



HAO WEN HOLDINGS LIMITED
皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019

Third
Quarterly
Report
2013

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.

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This report, for which the directors of the issuer 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 for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- Turnover for the nine months ended 30 September 2013 amounted to approximately RMB50,067,000, representing a decrease of approximately 28% as compared to the corresponding period in 2012.
- Loss attributable to owners of the Company for the nine months ended 30 September 2013 was approximately RMB27,320,000.
- Loss per share for the nine months ended 30 September 2013 was approximately RMB13.94 cents.
- The Directors do not recommend the payment of any dividends for the nine months ended 30 September 2013.

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 2013, 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	
		2013 RMB'000	2012 RMB'000 (restated)	2013 RMB'000	2012 RMB'000 (restated)
Turnover	3	50,067	69,582	7,596	17,116
Cost of sales		(47,508)	(61,828)	(7,162)	(15,844)
Gross profit		2,559	7,754	434	1,272
Other gains and losses	5	4,695	1,294	121	536
General and administrative expenses		(29,002)	(19,763)	(5,466)	(6,441)
Loss from operations		(21,748)	(10,715)	(4,911)	(4,633)
Share of results of associates		-	(8)	-	-
Finance costs	6(a)	(5,566)	(6,850)	(534)	(1,035)
Loss before taxation	6	(27,314)	(17,573)	(5,445)	(5,668)
Income tax expenses	7	-	-	-	-
Loss for the period from continuing operation		(27,314)	(17,573)	(5,445)	(5,668)
Discontinued operation					
Loss for the period from discontinued operation		(6)	(25,374)	-	(11,755)
Loss for the period		(27,320)	(42,947)	(5,445)	(17,423)
Other comprehensive income, net of tax					
Exchange differences on translation into presentation currency		1,067	463	18	(1)
Total comprehensive loss for the period		(26,253)	(42,484)	(5,427)	(17,424)
Loss for the period attributable to owners of the Company		(27,320)	(42,947)	(5,445)	(17,423)
Total comprehensive loss attributable to owners of the Company		(26,253)	(42,484)	(5,427)	(17,424)
Loss per share					
For continuing and discontinued operations – Basic and diluted	8	RMB13.94 cents	RMB23.44 cents	RMB2.69 cents	RMB9.51 cents
For continuing operations – Basic and diluted	8	RMB13.94 cents	RMB9.59 cents	RMB2.69 cents	RMB3.10 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 2013 comprise the unaudited financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in trading of biodegradable food containers and disposal industrial packaging for consumer products.

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 2012, except for the adoption of new interpretations and amendments to IFRSs and the accounting policies adopted for new transactions, noted below.

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

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interest in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint arrangements Disclosure of Interests in Other Entities: Transition Guidance
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011
IFRIC Int 20	Stripping Costs in the Production Phase of Surface Mine

2. BASIS OF PREPARATION *(continued)*

(a) Statement of compliance *(continued)*

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 9	Financial instruments ²
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
Amendment to IFRS 10, IFRS 12 and IAS 27	Investment Entities ¹
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 January 2015.

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designed as at fair value through profit or loss, IFRS 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk not subsequently reclassified to profit or loss. Previously, under IFRS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

2. BASIS OF PREPARATION *(continued)*

(a) Statement of compliance *(continued)*

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

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 given careful consideration to the future liquidity of the Group notwithstanding that:

- the Group had consolidated loss attributable to owners of the Company of approximately RMB27,320,000 for the period ended 30 September 2013;
- the Group had consolidated net current liabilities of approximately RMB69,930,000 as at 30 June 2013;
- the Group had consolidated net liabilities of approximately RMB9,146,000 as at 30 June 2013.

The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(1) *Financial supports*

Beckon Investments Limited, one of the major shareholders of the Company has confirmed to provide continuing financial support to the Group to enable it to continue as a going concern and to settle liabilities as and when they fall due.

(2) *Attainment of profitable and positive cash flow operations*

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations. In the opinion of the directors, in light of the various measures/arrangements implemented after the end of reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the 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 write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

2. BASIS OF PREPARATION *(continued)*

(b) Going concern *(continued)*

(3) Open offer

The Company raised approximately HK\$162 million (before expenses) by way of an open offer of 1,621,334,832 shares at a subscription price of HK\$0.10 per share on the basis of eight shares for every one share. The open offer was completed on 30 October 2013. The proceeds from the open offer has been applied to settle the convertibles notes, promissory notes and accrued interest, the remaining will serve as working capital.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for 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 any goods returns and trade discounts.

	2013 RMB'000	2012 RMB'000 (restated)
Continuing operations:		
Sale of biodegradable raw materials and products	50,067	69,582
	50,067	69,582
Discontinued operations:		
Sale of pharmaceutical products	–	46,480
Distribution of skin care products	–	84
	50,067	116,146

4. SEGMENT REPORTING

Segment revenues and results

	(Unaudited)							
	Continuing Operations				Discontinued operation			
	Biodegradable raw materials and products		Skin care products		Pharmaceutical products		Consolidated	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Turnover								
External sales	50,067	69,582	-	84	-	46,480	50,067	116,146
Result								
Segment result	(19,362)	(4,866)	(6)	(442)	-	(18,642)	(19,368)	(23,950)
Unallocated corporate expenses							(2,386)	(5,067)
Loss from operations							(21,754)	(29,017)
Share of results of associates							-	(8)
Finance costs							(5,566)	(13,922)
Loss before taxation							(27,320)	(42,947)
Income tax expenses							-	-
Loss for the period							(27,320)	(42,947)

4. SEGMENT REPORTING *(continued)*

Segment revenues and results *(continued)*

	(Unaudited)							
	Continuing Operations				Discontinued operation			
	Biodegradable raw materials and products		Skin care products		Pharmaceutical products		Consolidated	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Turnover								
External sales	7,596	17,116	-	-	-	6,917	7,596	24,033
Result								
Segment result	(3,675)	(2,923)	-	(173)	-	(8,609)	(3,675)	(11,705)
Unallocated corporate income/(expenses)							(1,236)	(1,337)
Loss from operations							(4,911)	(13,042)
Share of results of associates							-	-
Finance costs							(534)	(4,381)
Loss before taxation							(5,445)	(17,423)
Income tax expenses							-	-
Loss for the period							(5,445)	(17,423)

5. OTHER GAINS AND LOSSES

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2013 RMB'000	2012 RMB'000 (restated)	2013 RMB'000	2012 RMB'000 (restated)
Continuing operations:				
Distribution income	–	2,467	–	600
Fair value loss on financial assets at fair value through profit or loss	–	(714)	–	(200)
Loss on disposal of financial assets at fair value through profit or loss	–	(950)	–	–
Sample income	–	5	–	2
Sundry income	375	494	121	142
Gain on disposal of a subsidiary	23	–	–	–
Loss on disposal of an associate	–	(8)	–	(8)
Gain on extension of promissory notes	1,484	–	–	–
Fair value gain on convertible notes	2,813	–	–	–
	4,695	1,294	121	536
Discontinued operation:				
Sample income	–	266	–	–
Sundry income	–	7	–	(95)
	4,695	1,567	121	441

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2013 RMB'000	2012 RMB'000 (restated)	2013 RMB'000	2012 RMB'000 (restated)
(a) Net finance costs/(income)				
Continuing operations:				
Interest on bank and other borrowings wholly repayable within five year	462	–	232	–
Interest on convertible notes	3,688	5,350	–	731
Interest on promissory notes	1,416	1,500	302	304
	5,566	6,850	534	1,035
Discontinued operation:				
Interest on bank and other borrowings wholly repayable within five years	–	7,072	–	3,346
Net financial costs recognised in consolidated statement of comprehensive income	5,566	13,922	534	4,381
(b) Staff costs				
Continuing operations:				
Contributions to defined contribution retirement plans	43	43	13	16
Salaries, wages and other benefits	1,343	1,247	433	304
	1,386	1,290	446	320
Discontinued operation:				
Salaries, wages and other benefits	–	13,481	–	5,808
Total staff costs	1,386	14,771	446	6,128
(c) Other items				
Continuing operations:				
Amortisation of intangible assets	12,315	12,528	4,105	4,350
Depreciation of property, plan and equipment	365	593	121	521
Auditors' remuneration	1,206	1,263	410	447
Impairment of intangible assets	9,585	–	–	–
Cost of inventories sold	47,508	61,828	7,162	15,844
Amortisation of intangible assets	–	521	–	174
Depreciation	–	955	–	321
Advertising and promotion expenses	–	15,492	–	2,922
Cost of inventories sold	–	15,649	–	3,548

7. INCOME TAX

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2013 RMB'000	2012 RMB'000 (restated)	2013 RMB'000	2012 RMB'000 (restated)
Continuing operations:				
Current tax				
PRC enterprise income tax for the period	-	-	-	-
Discontinued operation:				
Current tax				
PRC enterprise income tax	-	-	-	-
	-	-	-	-

(i) Hong Kong profits tax

Hong Kong income tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period ended 30 September 2013.

(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 of 25% for the Period (2012: 25%).

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	
	2013 RMB'000	2012 RMB'000 (restated)	2013 RMB'000	2012 RMB'000 (restated)
Loss for the period				
– For continuing and discontinued operations	(27,320)	(42,947)	(5,445)	(17,423)
– For continuing operations	(27,314)	(17,573)	(5,445)	(5,688)
Weighted average number of ordinary shares	195,967,111	183,209,091	202,666,854	183,209,091

(b) Diluted loss per share

Diluted loss per share for the nine months ended 30 September 2013 and 2012 were the same with basic loss per share because the effects of the Company's share options were anti-dilutive.

9. RESERVES

	For the three months ended 30 September						2012
	2013						
	Share premium	Share option reserve	Capital reduction reserve	Foreign currency translation reserve	Accumulated losses	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Total RMB'000	
As at 1 July	85,962	7,315	92,489	(9,228)	(204,370)	(27,832)	(39,843)
Total comprehensive loss for the period	-	-	-	18	(5,445)	(5,427)	(17,424)
As at 30 September	85,962	7,315	92,489	(9,210)	(209,815)	(33,259)	(57,267)

	For the nine months ended 30 September						2012
	2013						
	Share premium	Share option reserve	Capital reduction reserve	Foreign currency translation reserve	Accumulated losses	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Total RMB'000	
As at 1 January	72,080	20,103	92,489	(10,277)	(195,283)	(20,888)	(14,783)
Conversion of convertible notes	13,882	-	-	-	-	13,882	-
Cancellation of share option	-	(12,788)	-	-	12,788	-	-
Total comprehensive loss for the period	-	-	-	1,067	(27,320)	(26,253)	(42,484)
As at 30 September	85,962	7,315	92,489	(9,210)	(209,815)	(33,259)	(57,267)

10. DIVIDEND

The Directors do not recommend the payment of any dividends for the nine months ended 30 September 2013 (2012: Nil).

11. EVENTS AFTER THE REPORTING PERIOD

Open Offer

The Company raised approximately HK\$162 million (before expenses) by way of an open offer of 1,621,334,832 shares at a subscription price of HK\$0.10 per share on the basis of eight shares for every one share held.

The open offer was completed on 30 October 2013.

Repayment of Convertible Notes and Promissory Notes

The convertible notes together with accrued interest and the promissory notes together with accrued interest of approximately HK\$103 million and HK\$31 million respectively were settled from the proceeds from an open offer on 5 November 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 30 September 2013 (the "Period"), the Group recorded an unaudited consolidated turnover of approximately RMB50,067,000 (2012: RMB69,582,000), which represented an approximately 28% decrease as compared with that of the corresponding period in 2012. The decrease in turnover was due to significant increase production costs and subcontracting charges. Such increases have weakened the competitiveness of our products.

The general and administrative expenses for the Period increased by approximately RMB9,239,000 or 47% as compared with the corresponding period in 2012. This was due to the increase in the impairment of intangible assets.

Net financial costs for the Period decreased by approximately RMB1,284,000 or 5% as compared with the corresponding period in 2012. This was due to the decrease in interest expense on the convertible notes as part of the convertible notes was converted during the period.

OPERATION REVIEW

The biodegradable containers and disposable industrial packaging products are traded under the brandname "Earth Buddy". The materials used to produce such products are mainly agricultural waste, such as sugar cane dregs (a side-product of sugar refinery), straw, wheat stalk, reed and bamboo. Our biodegradable products are 100% biodegradable to avoid environmental and aesthetic pollution, in this sense, our biodegradable products are truly environmental friendly as they are produced by recycling waste materials into useful products, unlike some of our competitors, who make their disposable containers of papers, which results in major global deforestation, or edible materials, such as corn starch.

FUTURE PROSPECTS

The Directors intend to focus on the biodegradable products business by penetrating and developing the European market that has a population which, on average, has a higher level of awareness of environmental issues. The Group has intention to develop the worldwide market for its biodegradable products in spite of the growing competition in similar products. The Group is actively seeking strategic partners in different geographical regions to expand its business through business cooperation in various forms including technology transfer and business joint ventures. The goal of the Group is to build a sustainable and profitable global business while help protect and enhance the global environment. At present, the Group's biodegradable products are manufactured by a subcontracting factory. In the event that the Group has adequate financial resources, the Group has intention to acquire or set up its own factory for the manufacturing of the biodegradable products.

MAJOR EVENTS DURING THE PERIOD

Share Consolidation

The Company implemented a share consolidation on the basis that every ten issued and unissued existing shares with a par value of HK\$0.01 each will be consolidated into one consolidated share with a par value of HK\$0.1 each.

The Board also changed the board lot size for trading of the existing shares and/or the consolidated shares from 5,000 existing shares to 20,000 consolidated shares subject to and after the share consolidation becoming effective.

The share consolidation and change of the board lot size were effective on 18 September 2013.

MAJOR EVENTS AFTER THE REPORTING PERIOD

Open offer

The Company raised approximately HK\$162 million (before expenses) by way of an open offer of 1,621,334,832 shares at a subscription price of HK\$0.10 per consolidated share on the basis of eight shares for every one share held.

The open offer was completed on 30 October 2013.

Repayment of Convertible Notes and Promissory Notes

On 5 November 2013, the Board has applied the net proceeds from an open offer for the settlement of the outstanding convertible notes together with accrued interests of approximately HK\$103 million and promissory notes together with accrued interests of approximately HK\$31 million.

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 2013, save for the interest of the Directors in share options as below, neither of the Directors nor the Chief Executive of the Company had interests and or short positions in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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 2013, the Directors, consultants, advisors and other service providers of the Company had the following interests in options to subscribe for shares of the Company granted for nil consideration under the share option scheme of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.01 of the Company.

Details of grantees	No. of options outstanding at the beginning of the Period	No. of options forfeited during the Period	Share Consolidation	No. of options outstanding at the end of the Period	Date granted	Period during which options are exercisable	Exercise price per share
Hu Yangxiong (Former Director) (Note)	86,760,000	(86,760,000)	-	-	22 January 2010	2 December 2009 to 26 September 2013	HK\$2.11
Leung King Fai (Director)	4,000,000	-	(3,600,000)	400,000	11 November 2009	11 November 2009 to 26 September 2013	HK\$2.11
Consultants, Advisers, Service Providers and Others	61,000,000	(16,000,000)	(40,500,000)	4,500,000	11 November 2009	11 November 2009 to 26 September 2013	HK\$2.11
Total	151,760,000	(102,760,000)	(44,100,000)	4,900,000			

Note:

Mr. Hu Yangxiong resigned as a Director on 31 May 2013.

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

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name	Capacity/ Nature of interest	No. of shares (Note 1)	Approximate percentage of interest
Mr. Yip Chi Fai, Stevens (Note 2)	Interest of a controlled corporation	18,404,000 (L)	9.08%
Beckon Investments Limited	Beneficial owner	18,404,000 (L)	9.08%
Unity Investments Holdings Limited (Note 3)	Interest of a controlled corporation	13,500,000 (L)	6.66%
Great Panorama International Limited	Beneficial owner	13,500,000 (L)	6.66%

Notes:

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.
3. Unity Investments Holdings Limited is deemed or taken to be interested in these shares which are beneficially owned by its indirect wholly-owned company, namely Great Panorama International Limited for the purpose of the SFO.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 30 September 2013.

DIRECTOR'S AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 30 September 2013, save for the share option scheme, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the Period.

AUDIT COMMITTEE

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee include the review and supervision of the financial reporting process and the internal monitoring system of the Group. As at the date of this report, the audit committee has three members comprising Mr. Lam Kai Tai, Mr. Wong Ting Kon and Ms. Yeung Mo Sheung, Ann, the three Independent Non-executive Directors. The audit committee meets at least quarterly. The Group's unaudited financial results for the Period have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

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.

By Order of the Board
Hao Wen Holdings Limited
Chow Yik
Chairman

Hong Kong, 14 November 2013

As at the date hereof, the executive Directors are Mr. Chow Yik, Mr. Lee Cheuk Yue, Ryan and Mr. Leung King Fai; the independent non-executive Directors are Mr. Lam Kai Tai, Ms. Yeung Mo Sheung, Ann and Mr. Wong Ting Kon.