



HAO WEN HOLDINGS LIMITED

皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019



2020

FIRST
QUARTERLY
REPORT

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 three months ended 31 March 2020 was approximately RMB8,976,000 representing a decrease of approximately 42.1% as compared with that of the corresponding period in 2019.
- Profit attributable to owners of the Company for the three months ended 31 March 2020 was approximately RMB587,000.
- Earnings per share was approximately RMB0.027 cents.
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2020.

UNAUDITED FINANCIAL RESULTS

The board of directors of the Company (the “Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2020 (the “Period”), 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)

For the three months ended 31 March 2020

	Notes	For the three months ended 31 March	
		2020 RMB'000	2019 RMB'000
Revenue	3	8,976	15,493
Cost of sales		(1,523)	(6,918)
Gross profit		7,453	8,575
Other gains and losses	5	(1,145)	578
General and administrative expenses		(4,712)	(5,812)
Profit from operations		1,596	3,341
Share of results of associates		152	120
Finance costs	6(a)	(1,119)	(939)
Profit before taxation	6	629	2,522
Income tax expenses	7	(45)	(528)
Profit for the period		584	1,994
Profit for the period attributable to:			
Owners of the Company		587	2,029
Non-controlling interests		(3)	(35)
Earnings per share			
– Basic and diluted (RMB cents)	8	0.027	0.095

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

For the three months ended 31 March 2020

	For the three months ended 31 March	
	2020 RMB'000	2019 RMB'000
Profit for the period	584	1,994
Other comprehensive income/(loss), net of tax <i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	5,528	(11,040)
Total comprehensive income/(loss) for the period	6,112	(9,046)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	6,115	(9,011)
Non-controlling interests	(3)	(35)

NOTES TO THE 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 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 12, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong.

The Group is primarily engaged in money lending business 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 2019 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 2019 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 2020 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. REVENUE

Revenue represents (i) the sales value of goods supplied to customers, which net of 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 three months	
	ended 31 March	
	2020	2019
	RMB'000	<i>RMB'000</i>
Interest income earned from the money lending business	7,177	6,846
Processing and trading of electronic parts	1,799	8,647
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Total	8,976	15,493

4. SEGMENT REPORTING

Segment revenues and results

	(Unaudited)					
	For the three months ended 31 March					
	Money lending		Electronic parts		Consolidated	
	2020	2019	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue						
External sales	7,177	6,846	1,799	8,647	8,976	15,493
Results						
Segment results	3,519	2,561	272	1,728	3,791	4,289
Unallocated corporate expenses					(1,050)	(1,526)
(Loss)/gain on fair value of financial assets at fair value through profit or loss					(1,145)	578
Profit from operations					1,596	3,341
Share of results of associates					152	120
Finance costs					(1,119)	(939)
Profit before taxation					629	2,522
Income tax expenses					(45)	(528)
Profit for the period					584	1,994

5. OTHER GAINS AND LOSSES

	(Unaudited)	
	For the three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/gain on fair value of financial assets at fair value through profit or loss	(1,145)	578

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	(Unaudited) For the three months ended 31 March	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(a) Finance costs		
Interest on unsecured bonds	1,119	705
Interest on borrowings	–	234
Total finance costs	1,119	939
(b) Staff costs (including director's emoluments)		
– Contributions to defined contribution plans	15	26
– Salaries, wages and other benefits	540	596
Total staff costs	555	622
(c) Other items		
Depreciation	251	297
Auditors' remuneration	215	203
Cost of inventories sold	1,523	6,918

7. INCOME TAX EXPENSES

	(Unaudited) For the three months ended 31 March	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
Hong Kong	45	528

(i) Hong Kong profits tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

(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 subsidiary of the Company 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 (2019: 25%).

8. EARNINGS PER SHARE**(a) Basic earnings per share**

The calculation of the basic earnings per share for the period is based on the following data:

	(Unaudited) For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
Profit		
Profit for the purposes of basic earnings per share, profit for the three months period attributable to the owners of the Company	587	2,029

	(Unaudited) For the three months ended 31 March	
	2020	2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,146,521	2,146,521

(b) Diluted earnings per share

Diluted earnings per share for the three months ended 31 March 2020 and 2019 were the same as the basic earnings per share as there were no potential ordinary shares in issue.

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

	Share capital	Share premium	Capital reduction reserve	Share-based compensation reserve	Financial asset at fair value through other comprehensive income 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 2019	36,184	357,643	495,170	7,315	(9,677)	20,259	(525,232)	381,662	(13,105)	368,557
Profit for the period	-	-	-	-	-	-	2,029	2,029	(35)	1,994
Exchange differences on translating foreign operation	-	-	-	-	-	(11,040)	-	(11,040)	-	(11,040)
Total comprehensive loss for the three months ended 31 March 2019	-	-	-	-	-	(11,040)	2,029	(9,011)	(35)	(9,046)
At 31 March 2019	36,184	357,643	495,170	7,315	(9,677)	9,219	(523,203)	372,651	(13,140)	359,511
At 1 January 2020	36,184	357,643	495,170	-	(11,465)	27,552	(542,967)	362,117	(13,368)	348,749
Profit for the period	-	-	-	-	-	-	587	587	(3)	584
Exchange differences on translating foreign operation	-	-	-	-	-	5,528	-	5,528	-	5,528
Total comprehensive loss for the three months ended 31 March 2020	-	-	-	-	-	5,528	587	6,115	(3)	6,112
At 31 March 2020	36,184	357,643	495,170	-	(11,465)	33,080	(542,380)	368,232	(13,371)	354,861

10. DIVIDEND

The board of directors do not recommend the payment of any dividend for the Period (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31 March 2020, the Group recorded an unaudited consolidated turnover of approximately RMB8,976,000 (2019: RMB15,493,000), which represented a decrease of approximately 42.1% as compared with that of the corresponding period in 2019.

The decrease of turnover was mainly attributed to the drop in revenue the processing and trading of electronic parts. The income from processing and trading of electronic parts business has dropped by approximately RMB6,848,000 or 79.2% to approximately RMB1,799,000 (2019: RMB8,647,000). The decrease was due to the lower demand from customers given the unfavourable economic conditions in the PRC due to the outbreak of Novel Coronavirus and Sino-US trade war. During the Period, the demand in the loan market remained stable, the Group recorded a slightly increase of by approximately RMB331,000 or 4.8% in revenue from money lending business as compared with the corresponding period in 2019. The Group has derived interest income from our loan portfolio of approximately RMB7,177,000 for the Period (2019: RMB6,846,000).

The other gains and losses were turn around from a net unrealised gain of approximately RMB578,000 to net unrealised loss of approximately RMB1,145,000, which recorded from the listed securities portfolio held by the Group as at 31 March 2020.

The general and administrative expenses for the Period dropped by approximately RMB1,100,000 or 18.9% as compared with the corresponding period in 2019. The decrease was mainly attributed to less corporate exercise incurred during the Period compared with the corresponding period in 2019.

Finance costs for the Period increased by approximately RMB180,000 or 19.2% as compared with the corresponding period in 2019. The finance costs for the Period represented the interest expenses on the unsecured bonds.

Profit attributable to owners of the Company for the Period amounted to RMB587,000 (2019: RMB2,029,000), which represented a decrease of approximately RMB1,442,000 or 71.1% as compared with the corresponding period in 2019.

BUSINESS REVIEW AND FUTURE PROSPECT

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

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. Interest income earned from the money lending business was approximately RMB7,177,000 during the Period, which represented approximately 80.0% of the total revenue. Meanwhile, 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. Revenue earned from the processing and trading of electronic parts business was approximately RMB1,799,000 during the Period, which represented 20.0% of the total revenue.

Since January 2020, the outbreak on Novel Coronavirus (“COVID-19”) has impacted the global business environment. Pending the development and spread of COVID-19, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

Looking forward, the Group considers that it is vital and necessary for the Group to dedicate more efforts on the processing and trading of electronic parts business with the view to achieving product upgrade and takes various cost-savings and quality improvement measures for the business.

CHARGES ON GROUP ASSETS

As at 31 March 2020, none of the assets of the Group has been pledged to secure any loan granted to the Group (31 December 2019: Nil).

CAPITAL COMMITMENT

As at 31 March 2020, the Group did not have any material capital commitment (31 December 2019: Nil).

SIGNIFICANT INVESTMENTS

The Group had no significant investments during the Period.

MATERIAL ACQUISITION AND DISPOSAL

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

EMPLOYEE INFORMATION

As at 31 March 2020, 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 31 March 2020, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 14.9% (31 December 2019: 14.2%).

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.

On 12 July 2019, the Company issued unsecured bonds to independent third parties with principal amount of HK\$15,000,000 and with effective interest rate of 11% per annum, the maturity date of which is 3 years.

CONTINGENT LIABILITIES

As at 31 March 2020, 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 31 March 2020, 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 31 March 2020, 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 share option scheme (the "Share Option Scheme") on 15 November 2019 which will remain in force for a period of 10 years from the effective date of the Share Option Scheme. During the Period, no share options were granted, exercised, cancelled nor lapsed. As at 31 March 2020, there were no outstanding options.

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

As at 31 March 2020, 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 Chairperson 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
Chairperson

Hong Kong, 8 May 2020

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

Executive Directors:

Ms. TSUI Annie
Mr. FENG Keming

Independent non-executive Directors:

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