107	34,409	19,809	12,091
Cost of sales		(25,762)	(9,421)	(10,448)	(3,322)
Gross profit		30,345	24,988	9,361	8,769
Other gains and losses	5	(807)	(34,356)	(218)	(4,987)
General and administrative expenses		(16,643)	(26,773)	(3,906)	(8,895)
Profit/(loss) from operations		12,895	(36,141)	5,237	(5,113)
Share of results of associates		445	398	155	143
Finance costs	6(a)	(2,134)	(336)	(721)	(138)
Profit/(loss) before taxation	6	11,206	(36,079)	4,671	(5,108)
Income tax expenses	7	(2,109)	(2,247)	(858)	(627)
Profit/(loss) for the period		9,097	(38,326)	3,813	(5,735)
Profit/(loss) for the period attributable to:					
Owners of the Company		9,246	(36,738)	3,853	(5,206)
Non-controlling interests		(149)	(1,588)	(40)	(529)
Earnings/(loss) per share					
– Basic and diluted (RMB cents)	8	0.43	(1.77)	0.18	(0.24)

	For the nine months ended 30 September		For the three months ended 30 September	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Profit/(loss) for the period	9,097	(38,326)	3,813	(5,735)
Other comprehensive income/(loss) for the period, net of tax <i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translating foreign operations	27,432	(20,722)	22,295	(8,133)
Total comprehensive income/(loss) for the period	36,529	(59,048)	26,108	(13,868)
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Company	36,678	(57,460)	26,148	(13,339)
Non-controlling interests	(149)	(1,588)	(40)	(529)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL 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 address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong.

The Group is primarily engaged in money lending business, trading and manufacturing of biomass fuel product and, processing and trading of electronic parts.

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.

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS"). The unaudited condensed consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

The condensed consolidated financial information should be read in conjunction with the 2017 annual financial statements. The accounting policies and methods of computation used in preparation of these condensed financial information are consistent with those used in the annual financial statements for the year ended 31 December 2017 except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") which are effective for the accounting periods beginning on or after 1 January 2017 and relevant to its operations. 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, which has no material impact on the Group.

3. TURNOVER

Turnover represents the (i) 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 nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Interest income on money lending business	24,463	22,632	7,798	7,858
Processing and trading of electronic parts	31,644	11,777	12,011	4,233
	56,107	34,409	19,809	12,091

4. SEGMENT REPORTING

Segment revenues and results

	(Unaudited)							
	Biomass fuel product		For the nine months ended 30 September				Consolidated	
	2018	2017	Money lending		Electronic parts		2018	2017
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Turnover								
External sales	-	-	24,463	22,632	31,644	11,777	56,107	34,409
Result								
Segment results	(367)	(3,386)	14,472	10,182	5,829	2,356	19,934	9,152
Unallocated corporate expenses							(5,638)	(10,741)
Fair value loss on financial assets at fair value through profit or loss							(1,401)	(34,552)
Profit/(loss) from operations							12,895	(36,141)
Share of results of associates							445	398
Finance costs							(2,134)	(336)
Profit/(loss) before taxation							11,206	(36,079)
Income tax expenses							(2,109)	(2,247)
Profit/(loss) for the period							9,097	(38,326)

	(Unaudited)							
	For the three months ended 30 September							
	Biomass fuel product		Money lending		Electronic parts		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover								
External sales	-	-	7,798	7,858	12,011	4,233	19,809	12,091
Result								
Segment results	(95)	(1,113)	4,580	2,461	1,512	910	5,997	2,258
Unallocated corporate expenses							(514)	(2,188)
Fair value loss on financial assets at fair value through profit or loss							(246)	(5,183)
Profit/(loss) from operations							5,237	(5,113)
Share of results of associates							155	143
Finance costs							(721)	(138)
Profit/(loss) before taxation							4,671	(5,108)
Income tax expenses							(858)	(627)
Profit/(loss) for the period							3,813	(5,735)

5. OTHER GAINS AND LOSSES

	(Unaudited)		(Unaudited)	
	For the nine months ended 30 September		For the three months ended 30 September	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value loss on financial assets at fair value through profit or loss	(1,401)	(34,552)	(246)	(5,183)
Sundry income	594	196	28	196
	(807)	(34,356)	(218)	(4,987)

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2018 RMB'000	2017 <i>RMB'000</i>	2018 RMB'000	2017 <i>RMB'000</i>
(a) Finance costs				
Interest on unsecured bonds	2,062	–	719	–
Interest on obligations under finance leases	72	336	2	138
Total finance costs	2,134	336	721	138
(b) Staff costs (including directors' remuneration)				
– Contributions to defined contribution plans	87	71	36	17
– Salaries, wages and other benefits	2,557	3,072	834	943
Total staff costs	2,644	3,143	870	960
(c) Other items				
Depreciation	731	4,557	156	1,435
Auditors' remuneration	644	621	257	202
Cost of inventories sold	25,762	9,421	10,448	3,322

7. INCOME TAX EXPENSES

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Current tax				
Hong Kong	2,109	1,658	858	400
PRC enterprise income tax	–	589	–	227
	2,109	2,247	858	627

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period ended 30 September 2018.

(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 subsidiaries of the Company established in the People’s Republic of China (the “PRC”) are generally subject to the PRC enterprise income tax of 25% for the period ended 30 September 2018 (2017: 25%).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the three months ended 30 September 2018 was based on the profit for the period attributable to owners of the Company of approximately RMB3,853,000 (2017: loss for the period attributable to owners of the Company of approximately RMB5,206,000) and on the weighted average number of shares of approximately 2,146,520,588 shares (2017: 2,146,520,588 shares).

The calculation of basic earnings per share for the nine months ended 30 September 2018 was based on the profit for the period attributable to owners of the Company of approximately RMB9,246,000 (2017: loss for the period attributable to owners of the Company of approximately RMB36,738,000) and on the weighted average number of shares of approximately 2,146,520,588 shares (2017: 2,075,758,830 shares).

Diluted earnings/(loss) per share for the three months ended 30 September 2018 (three months ended 30 September 2017) and nine months ended 30 September 2018 (nine months ended 30 September 2017) were the same as the basic earnings/(loss) per share. The Company’s outstanding share options was not included in the calculation of diluted earnings/(loss) per share because the effects of the Company’s outstanding share options was anti-dilutive.

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

	Share capital	Share premium	Warrants 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
At 1 January 2017	29,847	325,164	1,263	495,170	34,568	29,283	(488,139)	427,156	(9,554)	417,602
Loss for the period	-	-	-	-	-	-	(36,738)	(36,738)	(1,588)	(38,326)
Exchange differences on translating foreign operations	-	-	-	-	-	(20,722)	-	(20,722)	-	(20,722)
Total comprehensive loss for the nine months ended 30 September 2017	-	-	-	-	-	(20,722)	(36,738)	(57,460)	(1,588)	(59,048)
Issue of new shares	6,337	33,271	-	-	-	-	-	39,608	-	39,608
Transaction costs attributable to issue of new shares	-	(792)	-	-	-	-	-	(792)	-	(792)
Lapse of warrants	-	-	(1,263)	-	-	-	1,263	-	-	-
At 30 September 2017	36,184	357,643	-	495,170	34,568	8,561	(523,614)	408,512	(11,142)	397,370
At 1 January 2018	36,184	357,643	-	495,170	7,315	(888)	(520,619)	374,805	(12,913)	361,892
Profit/(loss) for the period	-	-	-	-	-	-	9,246	9,246	(149)	9,097
Exchange differences on translating foreign operation	-	-	-	-	-	27,432	-	27,432	-	27,432
Total comprehensive income/(loss) for the nine months ended 30 September 2018	-	-	-	-	-	27,432	9,246	36,678	(149)	36,529
At 30 September 2018	36,184	357,643	-	495,170	7,315	26,544	(511,373)	411,483	(13,062)	398,421

10. DIVIDEND

The Directors do not recommend the payment of any dividends for the nine months ended 30 September 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 30 September 2018, the Group recorded an unaudited consolidated turnover of approximately RMB56,107,000 (2017: RMB34,409,000), which represented an increase of approximately 63.1% as compared with that of the corresponding period in 2017.

The increase of turnover was mainly attributed to the increase in revenue from the money lending business, and the processing and trading of electronic parts. Interest income earned from the money lending business increased by approximately RMB1,831,000 or 8.1% as compared with the corresponding period in 2017. The revenue from processing and trading of electronic parts boost by approximately RMB19,867,000 or 168.7% as compared with corresponding period in 2017.

The other gains and losses were attributed to net unrealised loss of approximately RMB1,401,000 (2017: RMB34,552,000) recorded from the listed securities portfolio held by the Group as at 30 September 2018.

The general and administrative expenses for the Period dropped by approximately RMB10,130,000 or 37.8% as compared with the corresponding period in 2017. The decrease was mainly attributed to the decreases in depreciation charges and advertising expenses recorded during the Period compared with the corresponding period in 2017.

Finance costs for the Period increased by approximately RMB1,798,000 or 535.1% as compared with the corresponding period in 2017. The finance costs for the Period represented the interest expenses on the obligations under finance leases entered by the Group for the acquisition of fixed assets and the effective interests on the unsecured bonds issued for the Period.

Profit attributable to owners of the Company for the Period amounted to RMB9,246,000 (2017: RMB36,738,000 was loss attributable to owners of the Company), which represented an increase of approximately RMB45,984,000 or 125.2% as compared with the corresponding period in 2017.

BUSINESS REVIEW AND FUTURE PROSPECT

During the Period, the Group continued to focus on the money lending business, and processing and trading of electronic parts business.

The Group engaged in money lending business by providing both secured and unsecured loans to individuals and corporate customers. We provide personal loans, mortgage loans and corporate loans. Due to the stable demand in the loan market in Hong Kong, the Group recorded a growth of 8.1% in revenue from money lending business as compared with the corresponding period in 2017. Interest income earned from the money lending business was approximately RMB24,463,000 during the Period, which represented approximately 43.6% of the total revenue.

The Group commenced the processing and trading of electronic parts business since 2016. The Group engaged in sourcing, processing, and sales of computer-related and smartphone-related electronic parts and components, such as CPU, LED screen panel, hard-disk, and smartphone chipsets and lens. In 2018, the Group expanded its processing center and devoted more resources to expand the processing center, which lead to a growth of 168.7% in revenue as compared with the corresponding period in 2017.

During the Period, no sale was recognised for the trading and manufacturing of biomass fuel product business due to the extremely weak demand. In the view of the poor performance of the trading and manufacturing of biomass fuel business, the directors minimise the capital expenditure and cut the unnecessary costs.

Looking forward, the Group would devote its existing resources to expand the processing and trading of electronic parts business while keeping steady in the money lending business. The Group would also explore other potential investment opportunities in order to broaden our income sources.

CHARGES ON GROUP ASSETS

As at 30 September 2018, none of the assets of the Group has been pledged to secure any loan granted to the Group.

CAPITAL COMMITMENT

As at 30 September 2018, the Group did not have any material capital commitment (31 December 2017: Nil).

USE OF PROCEEDS

	Nature	Original intended use of proceeds stated in announcement dated	Actual use of proceeds as at	Remaining	Progress
		2 December 2015 <i>HK\$</i>	the date of this report <i>HK\$</i>	balance <i>HK\$</i>	
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, and plan to utilise within 1 year
		240,760,000	231,068,000	9,692,000	

On 24 February 2017, the Group completed the placing of 357,740,000 shares at the placing price of HK\$0.125 per placing share under the general mandate. The Group received net proceeds of approximately HK\$43,820,000 from the placing.

The Group utilised the proceeds of approximately HK\$35,000,000 to meet the demand from several customers in the money lending business. The remaining proceeds of approximately HK\$8,820,000 used for general working capital of the Group including payment of salaries, advertising expenses and administrative expenses of approximately HK\$1,600,000, HK\$6,500,000 and HK\$720,000 respectively.

SIGNIFICANT INVESTMENTS

The Group had no significant investment during the Period.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition nor disposal during the Period.

EMPLOYEE INFORMATION

As at 30 September 2018, the Group has about 33 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 2018, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 9.2% (31 December 2017: 9.1%).

BONDS

On 12 January 2018, the Company issued unsecured bonds to independent third parties with principal amount of HK\$30,000,000 and with effective interest rate of 11% per annum. The maturity date of which is 3 years.

CONTINGENT LIABILITIES

As at 30 September 2018, 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 2018, 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 September 2018, 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 positions 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 annual general meeting of the Company on 19 May 2017. During the Period, no share options were granted, exercised, cancelled nor lapsed. As at 30 September 2018, there were outstanding 160,850 options.

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

As at 30 September 2018, 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 INTEREST

The Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) 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 (“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. CHAN Kwan Yiu 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 results for the Period have been reviewed by the Audit Committee, and it was in its opinion that the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange. During the Period, no material matters were identified and reported by the Audit Committee to the Board.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Period.

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, 12 November 2018

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. CHAN Kwan Yiu
Ms. MA Sijing
Ms. HO Yuen Ki