

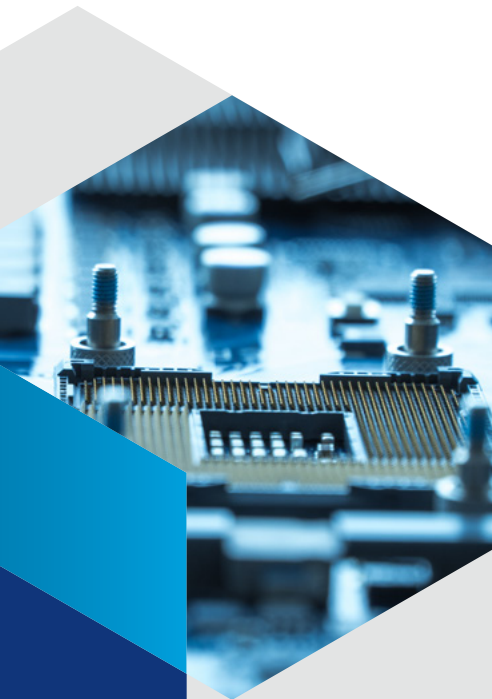


HAO WEN HOLDINGS LIMITED

皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019



2021

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 2021 was approximately RMB18,030,000 representing an increase of approximately 100.9% as compared with that of the corresponding period in 2020.
- Profit attributable to owners of the Company for the three months ended 31 March 2021 was approximately RMB6,930,000.
- Earnings per share was approximately RMB2.691 cents.
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2021.

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 2021 (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 2021

	Notes	For the three months ended 31 March	
		2021 RMB'000	2020 RMB'000
Revenue	3	18,030	8,976
Cost of sales		(7,962)	(1,523)
Gross profit		10,068	7,453
Other gains and losses	5	5,753	(1,145)
General and administrative expenses		(7,245)	(4,712)
Profit from operations		8,576	1,596
Share of results of associates		3	152
Finance costs	6(a)	(1,322)	(1,119)
Profit before taxation	6	7,257	629
Income tax expenses	7	(330)	(45)
Profit for the period		6,927	584
Profit for the period attributable to:			
Owners of the Company		6,930	587
Non-controlling interests		(3)	(3)
			(Restated)
Earnings per share			
– Basic and diluted (RMB cents)	8	2.691	0.273

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

For the three months ended 31 March 2021

	For the three months ended 31 March	
	2021 RMB'000	2020 RMB'000
Profit for the period	6,927	584
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	1,600	5,528
Total comprehensive income/(loss) for the period	8,527	6,112
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	8,530	6,115
Non-controlling interests	(3)	(3)

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 the money lending, processing and trading of electronic parts and sale of burial plots and related services and cemetery maintenance service.

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 2020 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 2020 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 2021 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, (ii) interest income earned from the money lending business, and (iii) sales of burial plots.

	(Unaudited)	
	For the three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
Interest income earned from the money lending business	6,978	7,177
Processing and trading of electronic parts	5,122	1,799
Sales of burial plots	5,930	–
Total	18,030	8,976

4. SEGMENT REPORTING

Segment revenues and results

	(Unaudited)							
	For the three months ended 31 March							
	Money lending		Electronic parts		Burial business		Consolidated	
2021	2020	2021	2020	2021	2020	2021	2020	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue								
External sales	6,978	7,177	5,122	1,799	5,930	–	18,030	8,976
Results								
Segment results	3,646	3,519	450	272	1,325	–	5,421	3,791
Unallocated corporate expenses							(2,528)	(1,050)
Gain on disposal of financial assets at fair value through profit or loss							50	–
Gain/(Loss) on fair value of financial assets at fair value through profit or loss							5,633	(1,145)
Profit from operations							8,576	1,596
Share of results of associates							3	152
Finance costs							(1,322)	(1,119)
Profit before taxation							7,257	629
Income tax expenses							(330)	(45)
Profit for the period							6,927	584

5. OTHER GAINS AND LOSSES

	(Unaudited)	
	For the three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
Gain/(Loss) on fair value of financial assets at fair value through profit or loss	5,633	(1,145)
Gain on disposal of financial assets at fair value through profit or loss	50	–
Sundry income	70	–
Total	5,753	(1,145)

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	(Unaudited) For the three months ended 31 March	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(a) Finance costs		
Interest on unsecured bonds	1,322	1,119
(b) Staff costs (including director's emoluments)		
– Contributions to defined contribution plans	13	15
– Salaries, wages and other benefits	496	540
Total staff costs	509	555
(c) Other items		
Depreciation	231	251
Auditors' remuneration	130	215
Cost of inventories sold	7,962	1,523

7. INCOME TAX EXPENSES

	(Unaudited) For the three months ended 31 March	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
Hong Kong	–	45
PRC Enterprise Income Tax	331	–
Over-provision in prior year – Hong Kong	331 (1)	45 –
	330	45

(i) Hong Kong profits tax

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (2020: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% in respect of the Period (2020: 16.5%). The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5% in respect of the Period (2020: 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 (2020: 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	
	2021 RMB'000	2020 <i>RMB'000</i>
Profit		
Profit for the purposes of basic earnings per share, profit for the three months period attributable to the owners of the Company	6,930	587

	(Unaudited) For the three months ended 31 March	
	2021 '000	2020 <i>'000</i> (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	257,572	214,652

Note:

The weighted average number of ordinary shares for the three months ended 31 March 2020 has been adjusted for the share consolidation.

(b) Diluted earnings per share

The outstanding share options for the three months ended 31 March 2021 and 2020 have an anti-dilutive effect on the basic earnings per share.

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 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
At 1 January 2021	43,630	358,848	495,170	1,432	(14,065)	7,255	(568,538)	323,732	(13,385)	310,347
Profit for the period	-	-	-	-	-	-	6,930	6,930	(3)	6,927
Exchange differences on translating foreign operation	-	-	-	-	-	1,600	-	1,600	-	1,600
Total comprehensive loss for the three months ended 31 March 2021	-	-	-	-	-	1,600	6,930	8,530	(3)	8,527
Capital reduction (Note 1)	(40,855)	-	40,855	-	-	-	-	-	-	-
At 31 March 2021	2,775	358,848	536,025	1,432	(14,065)	8,855	(561,608)	332,262	(13,388)	318,874

Note 1:

On 3 September 2020, the Company proposes to implement the capital reduction involving the reduction of the par value of each issued share from HK\$0.20 to HK\$0.01 by cancelling the paid up share capital to the extent of HK\$0.19 per issued share so that following such reduction, each issued share with a par value of HK\$0.01 in the share capital of the Company shall become one new share.

An extraordinary general meeting of the Company was held on 5 October 2020 and the resolution was duly passed by poll as a special resolution. Accordingly, the capital reduction and sub-division became effective on 29 January 2021. Details of the capital reduction and sub-division were set out in the Company's circular dated 11 September 2020 and the Company's announcements dated 3 September 2020, 5 October 2020, 25 January 2021 and 28 January 2021.

10. DIVIDEND

The board of directors do not recommend the payment of any dividend for the Period (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Period, the Group recorded an unaudited consolidated revenue of approximately RMB18,030,000 (2020: RMB8,976,000), which represented an increase of approximately 100.9% as compared with that of 2020.

The increase of turnover was primary attributable to the increase in revenue from the processing and trading of electronic parts business and burial business which commenced since 2020. The income from processing and trading of electronic parts business has increased by approximately RMB3,323,000 or 184.7% to approximately RMB5,122,000 (2020: RMB1,799,000). The increase was due to the demand rebound in the PRC. Meanwhile, the revenue from the burial business of approximately RMB5,930,000. During the Period, the demand in the loan market remained stable, the Group recorded a slightly decrease of approximately RMB199,000 or 2.8% in revenue from money lending business as compared with the corresponding period in 2020. The Group has derived interest income from our loan portfolio of approximately RMB6,978,000 for the Period (2020: RMB7,177,000).

The gain/loss on financial assets at fair value through profit or loss were turnaround from a net loss of approximately RMB1,145,000 to net gain of approximately RMB5,683,000 which mainly comprised a net unrealised gain of approximately RMB5,633,000 from the listed securities portfolio held by the Group and a net realised gain of approximately RMB50,000 from the listed securities for the Period.

The general and administrative expenses for the Period increased by approximately RMB2,533,000 or 53.8% from approximately RMB4,712,000 to approximately RMB7,245,000. The increase was mainly attributed to more corporate exercises incurred during the Period.

The finance costs for the Period has increased by approximately RMB203,000 or 18.1% from approximately RMB1,119,000 to RMB1,322,000 which mainly represented the interest expenses on the unsecured bonds.

Profit attributable to owners of the Company for the Period amounted to approximately RMB6,930,000 (2020: RMB587,000), which represented approximately RMB6,343,000 or 1,080.6% increase as compared with the corresponding period. The profit incurred was mainly attributable to the increase in turnover and the gain on financial assets at fair value through profit or loss.

BUSINESS REVIEW AND FUTURE PROSPECT

During the Period, the Group continued engaging in the money lending business and processing and trading of electronic parts business and the burial 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. Interest income earned from the money lending business was approximately RMB6,978,000 during the Period, which represented approximately 38.7% 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 RMB5,122,000 during the Period, which represented 28.4% of the total revenue. Since 2020, the Group captured business opportunities to expand into the death care service industry which has increasing demand in recent years in the PRC. The Group commenced the burial business which included the sale of burial plots and cemetery maintenance services. Revenue earned from the burial business was approximately RMB5,930,000 during the Period, which represented 32.9% of the total revenue.

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

CHARGES ON GROUP ASSETS

As at 31 March 2021, none of the assets of the Group has been pledged to secure any loan granted to the Group (31 December 2020: Nil).

CAPITAL COMMITMENT

As at 31 March 2021, the Group did not have any material capital commitment (31 December 2020: 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 2021, the Group has about 27 employees working in Hong Kong and in the PRC. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

GEARING RATIO

As at 31 March 2021, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 17.5% (31 December 2020: 15.4%).

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 1 November 2020, the Company renewed the unsecured bonds with the same independent third parties with revised principal amount of HK\$42,500,000 and effective interest rate of 11% per annum and the maturing date is the fifth anniversary of the renewal date.

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 2021, 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 2021, 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 2021, 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 2021, there were outstanding 21,460,000 options.

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

As at 31 March 2021, 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

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group’s financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

By Order of the Board
Hao Wen Holdings Limited
TSUI Annie
Chairperson

Hong Kong, 12 May 2021

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