



HAO WEN HOLDINGS LIMITED

皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019

2011

Third Quarterly Report

## **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.

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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

- Turnover for the nine months ended 30 September 2011 amounted to approximately RMB58,768,000, representing an increase of approximately 0.3% as compared to the corresponding period in 2010.
- Loss attributable to owners of the Company for the nine months ended 30 September 2011 was approximately RMB25,734,000.
- Loss per share for the nine months ended 30 September 2011 was approximately RMB1.50 cents.
- The Directors do not recommend the payment of any dividends for the nine months ended 30 September 2011.

**UNAUDITED FINANCIAL RESULTS**

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months and three months ended 30 September 2011, together with the comparative unaudited figures for the corresponding periods in last financial year, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Turnover</b>	3	<b>58,768</b>	58,567	<b>13,143</b>	19,370
Cost of sales		(19,383)	(18,368)	(4,965)	(6,392)
<b>Gross profit</b>		<b>39,385</b>	40,199	<b>8,178</b>	12,978
Other gains and loss	5	498	981	(4,241)	842
Selling and distribution expenses		(32,670)	(21,001)	(11,981)	(6,002)
General and administrative expenses		(27,120)	(30,141)	(8,514)	(7,364)
<b>(Loss)/profit from operations</b>		<b>(19,907)</b>	(9,962)	<b>(16,558)</b>	454
Share of results of associates		(530)	–	–	–
Finance costs	6(a)	(5,047)	(12,137)	(1,543)	(4,080)
<b>Loss before taxation</b>	6	<b>(25,484)</b>	(22,099)	<b>(18,101)</b>	(3,626)
Income tax expenses	7	(250)	(174)	(99)	(70)
<b>Loss for the period</b>		<b>(25,734)</b>	(22,273)	<b>(18,200)</b>	(3,696)
<b>Other comprehensive income, net of tax</b>					
Exchange differences on translating foreign operations		643	7	911	–
<b>Total comprehensive loss for the period</b>		<b>(25,091)</b>	(22,266)	<b>(17,289)</b>	(3,696)
<b>Loss for the period attributable to owners of the Company</b>		<b>(25,734)</b>	(22,273)	<b>(18,200)</b>	(3,696)
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(25,091)</b>	(22,266)	<b>(17,289)</b>	(3,696)
<b>Loss per share</b>					
– Basic and diluted	8	RMB(1.50) cents	RMB(2.10) cents	RMB(0.99) cents	RMB(0.31) cents

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATION INFORMATION

The Company was incorporated in the Cayman Islands on 1 August 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands, and its shares have been listed on the GEM of the Stock Exchange with effect from 20 July 2001.

The unaudited financial statements for the nine months ended 30 September 2011 comprise the unaudited financial statements of the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily engaged in the manufacture and sales of medicines in Mainland China and trading of biodegradable container in Hong Kong.

### 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 2010, 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:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (Revised)	Related party disclosures
IAS 32 (Amendments)	Classification of rights issues
IFRIC – INT 14 (Amendments)	Prepayments of a minimum funding requirements
IFRIC – INT 19	Extinguishing financial liabilities with equity instruments

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.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective:

IFRS 7	Disclosures – Transfer of financial assets <sup>1</sup>
IFRS 9	Financial instruments <sup>2</sup>
IFRS 10	Consolidated financial statements <sup>2</sup>
IFRS 11	Joint arrangements <sup>2</sup>
IFRS 12	Disclosure of interests in other entities <sup>2</sup>
IFRS 13	Fair value measurement <sup>2</sup>
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets <sup>3</sup>
IAS 19 (Revised 2011)	Employee benefit <sup>2</sup>
IAS 27 (Revised 2011)	Separate financial statement <sup>2</sup>
IAS 28 (Revised 2011)	Investments in associates and joint venture <sup>2</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 July 2011.*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2013.*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2012.*

The directors of the Company anticipate that the application of these new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

**(b) Going concern**

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group in view of its net current liabilities positions as at 30 June 2011 and 30 September 2011.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted the following measures:

- 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.

## HAO WEN HOLDINGS LIMITED

- 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 except for the investment properties and certain financial instruments, which are measured at fair value.

**(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 all goods returns and trade discounts.

**4. SEGMENT REPORTING**

The Board considers that presentation of segment disclosure would not be meaningful as the Group is engaged principally in the manufacture and sales of medicines in Mainland China, which represents over 90% of the consolidated turnover. Accordingly, no segmental analysis is presented.

**5. OTHER GAINS AND LOSS**

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Fair value gain on financial assets at fair value through profit or loss	353	-	(4,118)	-
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(1,615)	-	8	-
Sample income	321	342	92	329
Sundry income	561	625	(223)	513
Gain on disposal of a subsidiary	878	-	-	-
Gain on disposal of property, plant and equipment	-	14	-	-
	<b>498</b>	<b>981</b>	<b>(4,241)</b>	<b>842</b>



## HAO WEN HOLDINGS LIMITED

### 6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	(Unaudited)		(Unaudited)	
	For the nine months ended		For the three months ended	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
<b>(a) Net finance costs /(income)</b>				
Interest on bank and other borrowings wholly repayable within five year	5,263	12,142	1,668	4,084
Bank interest income	(216)	(5)	(125)	(4)
	<u>5,047</u>	<u>12,137</u>	<u>1,543</u>	<u>4,080</u>
Net financial costs recognised in consolidated statement of comprehensive income				
	<u>5,047</u>	<u>12,137</u>	<u>1,543</u>	<u>4,080</u>
<b>(b) Staff costs</b>				
Contributions to defined contribution plans	286	56	242	23
Equity-settled share-based payment expenses	–	10,417	–	–
Salaries, wages and other benefits	13,673	9,281	3,167	3,511
	<u>13,959</u>	<u>19,754</u>	<u>3,409</u>	<u>3,534</u>
<b>(c) Other items</b>				
Amortisation of intangible assets	899	–	300	–
Amortisation of land lease premium	–	390	–	130
Depreciation of property, plan and equipment	1,275	1,509	518	319
Advertising and promotion expenses	20,362	11,117	8,445	768
Auditors' remuneration	1,251	100	411	–
Cost of inventories sold	23,383	18,368	8,965	6,391
	<u>23,383</u>	<u>18,368</u>	<u>8,965</u>	<u>6,391</u>

7. INCOME TAX

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Current tax				
PRC enterprise income tax for the period	250	174	99	70

(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 (2010: 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 subsidiaries of the Company established in the PRC is generally subject to PRC enterprise income tax on its taxable income at an income tax rate of 25% in respect of the Period (2010: 25%).

## HAO WEN HOLDINGS LIMITED

### 8. LOSS PER SHARE

#### (a) Basic loss per share

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Loss for the period	<b>(25,734)</b>	(22,273)	<b>(18,200)</b>	(3,696)
Weighted average number of ordinary shares	<b>1,711,211,788</b>	1,061,608,194	<b>1,832,090,909</b>	1,196,261,339

#### (b) Diluted loss per share

Diluted loss per share for the nine months ended 30 September 2011 and 2010 were the same with basic loss per share as the exercise price of the Company's share options were higher than the average market price of the shares.

### 9. RESERVES

	For the three months ended 30 September								2010	Total
	2011	Convertible debtenture equity reserve	General reserve fund	Foreign currency translation reserve	Accumulated losses	Total	Total			
	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Capital reduction reserve RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 July	72,080	7,195	20,103	92,489	13,603	9,025	(1,732)	(172,880)	39,883	(13,413)
Total comprehensive loss for the period	-	-	-	-	-	-	911	(18,200)	(17,289)	(3,696)
Issue of share capital	-	-	-	-	-	-	-	-	-	12,087
As at 30 September	<b>72,080</b>	<b>7,195</b>	<b>20,103</b>	<b>92,489</b>	<b>13,603</b>	<b>9,025</b>	<b>(821)</b>	<b>(191,080)</b>	<b>22,594</b>	<b>(5,022)</b>

	For the three months ended 30 September									2010
	2011									Total RMB'000
	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Capital reduction reserve RMB'000	Convertible debenture equity reserve RMB'000	General reserve fund RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	
As at 1 January	61,210	7,195	20,103	92,489	-	9,025	(1,464)	(165,346)	23,212	(83,720)
Total comprehensive loss for the period	-	-	-	-	-	-	643	(25,734)	(25,091)	(22,259)
Equity settled share-based transaction	-	-	-	-	-	-	-	-	-	10,423
Issue of share capital	10,870	-	-	-	-	-	-	-	10,870	5,336
Capital reduction	-	-	-	-	-	-	-	-	-	85,198
Issue of convertible bonds as consideration for acquisition of subsidiaries	-	-	-	-	13,603	-	-	-	13,603	-
As at 30 September	<u>72,080</u>	<u>7,195</u>	<u>20,103</u>	<u>92,489</u>	<u>13,603</u>	<u>9,025</u>	<u>(821)</u>	<u>(191,080)</u>	<u>22,594</u>	<u>(5,022)</u>

## 10. DIVIDEND

The Directors do not recommend the payment of any dividends for the Period (2010: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the nine months ended 30 September 2011 (the “Period”), the Group recorded an unaudited consolidated turnover of approximately RMB58,768,000 (2010: RMB58,567,000), which represented an approximately 0.3% increase as compared with that of the corresponding period in 2010. This is 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 approximately RMB11,669,000 or 56% as compared with the corresponding period in 2010. This was due to the increase in advertising and promotion expenses.

The general and administrative expenses for the Period decreased by approximately RMB3,021,000 or 10% as compared with the corresponding period in 2010. This was due to the decrease in staff costs and legal and professional fees.

Loss attributable to owners of the Company for the Period amounted to RMB25,091,000 (2010: RMB22,266,000), which represented approximately RMB2,825,000 or 13% increase as compared with corresponding period in 2010. This was due to the increase in advertising and promotion expenses as mentioned above.

### Business Review

The Group is principally engaged in the production and sale of the medicines known as “Plasmin Capsule” and “Puli Capsule” in Mainland China and trading of biodegradable containers in Hong Kong.

With an aim to improve the sales of “Plasmin Capsule”, the Group had entered into an agency agreement (the “Agreement”) with a pharmaceutical company, a party independent of and not connected with the Group and its connected persons, in Tianjian municipality, the Mainland China (the “Agent”) pursuant to which the Group agreed to appoint the Agent to distribute the Group’s product – Plasmin Capsule in the Mainland China for a term commencing from 19 December 2006 and expiring on 29 September 2013. The Agent is the second largest pharmaceutical company in the Tianjian municipality and has its own distribution network covering throughout the Mainland China. As “Plasmin Capsule” is classified as a prescription medicine and its sales are restricted to hospitals, the Agreement would lead to an effective sales channel to enable the Group to leverage on the Agent’s broad distribution network, in turn penetrate its products into the market rapidly.

**Sales and Marketing**

The sales of “Puli Capsule” was approximately RMB48,785,000 (2010: RMB55,695,000), representing approximately 83% of the consolidated turnover of the Group for the Period. The sales of “Puli Capsule” for the Period decreased by approximately 12% as compared with the corresponding period in 2010. This is due to strict competition and adverse market conditions in the pharmaceutical industry in Mainland China. 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 RMB4,871,000 (2010: RMB2,872,000), representing approximately 8% of the consolidated turnover of the Group for the Period. The sales of “Plasmin Capsule” for the Period increased by approximately 69% as compared with the corresponding period in 2010. Such increase was mainly due to enhanced public awareness and acceptance of “Plasmin Capsule”.

**Business Outlook and Prospects**

The Directors anticipate that fierce competition in the pharmaceutical industry in the PRC will 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.

## 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 September 2011, 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)	Approximate percentage of interest
Mr. Leung King Fai	Beneficial owner	660,000 (L)	0.04%

*Note:*

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

Save as disclosed above, as at 30 September 2011, 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 September 2011, 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:

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>No. of shares</b>	<b>Approximate percentage of interest</b>
Mr. Yip Chi Fai, Stevens (Note 2)	Interest of a controlled corporation	193,975,000 (L)	10.59%
Beckon Investments Limited	Beneficial owner	193,975,000 (L)	10.59%
Mr. Liu Yinxiao	Beneficial owner	110,000,000 (L)	6.00%

*Note:*

1. The letter "L" denotes a long position in shares.
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 30 September 2011, 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.



## HAO WEN HOLDINGS LIMITED

### 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 2011, 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 ( <i>Director</i> )	86,760,000	20 January 2010	2 December 2009 to 1 December 2019	HK\$0.2488
Zhao Borui ( <i>Director</i> )	7,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK\$0.211
Leung King Fai ( <i>Director</i> )	4,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK\$0.211
Consultants, Advisers, Service Providers, employees and others	54,000,000	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**

Save as disclosed above, as at 30 September 2011, 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 a business which competes or may compete 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. As at the date of this report, the audit committee has three members comprising Mr. Lam Kai Tai (who is acting as the chairman of the audit committee), Mr. Wong Ting Kon and Ms. Yeung Mo Sheung, Ann, the three independent non-executive Directors. The audit committee met three times during the Period.

The Group's unaudited third quarterly 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 shares**

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

## HAO WEN HOLDINGS LIMITED

### **Code of conduct regarding directors' securities transactions**

For the Period 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 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:

- 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 report, 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.
- A.4.1 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**  
**Zhao Borui**  
*Vice Chairman*

Hong Kong, 4 November 2011

*As at the date of this report, Mr. Zhao Borui, Mr. Hu Yangxiong, Mr. Lee Cheuk Yue, Ryan, Mr. Chow Yik and Mr. Leung King Fai are the executive directors of the Company and Mr. Lam Kai Tai, Mr. Wong Ting Kon and Ms. Yeung Mo Sheung, Ann are the independent non-executive directors of the Company.*