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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019

INTERIM REPORT 2011

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

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This report, for which the directors (the "Directors") of Hao Wen Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(1) the information contained in this report is accurate and complete in all material respects and not misleading;

(2) there are no other matters the omission of which would make any statement in this report misleading; and

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

HIGHLIGHTS

- Unaudited turnover of the Group for the six months ended 30 June 2011 amounted to approximately RMB45,625,000, representing an increase of approximately 16% over the corresponding period in 2010.

- Loss attributable to owners of the Company for the six months ended 30 June 2011 was approximately RMB7,534,000.

- Loss per share for the six months ended 30 June 2011 was approximately RMB0.45 cents.

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011.

UNAUDITED INTERIM RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Six months ended 30 June		Three months ended 30 June	
		2011	2010	**2011**	2010
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	*3*	**45,625**	39,197	**22,967**	17,874
Cost of sales		**(14,418)**	(11,976)	**(6,941)**	(4,743)
Gross profit		**31,207**	27,221	**16,026**	13,131
Other gains and loss	*5*	**4,739**	139	**6,295**	(1)
Selling and distribution expenses		**(20,689)**	(14,999)	**(9,367)**	(4,832)
General and administrative expenses		**(18,606)**	(22,777)	**(9,858)**	(12,476)
(Loss)/profit from operations		**(3,349)**	(10,416)	**3,096**	(4,178)
Share of results of associates		**(530)**	–	**(242)**	–
Finance costs	*6(a)*	**(3,504)**	(8,057)	**(2,140)**	(4,531)
(Loss)/profit before taxation	*6*	**(7,383)**	(18,473)	**714**	(8,709)
Income tax expenses	*7*	**(151)**	(104)	**(64)**	(43)
(Loss)/profit for the period		**(7,534)**	(18,577)	**650**	(8,752)
Other comprehensive loss, net of tax					
Exchange differences on translating foreign operations		**(268)**	7	**(131)**	–
Total comprehensive (loss)/income for the period		**(7,802)**	(18,570)	**519**	(8,752)

	Notes	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000	Three months ended 30 June 2011 RMB'000	Three months ended 30 June 2010 RMB'000
(Loss)/profit for the period attributable to owners of the Company		**(7,534)**	(18,577)	**650**	(8,752)
Total comprehensive (loss)/profit attributable to owners of the Company		**(7,802)**	(18,570)	**519**	(8,752)
(Loss)/earnings per share					
– Basic and diluted	*8*	**(RMB0.45 cent)**	(RMB0.19 cent)	**RMB0.04 cent**	(RMB0.08 cent)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) As at 30 June 2011 RMB'000	(Audited) As at 31 December 2010 RMB'000
NON-CURRENT ASSETS			
Investment properties		**1,670**	1,670
Plant and equipment	*10*	**13,903**	12,252
Intangible assets		**3,232**	3,472
Goodwill		**156,902**	6,821
Interest in associates		**281**	4,658
		175,988	28,873
CURRENT ASSETS			
Inventories	*11*	**4,445**	4,729
Trade and other receivables	*12*	**60,231**	67,892
Financial assets at fair value through profit on loss		**8,006**	2,583
Cash and bank balances		**8,439**	27,692
		81,121	102,896
CURRENT LIABILITIES			
Trade and other payables	*13*	**54,900**	59,853
Loans and borrowings	*14*	**33,968**	33,968
Current taxation liabilities		**213**	129
		89,081	93,950
Net current (liabilities)/assets		**(7,960)**	8,946
Total assets less current liabilities		**(168,028)**	37,819
Non-current liabilities			
Promissory notes	*14*	**24,912**	–
Convertible debentures	*15*	**86,111**	–
		111,023	–
NET ASSETS		**57,005**	37,819
CAPITAL AND RESERVES			
Share capital		**17,122**	14,607
Reserves	*16*	**39,883**	23,212
		57,005	37,819

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Capital reserve	Share option reserve	Warrant reserve	Capital reduction reserve	Convertible debenture equity reserve	General reserve fund	Foreign currency Translation reserve	Accumu-lated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	92,623	18,214	7,195	9,704	142	–	–	9,025	(688)	(127,312)	8,903
Equity settled share-based transaction	–	–	–	10,423	–	–	–	–	–	–	10,423
Total comprehensive loss for the six months ended 30 June 2010	–	–	–	–	–	–	–	–	7	(18,570)	(18,563)
Issue of share capital	10,164	9,868	(16,619)	–	–	–	–	–	–	–	3,413
Capital reduction	(92,508)	–	–	–	–	81,124	–	–	4,074	–	(7,310)
At 30 June 2010	10,279	28,082	(9,424)	20,127	142	81,124	–	9,025	3,393	(145,882)	(3,134)
At 1 January 2011	**14,607**	**61,210**	**7,195**	**20,103**	**–**	**92,489**	**–**	**9,025**	**(1,464)**	**(165,346)**	**37,819**
Total comprehensive loss for the six months ended 30 June 2011	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(268)**	**(7,534)**	**(7,802)**
Issue of share capital	**2,515**	**10,870**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,385**
Issue of convertible bonds as consideration for acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**13,603**	**–**	**–**	**–**	**13,603**
At 30 June 2011	**17,122**	**72,080**	**7,195**	**20,103**	**–**	**92,489**	**13,603**	**9,025**	**(1,732)**	**(172,880)**	**57,005**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Net cash used in operating activities	**(9,396)**	(1,612)
Net cash used in investing activities	**(147,869)**	(18,026)
Net cash generated from financing activities	**138,011**	11,060
Net decrease in cash and cash equivalents	**(19,254)**	(8,578)
Cash and cash equivalents, at 1 January	**27,693**	18,640
Cash and cash equivalents, at 30 June	**8,439**	10,062
Analysis of the balances of cash and cash equivalents cash and bank balances	**8,439**	10,062

NOTES TO FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

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

The consolidated financial statements of the Company as at and for the six months ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the manufacture and sales of medicines in Mainland China and trading of shares in Hong Kong.

2. BASIS OF PREPARATION

(a) Statement of compliance

The unaudited financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The principal accounting policies adopted in these condensed financial statements are consistent with those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2010, except for the adoption of new interpretations and amendments to IFRSs and the accounting policies adopted for new transactions, noted below.

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

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

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

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

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

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2013.*
[3] *Effective for annual periods beginning on or after 1 January 2012.*

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

(b) Going concern

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group in view of its net current liabilities positions as at 30 June 2010.

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

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

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

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

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

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

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair values.

(d) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its major subsidiary in the People's Republic of China (the "PRC") are Hong Kong dollars and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency. All financial information presented in RMB has been rounded to the nearest thousand.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and report amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. TURNOVER

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

4. SEGMENT REPORTING

Throughout the Period, the Group has been operating in a single business segment. Accordingly, no segmental analysis is presented.

5. OTHER GAINS AND LOSS

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fair value gain on financial assets at fair value through profit or loss	**4,471**	–	**4,118**	–
(Loss)/gain on disposal of financial assets at fair value through profit or loss	**(1,623)**	–	**424**	–
Sample income	**229**	21	**228**	9
Sundry income	**784**	104	**647**	(6)
Gain on disposal of a subsidiary	**878**	–	**878**	–
Gain/(loss) on disposal of plant and equipment	**–**	14	**–**	(4)
	4,739	139	**6,295**	(1)

6. (LOSS)/PROFIT BEFORE TAXATION

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

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
(a) Net finance costs/(income)				
Interest on bank and other borrowings wholly repayable within five years	**3,595**	8,058	**2,224**	4,532
Bank interest income	**(91)**	(1)	**(84)**	(1)
Net financial costs recognised in consolidated statement of comprehensive income	**3,504**	8,057	**2,140**	4,531
(b) Staff costs				
Contributions to defined contribution plans	**44**	33	**23**	17
Equity-settled share-based payment expanses	**–**	10,417	**–**	–
Salaries, wages and other benefits	**10,506**	5,770	**5,010**	3,399
Total staff costs	**10,550**	16,220	**5,033**	3,416
(c) Other items				
Amortisation of intangible assets	**599**	–	**300**	–
Amortisation of land lease premium	**–**	260	**–**	197
Depreciation of property, plan and equipment	**757**	1,190	**383**	658
Advertising and promotion expenses	**11,917**	10,349	**10,514**	2,646
Auditors' remuneration	**840**	100	**590**	100
Cost of inventories sold	**14,418**	11,976	**6,941**	4,743

7. INCOME TAX EXPENSES

Income tax expenses in the consolidated income statement represents:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current tax				
PRC enterprise income tax for the period	**151**	104	**64**	43

(i) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the Period (2010: nil).

(ii) Income taxes outside Hong Kong

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

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

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss/earnings attributable to owners of the Company of RMB7,534,000 (2010: RMB18,577,000) and the weighted average of 1,649,770,000 (2010: 1,000,837,000) ordinary shares in issue during the six months ended 30 June 2011.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the six months ended 30 June 2011 and 2010 were the same as the exercise price of the Company's share options were higher than the average market price of the shares.

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2010: Nil).

10. OTHER PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired other property, plant and equipment of approximately RMB3,212,000 mainly comprising sundry assets and leasehold improvement.

11. INVENTORIES

	(Unaudited) As at 30 June 2011 ***RMB'000***	(Audited) As at 31 December 2010 *RMB'000*
Raw materials, at cost	**3,246**	3,221
Finished goods, at cost	**451**	760
Consignment goods, at cost	**2,548**	2,548
	6,245	6,529
Less: Write-down of inventories	**(1,800)**	(1,800)
	4,445	4,729

12. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2011 ***RMB'000***	(Audited) As at 31 December 2010 *RMB'000*
Trade debtors	**66,060**	68,405
Less: allowance for doubtful debts	**(62,419)**	(62,419)
	3,641	5,986
Bills receivable	**3,402**	1,928
Other receivables	**12,321**	16,681
Rental and other deposits	**33,693**	35,863
Prepayments	**7,174**	7,434
	60,231	67,892

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

Ageing analysis

An ageing analysis of trade receivables is as follows:

	(Unaudited) As at 30 June 2011 ***RMB'000***	(Audited) As at 31 December 2010 *RMB'000*
0 to 30 days	**119**	1,765
31 to 60 days	**1,247**	1,389
61 to 90 days	**1,074**	1,838
91 to 180 days	**1,216**	1,170
181 to 365 days	**154**	171
Over 365 days	**62,250**	62,072
	66,060	68,405
Less: allowances for doubtful debts	**(62,419)**	(62,419)
	3,641	5,986

13. TRADE AND OTHER PAYABLES

	(Unaudited) As at 30 June 2011 ***RMB'000***	(Audited) As at 31 December 2010 *RMB'000*
Trade creditors	**3,220**	3,952
Accrued expenses and other payables	**51,680**	55,901
	54,900	59,853

13. TRADE AND OTHER PAYABLES (CONTINUED)

Ageing analysis

An ageing analysis of trade payables is as follows:

	(Unaudited) As at 30 June 2011	(Audited) As at 31 December 2010
	RMB'000	*RMB'000*
0 to 30 days	**1,240**	1,506
31 to 60 days	**312**	168
61 to 90 days	**16**	236
91 to 180 days	**94**	245
181 to 365 days	**203**	478
Over 365 days	**1,355**	1,319
	3,220	3,952

14. BORROWINGS

	(Unaudited) As at 30 June 2011	(Audited) As at 31 December 2010
	RMB'000	*RMB'000*
Unsecured loan	**33,968**	33,968
Promissory Notes *(note)*	**24,912**	–
	56,880	33,968

Note: The Promissory Notes of HK$30,000,000 (approximately RMB24,912,000) is unsecured, repayable in one lump sum on the second anniversary from the date of issuance which is interest-bearing at 5% per annum.

15. CONVERTIBLE DEBENTURE

On 27 May 2011, the Group issued Convertible Bonds due on the second anniversary of the date of issuance with a principal amount of HK$120,000,000 (approximately RMB100,020,000) which is interest-bearing at 3% per annum. The Convertible Bonds were issued for the purpose of the acquisition of 100% equity interest in Smart Courage Limited.

The fair value of the liability component of the Convertible Bonds is estimated by discounting the contractual cash flows over the remaining contractual terms of the Convertible Bonds using prevailing market rate of interest for similar instrument. The residual amount representing the value of equity component is credited to the Company's reserve account.

The Convertible Bonds have been spilt between the liability and equity components as follows:

	(Unaudited) **As at** **30 June** **2011** ***RMB'000***	(Audited) As at 31 December 2010 *RMB'000*
Nominal value of Convertible Bonds issued	**100,020**	–
Equity component at the issuance date	**(13,603)**	–
Liability component at the issuance date	**86,417**	–
Exchange differences on translating foreign currency	**(306)**	–
Non-current liability component at the end of the reporting period	**86,111**	–

16. RESERVES

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

17. ACQUISITION OF SUBSIDIARY

On 27 May 2011, the Group acquired the entire equity interests of Smart Courage Limited at a total consideration of HK$180,000,000 (approximately RMB150,030,000).

The recognised amount of the identifiable assets and liabilities of the acquired subsidiary as at the date of acquisition are as follows:

	RMB'000
Intangible assets	361
Other receivables	8
Cash and bank balances	1
Other payables	(422)
	(52)
Goodwill on acquisition	150,082
Total consideration paid	150,030

The consideration of HK$180,000,000 (approximately RMB150,030,000) was satisfied by (i) HK$30,000,000 (approximately RMB25,005,000) in cash; (ii) HK$30,000,000 (approximately RMB25,005,000) by the issue of the Promissory Note; and (iii) the remaining balance of HK$120,000,000 (approximately RMB100,020,000) by the issue of the Convertible Bonds in the principal amount of the HK$120,000,000 at the initial conversion price of HK$0.10 per conversion share.

18. DISPOSAL OF SUBSIDIARIES

On 17 June 2011, the Group disposed the entire issued share capital of Top Beauty Holdings Limited and the loans to Top Beauty Holdings Limited and Good Wisdom Holdings Limited by the Company to an independent third party at a consideration of HK$6,000,000 (approximately RMB4,980,000). A net gain on disposal of approximately RMB878,000 was recognized during the period.

Carrying amount of net assets disposed of:

	RMB'000
Interest in associates	3,848
Trade and other receivables	166
Cash and bank balances	88
	4,102
Gain on disposal of interest in subsidiaries	878
Cash consideration received	4,980

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2011 (the "Period"), the Group recorded an unaudited consolidated turnover of approximately RMB45,625,000 (2010: RMB39,197,000), which represented an increase of approximately 16% as compared with that of the corresponding period in 2010. The Group devoted many resources into advertising and promotion activities and accordingly the public awareness and acceptance were therefore enhanced and this resulted in the Group's turnover.

The selling and distribution expenses for the Period increased by RMB5,690,000 or 38% as compared with the corresponding period in 2010. It was mainly due to an increase in advertising and promotion expenses, salesmen's salaries and commission.

The general and administrative expenses for the Period decreased by approximately RMB4,171,000 or 18% as compared with the corresponding period in 2010. This was mainly due to a share-based payment to staff in corresponding period in 2010.

Net financial costs for the Period decreased by approximately RMB4,553,000 or 56.5% as compared with the corresponding period in 2010. Such decrease was due to significant decrease in the amount and interest rate of loans and borrowings.

Operation Review

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

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

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

Sales and Marketing

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

The sales of "Puli Capsule" was approximately RMB42,922,000 (2010: RMB37,609,000), representing approximately 94% of the consolidated turnover of the Group for the Period. The sales of "Puli Capsule" for the Period increased by approximately 14% as compared with the corresponding period in 2010. This is due to enhanced public awareness and acceptance of "Puli Capsule". As "Puli Capsule" is classified as an OTC medicine which is the major market for the Group in the PRC, the Group will continue to focus on mass media advertising to promote the "Puli Capsule" on the OTC medicine market.

The sales of "Plasmin Capsule" was approximately RMB2,317,000 (2010: RMB1,588,000), representing approximately 5% of the consolidated turnover of the Group for the Period. The sales of "Plasmin Capsule" for the Period increased by approximately 46% as compared with the corresponding period in 2010. This is due to the fact that "Plasmin Capsule" becomes more competitive in the prescription medicine market.

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

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

Business Outlook and Prospects

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

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

Liquidity and Financial Resources

The Group generally finances its operations through internally-generated cash flows and banking facilities provided by its principal bankers. As at 30 June 2011, the Group had cash and cash equivalents amounting to approximately RMB8,439,000. With the limited available resources during the period, the Directors expected that the Group might depend on further financing from its shareholders and bankers to finance its business operations and to achieve its business objectives.

Capital Raising

On 29 March 2011, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through the placing agent and on a best effort basis, 300,000,000 new shares to independent investors at the placing price of HK$0.055 per placing share. The placement was completed on 21 April 2011. The placing shares were placed out by the placing Agent to not less than six placees, who and whose ultimate beneficial owners are independent third parties. The Company successfully raised aggregate net funds approximately of HK$15.9 million.

Charges on Group's Assets

At 30 June 2010, leasehold properties and exclusive rights to produce and sell the products of "Puli Capsule" of approximately RMB94,925,000 have been pledged to independent third parties to secure a number of loans granted to the Group. At 30 June 2011, none of the assets of the Group has been pledged to secure any loan granted to the Group.

Foreign Exchange Exposure

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

Material Acquisitions and Disposals

On 24 December 2010, Premium Stars Investments Limited ("PS"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Talent Keen Limited ("TK") and TK's guarantor, Mr. Choy Kai Chung Andy, pursuant to which PS conditionally agreed to acquire from TK the entire share capital of Smart Courage Limited at a total consideration of HK$180,000,000. The transaction was completed on 27 May 2011.

On 18 May 2011, the Company and Ms. Wu Rong entered into a sale and purchase agreement in relation to the disposal of the entire issued share capital of Top Beauty Holdings Limited ("Top Beauty"), (ii) the interest-free loans amounting to HK$25,270.00 owing by Top Beauty to the Company and (iii) the interest-free loans amounting to HK$6,011,930.00 owing by Good Wisdom Holdings Limited to the Company by the Company to Ms. Wu Rong, at a consideration of HK$6,000,000 payable by Ms. Wu Rong to the Company. The disposal was completed on 17 June 2011.

Significant Investments

Save as disclosed, the Group had no significant investments during the period.

Employee Information

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

Gearing Ratio

As at 30 June 2011, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 77%.

Contingent Liabilities

As at 30 June 2011, the Group did not have any material contingent liabilities.

OTHER INFORMATION

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

As at 30 June 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

Name of Director	**Capacity/ Nature of interest**	**No. of shares** *(Note)*	**Approximate percentage of interest**
Mr. Leung King Fai	Beneficial Owner	660,000(L)	0.04%

Note:

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

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as known to any Director or chief executive of the Company, as at 30 June 2011, persons who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follows:

Name	**Capacity/ Nature of interest**	**No. of shares** *(Note 1)*	**Approximate percentage of interest**
Mr. Yip Chi Fai, Stevens *(Note 2)*	Interest of a controlled corporation	193,975,000(L)	10.59%
Beckon Investments Limited	Beneficial owner	193,975,000(L)	10.59%
Mr. Liu Yinxiao	Beneficial owner	110,000,000(L)	6.00%

Notes:

1. The Letter "L" – denotes a long position in shares.

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

Save as disclosed above, as at 30 June 2011, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Options to subscribe for shares in the Company

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

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

At 30 June 2011, the directors, employees, consultants, advisors and other service providers of the company had the following interests in options to subscribe for shares of the company granted for nil consideration under the share option scheme of the company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK$0.01 of the company.

Details of grantees	No. of options outstanding of the Period end	Date granted	Period during which options are exercisable	Exercise price per share
Hu Yangxiong *(Director)*	86,760,000	20 January 2010	2 December 2009 to 1 December 2019	HK$0.2488
Leung King Fai *(Director)*	4,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211
Zhao Borui *(Director)*	7,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211
Consultants, a Former Director, Advisers, Employees and Service Providers	54,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211

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

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

As at 30 June 2011, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Competing interests

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

Audit committee

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee include the review and supervision of the financial reporting process and the internal monitoring system of the Group. The audit committee has three members comprising Mr. Lam Kai Tai, Mr. Wong Ting Kon and Ms. Yeung Mo Sheung, Ann, the three Independent Non-executive Directors. The audit committee met two times during the Period. The Group's unaudited consolidated results for the Period have been reviewed by the audit committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal reporting and monitoring system of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group. During the Period, no material matters were identified and reported by the Board to the audit committee and the supervisory committee of the Board.

Purchase, sale or redemption of the Company's shares

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

Code of conduct regarding directors' securities transactions

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

Corporate Governance

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

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

A.4.1 Non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

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

Hong Kong, 19 September 2011

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

Executive directors:
Mr. Zhao Borui
Mr. Hu Yangxiong
Mr. Chung Chi Mang
Mr. Lee Cheuk Yue, Ryan
Mr. Chow Yik
Mr. Leung King Fai

Independent non-executive directors:
Mr. Lam Kai Tai
Mr. Wong Tang Kon
Ms. Yeung Mo Sheung, Ann