HAO WEN HOLDINGS LIMITED
皓文控股有限公司
Annual Report 2009

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019

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This annual report, 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 GEM of the Stock Exchange (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: (i) the information contained in this annual report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this annual report misleading; and (iii) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

DIRECTORS

Executive Directors
Chung Chi Mang *(Chairman)*
Zhao Borui *(Vice Chairman)*
Hu Yangxiong

Independent Non-Executive Directors
Fu Wing Kwok, Ewing
Lam Chung Fai
Leung Siu Kuen

CHIEF EXECUTIVE OFFICER

Oliver Tong Ching Yue

COMPANY SECRETARY

Leung King Fai, CPA, CPA (Aust.)

ASSISTANT COMPANY SECRETARY

Codan Trust Company (Cayman) Limited

REGISTERED OFFICE

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Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 701, Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong

AUDITORS

CCIF CPA Limited
34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

COMPLIANCE OFFICER

Oliver Tong Ching Yue

AUTHORISED REPRESENTATIVES

Hu Yangxiong
Leung King Fai

SOLICITOR

Conyers Dill & Pearman, Cayman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

in Hong Kong
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank

in Mainland China
China Construction Bank
Bank of China

GEM STOCK CODE

8019

For and on behalf of the board of Directors (the "Board") of Hao Wen Holdings Limited, formerly known as Everpride Biopharmaceutical Company Limited (the "Company") together with its subsidiaries (collectively the "Group"), I am pleased to present to all shareholders the annual report of the Group for the year ended 31 December 2009.

Turnover for the year was approximately RMB83,468,000, which represented an increase of approximately 5% as compared with that of 2008. The Group recorded a loss for the year of approximately RMB32,057,000 due mainly to an increase in finance expenses of RMB10,576,000.

In order to improve the operation results, the Group will continue to engage in research work so as to develop new products and to improve the quality of existing products, such as the Staphylokinese Project and "Plasmin Tablet", both are expected to be introduced into the market by the end of May 2010. With the increase in the variety of products, the advertising and promotion activities will be more cost effective and the market share of the Group's products will be improved. In addition, the Group will continue to look for other new investment and cooperation opportunities so as to broaden the income base and to strengthen the profitability, as well as minimising the performance risk of the Group.

The Group is realigning its business. Consequently, the Company has changed its name to Hao Wen Holdings Limited to signify this strategic move. Following the new business direction, the Group entered into two agreements to acquire a health SPA business and the exclusive distribution rights and the corresponding distribution licences for Spanish cosmetics and skin care products for Great China Region. These two acquisitions signified significant changes in the Group's business strategy to diversify into a broader spectrum of scopes that can offer attractive returns to the shareholders.

On behalf of the Board, I would like to extend my appreciation to shareholders of the Company for their continued support and to our staff for their dedication and diligence. I also wish to take this opportunity to express my sincere gratitude to the Group's customers, suppliers, bankers, lawyers and auditors for their trust and support to the Group.

Chung Chi Mang
Chairman

Hong Kong, 20 April 2010

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 RMB83,468,000 (2008: RMB79,226,000), which represented an increase of approximately 5% as compared with that of 2008. The increase in turnover was mainly due to the increase in sales of "Puli Capsule", which represented approximately 93% of the consolidated turnover of the Group for the financial year 2009. The underlining factor for such increase was 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 policies. In additional, 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 RMB32,057,000 (2008: RMB19,051,000) mainly due to an increase in finance expenses of RMB10,576,000.

The selling and distribution expenses were reduced by 22% to RMB36,504,000 as compared to last year. It was mainly due to the decrease in advertising and promotion expenses.

The administrative expenses was increased by 5% to RMB38,439,000 as compared to last year. It was mainly due to the increase in staff costs.

Net finance expenses of approximately RMB10,911,000 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 RMB77,624,000 (2008: RMB73,696,000), representing approximately 93% of the consolidated turnover of the Group during the year. The Group recorded approximately RMB5,844,000 (2008: RMB5,530,000) from the sales of "Plasmin Capsule", representing approximately 7% of the consolidated turnover during the year.

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.

The Staphylokinese Project

Staphylokinese is a genetically-engineered medicine, which is the third generation thrombotic medicine. The clinical application sample and its other related materials were submitted to the State Drug Administration of the People's Republic of China ("SDA") in 2002 for clinical trial approval. Up to the date of this announcement, such approval has not yet been granted and the application is still in progress. As soon as the clinical trials are completed and approved, the Group will make application for Certificate of New Medicine in respect of Staphylokinese. The noticeably long application process has been attributable to the continuous detailed queries on additional information by the SDA.

Introduction of "Plasmin Tablet"

The Group is now developing an alternative to "Plasmin Capsule" of which is known as "Plasmin Tablet". The prescription and the principal effect of "Plasmin Tablet" are the same as those of "Plasmin Capsule" but with the advantages of avoiding breakage and from being humidified, thus with a higher product stability. The waiver for clinical research of "Plasmin Tablet" was obtained from the SDA on 14 January 2005 and the application for production is expected to be completed by the end of May 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the balance of cash and cash equivalents amounted to approximately RMB18,640,000 (2008: RMB1,631,000). During the year, the Group has carried out two funds raising exercises through of subscription warrants and subscription of new shares, net proceeds from these funds raising activities amount to approximately HK$21,676,000. 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 2009 are approximately RMB47,545,000 (2008: RMB12,500,000) comprising of secured and unsecured other borrowings. The other borrowings are denominated in Renmibi and the interest rates of which were fixed.

The group's gearing ratio as at 31 December 2009 is 94% (2008: 94%), which is calculated by dividing total liabilities of RMB132,269,000 over total assets of the Group of RMB141,172,000.

As at 31 December 2009, the net current liabilities of the Group is RMB98,662,000 (2008: RMB65,850,000) and the current ratio of the Group was approximately 0.25 times (2008: 0.21 times).

CAPITAL RAISING

On 4 August 2009, the Company entered into a warrant subscription agreement with the subscriber in relation to the subscription of 144,000,000 warrants at the issue price of HK$0.003 per warrant, the immediate fund of approximately HK$432,000 is used as general working capital of the Company. The initial exercise price is HK$0.104 per warrant, for a total of 144,000,000 exercisable share, representing 20% of the issued shares capital of the Company as at 30 September 2009. Up to 31 December 2009, 44,000,000 warrants were exercised by the subscriber.

There are 144,000,000 new shares placed on 10 November 2009 at HK$0.159 per share. These new shares represent approximately 16.67% of the then existing issued share capital of the Company. The net proceeds is approximately HK$21,445,000 and the raising fund is for general corporate and working capital requirements of the Group and as funds for future development of the Company when investment opportunities arise.

CHARGES ON GROUP ASSETS

At 31 December 2009, leasehold properties and exclusive rights to produce and sell the products of "Puli Capsale" of approximately RMB94,925,000 have been pledged to independent third party to secure a loan granted to the Group (2008: RMB4,884,000).

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

The Group had no material acquisitions or disposals during the year under review.

MAJOR EVENTS SUBSEQUENT TO THE YEAR

Acquisition of subsidiaries

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

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

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 not been completed as of the report date. Details of which are set out in the Company's announcement dated 16 March 2010.

Sources of funding

In March 2010, the Company successfully raised aggregate net funds approximately of HK$8,000,000 by allotted and issued the new shares to subscribers. The subscribers are third parties independent of the Group. The transaction has further strengthened the Company's financial position to fund its further expansion, general corporate and working capital requirements of the Group.

Capital structure

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

(a) the nominal value of all the issued Existing Shares will be reduced from HK$0.10 each to HK$0.01 each by cancelling HK$0.09 paid up on each issued Existing Share by way of a reduction of capital;

(b) the credit arising from such reduction of capital will be transferred to the capital reduction reserve account of the Company;

(c) the unissued share capital of the Company together with all the credit arising from the Capital Reduction shall be and is hereby cancelled and diminished (the "Capital Cancellation and Diminution"); and

(d) after the Capital Cancellation and Diminution, the authorized share capital of the Company be hereby increased to HK$200,000,000 by creation of additional New Shares of HK$0.01 each (the "Capital Increase").

Further details of Capital Reorganisation are set out in the Company's circular dated 24 December 2009.

The 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 (2008: 110 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 RMB15,061,000 for the year under review (2008: RMB12,142,000).

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no contingent liabilities (2008: Nil).

BUSINESS OUTLOOK AND PROSPECTS

The 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 on both new products development and quality enhancements on existing products. The 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. The newly acquired health SPA and exclusive skin-care products rights, operating licenses and distribution rights will consolidate and continue with their organic growth. Together they will generate revenues and returns to the Group and its shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chung Chi Mang, aged 48, is the founder of the Group and the Chairman of the board of director. Mr. Chung is responsible for formulating the overall business development and corporate strategies. In early 1990's, Mr. Chung became involved in the marketing and distribution of medical and healthcare products. In May 1995, Mr. Chung established and became the chairman and general manager of Shanxi Everpride Pharmaceutical Co., Ltd. ("Shanxi Everpride") which has since been fully devoted to the development of "Plasmin Capsule". Mr. Chung has been engaged in the business development and corporate management for over 10 years, during which he gained wide experience in product development and marketing in the pharmaceutical industry. Mr. Chung is currently a deputy chairman of the Old Aged Dietary Association of China and a director of the Old Aged Foundation of China.

Mr. Zhao Borui, aged 40, is an Executive Director of the Company and the Vice Chairman of the board of director. Mr. Zhao was educated at the Department of Chinese of Baoji Teacher's College, holding a bachelor's degree. Mr. Zhao has 18 years' experience in business, investment and finance, and has worked for the municipal finance office, investment management companies, business development companies and transportation companies. Mr. Zhao established Annuo Insurance Broker Company Limited (安諾保險經紀有限公司) in September 2004, and has been its chairman since then.

Mr. Hu Yangxiong, aged 49, is an Executive Director of the Company and joined the Group in 20 July 2009. Mr. Hu graduated from Zhengzhou Airline Industry Management Institute, Beijing Airline, Spaceflight University and Graduate School of the Chinese Academy of Social Sciences with major in Financial Management, Engineering Management and Economic Laws respectively. He is also qualified as CPA of China and Advanced Accountant. Mr. Hu is currently a director of New Taohuayuen Culture Tourism Co. Ltd., the shares of which are listed on the OTC Bulletin Board in the United States. He is also an executive director, vice-chairman and chief executive officer of China Golden Development Holdings Limited which shares are listed in the The Stock Exchange of Hong Kong Limited.

Independent Non-executive Directors

Mr. Fu Wing Kwok, Ewing, aged 40, was appointed as an Independent Non-executive Director of the Company on 30 November 2009. Mr. Fu is the Chief Financial Officer and the Company Secretary of Sino Union Union Energy Investment Group Limited, which is listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Fu is also responsible for the planning and supervising the implementation of the management information system of Sino Union. He holds a bachelor degree in science with major in accounting of Bemidji State University, USA and is a member of both American Institute of Certified Public Accountants and Hong Kong Institute of Certified Public Accountants. He has over 12 years of experience in auditing and accounting field. Mr. Fu is also an an independent non-executive director of China Golden Development Holdings Limited and was formerly an independent non-executive director of Grandtop International Holdings Limited which is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Mr. Lam Chung Fai, aged 45, was appointed as an Independent Non-executive Director of the Company on 7 December 2009. Mr. Lam graduated from Guangzhou Institute of Foreign Languages in 1984 with a bachelor degree of arts in French language and literature and obtained a master degree of economics from Wuhan University in 1996. Mr. Lam has over 20 years'experience in corporate banking, corporate finance and investment business. Mr. Lam is currently a general manager of ECIL Business Advisory Limited, a private company incorporated in Hong Kong and he has been an executive director of China Golden Development Holdings Limited during the period from May 2006 to April 2007 which is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Mr. Leung Siu Kuen, aged 48, Mr. Leung graduated from the Hong Kong Polytehnic (currently known as The Hong Kong Polytechnic University) and holds a master of business administration degree and a bachelor of science (economics) degree. He is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Chartered Institute of Management Accountants (U.K.). Mr. Leung has over 20 years' experience in accounting and finance. Mr. Leung was formerly an executive director of China Golden Development Holdings Limited during the period from April 2007 to December 2008 which is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Senior Management

Mr. Shan Bingwei, aged 55, is a deputy general manager of Shanxi Everpride. He was previously the deputy head of the technical intelligence section of Taiyuan Iron and Steel Factory. In November 1995, Mr. Shan became a deputy general manager of Shanxi Everpride.

Ms. Wang Shulan, aged 70, is a deputy general manager and the chief engineer of Shanxi Everpride. She graduated from the pharmacy department of Shenyang School of Pharmacy, majoring in antibiotics. Ms. Wang joined Taiyuan Pharmaceutical Factory and later became the chief engineer. In October 1995, Ms. Wang joined Shanxi Everpride as the chief engineer in charge of the research, manufacture, development and production technology of "Plasmin Capsule". Ms. Wang is experienced in the research and development and production technology of Chinese and chemical medicines. Ms. Wang was an editor of the Chinese Pharmaceutical Journal, a director of the Shanxi Institute of Pharmacy and a director of the Taiyuan Institute of Pharmacy.

Ms. Lou Xiaofen, aged 46, is the Department Head of Department of Medicine and Science in the Beijing Representative Office of Everpride Pharmaceutical Company (Hong Kong) Ltd. She is responsible for product research and development. Ms. Lou graduated from the Medical School of Zhejiang University. Prior to joining the Group in July 2002, Ms. Lou was the Head of in vitro research group, Department of Pharmacology and Biology, Beijing Representative Office of Pharmagenesis Pharmaceutical Company of the United States.

Dr. Jia Yanjun, aged 40, is the Department head of Medicine and Science in Shanxi Everpride. He is responsible for product research and development. Dr. Jia is a holder of Degree of Doctor of sciences from Chinese Academy of Military Medical Sciences. He has long been engaged in the research on enzymes and human gene transferring. Prior to joining the Group in February 2004, Dr. Jia was an assistant researcher in Chinese Academy of Military Medical Sciences.

Dr. Lee Wei, aged 55, was appointed as the corporate consultant of the Group and assists in the formulation of the overall investment strategies. He holds a Doctor of Political Science (with a minor in Business Administration) from Massachusetts Institute of Technology. Prior to joining the Group in December 2008, Dr. Lee was the Assistant President of Asian Strategic Investments Corporation, the Strategy Director of TNT China, the Chief Executive Officer of Legend Media and a Senior Associate with McKinsey Management Consulting. Dr. Lee is currently the Managing Director (China Operation) of Transworld Capital Group. He has extensive experience and knowledge in direct investment, mergers and acquisitions.

Mr. Oliver Tong Ching Yue, aged 49, is the Chief Executive Officer of the Group and is responsible for formulating the overall business development and corporate strategies. Mr. Tong graduated in Civil Engineering from University of Ulster in 1984 and continued his post-graduate studies in Construction Management and Industrial Management in the years that followed. Mr. Tong has 20 years of wide range experience on commodities, finance and securities in China and Middle East. Prior to join the Group in April 2010, Mr. Tong was the Vice President of KAB Kuwait Group in Kuwait working closely with private and public investment institutes in the region to invest into China from 2004 to 2010. He was a partner of Titus Financial Services in Ireland from 1999 to 2004. He was the Deputy General Manager of Shanghai Ligao Investment from 1993 to 1998.

Mr. Leung King Fai, aged 38, is the company secretary and financial controller of the Group. Mr. Leung is responsible for the financial and accounting functions of the Group. He graduated from Deakin University with a Bachelor's degree in Commerce. Mr. Leung is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He joined the Group in November 2005. Mr. Leung has worked for an international audit firm and listed company in Hong Kong. He has extensive experience in accounting and financial management.

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2009.

Good corporate governance has always been recognized as vital to the Group's success and to sustain development of the Group. We commit ourselves to a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the Principles set out in the Code on Corporate Governance Practices ("CG Code") and complied with the Code Provisions.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code. The key corporate governance principles and practices of the Company are summarised as follows:

A. THE BOARD

(1) Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has the full support of the senior management to discharge its responsibilities.

(2) Composition

The composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business of the Company and for the exercise of independent judgment.

The Board comprises the following directors:

Executive Directors:

Mr. Chung Chi Mang, Chairman of Board	
Mr. Zhao Borui, Vice-Chairman	appointed on 21 October 2009
Mr. Hu Yangxiong	appointed on 20 July 2009
Mr. Zhang Jianshe	appointed on 21 October 2009 and resigned on 20 April 2010
Mr. Zhong Zhi Gang	resigned on 20 July 2009
Mr. Xie Xiaodong	resigned on 20 July 2009
Ms. Sun Qiong	appointed on 20 July 2009 and resigned on 21 October 2009
Mr. Mu Yong	retired on 11 May 2009

Independent Non-executive Directors:

Mr. Fu Wing Kwok, Ewing	appointed on 30 November 2009
Mr. Lam Chung Fai	appointed on 7 December 2009
Mr. Leung Siu Kuen	appointed on 30 November 2009
Mr. Sun Xufeng	appointed on 28 September 2009 and resigned on 5 February 2010
Mr. Chan Wai Kwong, Peter	appointed on 19 August 2009 and resigned on 7 December 2009
Mr. Wu Wang Li	appointed on 15 May 2009 and resigned on 24 July 2009
Mr. Yang Gao Yu	appointed on 24 July 2009 and resigned on 30 November 2009
Mr. Zhuo Ze Fan	appointed on 24 July 2009 and resigned on 28 September 2009
Mr. Chau On Ta Yuen	resigned on 20 August 2009
Mr. Ho Leong Leong, Lawrence	resigned on 19 August 2009
Mr. Ng Kay Kwok	resigned on 15 May 2009

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the GEM Rules from time to time.

The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the GEM Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Rules.

The Non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive directors make various contributions to the effective direction of the Company.

(3) Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors.

The term of office of each of the Non-executive Directors of the Company is up to the date of holding the Company's 2009 annual general meeting.

Nomination committee had been established in 2009, which is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of Independent Non-executive Directors.

The committee reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

In accordance with the Company's articles of association, Mr. Hu Yangxiong, Mr. Zhao Borui, Mr. Fu Wing Kwok, Ewing, Mr. Lam Chung Fai and Mr. Leung Siu Kuen shall retire by rotation and, being eligible, offer themselves for re-election at the Company's forthcoming annual general meeting. The committee recommended the re-appointment of the above directors standing for re-election at the forthcoming annual general meeting of the Company.

The Company's circular to be despatched to its shareholders contains detailed information of the directors standing for re-election.

(4) Training for Directors

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the GEM Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

(5) Board and Committee Meetings

Number of Meetings and Directors' Attendance

Regular board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 December 2009, 18 Board meetings, 4 Audit Committee meetings and 1 Nomination Committee and Remuneration Committee meeting were held. The individual attendance record of each director at the meetings of the Board and Audit Committee during the year ended 31 December 2009 is set out below:–

	Attendance/Number of Meetings	
Name of Directors	**Board**	**Audit Committee**
Mr. Chung Chi Mang	16/18	0/4
Mr. Hu Yangxiong	16/18	0/4
Mr. Zhang Jianshe	10/18	0/4
Mr. Zhao Borui	10/18	0/4
Mr. Fu Wing Kwok, Ewing	1/18	1/4
Mr. Lam Chung Fai	1/18	1/4
Mr. Leung Siu Kuen	4/18	1/4
Mr. Sun Xufeng	6/18	0/4
Mr. Zhong Zhi Gang	1/18	0/4
Mr. Xie Xiaodong	1/18	0/4
Mr. Mu Yong	0/18	0/4
Mr. Chan Wai Kwong, Peter	6/18	1/4
Ms. Sun Qiong	3/18	0/4
Mr. Wu Wang Li	0/18	0/4
Mr. Yang Gao Yu	6/18	2/4
Mr. Zhuo Ze Fan	0/18	0/4
Mr. Chau On Ta Yuen	2/18	3/4
Mr. Ho Leong Leong, Lawrence	2/18	3/4
Mr. Ng Kay Kwok	1/18	2/4

Practices and Conduct of Meetings

Annual meeting schedules and draft agendas of the Board and committees' meetings are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors/committees' members at least 3 days before each Board meeting or committees' meeting to keep the directors/committees' members apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Compliance Officer, Qualified Accountant and Company Secretary attend all regular Board meetings and when necessary, other Board and committees' meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committees' meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association also contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman and Chief Executive Officer is held by Mr. Chung Chi Mang and Mr. Oliver Tong Ching Yue ("Mr. Tong") respectively. Mr. Zhao Borui ("Mr. Zhao") was appointed as Chief Executive Officer with effect from 17 November 2009. Mr. Zhao tendered his resignation as Chief Executive Officer with effect from 20 April 2010 and Mr. Tong was appointed as Chief Executive Officer with effect from April 2010. They play different and distinctive roles, their responsibilities are clearly defined and as set out in the Guidance notes of the separation of roles of the Chairman and Chief Executive Officer under the CG Code of the Company adopted on 17 November 2009.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at board meeting.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the company practices and procedures, business objectives and risk assessment for the Board's approval.

C. BOARD COMMITTEES

(1) Remuneration Committee

Code Provision B.1.1 stipulates that an issuer should establish a Remuneration Committee with specific written terms of reference and a majority of the members of the Remuneration Committee should be Independent Non-executive Directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee comprises all the Independent Non-executive Directors and one Executive Director. The Remuneration Committee members are Mr. Lam Chung Fai (Chairman of the Committee), Mr. Fu Wing Kwok, Ewing, Mr. Leung Siu Kuen and Mr. Hu Yangxiong. The Remuneration Committee met once in 2009 and was attended by all Committee members. The policies for the remuneration of Executive Directors and the Senior Management were reviewed by the Remuneration Committee, after consultation with the Board. Remuneration, including basic salaries, discretionary performance bonuses, of the Executive Directors and Senior Management is based on skill, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term motivation and incentive to and for retaining staff.

Remuneration, comprising directors' fees, of Non-executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

(2) Audit Committee

The Company has established its Audit Committee with defined written terms of reference. The terms of reference of the Audit Committee are available to shareholders upon request.

The Audit Committee is provided with sufficient resources to discharge their duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Audit Committee comprises one Executive Director and three Independent Non-executive Directors (including one Independent Non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:–

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor (if any) or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held 4 meetings during the year ended 31 December 2009 to review the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern in the foreseeable future.

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee.

(3) Nomination Committee

The Company had established a Nomination Committee on 17 November 2009 with written terms of reference. The Nomination Committee, chaired by an Independent Non-executive Director, comprises three members namely Mr. Fu Wing Kwok, Ewing (Chairman of the Committee), Mr. Leung Siu Kuen and Mr. Lam Chung Fai, all of whom are Independent Non-executive Directors. The Nomination Committee held one meeting during the year.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, identifying suitable candidates for directorship, assessing the independence of Independent Non-executive Directors, making recommendations to the Board regarding any proposed appointment or re-appointment, doing any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

D. REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct (the "Own Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Rules in respect of the dealings of the Company's securities by the Company's directors.

Specific enquiry has been made of all of the directors and they confirmed that they have complied with the Own Code and the Required Standard of Dealings throughout the year ended 31 December 2009.

The Company has also established written guidelines on no less exacting terms than the Required Standard of Dealings (the "Employees Written Guidelines") in respect of the dealings in the Company's securities by employees who, because of such office or employment, are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

E. RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, price-sensitive announcements and other disclosures required under the GEM Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2009.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Auditors' Report" on Pages 31 to 32.

The remuneration of the external auditors of the Company in respect of audit services of internal control of the Group for the year ended 31 December 2009 amounted to approximately RMB670,000. The Company's external auditors also provide tax services to the Company for the year ended 31 December 2009 but no fee was charged in this respect.

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. In 2009, the Board has appointed an independent audit firm to conduct a detailed review with the management of the effectiveness of the system of internal control of the Company and its subsidiaries and considered that the internal control system is effective.

F. SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's articles of association. Details of such rights to demand a poll are included in all circulars to shareholders and will be explained during the proceedings of meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained at the meeting.

Results on any voting conducted by poll will be posted on the website of the Stock Exchange by way of an announcement on the business day following the shareholders' meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as the chairmen of the Board committees or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are normally available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors.

Designated Executive Director(s) and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

The Directors are pleased to present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2009.

BASIS OF PRESENTATION

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. Its shares have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 July 2001.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), published by the International Accounting Standards Board, and are supplemented by the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The basis of preparation of the financial statements is set out in Note 2 to the accompanying consolidated financial statements.

PRINCIPAL PLACE OF BUSINESS AND ACTIVITIES

The Company is a company incorporated in Cayman Islands and domiciled in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report. The Company is an investment holding company. The principal activities of its subsidiaries are detailed in Note 16 to the financial statements.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders in the extraordinary general meeting held on 10 March 2010, the Company had changed its name from "Everpride Biopharmaceutical Company Limited" to "Hao Wen Holdings Limited" and the new Chinese name "皓文控股有限公司" for identification purposes only to replace "中遠威生物製藥有限公司" to reflect the change in the business focus of the Group. The Certificate of Incorporation on Change of Name issued by the Registrar of Companies of Cayman Islands has certified that the Company's name was changed and registered with effect from 10 March 2010.

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the year ended 31 December 2009 is set out in Note 5 to the accompanying consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the five largest customers accounted for approximately 90% of the Group's total turnover. The five largest suppliers accounted for approximately 66% of the Group's total purchases. In addition, the largest customer accounted for approximately 57% of the Group's total turnover while the largest supplier accounted for approximately 34% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

RESULTS AND DIVIDENDS

Details of the Group's results for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on Page 33 of this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial year is set out below:

Consolidated results

	Year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**83,468**	79,226	67,466	77,410	48,165
(Loss)/profit before taxation	**(29,303)**	(15,023)	7,352	17,179	(23,998)
Taxation	**(2,754)**	(4,028)	(3,130)	–	–
Net (loss)/profit from ordinary activities attributable to shareholders	**(32,057)**	(19,051)	4,222	17,179	(23,998)

Consolidated assets and liabilities

	As at 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book value:					
Non-current assets	**107,565**	71,647	78,669	73,429	53,859
Current assets	**33,607**	17,582	59,561	38,860	28,105
Current liabilities	**(132,269)**	(83,432)	(112,352)	(112,475)	(99,371)
Net current liabilities	**(98,662)**	(65,850)	(52,791)	(73,615)	(71,266)
Net assets/(liabilities)	**8,903**	5,797	25,878	(186)	(17,407)

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in the Company's issued share capital, together with the details of the Company's share option scheme are set out in the Notes 23 and 24 to the financial statements.

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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and the laws in the Cayman Islands in relation to the issue of new shares by the Company.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 23 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2009 and 2008, the Company has no reserves available for distribution to its shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in leasehold properties and other property, plant and equipment of the Group during the year are set out in Notes 13 and 14 to the accompanying consolidated financial statements, respectively.

LOANS AND BORROWINGS

Particulars of loans and borrowings of the Group as at 31 December 2009 are set out in Note 21 to the accompanying consolidated financial statements.

CONNECTED TRANSACTIONS

There were no significant connected party transactions entered into by the Group for the year ended 31 December 2009.

DIRECTORS

The Directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Mr. Chung Chi Mang	
Mr. Hu Yangxiong	appointed on 20 July 2009
Mr. Zhao Borui	appointed on 21 October 2009
Mr. Zhang Jianshe	appointed on 21 October 2009 and resigned on 20 April 2010
Mr. Zhong Zhi Gang	resigned on 20 July 2009
Mr. Xie Xiaodong	resigned on 20 July 2009
Ms. Sun Qiong	appointed on 20 July 2009 and resigned on 28 October 2009
Mr. Mu Yong	retired on 11 May 2009

Independent Non-executive Directors

Mr. Fu Wing Kwok, Ewing	appointed on 30 November 2009
Mr. Lam Chung Fai	appointed on 7 December 2009
Mr. Leung Siu Kuen	appointed on 30 November 2009
Mr. Sun Xufeng	appointed on 28 September 2009 and resigned on 5 February 2010
Mr. Chan Wai Kwong, Peter	appointed on 19 August 2009 and resigned on 7 December 2009
Mr. Wu Wang Li	appointed on 15 May 2009 and resigned on 24 July 2009
Mr. Yang Gao Yu	appointed on 24 July 2009 and resigned on 30 November 2009
Mr. Zhuo Ze Fan	appointed on 24 July 2009 and resigned on 28 September 2009
Mr. Chau On Ta Yuen	resigned on 20 August 2009
Mr. Ho Leong Leong, Lawrence	resigned on 19 August 2009
Mr. Ng Kay Kwok	resigned on 15 May 2009

In accordance with the Company's articles of association, Messrs. Hu Yangxiong, Zhao Borui, Fu Wing Kwok, Ewing, Lam Chung Fai and Leung Siu Kuen will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to GEM Listing Rule 5.09 and the Company considers the Independent Non-executive Directors remained independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out on Pages 10 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Chung Chi Mang has entered into a service contract for an initial term of three years commencing from 1 November 2000.

The Independent Non-executive Directors have not been appointed for any fixed term but shall be subject to retirement by rotation in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party-during or at the end of the year.

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 2009, 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. Hu Yangxiong ("Mr. Hu")	Interest of a controlled Corporation	193,975,000 (L) (Note 2)	21.20%

Notes:

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

2. These shares are beneficially owned by Montgomery Properties Holding Limited (formerly known as Montgomery Property Limited). By virtue of his 45% shareholding in Montgomery Properties Holding Limited, Mr. Hu is deemed or taken to be interested in the 193,975,000 shares owned by Montgomery Properties Holding Limited.

Save as disclosed above, as at 31 December 2009, 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 2009, 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. Hu (Note 2)	Interest of a controlled	193,975,000 (L)	21.20%
Montgomery Properties Holding Limited	Beneficial owner	193,975,000 (L)	21.20%

Notes:

1. The Letter "L" denotes a long position in Shares of the Company.

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

Save as disclosed above, as at 31 December 2009, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

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

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

The total number of securities available for issue under the share option scheme as at 31 December 2009 was 65,000,000 shares which represent 7.10% of the issued share capital of the company at 31 December 2009.

At 31 December 2009, 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 (market value per share at 31 December 2009 was HK$0.230) 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$0.10 of the company

Details of grantees	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of shares acquired on exercise of options during the year	No. of options forfeited during the year	No. of options outstanding at the year end	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*	Market value per share on exercise of options*
Zhang Jianshe *(Former Director)*	–	7,000,000	–	–	7,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211	HK$0.211	HK$0.230
Zhao Borui *(Director)*	–	7,000,000	–	–	7,000,000	11 November 2009	11 November 2009 to 10 November 20190	HK$0.211	HK$0.211	HK$0.23
Employees	–	6,000,000	–	–	6,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211	HK$0.211	HK$0.230
Consultants, Advisers, & Service Providers	–	52,000,000	(7,000,000)	–	45,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211	HK$0.211	HK$0.230

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

* being the weighted average closing price of the company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

Information on the accounting policy for share options granted and the weighted average value per option is provided in Notes 3 and 24 to the financial statements respectively.

Apart from the foregoing, at no time during the year was the company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

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

As at 31 December 2009, 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

Up to the date of this report, none of the Directors or the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) of the Company has an interest in any business which directly or indirectly competes with the business of the Group, or has any other conflict of interests with the Group.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in Note 30 to the consolidated financial statements.

AUDIT COMMITTEE

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and the internal monitoring system of the Group. The audit committee has four members comprising Mr. Leung Siu Kuen (who is acting as the chairman of the audit committee), Mr. Fu Wing Kwok, Ewing, Mr. Lam Chung Fai, the three Independent Non-executive Directors and Mr. Zhao Borui, the Executive Director. The audit committee met 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.

BOARD PRACTICES AND PROCEDURES

For the year under review, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning the board practices and procedures, which applied before the amendment relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting to appoint Messrs. CCIF CPA Limited as auditors.

On behalf of the Board
Chung Chi Mang
Chairman

Hong Kong, 20 April 2010

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

To the shareholders of
Hao Wen Holdings Limited (formerly known as Everpride Biopharmaceutical Company Limited)
(Incorporated in the Cayman Islands with limited liability)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Hao Wen Holdings Limited (formerly known as Everpride Biopharmaceutical Company Limited) (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Company and of the Group as at 31 December 2009, and of the Group's consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2(b) in the consolidated financial statements which indicates that the Group incurred a net loss of approximately RMB32,057,000 during the year ended 31 December 2009 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB98,662,000. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

CCIF CPA Limited
Certified Public Accountants

Hong Kong, 20 April 2010

Yau Hok Hung
Practising Certificate Number P04911

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Turnover	4	**83,468**	79,226
Cost of sales		**(24,133)**	(17,492)
Gross profit		**59,335**	61,734
Other operating (loss)/income	6	**(2,784)**	5,008
Selling and distribution expenses		**(36,504)**	(46,672)
General and administrative expenses		**(38,439)**	(36,502)
Loss from operations		**(18,392)**	(16,432)
Net finance (costs)/income	7(a)	**(10,911)**	1,409
Loss before taxation	7	**(29,303)**	(15,023)
Income tax	8(a)	**(2,754)**	(4,028)
Loss attributable to equity shareholders of the Company	11	**(32,057)**	(19,051)
Other comprehensive loss for the year			
Exchange differences on translation into presentation currency, net of nil tax		**(24)**	(1,030)
Total comprehensive loss for the year attributable to equity shareholders of the Company		**(32,081)**	(20,081)
Loss per share	12		
Basic and diluted		**RMB(4.35) cents**	RMB(2.65) cents

The notes on pages 37 to 92 form part of these consolidated financial statements.

STATEMENTS OF FINANCIAL POSITION

At 31 December 2009

(Expressed in Renminbi)

	Note	The Group 2009 RMB'000	The Group 2008 RMB'000	The Company 2009 RMB'000	The Company 2008 RMB'000
Non-current assets					
Fixed assets					
– Leasehold properties	13	**94,930**	42,111	**–**	–
– Plant and equipment	14	**12,635**	29,536	**125**	–
		107,565	71,647	**125**	–
Intangible assets	15	**–**	–	**–**	–
Investments in subsidiaries	16	**–**	–	**1**	4
		107,565	71,647	**126**	4
Current assets					
Inventories	17	**5,241**	7,470	**–**	–
Trade and other receivables	18	**9,726**	8,481	**2,689**	13,897
Cash and cash equivalents	19	**18,640**	1,631	**15,139**	9
		33,607	17,582	**17,828**	13,906
Current liabilities					
Trade and other payables	20	**(80,769)**	(69,477)	**(9,051)**	(8,159)
Loans and borrowings	21	**(47,545)**	(12,500)	**–**	–
Current taxation	22	**(3,955)**	(1,455)	**–**	–
		(132,269)	(83,432)	**(9,051)**	(8,159)
Net current (liabilities)/assets		**(98,662)**	(65,850)	**8,777**	5,747
Total assets less current liabilities		**8,903**	5,797	**8,903**	5,751
NET ASSETS		**8,903**	5,797	**8,903**	5,751
CAPITAL AND RESERVES					
Share capital	23(b)(i)	**92,623**	75,438	**92,623**	75,438
Reserves		**(83,720)**	(69,641)	**(83,720)**	(69,687)
TOTAL EQUITY		**8,903**	5,797	**8,903**	5,751

Approved and authorised for issue by the board of directors on 20 April 2010.

Chung Chi Mang **Zhao Borui**

The notes on pages 37 to 92 form part of these consolidated financial statements.

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Warrants 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 2008	75,438	10,058	7,195	–	–	9,025	366	(76,204)	25,878
Changes in equity for 2008:									
Loss for the year	–	–	–	–	–	–	–	(19,051)	(19,051)
Other comprehensive income for the year:									
Exchange differences on translation into presentation currency	–	–	–	–	–	–	(1,030)	–	(1,030)
Total comprehensive income for the year	–	–	–	–	–	–	(1,030)	(19,051)	(20,081)
Balance at 31 December 2008	75,438	10,058	7,195	–	–	9,025	(664)	(95,255)	5,797
Balance at 1 January 2009	75,438	10,058	7,195	–	–	9,025	(664)	(95,255)	5,797
Change in equity 2009:									
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
Share 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

The notes on pages 37 to 92 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

(Expressed in Renminbi)

	Note	2009 RMB'000	2009 RMB'000	2008 RMB'000	2008 RMB'000
Operating activities					
Cash generated from operations	19(b)		**1,968**		56,687
Tax paid:					
– PRC enterprise income tax paid			**(254)**		(17,549)
Net cash generated from operating activities			**1,714**		39,138
Investing activities					
Payment for the acquisition of fixed assets		**(41,586)**		(18,841)	
Refund of deposit for acquisition of a property		**–**		20,564	
Interest received		**4**		2	
Net cash (used in)/generated from investing activities			**(41,582)**		1,725
Financing activities					
Net repayment to a director		**(1,367)**		(878)	
Repayment of bank loans		**–**		(40,160)	
Proceeds from new other borrowings		**54,337**		14,000	
Repayment of other borrowings		**(19,292)**		(1,500)	
Net proceeds from issuance of warrants, net of warrant issuance expenses	23(b)(ii)	**204**		–	
Net proceeds from shares issued upon the exercise of warrants, net of shares issuance expenses	23(b)(ii)	**4,033**		–	
Net proceeds from shares issued pursuant to share subscription, net of share issuance expenses	23(b)(iii)	**18,899**		–	
Net proceeds from shares issued under share option scheme	23(b)(iv)	**1,302**		–	
Interest paid		**(1,239)**		(11,477)	
Net cash generated from/(used in) financing activities			**56,877**		(40,015)
Net increase in cash and cash equivalents			**17,009**		848
Cash and cash equivalents at 1 January	19(a)		**1,631**		787
Effect of foreign exchange rate changes			**–**		(4)
Cash and cash equivalents at 31 December	19(a)		**18,640**		1,631

1. CORPORATE 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 have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 July 2001.

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the manufacture and sales of medicines.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations promulgated by the International Accounting Standards Board (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 and the Company. Note 2(f) provides information on any changes in accounting policies resulting from initial application relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new and revised standard or interpretation that is not yet effective for the current accounting period (see note 3(t)).

(b) Going concern

The Group incurred a loss attributable to the equity shareholders of the Company of RMB32,057,000 for the year ended 31 December 2009. In addition, the Group had net current liabilities of RMB98,662,000 as at 31 December 2009. Nevertheless, the directors of the Company have adopted the going concern basis in the preparation of these consolidated financial statements based on the following:

2. BASIS OF PREPARATION *(Continued)*

(b) Going concern *(Continued)*

– The directors of the Company are in ongoing negotiations with the Group's lenders to reschedule the repayment of loans and borrowings due from the Group and to seek the ongoing support to the Group from these lenders and new lenders.

– The directors of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, a private placement, an open offer or a rights issue of new shares of the Company.

– The directors of the Company continue to take action to tighten cost controls over factory overheads and various general and administrative expenses, and are actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

In addition, the Group underwent the following activities for the period up to the date of issue of these financial statements so as to improve its cash flows:

– In August 2009, the Company raised approximately RMB204,000 after direct expenses by issuing 144,000,000 warrants at a price of HK$0.003 per warrant, which were used to provide working capital for the Group's operation, and in December 2009, the warrant-holder exercised 44,000,000 warrants at a price of HK$0.104 per ordinary share which raised approximately RMB4,033,000 to provide additional working capital to the Group.

– In November 2009, the Company raised approximately RMB18,899,000 after direct expenses by issuing 144,000,000 new ordinary shares of HK$0.10 each in the Company at a subscription price of HK$0.159 per ordinary share, which were used to provide funds for future development of the Group when investment opportunities arise and additional working capital.

– In November and December 2009, 7,000,000 share options were exercised at a price of HK$0.211 per ordinary share which raised approximately RMB1,302,000 to provide additional funding to the Group.

2. BASIS OF PREPARATION *(Continued)*

(b) Going concern *(Continued)*

– Subsequent to the end of the reporting period 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 shares 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 were 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.

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

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

(c) Basis of measurement

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

(d) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its operating 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.

2. BASIS OF PREPARATION *(Continued)*

(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.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are disclosed in note 29.

(f) Changes in accounting policies

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations 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:

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

The improvements to IFRSs (2008) and amendments to IFRS 2 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the Group's financial statements. The impact of the remainder of these developments is as follows:

(i) IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of the Group's segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management.

The Group operated in a single business segment, which was the manufacture and sale of medicines in Mainland China. Accordingly, no segmental analysis is presented.

2. BASIS OF PREPARATION *(Continued)*

(f) Changes in accounting policies *(Continued)*

(ii) As a result of the adoption of IAS 1 (revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in these financial statements and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

(iii) The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Group's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

(iv) In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of IAS 23 (Revised) in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Investments in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 3(i)).

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see note 3(i)).

Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed items of assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 2(f)(iv)).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses arising on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion/acquisition.

– Machinery and equipment	8 – 10 years
– Furniture and office equipment	5 – 8 years
– Motor vehicles	5 – 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(iv) Construction in progress represents buildings and various plant and equipment under construction and pending installation, and is stated at cost less any impairment losses (see note 3(i)). Cost comprises direct costs of construction incurred during the periods of construction.

Construction in progress is transferred to buildings, and machinery and equipment when the asset is substantially ready for its intended use.

(d) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Leased assets *(Continued)*

(i) Classification of assets leased to the Group (Continued)

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(e) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in profit or loss as incurred. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see note 3(i)).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Intangible assets *(Continued)*

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see note 3(i)).

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation of intangible assets is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives are 5 to 10 years.

The amortisation method and useful life of the intangible assets are reviewed at each financial year-end and adjusted if appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated based on the weighted average costing method (which approximates the average actual cost) and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 3(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 3(i)).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(i) Impairment of assets

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimate future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash-generating unit to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue excludes value added tax or other sales taxes and is stated after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based compensation reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Employee benefits *(Continued)*

(ii) Share-based payments (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(n) Finance income and costs

Finance income comprises interest income on funds invested that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying assets are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside the PRC are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position's items are translated into Renminbi at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside the PRC, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(r) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group.

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties *(Continued)*

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(s) Segment reporting

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

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

(t) New standards and interpretations not yet adopted

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and Interpretations which are not yet effective for the accounting year ended 31 December 2009 and which have not been applied in preparing these consolidated financial statements.

(Expressed in Renminbi)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) New standards and interpretations not yet adopted *(Continued)*

	Effective for accounting periods beginning on or after
IFRS 3 (Revised) "Business Combinations"	1 July 2009
Amendments to IAS 27 "Consolidated and Separate Financial Statements"	1 July 2009
Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – *Eligible hedged items*	1 July 2009
IFRIC 17 "Distributions of Non-Cash Assets to Owners"	1 July 2009
Improvements to IFRSs 2009	1 July 2009 or 1 January 2010
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"– *Additional exemptions for First-time Adopters*	1 January 2010
Amendments to IFRS 2 "Share-based Payment" – *Group cash-settled share-based payment transactions*	1 January 2010
Amendments to IAS 32 "Financial Instruments – Presentation" – *Classification of rights issue*	1 February 2010
IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – *Limited exemption from comparative IFRS 7 disclosures for first-time disclosures*	1 July 2010
IAS 24 (Revised) "Related Party Disclosures"	1 January 2011
Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – *Prepayments of a minimum funding requirement*	1 January 2011
IFRS 9 "Financial Instruments"	1 January 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) New standards and interpretations not yet adopted *(Continued)*

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's and the Company's results of operations and financial positions.

4. TURNOVER

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

Revenue of approximately RMB47,294,000 (2008: RMB40,021,000) and RMB16,596,000 (2008: N/A) are derived from two (2008: one) single external customers. Transactions with each of these two customers have exceeded 10% of the Group's turnover.

5. SEGMENT REPORTING

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

6. OTHER OPERATING (LOSS)/INCOME

	2009 **RMB'000**	2008 RMB'000
Sample income	**173**	54
(Impairment loss)/reversal of impairment loss on trade receivables	**(1,046)**	5,851
Write-off of other receivables	**(705)**	(397)
Reversal of write-down of inventories	**–**	500
Loss on disposal of fixed assets	**(1,207)**	(1,054)
Sundry income	**1**	54
	(2,784)	5,008

7. LOSS BEFORE TAXATION

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

(a) Net finance costs/(income)

	2009 RMB'000	2008 RMB'000
Interest on bank advances and other borrowings wholly repayable within five years	**10,915**	339
Net foreign exchange gain	**–**	(1,746)
Interest income from banks	**(4)**	(2)
Net financial costs/(income) recognised in profit or loss	**10,911**	(1,409)
The above financial income and costs include the following in respect of assets/liabilities not at fair value through profit or loss:		
Total interest income on financial assets	**(4)**	(2)
Total interest expense on financial liabilities	**10,915**	339

(b) Staff costs

	2009 RMB'000	2008 RMB'000
Contributions to defined contribution retirement plans	**1,070**	1,275
Equity-settled share-based payment expenses	**2,986**	–
Salaries, wages and other benefits	**11,005**	10,867
Total staff costs	**15,061**	12,142

7. (LOSS) BEFORE TAXATION *(Continued)*

(c) Other items

	2009 **RMB'000**	2008 RMB'000
Amortisation of land lease premium	**276**	252
Depreciation of property, plant and equipment	**4,185**	3,986
Research and development costs	**487**	12,151
Operating lease charges in respect of property rentals: minimum lease payments	**737**	780
Advertising and promotion expenses	**23,863**	41,405
Auditors' remuneration		
– audit services	**670**	553
Cost of inventories sold	**24,133**	17,492
Equity-settled share-based payment expenses#	**10,749**	–

Equity-settled share-based payment expenses include RMB2,986,000 relating to staff costs, which amount is also included in the total staff costs disclosed separately in note 7(b).

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2009 **RMB'000**	2008 RMB'000
Current tax –		
Provision for the PRC enterprise income tax for the year	**2,754**	4,028

(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 years ended 31 December 2009 and 2008.

(ii) Income taxes outside Hong Kong

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Company and the Company's subsidiaries registered in the BVI are not subject to any income tax in the Cayman Islands and BVI, respectively.

The subsidiary of the Group established in the PRC is generally subject to PRC enterprise income tax on its taxable income at an income tax rate of 25% in respect of the year ended 31 December 2009 (2008: 25%).

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2009 **RMB'000**	2008 RMB'000
Loss before tax	**(29,303)**	(15,023)
Notional tax on loss before tax, calculated at the PRC enterprise income tax rate of 25% (2008: 25%)	**(7,326)**	(3,756)
Tax effect of non-deductible expenses	**8,060**	9,072
Tax effect of non-taxable income	**(1)**	(1,877)
Tax effect of unused tax losses not recognised	**253**	324
Tax effect of different tax rates in other jurisdictions	**1,768**	265
Actual tax expense	**2,754**	4,028

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2009 Sub-Total RMB'000	Share-based payments (note) RMB'000	2009 Total RMB'000
Executive directors:						
Chung Chi Mang	–	684	7	691	–	691
Hu Yangxiong (appointed on 20/7/2009)	–	896	–	896	–	896
Zhao Borui (appointed on 21/10/2009)	–	62	–	62	1,045	1,107
Zhang Jianshe (appointed on 21/10/2009 and resigned on 20/4/2010)	–	62	–	62	1,045	1,107
Sun Qiong (appointed on 20/7/2009 and resigned on 21/10/2009)	–	15	–	15	–	15
Zhong Zhi Gang (resigned on 20/7/2009)	–	127	6	133	–	133
Xie Xiaodong (resigned on 20/7/2009)	–	127	6	133	–	133
Mu Yong (retired on 11/5/2009)	–	42	–	42	–	42
Independent non-executive directors:						
Fu Wing Kwok, Ewing (appointed on 30/11/2009)	5	–	–	5	–	5
Leung Siu Kuen (appointed on 30/11/2009)	5	–	–	5	–	5
Lam Chung Fai (appointed on 7/12/2009)	4	–	–	4	–	4
Sun Xufeng (appointed on 28/9/2009 and resigned on 5/2/2010)	14	–	–	14	–	14
Wu Wang Li (appointed on 15/5/2009 and resigned on 24/7/2009)	11	–	–	11	–	11
Zhuo Ze Fan (appointed on 24/7/2009 and resigned on 28/9/2009)	10	–	–	10	–	10
Chan Wai Kwong, Peter (appointed on 19/8/2009 and resigned on 7/12/2009)	16	–	–	16	–	16
Yang Gao Yu (appointed on 24/7/2009 and resigned on 30/11/2009)	20	–	–	20	–	20
Chau On Ta Yuen (resigned on 20/8/2009)	36	–	–	36	–	36
Ho Leong Leong, Lawrence (resigned on 19/8/2009)	36	–	–	36	–	36
Ng Kay Kwok (resigned on 15/5/2009)	21	–	–	21	–	21
	178	2,015	19	2,212	2,090	4,302

9. DIRECTORS' REMUNERATION *(Continued)*

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 3(m)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of those benefits in kind, including the principal terms and number of options granted, are disclosed in note 24.

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2008 Total RMB'000
Executive directors:				
Chung Chi Mang	–	1,048	11	1,059
Zhong Zhi Gang (resigned on 20/7/2009)	–	232	11	243
Xie Xiaodong (resigned on 20/7/2009)	–	232	11	243
Mu Yong (retired on 11/5/2009)	–	53	–	53
Independent non-executive directors:				
Chau On Ta Yuen (resigned on 20/8/2009)	58	–	–	58
Ho Leong Leong, Lawrence (resigned on 19/8/2009)	58	–	–	58
Ng Kay Kwok (resigned on 15/5/2009)	58	–	–	58
	174	1,565	33	1,772

For the years ended 31 December 2009 and 2008, no emolument was paid to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2009 and 2008.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2008: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other one individual (2008: two individuals) are as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and other emoluments	**530**	564
Share-based payments	**597**	–
Retirement scheme contributions	**18**	19
	1,145	583

The emoluments of the other one individual (2008: two individuals) with the highest emoluments are within the following bands:

	Number of individuals	
	2009	2008
Nil – RMB1,000,000	**–**	2
RMB1,000,001 to RMB1,500,000	**1**	–

For the years ended 31 December 2009 and 2008, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of RMB32,025,000 (2008: RMB14,597,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB32,057,000 (2008: RMB19,051,000) and the weighted average of 736,996,000 (2008: 720,000,000) ordinary shares in issue during the year, calculated as follows:

	2009	2008
	'000	'000
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	**720,000**	720,000
Effect of shares issued pursuant to share subscription (note 23(b)(iii))	**14,992**	–
Effect of warrants exercised (note 23(b)(ii))	**1,370**	–
Effect of share options exercised (note 23(b)(iv))	**634**	–
Weighted average number of ordinary shares at 31 December	**736,996**	720,000

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2009 was the same as basic loss per share because the effects of the Company's outstanding warrants and share options were ant-dilutive for this year.

Diluted loss per share for the year ended 31 December 2008 was the same as basic loss per share as the Company does not have dilutive potential ordinary shares for this year.

13. LEASEHOLD PROPERTIES

(a) Movements in leasehold properties are as follows:

	The Group		
	Interests in leasehold land held for own use under operating leases RMB'000	**Buildings held for own use carried at cost** RMB'000	**Total** RMB'000
Cost			
At 1 January 2008	8,039	55,361	63,400
Exchange adjustments	–	(2)	(2)
Additions	4,960	–	4,960
At 31 December 2008	12,999	55,359	68,358
At 1 January 2009	12,999	55,359	68,358
Transfer from construction in progress	–	54,626	54,626
At 31 December 2009	12,999	109,985	122,984
Accumulated amortisation and depreciation and impairment losses			
At 1 January 2008	1,212	23,243	24,455
Exchange adjustments	–	(1)	(1)
Charge for the year	252	1,541	1,793
At 31 December 2008	1,464	24,783	26,247
At 1 January 2009	1,464	24,783	26,247
Exchange adjustments	–	(1)	(1)
Charge for the year	276	1,532	1,808
At 31 December 2009	1,740	26,314	28,054
Carrying amounts			
At 31 December 2009	11,259	83,671	94,930
At 31 December 2008	11,535	30,576	42,111

13. LEASEHOLD PROPERTIES *(Continued)*

(b) The analysis of carrying amount of leasehold land held for own use under operating leases is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
In the PRC		
– medium-term leases (note)	**10,656**	10,922
– long leases	**603**	613
	11,259	11,535

Note:

Included in interests in leasehold land held for own use under operating leases is the land use right under medium-term lease which comprises land use fees paid to the government of Taigu County for the rights to use the land where the Group's factory buildings in Taigu County of Shanxi Province are located.

(c) At 31 December 2009, leasehold properties of approximately RMB94,925,000 have been pledged to independent third parties to secure loans granted to the Group.

At 31 December 2008, leasehold properties of approximately RMB4,884,000 have been pledged to banks to secure bank loan facilities granted to the Group.

14. PLANT AND EQUIPMENT

Movements in plant and equipment are as follows:

	The Group					The Company
	Machinery and equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000	Furniture and office equipment RMB'000
Cost						
At 1/1/2008	14,884	3,410	11,546	920	30,760	–
Exchange adjustments	–	(15)	(77)	–	(92)	–
Additions	315	2,588	201	15,057	18,161	–
Disposals	(2,101)	–	(550)	–	(2,651)	–
At 31/12/2008	13,098	5,983	11,120	15,977	46,178	–
At 1/1/2009	13,098	5,983	11,120	15,977	46,178	–
Exchange adjustments	–	(1)	(2)	–	(3)	(1)
Additions	343	592	756	39,895	41,586	137
Transfer from construction-in-progress to furniture and office equipment	–	596	–	(596)	–	–
Transfer to leasehold properties	–	–	–	(54,626)	(54,626)	–
Disposals	(2,331)	(193)	–	–	(2,524)	–
At 31/12/2009	11,110	6,977	11,874	650	30,611	136
Accumulated amortisation and depreciation and impairment losses						
At 1/1/2008	5,761	3,161	6,958	–	15,880	–
Exchange adjustments	–	(11)	(75)	–	(86)	–
Change for the year	1,324	170	951	–	2,445	–
Written back on disposals	(1,103)	–	(494)	–	(1,597)	–
At 31/12/2008	5,982	3,320	7,340	–	16,642	–
At 1/1/2009	5,982	3,320	7,340	–	16,642	–
Exchange adjustments	–	–	(2)	–	(2)	–
Change for the year	1,359	428	866	–	2,653	11
Written back on disposals	(1,317)	–	–	–	(1,317)	–
At 31/12/2009	6,024	3,748	8,204	–	17,976	11
Carrying amounts						
At 31/12/2009	5,086	3,229	3,670	650	12,635	125
At 31/12/2008	7,116	2,663	3,780	15,977	29,536	–

15. INTANGIBLE ASSETS

Movements in intangible assets of the Group are as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Cost		
At 1 January and 31 December	**5,000**	5,000
Accumulated amortisation and impairment losses		
At 1 January and 31 December	**(5,000)**	(5,000)
Carrying amount		
At 31 December	**–**	–

Intangible assets represents exclusive rights acquired by the Group to produce and sell the products of "Plasmin Capsule" and "Puli Capsule" within and outside the PRC.

At 31 December 2009, the exclusive right to produce and sell the products of "Puli Capsule" has been pledged to an independent third party to secure a loan granted to the Group (See note 21).

16. INVESTMENTS IN SUBSIDIARIES

In the Company's statement of financial position, investments in subsidiaries consist of:

	The Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**56,165**	56,164
Less: Accumulated impairment losses	**(56,164)**	(56,160)
	1	4

In prior and current years, the directors of the Company assessed the recoverable amounts of the investments in subsidiaries. They considered that the subsidiaries incurred losses for the prior and current years and there were indications of impairment on the carrying amount. Accordingly, Impairment losses of approximately RMB56,160,000 and RMB4,000 were made in prior and current years, respectively.

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The particulars of all subsidiaries of the Company at 31 December 2009 were as follows:

Name of company	Place of incorporation	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by the subsidiary	Principal activities
Garner International Investments Limited	British Virgin Islands ("BVI")	1 ordinary share of US$1 each	100%	100%	–	Investment holding
Everpride Pharmaceutical (H.K.) Co., Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	–	100%	Trading of medicines
Scylla Assets Limited	BVI	1,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
Shanxi Everpride Pharmaceutical Co., Ltd. ("Shanxi Everpride") *	PRC	US$2,280,000	100%	–	100%	Manufacture and sales of medicines
Top Beauty Holding Limited	BVI	100 ordinary of US$1 each	100%	100%	–	Investment holding
Good Wisdom Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	–	100%	Not yet commenced business

* Shanxi Everpride is a wholly foreign-owned enterprise established in the PRC to be operated for 20 years up to 26 May 2015.

17. INVENTORIES

	The Group 2009 RMB'000	2008 RMB'000
Raw materials, at cost	**4,754**	6,104
Finished goods, at cost	**829**	2,388
Consignment goods, at cost	**1,458**	778
	7,041	9,270
Less: Write-down of inventories	**(1,800)**	(1,800)
	5,241	7,470

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade debtors	**62,082**	64,793	**–**	–
Less: allowance for doubtful debts (note 18(b))	**(58,070)**	(60,512)	**–**	–
	4,012	4,281	**–**	–
Advances to staff	**2,462**	1,789	**–**	–
Other receivables	**1,782**	1,314	**1**	–
Amounts due from subsidiaries *	**–**	–	**1,780**	13,730
Loans and receivables	**8,256**	7,384	**1,781**	13,730
Rental and other deposits	**295**	181	**114**	–
Prepayments	**1,175**	916	**794**	167
	9,726	8,481	**2,689**	13,897

* The amounts due from subsidiaries are non-trade nature, unsecured, interest free and repayable on demand. The directors of the Company had reviewed the net asset values of the Company's subsidiaries as at 31 December 2009 and considered their operating performance, the directors are of the view that accumulated impairment losses of approximately RMB42,658,000 (2008: RMB29,912,000) has been made for the amounts due so as to write down the amounts due from subsidiaries to their net recoverable amounts.

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

18. TRADE AND OTHER RECEIVABLES *(Continued)*

a) Ageing analysis

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

	The Group	
	2009	2008
	RMB'000	RMB'000
0 to 30 days	**145**	507
31 to 60 days	**15**	128
61 to 90 days	**357**	160
91 to 180 days	**1,392**	278
181 to 365 days	**259**	658
Over 365 days	**59,914**	63,062
	62,082	64,793
Less: allowance for doubtful debts	**(58,070)**	(60,512)
	4,012	4,281

The Group generally requires its customer to pay a deposit shortly before delivery of goods, with the remaining balances of the sales with credit periods ranging from 90 to 180 days. Further details on the Group's policy are set out in note 28(a)(i).

b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 3(i)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**60,512**	67,110
Impairment loss/(Reversal of impairment loss) recognised	**1,046**	(5,851)
Uncollectible amounts written off	**(3,488)**	(747)
At 31 December	**58,070**	60,512

18. TRADE AND OTHER RECEIVABLES *(Continued)*

b) Impairment of trade debtors *(Continued)*

At 31 December 2009, the Group's trade debtors of RMB61,648,000 (2008: RMB62,620,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. The Group holds sales deposits from the relevant customers over these balances.

c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Neither past due nor impaired	**141**	1,019
Less than 6 months past due	**63**	345
More than 6 months past due	**230**	809
	293	1,154
	434	2,173

Receivables that were neither past due nor impaired relate to a range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balance as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group holds sales deposits from the relevant customers over these balances.

19. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand, denominated in				
– Hong Kong dollars and United States dollars	**17,219**	310	**15,139**	9
– Renminbi	**1,421**	1,321	**–**	–
Cash and cash equivalents in statements of financial position and consolidated statement of cash flows	**18,640**	1,631	**15,139**	9

Cash and cash equivalents of approximately RMB1,421,000 (2008: RMB1,321,000) are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

19. CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of loss before taxation to cash generated from operations:

	Note	**2009 RMB'000**	2008 RMB'000
Loss before taxation		**(29,303)**	(15,023)
Adjustments for:			
Amortisation of land lease premium for property held for own use	7(c)	**276**	252
Depreciation	7(c)	**4,185**	3,986
Impairment loss on trade receivables/ (Reversal of impairment loss)	6	**1,046**	(5,851)
Write-off of other receivables	6	**705**	397
Reversal of write-down of inventories	6	**–**	(500)
Interest expense	7(a)	**10,915**	339
Interest income	7(a)	**(4)**	(2)
Loss on disposal of fixed assets	6	**1,207**	1,054
Equity-settled share-based payment expenses	7(c)	**10,749**	–
Net foreign exchange gain		**(23)**	(1,019)
Changes in working capital:			
Decrease/(increase) in inventories		**2,229**	(2,345)
(Increase)/decrease in debtors, deposits and prepayments		**(2,997)**	51,122
Increase in creditors and accrued charges		**6,285**	2,485
(Decrease)/increase in sales deposits from customers		**(2,744)**	24,981
Decrease in other tax payable		**(558)**	(3,189)
Cash generated from operations		**1,968**	56,687

20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Trade creditors	**4,473**	3,260	**–**	–
Accrued expenses and other payables	**22,586**	17,514	**2,482**	813
Interest payable	**9,864**	188	**–**	–
Amount due to subsidiary *	**–**	–	**5,968**	5,968
Amounts due to directors *	**1,325**	2,692	**601**	1,378
Financial liabilities amortised at cost	**38,248**	23,654	**9,051**	8,159
Sales deposits from customers	**33,417**	36,161	**–**	–
Other taxes payable **	**9,104**	9,662	**–**	–
	80,769	69,477	**9,051**	8,159

* The amounts due to the subsidiary and the directors are unsecured, non-interest bearing and have no fixed terms of repayment.

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

All of the trade and other payables, apart from sales deposits of approximately RMB6,512,000 (2008: RMB6,512,000) from customers, are expected to be settled within one year.

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

	The Group	
	2009 RMB'000	2008 RMB'000
0 to 30 days	**2,442**	1,128
31 to 60 days	**149**	303
61 to 90 days	**16**	133
91 to 180 days	**49**	1
181 to 365 days	**29**	70
Over 365 days	**1,788**	1,625
	4,473	3,260

21. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost.

	Note	The Group 2009 RMB'000	2008 RMB'000
Secured interest-bearing loans			
– Loan A	(a)	**19,465**	–
– Loan B	(b)	**15,000**	–
– Loan C	(c)	**5,000**	–
– Loan D	(d)	**–**	3,000
		39,465	3,000
Unsecured interest-bearing loan			
– Loan E	(e)	**–**	3,500
– Loan F	(f)	**1,208**	–
		1,208	3,500
Unsecured non-interest bearing loan	(g)	**4,000**	6,000
Unsecured non-interest bearing loans	(h)	**2,872**	–
		47,545	12,500

Note:

(a) During the year ended 31 December 2009, the Group entered into a loan agreement with an independent third party (the "Party A") whereby the Group borrowed a loan of RMB19,465,000 (the "Loan A") from the Party A for the period from 5 August 2009 to 4 August 2010.

The Loan A bears interest at 42% per annum and is secured by (1) the Group's leasehold properties of approximately RMB66,122,000, (2) two corporate guarantees from two independent third parties and (3) a property owned by an independent third party. During the year ended 31 December 2009, the Group failed to repay the interest of approximately RMB4,317,000 (which is included in the interest payable under "Trade and other payables" (note 20)) according to this loan agreement, therefore the whole loan amount became due as at 31 December 2009. However, up to the date of the issue of these financial statements, the Party A did not take any actions against the Group, and the Group is in ongoing negotiation with the Party A to reschedule the repayments of loan principal and interest.

(b) During the year ended 31 December 2009, the Group entered into a loan agreement with an independent third party (the "Party B") whereby the Group borrowed a loan of RMB25,000,000 (the "Loan B") from the Party B for the period from 23 January 2009 to 31 July 2009. The Loan B bears interest at 14% per annum and is secured by (i) the Group's leasehold properties of approximately RMB22,622,000 and (ii) the Group's intangible asset of RMB Nil in respect of the exclusive right to produce and sell the products of "Puli Capsule".

During the year ended 31 December 2009, the Group repaid RMB10,000,000 to the Party B but failed to repay the remaining balance of the Loan B on the maturity date, therefore the whole loan amount became due as at 31 December 2009. Up to the date of the issue of these financial statements, the Party B did not take any actions against the Group, and the Group is in ongoing negotiation with the Party B to reschedule the loan repayment.

21. LOANS AND BORROWINGS *(Continued)*

Note: *(Continued)*

(c) During the year ended 31 December 2009, the Group entered into a loan agreement with a financial institution (the "Party C") whereby the Group borrowed a loan of RMB5,000,000 (the "Loan C") from the Party C for the period from 30 March 2009 to 20 February 2010.

The Loan C is secured by the Group's leasehold properties of approximately RMB6,181,000, bears interest at 11.88% per annum and is repayable on 20 February 2010. Subsequent to 31 December 2009, the Group failed to repay the loan on the maturity date. However, up to the date of the issue of these financial statements, the Party C did not take any actions against the Group, and the Group is in ongoing negotiation with the Party C to reschedule the loan repayment.

(d) During the year ended 31 December 2008, the Group entered into a loan agreement with an independent third party (the "Party D") whereby the Group borrowed a loan of RMB3,000,000 ("Loan D") from the Party D.

The Loan D was secured by the Group's leasehold land of approximately RMB4,884,000, bore interest at 9.72% per annum and was repayable within one year.

During the year ended 31 December 2009, the Loan D was settled in full.

(e) During the year ended 31 December 2008, the Group entered into a loan agreement with an independent third party (the "Party E") whereby the Group borrowed a loan of RMB5,000,000 from the Party E.

During the year ended 31 December 2008, the Group repaid RMB1,500,000 to the Party E. At 31 December 2008, the balance of the loan was unsecured, bore interest at 15% per annum and was repayable within one year.

During the year ended 31 December 2009, this loan was settled in full.

(f) During the year ended 31 December 2009, the Group entered into a loan agreement with an independent third party (the "Party F") whereby the Group borrowed a loan of RMB2,000,000 (the "Loan F") from the Party F for the period from 17 April 2009 to 16 May 2009. The Loan F is unsecured and bears interest at 36% per annum.

During the year ended 31 December 2009, the Group repaid RMB792,000 to the Party F but failed to repay the remaining balance of Loan F on the maturity date, therefore the whole loan amount became due as at 31 December 2009. Up to the date of the issue of these financial Statements, the Party F did not take any actions against the Group, and the Group is in ongoing negotiation with the lender to reschedule the loan repayments.

(g) During the year ended 31 December 2008, the Group entered into a loan agreement with an independent third party (the "Party G") whereby the Group borrowed a loan of RMB6,000,000 from the Party G.

During the year ended 31 December 2009, the Group repaid RMB2,000,000 to Party G.

This loan is interest free, is repayable within one year and is secured by (1) a property owned by an independent third party and (2) a personal guarantee put up by another independent third party.

(h) These loans from three independent third parties are unsecured, non-interest bearing and are repayable on demand.

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2009	2008
	RMB'000	RMB'000
Provision for PRC enterprise income tax for the year	**2,754**	4,028
Balance of provision for PRC enterprise income tax relating to prior years	**1,201**	–
Provisional PRC enterprise income tax paid	**–**	(2,573)
	3,955	1,455

(b) Deferred tax liabilities/(assets) not recognised

At the end of the reporting period and for the reporting period, no deferred tax assets has been recognised in relation to the deductible temporary differences and tax losses as it is not probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. The Group has tax losses of approximately RMB8,606,000 (2008: RMB7,097,000), which do not expire under current tax legislation.

The Group and the Company had no significant potential deferred tax liabilities for the reporting period and at the end of the reporting period.

23. CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Warrants reserve RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2008	75,438	10,058	56,774	–	–	551	(121,246)	21,575
Changes in equity for 2008:								
Loss for the year	–	–	–	–	–	–	(14,597)	(14,597)
Other comprehensive income for the year:								
– Exchange differences on translation into presentation currency	–	–	–	–	–	(1,227)	–	(1,227)
Total comprehensive income for the year	–	–	–	–	–	(1,227)	(14,597)	(15,824)
Balance at 31 December 2008	75,438	10,058	56,774	–	–	(676)	(135,843)	5,751
Balance at 1 January 2009	75,438	10,058	56,774	–	–	(676)	(135,843)	5,751
Changes in equity for 2009:								
Loss for the year	–	–	–	–	–	–	(32,025)	(32,025)
Other comprehensive income for the year:								
– Exchange differences on translation into presentation currency	–	–	–	–	–	(10)	–	(10)
Total comprehensive income	–	–	–	–	–	(10)	(32,025)	(32,035)
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 transactions	–	–	–	–	10,749	–	–	10,749
Balance at 31 December 2009	92,623	18,214	56,774	142	9,704	(686)	(167,868)	8,903

23. CAPITAL AND RESERVES *(Continued)*

(b) Share capital

(i) Authorised and issued share capital

	2009		2008	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	**HK$'000**	'000	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**2,000,000**	**200,000**	**2,000,000**	200,000

	2009			2008		
	Number of shares	**Nominal value of ordinary shares**		Number of shares	Nominal value of ordinary shares	
	'000	**HK$'000**	**RMB'000**	'000	HK$'000	RMB'000
Issued and fully paid:						
At 1 January	**720,000**	**72,000**	**75,438**	720,000	72,000	75,438
Share issued upon the exercise of warrants	**44,000**	**4,400**	**3,878**	–	–	–
Shares issued pursuant to share subscription	**144,000**	**14,400**	**12,690**	–	–	–
Share issued under share option scheme	**7,000**	**700**	**617**	–	–	–
At 31 December	**915,000**	**91,500**	**92,623**	720,000	72,000	75,438

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

23. CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

(ii) Warrants issued pursuant to warrant subscription

On 4 August 2009, the Company entered into a warrant subscription agreement with an independent third party (the "Holder") in relation to the subscription of 144,000,000 warrants at an issue price of HK$0.003 per warrant. Pursuant to this warrant subscription agreement, the Holder will subscribe 144,000,000 warrants, which entitle the Holder thereof to subscribe for up to 144,000,000 new ordinary shares of HK$0.10 each in the Company at an initial exercise price of HK$0.104 per ordinary share for a period of two years commencing from the date of issue of the warrants. Each of the warrants carries the right to subscribe for one new ordinary share of the Company. Net proceeds of approximately HK$232,000 (equivalent to approximately RMB204,000), net of warrant issuance expenses of approximately HK$200,000 (equivalent to approximately RMB176,000), was raised for cash as its additional working capital and was credited to the warrants reserve.

In December 2009, 44,000,000 warrants were exercised to subscribe for 44,000,000 new ordinary shares in the Company at a consideration of HK$4,576,000 (equivalent to approximately RMB4,033,000) of which HK$4,400,000 (equivalent to approximately RMB3,878,000) was credited to share capital and the balance of HK$176,000 (equivalent to approximately RMB155,000) was credited to share premium account. RMB62,000 has been transferred from the warrants reserve to share premium account.

(iii) Shares issued pursuant to share subscription

On 10 November 2009, the Company entered into six conditional agreements (the "Subscription Agreements") with the six independent third parties (the "Subscribers"). Pursuant to the Subscription Agreements, the Company agreed to allot and issue, and the Subscribers agreed to subscribe for an aggregate of 144,000,000 new ordinary shares of HK$0.10 each in the Company at a subscription price of HK$0.159 per ordinary share. The net proceeds of approximately HK$21,445,000 (equivalent to approximately RMB18,899,000), net of share issuance expenses of approximately HK$1,451,000 (equivalent to approximately RMB1,279,000), was raised for cash as funds for future development of the Group when investment opportunities arise and its additional working capital.

(iv) Share issued under share option scheme

During the year ended 31 December 2009, options were exercised to subscribe for 7,000,000 new ordinary shares in the Company at a consideration of HK$1,477,000 (equivalent to approximately RMB1,302,000) of which HK$700,000 (equivalent to approximately RMB617,000) was credited to share capital and the balance of HK$777,000 (equivalent to approximately RMB685,000) was credited to share premium account. RMB1,045,000 has been transferred from share-based compensation reserve to the share premium account in accordance with policy set out in note 3(m)(ii).

23. CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

(v) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	2009 Number	2008 Number
11 November 2009 to 10 November 2019	HK$0.211	**65,000,000**	–

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note to these financial statements.

(c) Nature and purpose of reserves

(i) Share premium

Share premium represents the share premium of the Company, the application of which is governed by the Companies Law of the Cayman Islands. Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital reserve

Capital reserve represents the difference between the aggregate nominal value of the share capital issued by the Company and the aggregate amount of the issued share capital of subsidiaries acquired by the Company through an exchange of shares.

(iii) Warrants reserve

Warrants issued by the Company that settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

The fair value of warrants on the date of issue is recognised in warrants reserve. The warrants reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrants reserve will be released to the retained profits.

(iv) Share-based compensation reserve

Share-based compensation reserve comprises the portion of the grant date fair value of unexercised share options granted to employees and other service providers of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 3(m)(ii).

23. CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(v) General reserve fund

According to the relevant laws and regulations in the PRC, Shanxi Everpride, as a wholly foreign-owned enterprise established in the PRC, is required to appropriate at least 10% of after-tax profit (after offsetting prior years' losses), based on the PRC statutory financial statements prepared in accordance with the generally accepted accounting principles and financial regulations applicable to the PRC enterprises, to a general reserve fund until the balance of the fund reaches 50% of its registered capital. Thereafter, any further appropriation can be made at the directors' discretion.

The general reserve fund can be utilised to offset the prior years' losses, or be utilised to increase the capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such increase.

The directors of Shanxi Everpride resolved not to appropriate its after-tax profit to the general reserve fund for each of the years ended 31 December 2009 and 2008. It is because the general reserve fund of Shanxi Everpride has reached 50% of its registered capital and no further appropriation is necessary unless there is an increase in the amount of its registered capital.

(vi) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(q).

(vii) Contributed surplus

The contributed surplus of the Company represents the difference between the aggregate nominal value of the share capital issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares.

Under the Companies Law (2000 Revision) of the Cayman Islands, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued capital account.

23. CAPITAL AND RESERVES *(Continued)*

(d) Distributability of reserves

In the opinion of the Company's directors, as at 31 December 2009 and 2008, the Company has no reserves available for distribution to its shareholders.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of (i) debt, which includes loans and other borrowings; (ii) cash and cash equivalents; and (iii) capital, which comprises all components of equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to balance its overall capital structure, the Group may issue new shares, raise new debt financing or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 5 July 2001, the Company had adopted a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible employees for their contribution to the Group. Eligible employees of the Old Scheme include all executive directors, executives, officers and full-time employees of the Group. The Old Scheme was effective for a period of 10 years commencing from 5 July 2001, after which period no further options will be granted but the provisions of the Old Scheme shall in all other respects remain in full force and effect.

On 24 September 2009, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted. As a result, the Company can no longer grant any further share options under the Old Scheme. In addition, no share option was granted prior to the termination of the Old Scheme.

(Expressed in Renminbi)

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The Company has the New Scheme which was adopted on 24 September 2009 whereby the directors of the Company are authorised, at their discretion, to invite eligible participants of the Group, including the employees and directors of any company in the Group, to take up options at HK$10 consideration to subscribe for shares of the Company. The New Scheme remains in force for a period of 10 years from adoption of such scheme and expires on 23 September 2019. The exercise period of the share options granted is determined by the directors of the Company but not later than 10 years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to the directors of the Company:			
– on 11 November 2009	14,000,000	Immediately from the date of grant	10 years
Options granted to the employees of the Company:			
– on 11 November 2009	6,000,000	Immediately from the date of grant	10 years
Options granted to services providers			
– on 11 November 2009	52,000,000	Immediately from the date of grant	10 years
Total share options granted	72,000,000		

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) the number and weighted average exercise prices of share options are as follows:

	2009 Weighted average exercise price	**2009** Number of options '000	2008 Weighted average exercise price	2008 Number of options '000
Outstanding at the beginning of the year	**–**	**–**	–	–
Granted during the year	**HK$0.211**	**72,000,000**	–	–
Exercised during the year	**HK$0.211**	**(7,000,000)**	–	–
Outstanding at the end of the year	**HK$0.211**	**65,000,000**	–	–
Exercisable at the end of the year	**HK$0.211**	**65,000,000**	–	–

The weighted average share price at the date of exercise for shares options exercised during the year was HK$0.211 (2008: not applicable).

The options outstanding at 31 December 2009 had an exercise price of HK$0.211 (2008: not applicable) and a weighted average remaining contractual life of 9.8 years (2008: not applicable).

(Expressed in Renminbi)

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options and assumptions

	2009
Fair value at measurement date	HK$0.1694
Share price	HK$0.211
Exercise price	HK$0.211
Expected volatility (expressed as weighted average volatility used in the modelling under binomial model)	113.231%
Option life (expressed as weighted average life used in the modelling under binomial model)	5 years
Expected dividends	0.000%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.683%

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

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

25. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

25. RETIREMENT BENEFITS SCHEME *(Continued)*

As stipulated by the rules and regulations in the PRC, Shanxi Everpride, a subsidiary established in the PRC, is required to contribute to a state-sponsored retirement plan for all of its employees at approximately 17% of the basic salary of its employees.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

For the year ended 31 December 2009, the aggregate amount of the Group's contributions to the aforementioned schemes was approximately RMB1,070,000 (2008: RMB1,275,000) which was included in the staff costs.

26. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 9, is as follows:

	2009 RMB'000	2008 RMB'000
Short-term employee benefits	**2,722**	2,140
Retirement scheme contributions	**37**	43
Share-based payments	**2,687**	–
Total	**5,446**	2,183

Total remuneration is included in "staff cost" (see note 7(b)).

27. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2009 not provided for in the financial statements were as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
Contracted for		
– construction of factory buildings	**–**	2,475
– acquisitions of subsidiaries	**16,728**	–
	16,728	2,475

27. COMMITMENTS *(Continued)*

(b) At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Within 1 year	**369**	698
After 1 year but within 5 years	**612**	78
	981	776

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

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Financial risk factors

The Group's financial assets include cash and cash equivalents, trade and other receivables. The Group's financial liabilities include short-term loans and borrowings, trade and other payables.

The Group does not have nor has issued financial instruments for trading purposes. Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practises described below.

(i) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer. Normally, the Group requests the customers to pay sales deposits to reduce the credit risk exposures.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry and country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group has no significant concentrations of credit risk (2008: Nil).

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 18.

(ii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and other lenders to meet its liquidity requirements in the short and longer term.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	The Group							
	2009 Contractual undiscounted cash outflow				2008 Contractual undiscounted cash outflow			
	Within 1 year or on demand *RMB'000*	**More than 1 year but less than 2years** *RMB'000*	**Total** *RMB'000*	**Balance sheet carrying amount** *RMB'000*	within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	Total *RMB'000*	Balance sheet carrying amount *RMB'000*
Loans and borrowings	**55,636**	**–**	**55,636**	**47,545**	12,991	–	12,991	12,500
Interest Payable	**9,864**	**–**	**9,864**	**9,864**	188	–	188	188
Trade creditors	**4,473**	**–**	**4,473**	**4,473**	3,260	–	3,260	3,260
Accrued expenses and other payables	**22,586**	**–**	**22,586**	**22,586**	17,514	–	17,514	17,514
Amount due to a director	**1,325**	**–**	**1,325**	**1,325**	2,692	–	2,692	2,692
	93,884	**–**	**93,884**	**85,793**	36,645	–	36,645	36,154

The total contractual undiscounted cash flows of the Company's non-derivate financial liabilities are the same as their carrying amounts as their remaining maturities are within one year.

(iii) Interest rate risk

The Group's interest rate risk arises primarily from loans and borrowings. The interest rates and maturity information of the Group's loans and borrowings are disclosed in notes 21.

The Group policy is to manage its interest rate risk to ensure there are no undue exposure to significant interest rate movements and rates are approximately fixed. The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not use derivative financial instruments to hedge its debt obligations. Therefore, any future variations in interest rate would not have a significant impact on the results of the Group.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

As most of the Group's monetary assets and liabilities are denominated in Renminbi and Hong Kong dollars and the Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is not significant and the Group does not employ any financial instruments for hedging purposes.

(b) Fair values

All financial instruments are carried at amounts not materially different from their values as at 31 December 2009 and 2008 because of the short maturities of these financial instruments.

29. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade debtors, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write offs would be higher than estimated.

29. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Impairment for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with indefinite lives are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(d) Write-down of inventories

If the costs of inventories fall below their net realisable values, write-down of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The Group bases the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical operating costs. If the actual selling prices were to be lower or the costs of completion and other distribution costs were to be higher than estimated, the write-down of inventories could be higher than estimated.

(e) Provision for income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, the management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

30. EVENTS AFTER THE REPORTING PERIOD

(a) On 14 December 2009, the Company entered into a sale and purchase agreement ("Jin Hao Acquisitions") with an independent third party (the "Jin Hao Vendor") whereby the Company conditionally agreed to acquire the entire issued share capital of Jin Hao Limited ("Jin Hao"), a private company incorporated with limited liability in the BVI on 25 November 2009, from the Jin Hao Vendor at a total consideration of HK$9 million, which will be satisfied upon completion (i) as to HK$4.5 million in cash and (ii) as to HK$4.5 million by allotment and issue of 20,454,546 new ordinary shares of HK$0.10 each in the issued capital of the Company

Jin Hao is an investment holding company, holding the entire share capital of Lucky River Limited ("Lucky River"), a private company incorporated with limited liability in Hong Kong on 26 November 2009. Lucky River will establish a wholly foreign owned enterprise to engage in the Health Spa Business in Zhuhai. As part of the Jin Hao Acquisitions, the Jin Hao Vendor will prepare all the relevant set-up and provide its equipment and arrange facilities for the operation of the Health Spa Business. The spa business is one service industry needing qualified and skilful staff and personnel not readily available by the Company. The directors of the Company consider that it will provide more efficient business platform for the Company through the Jin Hao Acquisition rather than setting up the spa business by itself.

The acquisition transaction was completed on 5 February 2010.

(b) On 14 December 2009, the Company entered into a sale and purchase agreement ("Merry Sky Acquisition") with an independent third party (the "Merry Sky Vendor") whereby the Company conditionally agreed to acquire the entire issued share capital of Merry Sky Limited ("Merry Sky"), a private company incorporated with limited liability in the BVI on 2 January 2009, from the Merry Sky Vendor at a total consideration of HK$10 million, which will be satisfied upon completion by allotment and issue of 45,454,545 new ordinary shares of HK$0.10 each in the issued capital of the Company.

Merry Sky's sole asset is its exclusive licence to be granted to it by Germaine de Capuccini S.A. ("GDC"), a company incorporated in Spain and which is the manufacturer of the Licensed Skin Care Products and the registered owner of the Health Certificates, for the sole and exclusive distribution, sale and marketing of all kinds of the Licensed Skin Care Products under the Exclusive Distribution Agreement until 31 December 2015 which shall be renewable for a further term of 4 years upon expiry of the initial term at a nominal fee.

The acquisition transaction was completed on 8 February 2010.

(c) Pursuant to a special resolution passed on 20 January 2010, the issued share capital of the Company be reduced by cancelling paid up capital to the extent of HK$0.09 on each of the shares in issue such that the nominal value of all the issued shares be reduced (the "Issued Capital Reduction") from HK$0.10 each to HK$0.01 each; and the nominal value of all unissued shares in the authorised share capital of the Company be reduced (the

30. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(c) *(Continued)*

"Authorised Capital Reduction") from HK$0.10 each to HK$0.01 each. Upon the Issued Capital Reduction and the Authorised Capital Reduction becoming effective, the authorised share capital of the Company be increased to HK$200,000,000, divided into 20,000,000,000 ordinary shares of HK$0.01 each. 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.

(d) Pursuant to a special resolution passed on 10 March 2010, the Company has changed its name to "Hao Wen Holdings Limited" and adopted "皓文控股有限公司" as the Chinese name of the Company with effect from 10 March 2010.

(e) 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.

(f) On 15 March 2010, the Company's subsidiary entered into a joint venture agreement with independent third parties in relation to the formation of a joint venture in the PRC to carry out the media technology business. The joint venture will be an enterprise established in the PRC with limited liability. The registered capital of the joint venture will be RMB17,000,000. Pursuant to the joint venture agreement, the Company's subsidiary will contribute RMB5,000,000 and own 29.41% equity interest in the joint venture. Up to the date of the issue of these financial statements, the formation of joint venture was not completed.