HAO WEN HOLDINGS LIMITED
皓 文 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8019)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Hao Wen Holdings Limited, formerly known as Everpride Biopharmaceutical Company 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 announcement 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 announcement misleading; and

(3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2010 was approximately RMB89,226,000 representing an increase of approximately 7% as compared with that of the previous year.
- Loss attributable to equity shareholders for the year ended 31 December 2010 was approximately RMB37,933,000.
- Loss per share was approximately RMB3.32 cents.
- The Directors do not recommend the payment of a final dividend for the year.

RESULTS

The board of Directors (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010, together with the comparative audited figures for the year ended 31 December 2009, as follows:

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Note	**2010** *RMB'000*	2009 *RMB'000*
Turnover	*3*	**89,226**	83,468
Cost of sales		**(20,157)**	(24,133)
Gross profit		**69,069**	59,335
Other operating loss	*4*	**(13,047)**	(2,784)
Selling and distribution expenses		**(31,738)**	(36,504)
General and administrative expenses		**(42,477)**	(38,439)
Loss from operations		**(18,193)**	(18,392)
Net finance costs	*5(a)*	**(244)**	(10,911)
Impairment loss recognised in respect of:			
– Intangible assets	*7*	**(5,990)**	–
– Goodwill	*8*	**(8,090)**	–
– Interests in associates	*9*	**(2,990)**	–
Share of loss from an associate	*9*	**(129)**	–
Loss before taxation	*5*	**(35,636)**	(29,303)
Income tax	*11*	**(2,297)**	(2,754)
Loss attributable to equity shareholders of the Company		**(37,933)**	(32,057)
Other comprehensive income for the year			
Exchange differences on translation into presentation currency, net of tax		**(987)**	(24)
Total comprehensive income for the year attributable to equity shareholders of the Company		**(38,920)**	(32,081)
		RMB cents	*RMB cents*
Loss per share – Basic and diluted	*12*	**(3.32)**	(4.35)

Consolidated statement of financial position

At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Investment properties		**1,892**	–
Property, plant and equipment			
– Leasehold properties		**–**	94,930
– Plant and equipment		**3,746**	12,635
		5,638	107,565
Intangible assets	*7*	**–**	–
Goodwill	*8*	**–**	–
Interests in associates	*9*	**5,101**	–
Investment in subsidiary	*10*	**–**	–
		10,739	107,565
Current assets			
Inventories		**4,735**	5,241
Trade and other receivables	*14*	**127,594**	9,726
Financial assets at fair value through profit or loss		**2,583**	–
Cash and cash equivalents		**26,811**	18,640
		161,723	33,607
Current liabilities			
Trade and other payables	*15*	**(95,177)**	(80,769)
Loans and borrowings		**(33,697)**	(47,545)
Current taxation		**(5,879)**	(3,955)
		(134,753)	(132,269)
Net current assets/(liabilities)		**26,970**	(98,662)
NET ASSETS		**37,709**	8,903
CAPITAL AND RESERVES	*16*		
Share capital		**14,607**	92,623
Reserves		**23,102**	(83,720)
TOTAL EQUITY		**37,709**	8,903

Note:

1. CORPORATION INFORMATION

Hao Wen Holdings Limited (formerly known as Everpride Biopharmaceutical Company 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 are 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.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which is a collective term that includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations promulgated by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Changes in accounting policies

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Revised IFRS 3, Business combinations

- Amendments to IAS 27, Consolidated and separate financial statements

The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period.

The developments have resulted in changes in certain accounting policies but none of these changes have a material impact on the current or comparative periods, for the following reasons.

– The impact of the majority of the revisions to IFRS 3 and IAS 27 have had no material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The impact of the amendments to IFRS 3 (in respect of the recognition of an acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests in excess of their equity interest) have had no material impact as there are no requirements to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policies are as follows:

• As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in an acquiree immediately prior to obtaining control, such interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of such contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and, therefore, impacted the amount of goodwill recognised.

  – If an acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests in an acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  - If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with the equity shareholders (the non-controlling interests) in their capacity as owners and, therefore, no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with the equity shareholders (the non-controlling interests) in their capacity as owners and, therefore, no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquire. In addition, as a result of the adoption of the amendment to IFRS 5, if at the end of the reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and, therefore, previous periods have not been restated.

- In order to be consistent with the above amendments to IFRS 3 and IAS 27 and, as a result of amendments to IAS 28, Investment in associates, the following policies will be applied as from 1 January 2010:

  – If the Group holds interests in an acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and, therefore, previous periods have not been restated.

3. TURNOVER

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

4. OTHER OPERATING LOSS

	2010	2009
	RMB'000	*RMB'000*
Sample income	**346**	173
Impairment loss recognised in respect of trade receivables	**–**	(1,046)
Write-off of other receivables	**–**	(705)
Fair value loss on financial assets at fair value through profit or loss	**(1,717)**	–
Loss on disposal of leasehold properties	**(1,087)**	–
Write-off of property, plant and equipment	**(10,749)**	–
Gain/(loss) on disposal of other property, plant and equipment	**10**	(1,207)
Sundry income	**150**	1
	(13,047)	(2,784)

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2010	2009
	RMB'000	*RMB'000*
(a) Net finance costs:		
Interest on bank and other borrowings wholly repayable within five years	**1,502**	10,915
Net foreign exchange gains	**(1,246)**	–
Bank interest income	**(12)**	(4)
	244	10,911
(b) Staff costs:		
Contributions to defined contribution plans	**836**	1,070
Equity-settled share-based payment expenses	**10,428**	2,986
Salaries, wages and other benefits	**14,899**	11,005
	26,163	15,061
(c) Other items:		
Amortisation of intangible assets	**1,198**	–
Amortisation of land lease premium	**238**	276
Depreciation of property, plant and equipment	**2,712**	4,185
Research and development costs	**45**	487
Operating lease charges in respect of office rental	**676**	737
Advertising and promotion expenses	**23,663**	23,863
Auditors' remuneration		
– audit services	**440**	670
– other services	**947**	–
Cost of inventories sold	**20,157**	24,133
Equity-settled share-based payment expenses		
– To directors	**10,428**	2,090
– To staff	**–**	896
– Others	**–**	7,763

6. SEGMENT REPORTING

Throughout the year, the Group was substantially operated in the pharmaceutical business segment in the PRC and, accordingly, no segmental analysis is presented.

7. INTANGIBLE ASSETS

	2010	2009
	RMB'000	*RMB'000*
Cost		
At 1 January	**5,000**	5,000
Additions	**7,188**	–
At 31 December	**12,188**	5,000
Accumulated amortisation and impairment losses		
At 1 January	**5,000**	5,000
Charge for the year	**1,198**	–
Impairment loss recognised	**5,990**	–
At 31 December	**12,188**	5,000
Carrying amount		
At 31 December	**–**	–

Intangible assets at 31 December 2009 represent the exclusive rights acquired by the Group to produce and sell the products of "Plasmin Capsule" and "Puli Capsule".

At 31 December 2009, the exclusive rights to produce and sell the products of "Puli Capsule" had been pledged to an independent third party to secure a loan granted to the Group.

On 8 February 2010, the Group acquired the exclusive distribution right for skin care products through the acquisition of a subsidiary at a consideration of approximately RMB7,188,000. As a result, the Group was granted an exclusive license to distribute, sell and market the skin care products in the PRC, Hong Kong and Macau. The right was granted to the Group for a fixed term from the date of acquisition until 31 December 2015. Amortisation was charged according to the fixed term of the right.

On 31 December 2010, the directors carried out an impairment review on the carrying amount of the right. Due to a lack of reliable information on the value of the right are available, the directors are of the opinion that full impairment on the carrying amount of the right would be made for the sake of prudence.

8. GOODWILL

	2010	2009
	RMB'000	*RMB'000*
Additions recognised from acquisition of subsidiaries	**8,090**	–
Impairment loss recognised	**(8,090)**	–
	–	–

On 5 February 2010, the Group acquired the following subsidiaries at a consideration of approximately RMB8,090,000.

			Proportion of ownership interest			
Name of company	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by the subsidiary**	**Principal activity**
Jin Hao Limited	British Virgin Islands ("B.V.I.")	USD 100	100%	100%	–	Investment holding
Lucky River Limited	B.V.I.	HK$10,000	100%	–	100%	Investment holding
珠海市奧美斯美容有限公司 Zhuhai Aomeisi Beauty Treatment Company Limited ("Zhuhai Aomeisi") *	PRC	RMB 1,000,000	100%	–	100%	Engaged in health spa business

* *For identification purpose only*

On 31 December 2010, the directors carried out impairment review on the carrying amount of goodwill. In view of the unforeseeable profits to be generated by the subsidiaries, the directors are of the opinion that full impairment on the carrying amount of goodwill would be made for the sake of prudence.

9. INTERESTS IN ASSOCIATES

	2010	2009
	RMB'000	*RMB'000*
Unlisted shares, at cost	**8,397**	–
Share of result of associates	**(129)**	–
Impairment loss recognised	**(2,990)**	–
Exchange adjustment	**(177)**	–
	5,101	–

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or the assets of the Group:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activity
北京和陽傳媒科技有限公司 Beijing He Yang Media Technology Co., Ltd. ("Beijing He Yang")*	Incorporated	PRC	RMB17,000,000	29.41%	–	29.41%	Media management service
江油市元神醫藥科技開發有限公司	Incorporated	PRC	RMB1,000,000	41%	–	41%	Cultivation, research and development of Chinese medicine

* *For identification purpose only*

The Group acquired 29.41% equity interest in Beijing He Yang at a consideration of approximately RMB5,000,000 during the year. The investment was stated in the consolidated statement of financial position at cost less impairment loss with the results of Beijing He Yang being accounted for on the basis of dividends received and receivable. The directors are of the opinion that there was no indication of impairment on the investment cost in Beijing He Yang at end of the reporting period.

The Group also acquired 41% equity interest in 江油市元神醫藥科技開發有限公司 at a consideration of approximately RMB3,400,000 during the year. On 31 December 2010, the directors carried out an impairment review on the carrying amount of the interests in 江油市元神醫藥科技開發有限公司 and are of the opinion that an impairment loss of approximately RMB2,990,000 would be made with reference to the financial position and result of 江油市元神醫藥科技開發有限公司 for the year ended 31 December 2010.

10. INVESTMENT IN SUBSIDIARY

	2010	2009
	RMB'000	*RMB'000*
Investment in Zhuhai Aomeisi	**1,270**	
Impairment loss recognised	**(1,270)**	–
	–	–

Due to lack of financial information from Zhuhai Aomeisi, the Group's investment in Zhuhai Aomeisi was stated on the consolidated statement of financial position at cost less impairment loss and the financial results of Zhuhai Aomeisi for the year ended 31 December 2010 was accounted for on the basis of dividends received and receivable during the year. No dividend was received from Zhuhai Aomeisi during the year.

On 31 December 2010, the directors carried out impairment review on the carrying amount of the investment in Zhuhai Aomeisi and are of the opinion that full impairment on the carrying amount of investment in Zhuhai Aomeisi would be made for the sake of prudence. Such impairment was included as part of the impairment recognised in goodwill.

11. INCOME TAX

	2010	2009
	RMB'000	*RMB'000*
Current tax–		
Provision for the PRC enterprise income tax for the year	**2,126**	2,754
Under-provision in prior years	**171**	–
	2,297	2,754

(i) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising from Hong Kong during the years ended 31 December 2010 and 2009.

(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 subject to PRC enterprise income tax on its taxable income at an income tax rate of 25% in respect of the year ended 31 December 2010 (2009: 25%).

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB37,933,000 (2009: loss of RMB32,057,000) and the weighted average of 1,141,771,000 (2009: 736,996,000) ordinary shares in issue during the year, calculated as follows:

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	**915,000**	720,000
Effect of shares issued pursuant to share subscription	**177,456**	14,992
Effect of warrants exercised	**49,315**	1,370
Effect of share options exercised	**–**	634
Weighted average number of ordinary shares at 31 December	**1,141,771**	736,996

(b) Diluted loss per share

The diluted loss per share for the years ended 31 December 2010 and 2009 were same as the basic loss per share because the exercise prices of the Company's share options and warrants were higher than the average market price of the shares.

13. DIVIDENDS

The Directors do not recommend the payment of any dividends for the year (2009: Nil).

14. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**74,986**	62,082
Less: allowance for doubtful debts	**(58,070)**	(58,070)
	16,916	4,012
Advances to staff	**6,432**	2,462
Other receivables	**94,576**	1,782
Amount due from a director	**6,227**	–
Loans and receivables	**124,151**	8,256
Rental and other deposits	**540**	295
Prepayments	**2,903**	1,175
	127,594	9,726

Other receivables represented general fund transfer to several entities by one of the subsidiaries of the Company, Shanxi Everpride Pharmacentical Company Limited, in the prior and current years.

Included in trade and other receivables are trade debtors with the following ageing analysis as of the end of the reporting period:

	2010	2009
	RMB'000	*RMB'000*
0 to 30 days	**4,038**	145
31 to 60 days	**1,239**	15
61 to 90 days	**1,358**	357
91 to 180 days	**943**	1,392
181 to 365 days	**6,270**	259
Over 365 days	**61,138**	59,914
	74,986	62,082
Less: allowance for doubtful debts	**(58,070)**	(58,070)
	16,916	4,012

15. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade creditors	**6,077**	4,473
Accrued expenses and other payables	**53,180**	22,586
Interest payables	**4,672**	9,864
Amounts due to directors	**859**	1,325
Financial liabilities amortised at cost	**64,788**	38,248
Sales deposits from customers	**20,103**	33,417
Other taxes payable	**10,286**	9,104
	95,177	80,769

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

	2010	2009
	RMB'000	*RMB'000*
0 to 30 days	**3,729**	2,442
31 to 60 days	**109**	149
61 to 90 days	**97**	16
91 to 180 days	**98**	49
181 to 365 days	**60**	29
Over 365 days	**1,984**	1,788
	6,077	4,473

16. CAPITAL AND RESERVES

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Warrants reserve *RMB'000*	Capital reduction reserve *RMB'000*	Share-based compensation reserve *RMB'000*	General reserve fund *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2009	75,438	10,058	7,195	–	–	–	9,025	(664)	(95,255)	5,797
Change in equity:										
Loss for the year	–	–	–	–	–	–	–	–	(32,057)	(32,057)
Other comprehensive income for the year:										
Exchange differences on translation into presentation currency	–	–	–	–	–	–	–	(24)	–	(24)
Total comprehensive income for the year	–	–	–	–	–	–	–	(24)	(32,057)	(32,081)
Issue of warrants, net of warrant issuance expenses	–	–	–	204	–	–	–	–	–	204
Shares issued upon the exercise of warrants	3,878	217	–	(62)	–	–	–	–	–	4,033
Shares issued pursuant to share subscription, net of share issuance expenses	12,690	6,209	–	–	–	–	–	–	–	18,899
Shares issued under share option scheme	617	1,730	–	–	–	(1,045)	–	–	–	1,302
Equity settled share-based transaction	–	–	–	–	–	10,749	–	–	–	10,749
Balance at 31 December 2009	92,623	18,214	7,195	142	–	9,704	9,025	(688)	(127,312)	8,903
Change in equity:										
Loss for the year	–	–	–	–	–	–	–	–	(37,933)	(37,933)
Other comprehensive income for the year:										
Exchange differences on translation into presentation currency	–	–	–	–	–	–	–	(987)	–	(987)
Total comprehensive income for the year	–	–	–	–	–	–	–	(987)	(37,933)	(38,920)
Shares issued upon the exercise of warrants	867	177	–	(142)	–	–	–	–	–	902
Shares issued pursuant to share subscription, net of share issuance expenses	13,606	42,819	–	–	–	–	–	–	–	56,425
Capital reduction	(92,489)	–	–	–	92,489	–	–	–	–	–
Equity settled share-based transaction	–	–	–	–	–	10,399	–	–	–	10,399
Balance at 31 December 2010	14,607	61,210	7,195	–	92,489	20,103	9,025	(1,675)	(165,245)	37,709

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Basis for Disclaimer of Opinion

(1) Intangible assets

During the year ended 31 December 2010, one of the subsidiaries of the Company acquired the exclusive distribution right to distribute, sell and market skin care products for a consideration of approximately RMB7,188,000. As detailed in notes to the consolidated financial statements, the directors considered that it was not feasible nor practicable to value the exclusive right and, accordingly, full impairment on the carrying value of the exclusive right in the amount of RMB5,990,000 (being cost net of amortisation for the year of RMB1,198,000) was charged to profit or loss during the year. Due to the absence of reliable information for us to assess the value of the exclusive right, we were unable to satisfy ourselves as to whether the recognition of the impairment loss of RMB5,990,000 is appropriate.

(2) Interests in associates

During the year ended 31 December 2010, the Group acquired an equity interest in an associated company, 北京和陽傳媒科技有限公司(Beijing He Yang Media Technology Co., Ltd.* ("Beijing He Yang")). Due to lack of adequate financial information covering the results of Beijing He Yang and its subsidiary, the interest therein was stated in the consolidated statement of financial position at cost less any impairment loss, and the results of Beijing He Yang were accounted for on the basis of dividends received and receivable during the year. The carrying value of the interest in Beijing He Yang as stated on the consolidated statement of financial position at 31 December 2010 amounted to approximately RMB4,819,000 and no dividends had been received during the year. The Group's interest in Beijing He Yang (including its subsidiary) was not accounted for using the equity method and this is not in accordance with the requirements of International Accounting Standard 28 "Investments in Associates" issued by the International Accounting Standard Board which requires the Group to account for its share of net assets of associates in the financial statements. We were, therefore, unable to assess the carrying value of the interest in Beijing He Yang as stated on the consolidated statement of financial position at 31 December 2010.

* *For identification purpose only*

(3) Investment in subsidiary

During the year ended 31 December 2010, the Group engaged in health spa business by setting up a wholly foreign-owned subsidiary, 珠海市奧美斯美容有限公司 (Zhuhai Aomeisi Beauty Treatment Company Limited* ("Zhuhai Aomeisi")), in the PRC. Due to lack of adequate financial information and accounting documents for Zhuhai Aomeisi, its financial results for the year ended 31 December 2010 were not consolidated into the Group's financial statements. The Group's investment in Zhuhai Aomeisi was stated on the consolidated statement of financial position at 31 December 2010 at cost less impairment loss and the results were accounted for on the basis of dividends received and receivable during the year. The carrying value of investment in Zhuhai Aomeisi as stated in the consolidated statement of financial position at 31 December 2010 amounted to approximately RMB1,270,000 and no dividends were received from Zhuhai Aomeisi during the year. The Group's investment in Zhuhai Aomeisi was not consolidated under the acquisition method and this is not in accordance with the requirements of International Accounting Standard 27 "Consolidated and Separate Financial Statements" issued by the International Accounting Standard Board. We were, therefore, unable to assess the carrying value of the investment in subsidiary as stated in the consolidated statement of financial position at 31 December 2010 and also no disclosure of information of Zhuhai Aomeisi was made available in the notes to the financial statements and this is not in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

(4) Trade and other receivables

At 31 December 2010, the Group had trade and other receivables of approximately RMB185,664,000 against which an impairment allowance of approximately RMB58,070,000 had been made in prior years. There was insufficient evidence for us to verify the balances of trade and other receivables and we were unable to carry out adequate audit procedures that we considered necessary to confirm the accuracy, existence and recoverability of the balances.

Any adjustments to the amount of trade and other receivables may have a consequential effect on the balances of sales of the Group of the year ended 31 December 2010.

* *For identification purpose only*

(5) Trade and other payables

At 31 December 2010, the Group had trade and other payables of approximately RMB95,177,000. There was insufficient evidence for us to verify the balances of trade and other payables and we were unable to carry out adequate audit procedures that we considered necessary to confirm the accuracy, completeness and existence of the balances.

Any adjustment to the amount of trade and other payables may have a consequential effect in the balances of cost of sales and expenses of the Group for the year ended 31 December 2010.

(6) Loans and borrowings

Included in the Group's loans and borrowings as stated in the consolidated statement of financial position at 31 December 2010 is an amount of approximately RMB6,697,000 reported to have been borrowed from non-financial institution entities. There was insufficient evidence for us to verify such balances and we were unable to carry out audit procedures that we considered necessary to confirm the accuracy, completeness and existence of the balances and other related contingent liabilities.

(7) Write-off of property, plant and equipment

Included in the consolidated statement of comprehensive income for the year ended 31 December 2010 is a written off of property, plant and equipment of approximately RMB10,749,000. The related property, plant and equipment items were written off by one of the Company's subsidiaries, Shanxi Everpride Pharmaceutical Company Limited ("Shanxi Everpride"). No detailed information in connection with the items of property, plant and equipment being written off by Shanxi Everpride was made available to us. There was, therefore, insufficient evidence for us to verify the accuracy of the write-off and we were unable to carry out certain audit procedures that we considered necessary to confirm whether the write-off of property, plant and equipment was properly recorded.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operation Review

During the year under review, the Group continued to engage in the production and sales of the medicines known as "Plasmin Capsule" and "Puli Capsule" in Mainland China.

"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 administrative protection period, the prescription and the production technology used by the Group in producing "Plasmin Capsule" is protected and no other manufacturers in Mainland China may produce or replicate these products in Mainland China.

According to the clinical studies conducted by medical institutions in Mainland China, "Plasmin Capsule" has the principal effect of resolving blood clots and is 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, that had been merited with the Good Manufacturing Practices ("GMP") certificate on 28 February 2003.

Financial Review

During the year under review, the Group recorded an audited consolidated turnover of approximately RMB89,226,000 (2009: RMB83,468,000), which represented an increase of approximately 7% as compared with that of 2009. The increase in turnover was mainly due to the increase in sales of "Puli Capsule", which represented approximately 95% of the consolidated turnover of the Group for the financial year 2010. The underlining factor for such increase was that Glucosamine, the major ingredient of "Puli Capsule", had been included in the State Basic Medical Insurance and Labour Insurance Drug Catalogue. This stimulates the sales of "Puli Capsule" because all purchase of "Puli Capsule" can be claimed under insurance fund. In addition, the public awareness and acceptance had been therefore enhanced and this resulted in the increase of the Group's turnover.

The Group's audited consolidated loss attributable to shareholders for the year was approximately RMB37,933,000 (2009: RMB32,057,000). The increase in loss was mainly due to an increase in the impairment losses of intangible assets, goodwill and interests an associates.

The selling and distribution expenses were reduced by 13% to RMB31,738,000 as compared to last year. It was mainly due to the decrease in advertising and promotion expenses.

The administrative expenses was increased by 11% to RMB42,477,000 as compared to last year. It was mainly due to the increase in staff costs.

Net finance expenses of approximately RMB244,000 were mainly arisen from interest charges on bank and other borrowings repayable within five years.

During the year, the Group has only two medicines under production and sales: one is "Plasmin Capsule" which is classified as a prescription medicine and its sales is limited to hospitals of 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 source of revenue for the Group in Mainland China.

The sales of "Puli Capsule" was approximately RMB84,729,000 (2009: RMB77,624,000), representing approximately 95% of the consolidated turnover of the Group during the year. The Group recorded approximately RMB3,708,000 (2009: RMB5,844,000) from the sales of "Plasmin Capsule" representing approximately 4% of the consolidated turnover of the Group during the year. Also, the Group recorded approximately RMB789,000 (2009: Nil) from the distribution income of cosmetic right representing 1% of the consolidated turnover of the Group.

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 thus the returns to shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the balance of cash and cash equivalents amounted to approximately RMB26,811,000 (2009: RMB18,640,000). During the year, the Group has carried out four funds raising exercises through of subscription warrants and subscription of new shares, net proceeds from these funds raising activities amount to approximately HK$60,950,000. These capital resources provide a substantial support for the Group to business diversification and general working capital of the Company.

Total borrowings of the Group as at 31 December 2010 are approximately RMB33,697,000 (2009: RMB47,545,000) comprising of secured and unsecured other borrowings. The other borrowings are denominated in Renminbi and the interest rates of which were fixed.

The group's gearing ratio as at 31 December 2010 is 78% (2009: 94%), which is calculated by dividing total liabilities of RMB134,753,000 over total assets of the Group of RMB172,462,000.

As at 31 December 2010, the net current assets of the Group is RMB26,970,000 (2009: net current liabilities of RMB98,662,000) and the current ratio of the Group was approximately 1.2 times (2009: 0.25 times).

CAPITAL RAISING

A. On 5 March 2010, the Company entered into the four conditional subscription agreements with the four independent third parties (the "Four Subscribers"). Pursuant to the subscription agreements, the Company agreed to allot and issue, and the Four Subscribers agreed to subscribe for an aggregate of 196,181,818 new ordinary shares of HK$0.10 each in the Company at a subscription price of HK$0.168 per ordinary share.

On 30 March 2010, the condition of the subscription stated in the two subscription agreements has been fulfilled, and the subscription of an aggregate of 49,591,809 new ordinary shares of HK$0.10 each in the Company at a subscription price of HK$0.168 per ordinary share was completed in accordance with their respective terms and conditions. The net proceeds of approximately HK$8 million (approximately equivalent to RMB7 million), net of share issuance expenses, was raised for the general corporate and working capital requirements of the Group and as funds for future development of the Company when investment opportunities arise. On the same date, the two supplemental agreements are entered into between the Company and the another two subscribers respectively in relation to the extension of the completion date of each of their conditional subscription agreements. Under these supplemental agreements, the completion date of each of these two conditional subscription agreements is extended to a day on or before 30 June 2010. Save as the aforesaid, the other terms of these two conditional subscription agreements remain valid and continue to be in full force and effect.

On 9 June 2010, the subscription was completed and the Company successfully raised aggregate net funds approximately of HK$15.5 million by allotment of new shares to subscribers.

B. On 12 August 2010, the Company entered into two subscription agreements with two subscribers, pursuant to which the subscribers have agreed to subscribe for an aggregate of 146,590,009 new shares in the share capital of the Company with an aggregate nominal value of HK$1,465,900.09, at a subscription price of HK$0.10 per subscription share.

The subscribers are independent of and not connected with the Company, its subsidiaries, the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

The subscription was completed on 18 August 2010, the Company successfully raised aggregate net funds approximately of HK$14.2 million.

C. On 18 November 2010, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through the placing agent and on a best effort basis, 255,000,000 new shares to independent investors at the placing price of HK$0.126 per placing share. The placement was completed on 26 November 2010. The placing shares were placed out by the placing Agent to not less than six placees, who and whose ultimate beneficial owners are independent third parties. The Company successfully raised aggregate net funds approximately of HK$31.25 million.

CHARGES ON GROUP ASSETS

At 31 December 2009, leasehold properties and exclusive rights to produce and sell the products of "Puli Capsule" of approximately RMB94,925,000 have been pledged to independent third parties to secure a number of loans granted to the Group. At 31 December 2010, none of the assets of the Group has been pledged to secure any loan granted to the Group.

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 year.

MAJOR EVENTS DURING THE YEAR UNDER REVIEW

Material acquisitions and disposals

On 14 December 2009, the Company entered into an agreement with Wu Ching Por, an independent third 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.

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 will be principally engaged in the provision of develop, invest in, operate and manage media resources. The registered capital of the joint venture company will be approximately RMB17,000,000 which will be contributed as to 29.41% by Good Wisdom. The transaction has been completed on 23 April 2010.

On 27 May 2010, Xian Jin Hao Asset Management Company Limited (西安金皓資產管理有限公司) ("JH"), a direct wholly-owned subsidiary of the Company entered into an agreement with Shaanxi Ruide Enterprise Development Company Limited (陝西瑞德實業發展有限公司) ("RD"), pursuant to which the JH has agreed to acquire the operating right of Shaanxi Ruilin Investment Management Company Limited (陝西瑞林投資管理有限公司) ("RL"), which is a 51% shareholder of Annuo Insurance Broker Company Limited (安諾保險經紀有限公司) ("Annuo"), a company incorporated in PRC with limited liability, for a term of 15 years from 1 June 2010 to 31 May 2025 from RD at RMB51,000,000. The transaction has not been completed as of the report date. Up to the latest practicable date, conditions precedent for the completion of the acquisition of operating right of RL have not been fulfilled. Due diligence review is still being conducted on the operations and affairs of RL and Annuo. Certificate from an independent capital verification organisation that the shares of RL have been fully paid up including 51% shareholding rights of Annuo has not been obtained because the share capital of RL has not been fully paid up by RD. RL's articles of association of in relation to the rights of the Company have not been amended by RD. The completion of the Acquisition is subject to the fulfillment of the above conditions precedent.

On 30 August 2010, the Company and Shanxi Huizhong Animation Technology Development Company Limited (山西滙眾動漫科技開發有限公司) entered into an agreement in respect of the disposal of the factory buildings and the land located at Taigu County, Shanxi Province PRC and the 7 properties in Shanghai at a total consideration of approximately RMB95.4 million. The transaction has been completed on 24 November 2010.

On 10 November 2010, a Company's wholly owned subsidiary Xian Jin Hao Asset Management Company Limited (西安金皓資產管理有限公司) entered into an acquisition agreement in relation to the acquisition of 41% equity interest in Jiangyou Yuanshen Pharmaceutical Technology Development Company Limited (江油市元神醫藥科技開發有限公司) to carry the Chinese medicine business. The transaction has been completed on 10 November 2010.

On 24 December 2010, Premium Stars Investments Limited ("PS"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Talent Keen Limited ("TK") and TK's guarantor, Mr. Choy Kai Chung Andy, pursuant to which PS conditionally agreed to acquire from TK the entire share capital of Smart Courage Limited at a total consideration of HK$180,000,000. The transaction has not been completed as of the report date.

MAJOR EVENTS SUBSEQUENT TO THE YEAR

Sources of funding

On 29 March 2011, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent has agreed to place, on a best effort basis, to not less than six independent placees for up to 300,000,000 new Shares at a price of HK$0.055 per Placing Share, for and on behalf of the Company. The placement has not been completed up to the date of this announcement.

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 authorised 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 Issued Capital Reduction and the Authorised Capital Reduction (collectively referred to as the "Capital Reduction") are subject to the Court's approval, and the Capital Reduction will become effective after the Court's approval and 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. Up to the date of the issue of these financial statements, the Capital Reduction has not yet been completed.

EMPLOYEE INFORMATION

Currently, the Group has about 130 full-time (2009: 130 full-time employees) employees working in Hong Kong and in Mainland China. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The staff costs, including directors' emoluments, were approximately RMB12,304,000 for the year under review (2009: RMB15,061,000).

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no contingent liabilities (2009: Nil).

BUSINESS OUTLOOK AND PROSPECTS

The Executive Directors still anticipate that fierce competition in the pharmaceutical industry in Mainland China will continue to strongly affect adversely the future earnings and prospects of the Group.

In order to improve the market share of the Group's products, the Group will continue to engage in research work on both new products development and quality enhancements on existing products. The Executive Directors believe that the introduction of "Plasmin Tablet" will help the Group in developing the prescription medicine market which in turn will enhance the recognition of the Group and its products. Together with Staphylokinese Project if once approved and introduced into the market, the income base of the Group will be broadened and the turnover and operating results will be improved.

Going forward, the Board will make every effort to improve the operation results of the Group and continue to look for other pharmaceutical manufacturers for possible synergetic alliances through means including but not limited to merger and acquisition, so as to strengthen the profitability and minimise the performance risk of the Group.

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 December 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:

Name of Director	Capacity/ Nature of interest	No. of shares *(Note 1)*	Approximate percentage of interest
Mr. Leung King Fai	Beneficial Owner	660,000 (L)	0.043%

Notes:

1. The letter "L" denotes a long position in shares.

Save as disclosed above, as at 31 December 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 31 December 2010, persons who have 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. Yip Chi Fai, Stevens *(Note 2)*	Interest of controlled corporation	193,975,000 (L)	12.66%
Beckon Investments Limited	Beneficial owner	193,975,000 (L)	12.66%
Mr. Liu Yinxiao	Beneficial owner	110,000,000 (L)	7.18%
Mr. Zhang Jinxing	Beneficial owner	86,350,000 (L)	5.64%

Notes:

1. The letter "L" denotes a long position in shares of the Company.

2. Mr. Yip Chi Fai, Stevens is deemed or taken to be interested in these shares which are beneficially owned by his wholly owned company, namely Beckon Investments Limited for the purpose of the SFO.

Save as disclosed above, as at 31 December 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.

At 30 September 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 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**	**Date granted**	**Period during which options are exercisable**	**Exercise price per share**
Hu Yanxiong *(Director)*	86,760,000	20 January 2010	2 December 2009 to 1 December 2019	HK$0.2488
Zhang Jianshe *(Former Director)*	7,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211
Zhao Borui *(Director)*	7,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211
Leung King Fai *(Director)*	4,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211
Employees	2,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211
Consultants, Advisers, & Service Providers	45,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211

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 31 December 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 interest

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in any 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. Lam Chung Fai, Mr. Lam Ka Wai, Graham and Ms. Yueng Mo Sheung, Ann, the three Independent Non-executive Directors and Mr. Zhao Borui, the Executive Director. The audit committee met four times during the year. The Group's audited consolidated results for the year 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 year, 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 shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

Code of conduct regarding directors' securities transactions

For the year under review, 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 the Directors, the Directors have complied with the required standard of dealings and the code of conduct regarding directors' securities transactions for the year 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:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As at the date of this announcement, Mr. Zhao Borui is the Vice Chairmen and Mr. Hu Yangxiong is the Chief Executive Officer of the Company. The Board is looking for a candidate to fill the vacancy of the Chairman.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing Independent Non-executive Directors of the Company is appointed for a specific term. However, all the directors (Executive and Independent Non-executive) are subject to retirement at least once every three years under Bye-Law 87(1) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Resumption of Trading of Shares of the Company

At the request of the Company, trading in the shares has been suspended with effect from 9:00 a.m. on 1 April 2011 pending the issue of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares with effect from 9:00 a.m. on 11 April 2011.

By Order of the Board
Hao Wen Holdings Limited
Zhao Borui
Vice Chairman

Hong Kong, 8 April 2011

As at the date of this announcement, the executive Directors are Mr. Zhao Borui, Mr. Hu Yangxiong, Mr. Lee Cheuk Yue, Ryan, Mr. Chow Yik, Mr. Chung Chi Mang, and Mr. Leung King Fai; the independent non-executive Directors are Mr. Lam Ka Wai, Graham, Ms. Yeung Mo Sheung, Ann and Mr. Lam Chung Fai.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at http://www.tricor.com.hk/webservice/008019.