



HAO WEN HOLDINGS LIMITED

皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019

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

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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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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:

- (1) the information contained in this report is accurate and complete in all material respects and not misleading;*
- (2) there are no other matters the omission of which would make any statement in this report misleading; and*
- (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

HIGHLIGHTS

- Unaudited turnover of the Group for the six months ended 30 June 2010 amounted to approximately RMB39,197,000, representing a decrease of approximately 10% over the corresponding period in 2009.
- Loss attributable to shareholders of the Company for the six months ended 30 June 2010 was approximately RMB18,570,000.
- Loss per share for the six months ended 30 June 2010 was approximately RMB0.19 cents.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010.

UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months and the three months ended 30 June 2010, together with the comparative unaudited figures for the corresponding periods in last financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	Six months ended 30 June		Three months ended 30 June	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	3	39,197	43,647	17,874	23,093
Cost of sales		(11,976)	(15,455)	(4,743)	(5,882)
Gross profit		27,221	28,192	13,131	17,211
Other operating income/(loss)	5	139	9	(1)	7
Selling and distribution expenses		(14,999)	(8,151)	(4,832)	(4,266)
General and administrative expenses		(22,777)	(11,941)	(12,476)	(5,768)
(Loss)/profit from operations	6	(10,416)	8,109	(4,178)	7,184
Net finance costs	6(a)	(8,057)	(243)	(4,531)	(113)
(Loss)/profit before taxation	6	(18,473)	7,866	(8,709)	7,071
Income tax	7	(104)	(2,633)	(43)	(2,020)
(Loss)/profit attributable to equity shareholders of the Company		(18,577)	5,233	(8,752)	5,051
Other comprehensive loss					
Exchange differences on translation into present currency		7	23	-	13
Total comprehensive (loss)/profit attributable to shareholders of the Company		(18,570)	5,256	(8,752)	5,064
(Loss)/earning per share					
– Basic and diluted	8	RMB(0.19) cent	RMB0.73 cent	RMB(0.08) cent	RMB0.70 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30 June 2010 <i>RMB'000</i>	(Audited) As at 31 December 2009 <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Leasehold properties		94,163	94,930
Plant and equipment	<i>10</i>	12,643	12,635
Interest in an associate	<i>11</i>	5,000	–
		<hr/> 111,806 <hr/>	<hr/> 107,565 <hr/>
CURRENT ASSETS			
Inventories	<i>12</i>	3,055	5,241
Trade and other receivables	<i>13</i>	28,122	9,726
Cash and cash equivalents		10,062	18,640
		<hr/> 41,239 <hr/>	<hr/> 33,607 <hr/>
CURRENT LIABILITIES			
Trade and other payables	<i>14</i>	(96,978)	(80,769)
Loans and borrowings		(47,445)	(47,545)
Current taxation		(11,756)	(3,955)
		<hr/> (156,179) <hr/>	<hr/> (132,269) <hr/>
Net current liabilities		<hr/> 114,940 <hr/>	<hr/> (98,662) <hr/>
NET (LIABILITIES)/ASSETS		<hr/> (3,134) <hr/>	<hr/> 8,903 <hr/>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	10,279	92,623
Reserves	<i>16</i>	(13,413)	(83,720)
		<hr/> (3,134) <hr/>	<hr/> 8,903 <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Share-based compensation reserve <i>RMB'000</i>	Warrant reserve <i>RMB'000</i>	Capital reduction reserve <i>RMB'000</i>	General reserve fund <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2009	75,438	10,058	7,195	-	-	-	9,025	(664)	(95,255)	5,797
Total comprehensive income for the six months ended 30 June 2009	-	-	-	-	-	-	-	-	5,233	5,233
Exchange differences on translation into presentation currency	-	-	-	-	-	-	-	-	23	23
At 30 June 2009	75,438	10,058	7,195	-	-	-	9,025	(664)	(89,999)	11,053
At 1 January 2010	92,623	18,214	7,195	9,704	142	-	9,025	(688)	(127,312)	8,903
Equity settled share-based transaction	-	-	-	10,423	-	-	-	-	-	10,423
Total comprehensive loss for the six months ended 30 June 2010	-	-	-	-	-	-	-	-	(18,570)	(18,570)
Other comprehensive income for the six months ended 30 June 2010	-	-	-	-	-	-	-	7	-	7
Shares issued pursuant to share subscription	10,164	9,868	(16,619)	-	-	-	-	-	-	3,413
Capital reduction	(92,508)	-	-	-	-	81,124	-	4,074	-	(7,310)
At 30 June 2010	10,279	28,082	(9,424)	20,127	142	81,124	9,025	3,393	(145,882)	(3,134)

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 June	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Net cash generated from (used in) operating activities	(1,612)	1,592
Net cash used in investing activities	(18,026)	(1,843)
Net cash generated from financing activities	11,060	1,832
Net increase in cash and cash equivalents	(8,578)	1,581
Cash and cash equivalents, at 1 January	18,640	1,631
Cash and cash equivalents, at 30 June	10,062	3,212
Analysis of the balances of cash and cash equivalents cash and bank balances	10,062	3,212

NOTES TO FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

Hao Wen Holdings Limited (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 Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 20 July 2001.

The consolidated financial statements of the Company as at and for the six months ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily engaged in the manufacture and sales of medicines.

2. BASIS OF PREPARATION

(a) Statement of compliance

The unaudited financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The principal accounting policies adopted in these condensed financial statements are consistent with those used in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2009, except for the adoption of new interpretations and amendments to IFRSs and the accounting policies adopted for new transactions, noted below.

The Group has adopted the following new interpretations and amendments to IFRSs which are relevant to its business for the first time for these consolidated interim results:

- IFRS 8 “Operating Segments”
- IAS 1 (revised) “Presentation of Financial Statements”
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Improving disclosures about financial instruments
- Improvements to IFRSs (2008)
- Amendments to IAS 27 “Consolidated and Separate Financial Statements” – cost of an investment in a subsidiary, jointly controlled entity or associate
- IAS 23 (revised) “Borrowing Costs”
- Amendments to IFRS 2 “Share-Based Payment” – vesting conditions and cancellations

The adoption of these new interpretations and amendments to IFRSs has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(b) Going concern

The Group incurred a loss attributable to the equity shareholders of the Company of RMB18,570,000 for the six months ended 30 June 2010. In addition, the Group had net current liabilities of RMB115,105,000 as at 30 June 2010. Nevertheless, the directors of the Company have adopted the going concern basis in the preparation of these consolidated financial statements based on the following:

- The directors of the Company are in ongoing negotiations with the Group's lenders to reschedule the repayment of loans and borrowings due from the Group and to seek the ongoing support to the Group from these lenders and new lenders.
- The directors of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, a private placement, an open offer or a rights issue of new shares of the Company.
- The directors of the Company continue to take action to tighten cost controls over factory overheads and various general and administrative expenses, and are actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

In the opinion of the directors of the Company, in light of the measures taken together with expected results of other measures in progress, the Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(d) 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 subsidiary in the People's Republic of China (the "PRC") are Hong Kong dollars and Renminbi ("RMB") respectively. 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.

(e) Use of estimates and judgements

The preparation of 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. TURNOVER

Turnover represents the sales value of goods supplied to customers, which excludes value-added tax, and is stated after deduction of any goods returns and trade discounts.

4. SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various line of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Throughout the Period, the Group has been operating in a single business segment, i.e. the manufacture and sale of medicines in Mainland China. Accordingly, no segmental analysis is presented.

5. OTHER OPERATION INCOME/(LOSS)

	(Unaudited)		(Unaudited)	
	For the six months ended 30 June		For the three months ended 30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Sample income/(expense)	13	7	9	6
Sundry income	104	2	(6)	1
Gain on disposal	14	–	(4)	–
	<u>131</u>	<u>9</u>	<u>(1)</u>	<u>7</u>

6. PROFIT BEFORE TAXATION

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

	(Unaudited)		(Unaudited)	
	For the six months ended 30 June		For the three months ended 30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
(a) Net finance expense				
Interest on bank advances and other borrowings wholly repayable within five year	(8,057)	(267)	(4,531)	(124)
Net foreign exchange gain	7	23	7	11
Interest income from banks	1	1	1	–
	<u>(8,049)</u>	<u>(243)</u>	<u>(4,523)</u>	<u>(113)</u>
Net financial expense recognised in profit or loss				
The above financial income and expense include the following in respect of assets/liabilities not at fair value through profit or loss:				
Total interest income on financial assets	1	1	1	–
Total interest expense on financial liabilities	(8,057)	(267)	(4,531)	(124)

	(Unaudited)		(Unaudited)	
	For the six months ended 30 June		For the three months ended 30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
(b) Staff costs				
Contributions to defined contribution retirement plans	33	35	17	18
Equity-settled share-based payment expenses	10,417	-	-	-
Salaries, wages and other benefits	5,770	2,331	3,399	1,122
Total staff costs	16,220	2,366	3,416	1,140
(c) Other items				
Amortisation of land lease premium	260	126	197	63
Depreciation of property, plan and equipment	1,190	1,444	658	736
Advertising and promotion expenses	10,349	4,726	2,646	1,802
Auditors' remuneration	100	415	100	205
Cost of inventories sold	11,977	15,455	4,743	5,882

7. INCOME TAX

Income tax in the consolidated income statement represents:

	(Unaudited)		(Unaudited)	
	For the six months ended 30 June		For the three months ended 30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax				
Provision for the PRC enterprise income tax for the period	104	2,633	43	2,020

(i) **Hong Kong profits tax**

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the Period (2009: nil).

(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 Group established in the PRC is generally subject to PRC enterprise income tax on its taxable income at an income tax rate of 25% in respect of the Period (2009: 25%).

8. LOSS PER SHARE

(a) **Basic loss per share**

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB18,570,000 (2009: RMB5,256,000) and the weighted average of 736,996,000 (2009: 720,000,000) ordinary shares in issue during the six months ended 30 June 2010, calculated as follows:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2010	2009	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Weighted average number of ordinary shares:				
Opening balance issued ordinary shares	915,000	720,000	1,030,501	720,000
Effect of shares issued pursuant to share subscription	78,166	-	-	-
Weighted average number of ordinary shares	<u>993,166</u>	<u>720,000</u>	<u>1,030,501</u>	<u>720,000</u>

(b) **Diluted loss per share**

Diluted loss per share for the six months ended 30 June 2010 was the same as basic loss per share because the effects of the Company's outstanding warrants and share options were ant dilutive for the six months ended 30 June 2010.

Diluted loss per share for the six months ended 30 June 2009 was the same as basic loss per share as the Company does not have dilutive potential ordinary shares for the six months ended 30 June 2010.

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2009: Nil).

10. OTHER PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired other property, plant and equipment of approximately RMB1,025,580 mainly comprising sundry assets.

11. INVESTMENT IN AN ASSOCIATE

The interest in the associate represents 29.41% equity interest in CTV – Ho Yong Media Technology (Beijing) Limited Company (中視和陽傳媒科技(北京)有限公司) which is a wholly foreign owned enterprise established in the PRC at April 2010, and the principal activity of which is media management service. No impairment made as at 30 June 2010 as the company is still in the developing stage.

12. INVENTORIES

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2010	2009
	RMB'000	RMB'000
Raw materials, at cost	5,080	4,754
Finished goods, at cost	1,782	829
Consignment good, at cost	–	1,458
	6,862	7,041
Less: Write-down of inventories	(3,807)	(1,800)
	3,055	5,241

13. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2010 <i>RMB'000</i>	(Audited) As at 31 December 2009 <i>RMB'000</i>
Trade debtors	69,290	62,082
Less: allowance for doubtful debts	(58,070)	(58,070)
	<hr/>	<hr/>
Advances to staff	11,220	4,012
Other receivables	2,462	2,462
	<hr/>	<hr/>
Loans and receivables	13,634	1,782
	<hr/>	<hr/>
Loans and receivables	27,316	8,256
Rental and other deposits	123	295
Prepayments	683	1,175
	<hr/>	<hr/>
	28,122	9,726
	<hr/>	<hr/>

All of the trade and other receivables, about from rental and other deposits, are expected to be recovered or recognised as expense within one year.

Ageing analysis

An ageing analysis of trade receivables is as follows:

	(Unaudited) As at 30 June 2010 <i>RMB'000</i>	(Audited) As at 31 December 2009 <i>RMB'000</i>
0 to 30 days	2,573	145
31 to 60 days	142	15
61 to 90 days	600	357
91 to 180 days	1,212	1,392
181 to 365 days	10	259
Over 365 days	64,753	59,914
	<hr/>	<hr/>
	69,290	62,082
Less: allowances for doubtful debts	(58,070)	(58,070)
	<hr/>	<hr/>
	11,220	4,012
	<hr/>	<hr/>

The Group generally requires its customers to pay a deposit shortly before delivery of goods, with the remaining balance of the sales with credit periods ranging from 90 to 180 days.

14. TRADE AND OTHER PAYABLES

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Trade creditors	5,666	4,473
Accrued expenses and other payables	38,935	22,586
Interest payable	13,555	9,864
Amount due to directors*	572	1,325
	<hr/>	<hr/>
Financial liabilities amortised at cost	58,728	38,248
Sales deposits from customers	38,250	33,417
Other taxes payable**	-	9,104
	<hr/>	<hr/>
	96,978	80,769
	<hr/> <hr/>	<hr/> <hr/>

* The amount due to directors is unsecured, non-interest bearing and has no fixed term of repayment.

** Other taxes payable comprises value-added tax payable and urban real estate tax payable.

Ageing analysis

An ageing analysis of trade payables is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	625	2,442
31 to 60 days	317	149
61 to 90 days	392	16
91 to 180 days	198	49
181 to 365 days	176	29
Over 365 days	3,958	1,788
	<hr/>	<hr/>
	5,666	4,473
	<hr/> <hr/>	<hr/> <hr/>

15. SHARE CAPITAL**Authorised and issued share capital**

	(Unaudited)		(Audited)	
	As at 30 June 2010		As at 31 December 2009	
	Number	Nominal	Number	Nominal
	of shares	value	of shares	value
	'000	HK\$'000	'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	–	–	2,000,000	200,000
Ordinary shares of HK\$0.01 each (<i>Note</i>)	20,000,000	200,000	–	–
	20,000,000	200,000	2,000,000	200,000

Note:

Capital reduction from HK\$0.10 each to HK\$0.01 each became effective on 1 June 2010.

	Number	Nominal value of	
	of shares	ordinary shares	
	'000	HK\$'000	RMB'000
<i>Issued and fully paid:</i>			
At 1 January 2009	720,000	72,000	75,438
Share issued upon the exercise of warrants	44,000	4,400	3,878
Shares issued pursuant to share subscription	144,000	14,400	12,690
Share issued under share option scheme	7,000	700	617
At 31 December 2009	915,000	91,500	92,623
<i>Issued and fully paid:</i>			
At 1 January 2010	915,000	91,500	92,623
Shares issued pursuant to share subscription	115,501	11,550	10,164
Capital reduction	–	(92,745)	(92,508)
At 30 June 2010	1,030,501	10,305	10,279

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

16. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2010 (the "Period"), the Group recorded an unaudited consolidated turnover of approximately RMB39,197,000 (2009: RMB43,647,000), which represented a decrease of approximately 10% as compared with that of the corresponding period in 2009. Such decrease was due to strict competition and adverse market conditions in the pharmaceutical industry in Mainland China.

The selling and distribution expenses for the Period increased by RMB6,848,000 or 84% as compared with the corresponding period in 2009. It was mainly due to an increase in advertising and promotion expenses.

The general and administrative expenses for the Period increased by approximately RMB10,852,000 or 9% as compared with the corresponding period in 2009. The increase was mainly due to increase in share-based payment to staff.

Net financial costs for the Period increased by approximately RMB7,814,000 or 32.16% as compared with the corresponding period in 2009. Such increase was due to significant increase in loans and borrowings.

Loss attributable to shareholders of the Company for the Period amounted to RMB18,570,000 primarily arising from the increase in selling and distribution costs, general and administrative expenses and finance costs as mentioned above.

Operation Review

The Group is principally engaged in the production and sale of the medicines known as "Plasmin Capsule" and "Puli Capsule" in the PRC.

"Plasmin Capsule" is classified as a "State Class 2 Protected Product of Chinese Medicine" and is entitled to an administrative protection period of seven years commencing from 19 December 2006 and expiring on 29 September 2013. During the corresponding administrative protection period, the prescription and the production technology used by the Group in producing "Plasmin Capsule" are protected and no other manufacturers in Mainland China may produce or imitate this product in Mainland China. "Puli Capsule" is classified as a "State Class 4 Protected Product of Chemical Medicine".

According to the clinical studies conducted by medical institutions in Mainland China, "Plasmin Capsule" has the principal effect of resolving blood clots and may be used for treatment of cardiovascular and cerebrovascular diseases, while "Puli Capsule" has the principal effect of treating osteoarthritis. Both products are manufactured in the Group's production complex in Taigu County, Shanxi Province, which obtained the Good Manufacturing Practices ("GMP") certificate on 28 February 2003.

Sales and Marketing

During the Period under review, the Group has only two medicines under production and sales: one is "Plasmin Capsule" which is classified as a prescription medicine and its sales are limited to hospitals which is a relatively weak market for the Group; the other is "Puli Capsule" which is classified as an over-the-counter ("OTC") medicine which has been the major market for the Group in Mainland China.

The sales of "Puli Capsule" was approximately RMB37,609,000 (2009: RMB35,284,000), representing approximately 96% of the consolidated turnover of the Group for the Period. The sales of "Puli Capsule" for the Period increased by approximately 7% as compared with the corresponding period in 2009. This is due to enhanced public awareness and acceptance of "Puli Capsule". As "Puli Capsule" is classified as an OTC medicine which is the major market for the Group in the PRC, the Group will continue to focus on mass media advertising to promote the "Puli Capsule" on the OTC medicine market.

The sales of "Plasmin Capsule" was approximately RMB1,588,000 (2009: RMB8,363,000), representing approximately 4% of the consolidated turnover of the Group for the Period. The sales of "Plasmin Capsule" for the Period decreased by approximately 8% as compared with the corresponding period in 2009. This is due to strict competition and adverse market conditions in the pharmaceutical industry in Mainland China.

In order to improve the sales of "Plasmin Capsule", the Group will continue to focus more on developing the prescription medicine market through doctors in hospitals. Besides, the Group will put more efforts in mass media advertising to further promote the sales of "Puli Capsule" through the OTC medicine market.

The Directors expect that the above-mentioned measures will improve the market share of the Group's products and increase the returns to shareholders of the Company.

Business Outlook and Prospects

The Directors anticipate that fierce competition in the pharmaceutical industry in the PRC, together with the fact that the group operates in a single business segment and with significant loans, will to strongly affect adversely the future earnings and prospects of the Group.

Looking ahead, the Group will continue to streamline its existing business operation, to lower its debt level and to explore other business opportunities which are in line with the Group's development strategy and will provide long-term benefits to the Company's shareholders.

Liquidity and Financial Resources

The Group generally finances its operations through internally-generated cash flows and banking facilities provided by its principal bankers. As at 30 June 2010, the Group had cash and cash equivalents amounting to approximately RMB10,062,000. With the limited available resources during the period, the Directors expected that the Group might depend on further financing from its shareholders and bankers to finance its business operations and to achieve its business objectives.

Capital Structure

On 20 January 2010, special resolutions were passed at an extraordinary general meeting of the Company to implement a capital reorganisation ("the Capital Reorganisation") which, in summary, involved the following:

- (a) the nominal value of all the issued Existing Shares will be reduced from HK\$0.10 each to HK\$0.01 each by cancelling HK\$0.09 paid up on each issued Existing Share by way of a reduction of capital;
- (b) the credit arising from such reduction of capital will be transferred to the capital reduction reserve account of the Company;
- (c) the unissued share capital of the Company together with all the credit arising from the Capital Reduction shall be and is hereby cancelled and diminished (the "Capital Cancellation and Diminution"); and
- (d) after the Capital Cancellation and Diminution, the authorized share capital of the Company be hereby increased to HK\$200,000,000 by creation of additional New Shares of HK\$0.01 each (the "Capital Increase").

Further details of Capital Reorganisation are set out in the Company's circular dated 24 December 2009. The Court's approval confirming the Issued Capital Reduction and the Authorised Capital Reduction (collectively referred to as the "Capital Reduction") was granted on 14 May 2010 and the registration of the order of the Court confirming the reduction of the issued share capital of the Company and the minutes approved by the Court at the Registrar of Companies in the Cayman Islands was completed on 1 June 2010 and the Capital Reduction became effective on 1 June. Further details of effective date for the Capital Reduction are set out in the Company's announcement dated 1 June 2010.

Charges on Group's Assets

At 30 June 2010, leasehold properties and exclusive rights to produce and sell the products of "Puli Capsale" of approximately RMB94,925,000 have been pledged to independent third parties to secure a certain loans granted to the Group (2009:Nil).

Foreign Exchange Exposure

The Group mainly earns revenue and incurs cost in Renminbi and its borrowings are denominated in Renminbi. The Directors consider that the impact of foreign exchange exposure of the Group is minimal.

Significant Investments

The Group had no significant investments during the Period.

Material Acquisitions and Disposals

On 14 December 2009, the Company entered into an agreement with Wu Ching Por, an independent party to acquire 100% issued share capital of Jin Hao Limited ("Jin Hao") for an aggregate consideration of HK\$9,000,000. Jin Hao is an investment holdings company and its subsidiaries are mainly involved in Health Spa Business in China. The Transaction has been completed on 5 February 2010.

On 14 December 2009, the Company entered into an agreement with Cosmetics Holdings Limited, an independent party to acquire 100% issued share capital of Merry Sky Holdings Limited ("Merry Sky") for an aggregate consideration of HK\$10,000,000. Merry Sky is involved in distribution of cosmetic and personal care products. The Transaction has been completed on 8 February 2010.

HAO WEN HOLDINGS LIMITED

On 15 March 2010, Good Wisdom Holdings Limited (“Good Wisdom”), a direct wholly-owned subsidiary of the Company entered into a joint venture agreement with Beijing Haofeng Yangguang Investment and Consultancy Limited Liability Company (北京昊豐陽光投資諮詢有限公司) and Beijing Huoyi Nianhua Media Technology Limited Liability Company (北京火意年華媒體技術有限公司) to establish a joint venture company in Beijing. The joint venture company is principally engaged in the development, investment, operation and management of media resources. The registered capital of the joint venture company is approximately RMB17,000,000 which was contributed as to 29.41% by Good Wisdom. The transaction has been completed on 23 April 2010. Details are set out in the Company’s announcements dated 16 March 2010 and 23 April 2010.

The Group had no material disposals during the Period under review.

Employee Information

Currently, the Group has about 130 employees working in Hong Kong and in the PRC. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2010 not provided for in the financial statements were as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2010	2009
	RMB’000	RMB’000
Contracted for		
– acquisitions of subsidiaries	–	16,728
	<hr/>	<hr/>
	–	16,728
	<hr/>	<hr/>

- (b) At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	369	369
After 1 year but within 5 years	428	612
	<hr/>	<hr/>
	797	981
	<hr/>	<hr/>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

Gearing Ratio

As at 30 June 2010, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 102%.

Contingent Liabilities

As at 30 June 2010, the Group did not have any material contingent liabilities.

OTHER INFORMATION

Directors' and chief executives' interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations

As at 30 June 2010, the interests and short positions of the Directors and chief executives of the Company 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 Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Capacity/ Nature of interest	No. of shares (Note 1)	Approximate percentage of interest
Mr. Hu Yangxiong ("Mr. Hu")	Interest of a controlled corporation	193,975,000(L) (Note 2)	17.16%

Notes:

1. The letter "L" denotes a long position in shares.
2. These shares are beneficially owned by Montgomery Properties Holding Limited. By virtue of his 100% shareholding in Montgomery Properties Holding Limited, Mr. Hu is deemed or taken to be interested in the 193,975,000 shares owned by Montgomery Properties Holding Limited.

Save as disclosed above, as at 30 June 2010, none of the Directors or chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders of other members of the Group

So far as known to any Director or chief executive of the Company, as at 30 June 2010, persons who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Director	Capacity/ Nature of interest	No. of shares (Note 1)	Approximate percentage of interest
Mr. Hu (Note)	Interest of a controlled corporation	193,975,000(L)	17.16%
Montgomery Properties Holding Limited	Beneficial owner	193,975,000(L)	17.16%

Note:

Mr. Hu is deemed or taken to be interested in these shares which are beneficially owned by his wholly-owned company, namely Montgomery Properties Holding Limited for the purpose of the SFO.

Save as disclosed above, as at 30 June 2010, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Options to subscribe for shares in the Company

Pursuant to a share option scheme adopted by the Company on 24 September 2009, the Directors may, at their discretion, offer to consultants, advisors, service providers, full-time employees and Executive Directors of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant. The options vest immediate from the date of grant and are then exercisable within a period of ten years.

The total number of securities available for issue under the share option scheme as at 30 June 2010 was 151,760,000 shares which represent 14.73% of the issued share capital of the company at 30 June 2010.

At 30 June 2010, the directors, employees, consultants, advisors and other service providers of the company had the following interests in options to subscribe for shares of the company granted for nil consideration under the share option scheme of the company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.01 of the company.

Details of grantees	No. of options outstanding at the beginning of the Period	No. of options granted during the Period	No. of shares acquired on exercise of options during the Period	No. of options forfeited during the Period	No. of options outstanding of the Period end	Date granted	Period during which options are exercisable	Exercise price per share
Zhang Jianshe <i>(Former Director)</i>	7,000,000	-	-	-	7,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK\$0.211
Zhao Borui <i>(Director)</i>	7,000,000	-	-	-	7,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK\$0.211
Employees	6,000,000	-	-	-	6,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK\$0.211
Consultants, Advisers, & Service Providers	45,000,000	-	-	-	45,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK\$0.211
Hu Yanxiong <i>(Director)</i>	-	86,760,000	-	-	86,760,000	20 January 2010	19 January 2010	HK\$0.2488

The options granted to the directors are registered under the names of the directors who are also the beneficial owners.

Directors' and chief executives' rights to acquire shares or debt securities

As at 30 June 2010, 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 interests

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which directly or indirectly competes with the business of the Group.

Audit committee

The Company established an 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 are to review and supervise the financial reporting process and the internal monitoring system of the Group. The audit committee has four members comprising Mr. Leung Siu Kuen (who is acting as the chairman of the audit committee), Mr. Fu Wing Kwok, Ewing, Mr. Lam Chung Fai, the three Independent Non-executive Directors and Mr. Zhao Borui, the Executive Director. The audit committee met two times during the Period. The Group's unaudited consolidated results for the Period have been reviewed by the audit committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal reporting and monitoring system 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 Board to the audit committee and the supervisory committee of the Board.

Purchase, sale or redemption of the Company's 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 directors' securities transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding directors' securities transactions for the Period under review.

Corporate Governance

Throughout the Period under review, the Company has complied, subject to the following deviations, with the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, except that:

A4.1 Non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

By Order of the Board
Hao Wen Holdings Limited
Chung Chi Mang
Chairman

Hong Kong, 10 August 2010

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

Executive directors:

Mr. Chung Chi Mang (*Chairman*)
Mr. Zhao Borui
Mr. Hu Yangxiong

Independent non-executive directors:

Mr. Leung Siu Kuen
Mr. Lam Chung Fai
Mr. Fu Wing Kwok, Ewing