

# INTERIM REPORT 2023



HAO WEN HOLDINGS LIMITED

皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019



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**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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## HIGHLIGHTS

- Unaudited turnover of the Group for the six months ended 30 June 2023 amounted to approximately RMB24,250,000 representing a decrease of approximately 18.8% over the corresponding period in 2022.
- Loss attributable to owners of the Company for the six months ended 30 June 2023 was approximately RMB827,000.
- Loss per share for the six months ended 30 June 2023 was approximately RMB0.23 cents.
- The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2023.



## 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 2023, 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	
		2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<b>Turnover</b>	3	<b>24,250</b>	29,870	<b>10,549</b>	14,872
Cost of sales		<b>(8,557)</b>	(11,239)	<b>(2,412)</b>	(5,485)
<b>Gross profit</b>		<b>15,693</b>	18,631	<b>8,137</b>	9,387
Other gains and losses	5	<b>57</b>	(8,420)	<b>1</b>	(1,734)
General and administrative expenses		<b>(14,482)</b>	(12,839)	<b>(7,393)</b>	(8,553)
<b>Profit/(loss) from operations</b>		<b>1,268</b>	(2,628)	<b>745</b>	(900)
Share of results of associates		–	81	–	41
Finance costs	6(a)	<b>(2,095)</b>	(2,576)	<b>(1,064)</b>	(1,292)
<b>Loss before taxation</b>	6	<b>(827)</b>	(5,123)	<b>(319)</b>	(2,151)
Income tax (expenses)/credit	7	–	(74)	–	45
<b>Loss for the period</b>		<b>(827)</b>	(5,197)	<b>(319)</b>	(2,106)
<b>Other comprehensive income, net of income tax</b>					
Exchange differences on translating foreign operations		<b>14,563</b>	14,355	<b>20,801</b>	17,171
<b>Total comprehensive income for the period</b>		<b>13,736</b>	9,158	<b>20,482</b>	15,065

	Six months ended 30 June		Three months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Loss for the period attributable to:</b>				
Owners of the Company	(827)	(5,197)	(319)	(2,106)
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	13,736	9,158	20,482	15,065
<b>Loss per share</b>				
– Basic and diluted (RMB cents)	9	(0.23)	(0.09)	(0.73)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30 June 2023 RMB'000	(Audited) As at 31 December 2022 RMB'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Plant and equipments		1,233	1,390
Interest in associates		–	1,947
Loan receivables	10	125,351	119,156
		<b>126,584</b>	122,493
<b>Current assets</b>			
Trade, other receivables, prepayments and deposits	10	21,518	21,224
Loan receivables	10	216,661	199,313
Financial assets at fair value through profit or loss		13,636	13,048
Tax recoverable		198	198
Cash and bank balances		2,984	4,364
		<b>254,997</b>	238,147
<b>Current liabilities</b>			
Trade and other payables	11	10,735	8,074
Tax payables		5	5
		<b>10,740</b>	8,079
<b>Net current assets</b>		<b>244,257</b>	230,068
<b>Total assets less current liabilities</b>		<b>370,841</b>	352,561
<b>Non-current liability</b>			
Bonds payables		62,023	57,479
<b>Net assets</b>		<b>308,818</b>	295,082
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		3,614	3,614
Reserves		305,204	291,468
<b>Total equity</b>		<b>308,818</b>	295,082

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Capital reduction reserve	Share-based compensation reserve	Financial assets 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 2022	2,775	358,848	536,025	1,432	(16,136)	(1,049)	(577,967)	303,928	(13,553)	290,375
Loss for the period	-	-	-	-	-	-	(5,197)	(5,197)	-	(5,197)
Exchange differences on translating foreign operations	-	-	-	-	-	14,355	-	14,355	-	14,355
Total comprehensive income/(loss) for the year	-	-	-	-	-	14,355	(5,197)	9,158	-	9,158
Recognition of equity-settled share-based payments	-	-	-	1,975	-	-	-	1,975	-	1,975
Placing of new shares	439	8,974	-	-	-	-	-	9,413	-	9,413
Issue of share upon exercise of share options	181	4,836	-	(1,431)	-	-	-	3,586	-	3,586
At 30 June 2022	3,395	372,658	536,025	1,976	(16,136)	13,306	(583,164)	328,060	(13,553)	314,507
At 1 January 2023	3,614	379,917	536,025	12	(17,273)	23,539	(630,752)	295,082	-	295,082
Loss for the period	-	-	-	-	-	-	(827)	(827)	-	(827)
Exchange differences on translating foreign operations	-	-	-	-	-	14,563	-	14,563	-	14,563
Total comprehensive income/(loss) for the year	-	-	-	-	-	14,563	(827)	13,736	-	13,736
At 30 June 2023	3,614	379,917	536,025	12	(17,273)	38,102	(631,579)	308,818	-	308,818

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
Net cash used in operating activities	<b>(1,592)</b>	(19,034)
Net cash generated from investing activities	<b>15</b>	–
Net cash generated from financing activities	–	17,037
Net decrease in cash and cash equivalents	<b>(1,577)</b>	(1,997)
Cash and cash equivalents, at 1 January	<b>4,364</b>	5,613
Effect of foreign exchange rate changes	<b>197</b>	2,228
Cash and cash equivalents, at 30 June	<b>2,984</b>	5,844
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>2,984</b>	5,844



## 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 2021. 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 and processing and trading of electronic parts.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations promulgated 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 GEM Listing Rules.

These unaudited consolidated financial information should be read in conjunction with Company’s 2022 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 2022 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 2023 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.

#### (b) Basis of measurement

These 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 IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and report amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**3. 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) provision of beauty treatment services.

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>For the six months ended</b>		<b>For the three months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Interest income earned from				
the money lending business	<b>15,242</b>	14,847	<b>8,220</b>	7,979
Processing and trading of electronic parts	<b>9,008</b>	10,437	<b>2,329</b>	3,910
Provision of beauty treatment services	–	4,586	–	2,983
<b>Total</b>	<b>24,250</b>	29,870	<b>10,549</b>	14,872

## 4. SEGMENT REPORTING

## Segment revenues and results

	(Unaudited)							
	Money lending		For the six months ended 30 June				Consolidated	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<b>Turnover</b>								
External sales	15,242	14,847	9,008	10,437	–	4,586	24,250	29,870
<b>Result</b>								
Segment results	4,779	4,785	452	1,788	–	980	5,231	7,553
Unallocated corporate expenses							(4,005)	(1,754)
Gain/(loss) on fair value of financial assets at fair value through profit or loss							42	(8,427)
Profit/(loss) from operations							1,268	(2,628)
Share of results of associates							–	81
Finance costs							(2,095)	(2,576)
Loss before taxation							(827)	(5,123)
Income tax expenses							–	(74)
Loss for the period							(827)	(5,197)

	(Unaudited)							
	For the three months ended 30 June							
	Money lending		Electronic parts		Beauty business		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Turnover</b>								
External sales	8,220	7,979	2,329	3,910	–	2,983	10,549	14,872
<b>Result</b>								
Segment results	4,081	2,025	(82)	723	–	256	3,999	3,004
Unallocated corporate expenses							(3,240)	(2,163)
Loss on fair value of financial assets at fair value through profit or loss							(14)	(1,741)
Profit/(loss) from operations							745	(900)
Share of results of associates							–	41
Finance costs							(1,064)	(1,292)
Loss before taxation							(319)	(2,151)
Income tax expenses							–	45
Loss for the period							(319)	(2,106)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2022: Nil).

	Money lending		Electronic parts		Beauty business		Consolidated	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	As at 30 June 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>								
Segment assets	347,410	325,376	8,479	7,977	–	5,523	355,889	338,876
Unallocated corporate assets							25,692	21,764
							381,581	360,640
<b>Liabilities</b>								
Segment liabilities	3,468	559	1,475	1,928	–	–	4,943	2,487
Unallocated corporate liabilities							67,820	63,071
							72,763	65,558

**5. OTHER GAINS AND LOSSES**

	<b>(Unaudited)</b> <b>For the six months ended</b> <b>30 June</b>		<b>(Unaudited)</b> <b>For the three months ended</b> <b>30 June</b>	
	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
Gain/(loss) on fair value of financial assets at fair value through profit or loss	<b>42</b>	(8,427)	<b>(14)</b>	(1,741)
Sundry income	<b>15</b>	7	<b>15</b>	7
	<b>57</b>	(8,420)	<b>1</b>	(1,734)

**6. LOSS BEFORE TAXATION**

Loss from ordinary activities before taxation is arrived at after charging:

	<b>(Unaudited)</b> <b>For the six months ended</b> <b>30 June</b>		<b>(Unaudited)</b> <b>For the three months ended</b> <b>30 June</b>	
	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>(a) Finance costs</b>				
Interest on unsecured bonds	<b>2,095</b>	2,576	<b>1,064</b>	1,292
<b>(b) Staff costs</b> <b>(including directors' remuneration)</b>				
Contributions to defined contribution plans	<b>26</b>	21	<b>14</b>	8
Salaries, wages and other benefits	<b>927</b>	2,892	<b>508</b>	2,426
Total staff costs	<b>953</b>	2,913	<b>522</b>	2,434
<b>(c) Other items</b>				
Depreciation	<b>207</b>	1,062	<b>105</b>	543
Auditors' remuneration	<b>276</b>	257	<b>140</b>	131
Cost of inventories sold	<b>8,557</b>	11,239	<b>2,412</b>	5,485

**7. INCOME TAX EXPENSES/(CREDIT)**

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

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax				
Hong Kong	–	75	–	(44)
Over-provision in prior year				
Hong Kong	–	(1)	–	(1)
	–	74	–	(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% (2022: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% in respect of the Period (2022: 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 (2022: 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 (2022: 25%).

**8. DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

## 9. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 30 June 2023 was based on the loss for the period attributable to owners of the Company of approximately RMB319,000 (2022: RMB2,106,000) and on the weighted average number of ordinary shares of approximately 356,072,058 shares (2022: 288,579,750 shares).

The calculation of basic loss per share for the six months ended 30 June 2023 was based on the loss for the period attributable to owners of the Company of approximately RMB827,000 (2022: RMB5,197,000) and on the weighted average number of ordinary shares of approximately 356,072,058 shares (2022: 273,161,560 shares).

The outstanding share options for the three months ended 30 June 2023 and 2022; and six months ended 30 June 2023 and 2022 have an anti-dilutive effect on the basic earnings per share.

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

	(Unaudited) As at 30 June 2023 RMB'000	(Audited) As at 31 December 2022 RMB'000
Trade debtors	5,193	5,442
Other receivables	9,099	8,620
Rental and other deposits	4,875	4,679
Prepayments	2,351	2,483
	<b>21,518</b>	21,224
Loan receivables (note)		
– Non-Current	125,351	119,156
– Current	216,661	199,313
	<b>342,012</b>	318,469
	<b>363,530</b>	339,693

Note:

The Group's loan receivables, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollar ("HK\$"). Loan receivables include both secured and unsecured loans to individuals and corporate customers. Secured loan receivables are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers.

The loan receivables from independent borrowers bear fixed interest rates ranging from 6% to 15% (2022: 8% to 15%) per annum and repayable according to the respective loan agreements.

**Ageing analysis of trade debtors and loan receivables**

Included in trade receivables are trade debtors and loan receivables with the following ageing analysis based on invoice date and contracts maturity days of these loans at the end of the reporting period:

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2023</b> <b>RMB'000</b>	(Audited) As at 31 December 2022 <i>RMB'000</i>
Less than 90 days	<b>113,431</b>	110,425
91 to 180 days	<b>79,978</b>	81,161
Over 180 days	<b>239,072</b>	213,309
	<b>432,481</b>	404,895
Less: allowance for expected credit losses ("ECL")	<b>(85,276)</b>	(80,984)
	<b>347,205</b>	323,911

Customers are generally granted with credit term of 90 to 120 days (2022: 90 to 120 days).

The loan to customers were repaid in accordance with the terms of the loan agreements.

**11. TRADE AND OTHER PAYABLES**

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2023</b> <b>RMB'000</b>	(Audited) As at 31 December 2022 <i>RMB'000</i>
Trade creditors	<b>1,479</b>	1,932
Accrued expenses and other payables	<b>9,256</b>	6,142
	<b>10,735</b>	8,074

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

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2023</b> <b>RMB'000</b>	(Audited) As at 31 December 2022 <i>RMB'000</i>
0 to 30 days	<b>673</b>	837
Over 30 days	<b>806</b>	1,095
	<b>1,479</b>	1,932

The average credit period on purchases of goods is 60 to 90 days (2022: 60 to 90 days).

All trade and other payables are denominated in HK\$ and RMB.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the Period, the Group recorded an unaudited consolidated revenue of approximately RMB24,250,000 (2022: RMB29,870,000), which represented a drop of approximately 18.8% as compared with that of 2022.

The decrease of revenue was mainly due to no revenue has been generated from the beauty treatment services business since the late 2022. Due to the decrease in demand in the People's Republic of China ("PRC"), the income from processing and trading of electronic parts business decreased by approximately RMB1,429,000 or 13.7% to approximately RMB9,008,000 (2022: RMB10,437,000). The demand in the loan market remained stable, the revenue from money lending business slightly increased by approximately RMB395,000 or 2.7% as compared with the corresponding period in 2022. The Group has derived interest income from our loan portfolio of approximately RMB15,242,000 for the Period (2022: RMB14,847,000).

The gain/loss on financial assets at fair value through profit or loss were turnaround from a net loss of approximately RMB8,427,000 to a net gain of approximately RMB42,000 from the listed securities portfolio held by the Group.

The general and administrative expenses for the Period increased by approximately RMB1,643,000 or 12.8% from approximately RMB12,839,000 to approximately RMB14,482,000. The increase was mainly attributed to more corporate exercises incurred during the Period.

The finance costs for the Period dropped by approximately RMB481,000 or 18.7% from approximately RMB2,576,000 to RMB2,095,000 which mainly represented the interest expenses on the unsecured bonds.

Loss attributable to owners of the Company for the Period amounted to approximately RMB827,000 (2022: RMB5,197,000), which represented approximately RMB4,370,000 or 84.1% decrease as compared with the corresponding period. The drop was mainly due to the net unrealised gain on financial assets at fair value through profit or loss.

## 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. Interest income earned from the money lending business was approximately RMB15,242,000 during the Period, which represented approximately 62.9% of the total revenue. The business segment for processing and trading of electronic parts of 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 RMB9,008,000 during the Period, which represented 37.1% of the total revenue. No sale was recognised from beauty treatment services business which included the non-surgical medical aesthetic services and traditional beauty services. With the intense competition in the beauty treatment services business, the performance of this business is unsatisfactory, as such the Group minimised the capital expenditure and cut the unnecessary costs of this segment.

The Group's money lending business is managed through a wholly-owned subsidiary with money lenders license issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group takes the following internal control procedures:

**Assessment and approval** The Group has developed a credit policy and procedures manual for its money lending business. The credit policy and procedures manual specifies, among others, the loan application, credit approval and monitoring ongoing credit risk procedures. Prior to grant of a loan to a borrower, the Group carries out credit risk assessment on the borrower, taking into account, among other things, the background and character of the borrowers, shareholders' background, character, and management capability (if any), purpose of the loan, value of collateral and guarantee (if any), where applicable, relevant public searches and the financial strength of the borrower, shareholder and guarantor.

**Monitoring of loan recoverability** The Group closely reviews and monitors the loan repayment status subsequent to the drawdown of loans on a regular basis to ensure that loan repayments are punctual and past due accounts are handled efficiently. When there is past due accounts, the Group would take actions including discuss the repayment terms or settlement proposals with the borrower and if unsuccessful, legal action would be taken against the borrower.

**Major terms of the loans granted** The terms of a loan are determined on a case-by-case basis following arm's length negotiation between the Group and the borrowers, taking into account the factors such as the borrowers' requirements, the credit risks and prevailing market conditions.

**Loan Impairments** The Group applies the general approach under IFRS 9, in which ECL of loan receivable are determined based on the changes in credit quality of the loan receivable since initial recognition and the estimated expectation of an economic loss of the loan receivable under consideration. In calculating the ECL rates, the Group considers historical loss rates for each category, the prevailing economic conditions, value of collateral and adjusts for forward looking data. The Group monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk on a regular basis and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

During the period, the Group performed an impairment assessment on the loan receivables by using the general approach under IFRS 9, which uses three categories for ECL on loan receivables that reflect their credit risk and how the loss provision is determined for each of the categories. The provision for impairment of loan receivables was approximately RMB85,276,000 (2022: RMB80,984,000) based on ECL applied to different stages. The increase in the allowance for ECL was mainly attributable to the economic recession during the period which had an adverse impact on the financial condition of the borrowers and caused a significant decrease their ability to meet debt obligations. After assessments based on the borrowers' repayment and financial status and communication with the borrowers, certain loan receivables have been transferred to stage where the expected loss rate is highest. All borrowers are independent third parties of the Company and its connected person. The Group has issued demand letters to the borrowers who failed to fulfil his/her/his repayment obligation in the prescribed time and has been negotiating with the borrowers on new repayment arrangements according to the circumstances of the borrowers. Legal actions may be brought against the relevant borrowers if no positive results arise depending on the actual circumstances on a case-by-case basis. The ECL was recognised due to the unpredictable and uncontrollable factors which included the economic condition and pandemic. The Directors consider that internal control procedures of the Group significantly reduced the credit risks and were sound and effective.

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 further expand the business and takes various cost-savings and operational improvement measures for the business.

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group had current assets of approximately RMB254,997,000 (31 December 2022: RMB238,147,000) and the current liabilities of approximately RMB10,740,000 (31 December 2022: RMB8,079,000). The Group's current ratio, calculated based on current assets over the current liabilities, was at a healthy level of approximately 23.7 times as at 30 June 2023 (31 December 2022: 29.5 times).



As at 30 June 2023, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 19.1% (31 December 2022: 18.2%).

The Group generally finances its operations through internally-generated cash flows, issued unsecured bonds to independent third parties and shareholder's equity.

With the amount of liquid assets 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.

## FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets, liabilities and transactions are denominated in Hong Kong dollars and Renminbi. The Group has not implemented any hedging policy during the Period, but the Directors will continue to monitor its foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

## CHARGES ON GROUP'S ASSETS

As at 30 June 2023, none of the assets of the Group has been pledged to secure any loan granted to the Group (31 December 2022: Nil).

## CAPITAL COMMITMENT

As at 30 June 2023, the Group did not have any material capital commitment (31 December 2022: Nil).

## 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.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group has no specific plan for material investments or capital assets as at 30 June 2023.

## EMPLOYEE INFORMATION

As at 30 June 2023, the Group has 24 employees working in Hong Kong and in the PRC. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The staff costs, including Directors' emoluments, were approximately RMB953,000 for the Period (2022: RMB2,913,000).

## 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 16 June 2022, the Company issued unsecured bonds to independent third parties with principal amount of HK\$20,000,000 which bears interest at 5.5% per annum. The maturity date of which is 5 years.

## CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities (31 December 2022: Nil).

## 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 2023, 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, are as follows:

#### LONG POSITIONS IN THE COMPANY

Name of Director	Capacity	Number of issued shares	Total	Approximately percentage of shareholding
Mr. Feng Keming	Beneficial owner	2,140,000	2,140,000	0.60%
Ms. Ho Yuen Ki	Beneficial owner	2,140,000	2,140,000	0.60%

Save as disclosed above, as at 30 June 2023, none of the Directors or the chief executive of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

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

As at 30 June 2023, 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 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 30 June 2023, there were 157,000 outstanding share options not yet exercised under the Share Option Scheme, representing approximately 0.04% of the issued share capital of the Company. Details of the outstanding options under the Share Option Scheme are as follows:

Details of grantees	Date granted	Period during which options are exercisable	No. of options outstanding as at 1 January 2023	Granted/ exercised/ cancelled/ lapsed during the Period	Outstanding as at 30 June 2023	Exercise price per share	Weighted average closing price per share immediately before the date on which the options were exercised
Employees	8 April 2022	8 April 2022 to 7 April 2024	157,000	-	157,000	HK\$0.25	HK\$0.25
			157,000	-	157,000		

*Note:*

- (i) All share options granted were vested immediately.
- (ii) The closing price of the securities immediately before the date on which the options were granted was HK\$0.25.

The estimate of the fair value of the share options granted during the Period is measured based on a binomial option pricing model on the date which the options were granted, i.e. 8 April 2022. Fair value of share options granted and assumptions are as follows:

	<b>Employees</b>
Fair value of each share option at grant date	HK\$0.0945
Share price of each share at grant date	HK\$0.25
Exercise price of each share option	HK\$0.25
Expected volatility	90.18%
Option life	2 years
Expected dividend yield	0%
Risk-free interest rate	1.94%

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. The assumptions used in computing the fair value of the share options are based on management's best estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 8 April 2022 was approximately HK\$2,434,000 (equivalent to approximately RMB1,975,000), such amount has been charged as share-based compensation expenses to profit or loss for the corresponding period of 2022.

There was no market vesting condition or non-market performance condition associated with the options granted.

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

As at 30 June 2023, 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.

## CHANGES IN THE INFORMATION OF THE DIRECTORS SINCE THE DATE OF THE ANNUAL REPORT

Since the date of publication of the Annual Report, Ms. Tsui Annie was resigned as the chairman and executive director with effect on 20 June 2023, except that there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 17.50B of the GEM Listing Rules.

## 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 interim results for the Period have not been audited by the Company's auditors but have been reviewed by the Audit Committee, and it was in its opinion (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/she has complied with the standards set out in the Model Code during the Period.

## COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

Save as disclosed below, 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, except rule C.1.6 that independent non-executive Directors did not attend all general meetings.

## EVENTS AFTER THE REPORTING PERIOD

The Group has no material events after the reporting period.

By Order of the Board  
**Hao Wen Holdings Limited**  
**FENG Keming**  
*Executive Director*

10 August 2023

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

*Executive Director:*  
Mr. FENG Keming

*Independent non-executive Directors:*  
Mr. CHAN Kwan Yiu  
Ms. MA Sijing  
Ms. HO Yuen Ki

