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 2013

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 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 GEM of the Stock Exchange 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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HIGHLIGHTS

- Unaudited turnover of the Group for the six months ended 30 June 2013 amounted to approximately RMB42,471,000 representing an decrease of approximately 19% over the corresponding period in 2012.
- Loss attributable to owners of the Company for the six months ended 30 June 2013 was approximately RMB21,869,000.
- Loss per share for the six months ended 30 June 2013 was approximately RMB1.14 cents.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013.

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 2013, 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	
	Notes	2013 RMB'000	2012 RMB'000 (restated)	2013 RMB'000	2012 RMB'000 (restated)
Turnover	3	42,471	52,466	32,825	24,799
Cost of sales		(40,346)	(45,984)	(31,090)	(22,127)
Gross profit		2,125	6,482	1,735	2,672
Other gains and losses	5	4,574	758	6,713	1,301
General and administrative expenses		(23,536)	(13,322)	(17,120)	(6,693)
Loss from operations		(16,837)	(6,082)	(8,672)	(2,720)
Share of results of associates		–	(8)	–	(8)
Finance costs	6(a)	(5,032)	(5,815)	(3,993)	(4,780)
Loss before taxation	6	(21,869)	(11,905)	(12,665)	(7,508)
Income tax expenses	7	–	–	–	–
Loss for the period from continuing operation		(21,869)	(11,905)	(12,665)	(7,508)
Discontinued operation					
Loss for the period from discontinued operation		(6)	(13,619)	–	(7,349)
Loss for the period		(21,875)	(25,524)	(12,665)	(14,857)
Other comprehensive income/(loss), net of tax					
Exchange differences on translation into presentation currency		1,049	464	1,139	(105)
Total comprehensive loss for the period		(20,826)	(25,060)	(11,526)	(14,962)
Loss for the period attributable to owners of the Company		(21,875)	(25,524)	(12,665)	(14,857)
Total comprehensive loss attributable to owners of the Company		(20,826)	(25,060)	(11,526)	(14,962)
Loss per share					
For continuing and discontinued operations					
– Basic and diluted	8	(RMB1.14 cent)	(RMB1.39 cent)	(RMB0.63 cent)	(RMB0.81 cent)
For continuing operations					
– Basic and diluted	8	(RMB1.14 cent)	(RMB0.66 cent)	(RMB0.63 cent)	(RMB0.42 cent)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) As at 30 June 2013 RMB'000	(Audited) As at 31 December 2012 RMB'000
NON-CURRENT ASSETS			
Investment properties		–	1,900
Plant and equipment		491	2,038
Intangible assets		80,714	98,517
Goodwill		–	6,821
Trade and other receivables		1,990	2,038
		83,195	111,314
CURRENT ASSETS			
Trade and other receivables	10	8,978	11,311
Cash and bank balances		7,091	4,569
		16,069	15,880
CURRENT LIABILITIES			
Trade and other payables	11	5,878	8,192
Other borrowings	12	80,032	–
Promissory notes	13	–	23,932
Convertible notes	14	–	97,822
Tax payable		89	977
		85,999	130,923
Net current liabilities		(69,930)	(115,043)
Total assets less current liabilities		13,265	(3,729)
Non-current liabilities			
Promissory notes	13	22,411	–
Deferred tax liabilities		–	37
		22,411	37
NET LIABILITIES		(9,146)	(3,766)
CAPITAL AND RESERVES			
Share capital		18,686	17,122
Reserves		(27,832)	(20,888)
		(9,146)	(3,766)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Capital reduction reserve RMB'000	General reserve fund RMB'000	Foreign currency Translation reserve RMB'000	Accumu-lated losses RMB'000	Total RMB'000
At 1 January 2012	17,122	72,080	7,195	20,103	92,489	9,025	(2,786)	(212,889)	2,339
Total comprehensive loss for the six months ended 30 June 2012	–	–	–	–	–	–	464	(25,524)	(25,060)
At 30 June 2012	17,122	72,080	7,195	20,103	92,489	9,025	(2,322)	(238,413)	(22,721)
At 1 January 2013	**17,122**	**72,080**	**–**	**20,103**	**92,489**	**–**	**(10,277)**	**(195,283)**	**(3,766)**
Conversion of Convertible notes	**1,564**	**13,882**	**–**	**–**	**–**	**–**	**–**	**–**	**15,446**
Cancellation of share options	**–**	**–**	**–**	**(12,788)**	**–**	**–**	**–**	**12,788**	**–**
Total comprehensive loss for the six months ended 30 June 2013	**–**	**–**	**–**	**–**	**–**	**–**	**1,049**	**(21,875)**	**(20,826)**
At 30 June 2013	**18,686**	**85,962**	**–**	**7,315**	**92,489**	**–**	**(9,228)**	**(204,370)**	**(9,146)**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(3,848)**	62,860
Net cash generated from/(used in) investing activities	**8,272**	(6,677)
Net cash used in financing activities	**(1,902)**	(42,871)
Net increase in cash and cash equivalents	**2,522**	13,312
Cash and cash equivalents, at 1 January	**4,569**	12,010
Cash and cash equivalents, at 30 June	**7,091**	25,322
Analysis of the balances of cash and cash equivalents cash and bank balances	**7,091**	25,322

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 2013 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in trading of biodegradable food containers and disposal industrial packaging for consumer products.

2. BASIS OF PREPARATION

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) to the financial statements 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.

(a) Statement of compliance

The unaudited financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The principal accounting policies adopted in these condensed financial statements are consistent with those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2012, except for the adoption of new interpretations and amendments to IFRSs and the accounting policies adopted for new transactions, noted below.

2. BASIS OF PREPARATION *(continued)*

(a) Statement of compliance *(continued)*

The Group has adopted the following new or revised IFRSs which are relevant to its business for the first time for these consolidated quarterly results:

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

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

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

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

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

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

2. BASIS OF PREPARATION *(continued)*

(a) Statement of compliance *(continued)*

Key requirements of IFRS 9 are described as follows:

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

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

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

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

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

2. BASIS OF PREPARATION *(continued)*

(b) Going concern

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group notwithstanding that:

- the Group had consolidated loss attributable to owners of the Company of approximately RMB21,869,000 for the period ended 30 June 2013;
- the Group had consolidated net current liabilities of approximately RMB69,930,000 as at 30 June 2013;
- the Group had consolidated net liabilities of approximately RMB9,146,000 as at 30 June 2013.

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

(1) Financial supports

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

(2) Attainment of profitable and positive cash flow operations

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations. In the opinion of the directors, in light of the various measures/arrangements implemented after the end of reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

2. BASIS OF PREPARATION *(continued)*

(b) Going concern *(continued)*

(3) Open offer

The Company proposes to raise not less than approximately HK$162 million (before expenses) by way of an open offer of not less than 1,621,334,832 consolidated shares and not more than 1,657,334,832 consolidated shares at a subscription price of HK$0.10 per consolidated share on the basis of eight (8) consolidated shares for every one (1) consolidated share held on the record date by qualifying shareholders.

The estimated net proceeds from the open offer will be not less than approximately HK$156 million. The Board intends to apply the net proceeds from the open offer as to approximately HK$134 million for the settlement of the outstanding convertible notes together with accrued interests of approximately HK$103 million and promissory notes together with accrued interests of approximately HK$31 million, and as to approximately HK$22 million for general working capital purposes. Details of the proposed open offer are set out in the Company's announcement dated 11 July 2013.

(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 subsidiaries are Hong Kong dollars and Renminbi ("RMB"). 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.

3. TURNOVER

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

	2013 RMB'000	2012 RMB'000 (restated)
Continuing operations:		
Sale of biodegradable raw materials and products	**42,471**	52,466
	42,471	52,466
Discontinued operation:		
Sale of pharmaceutical products	**–**	39,563
Distribution of skin care products	**–**	84
Total	**42,471**	92,113

4. SEGMENT REPORTING

Segment revenues and results

	(Unaudited) For the six months ended 30 June							
	Continuing Operations		Discontinued operation					
	Biodegradable raw materials and products		Skin care products		Pharmaceutical products		Consolidated	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Turnover								
External sales	42,471	52,466	–	84	–	39,563	42,471	92,113
Result								
Segment result	(15,687)	(1,943)	(6)	(269)	–	(10,033)	(15,693)	(12,245)
Unallocated corporate expenses							(1,150)	(3,730)
Loss from operations							(16,843)	(15,975)
Share of results of associates							–	(8)
Finance costs							(5,032)	(9,541)
Loss before taxation							(21,875)	(25,524)
Income tax expenses							–	–
Loss for the period							(21,875)	(25,524)

4. SEGMENT REPORTING *(continued)*

Segment revenues and results *(continued)*

	(Unaudited) For the three months ended 30 June							
	Continuing Operations		Discontinued operation					
	Biodegradable raw materials and products		Skin care products		Pharmaceutical products		Consolidated	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Turnover								
External sales	**32,825**	24,799	**–**	–	**–**	18,922	**32,825**	43,721
Result								
Segment result	**(11,971)**	(1,517)	**–**	(173)	**–**	(5,917)	**(11,971)**	(7,607)
Unallocated corporate income/(expenses)							**3,299**	(776)
Loss from operations							**(8,672)**	(8,383)
Share of results of associates							**–**	(8)
Finance costs							**(3,993)**	(6,466)
Loss before taxation							**(12,665)**	(14,857)
Income tax expenses							**–**	–
Loss for the period							**(12,665)**	(14,857)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2012: Nil).

4. SEGMENT REPORTING *(continued)*

Segment assets and liabilities

	Continuing operations		Discontinued operation					
	Biodegradable raw materials and products		Skin care products		Pharmaceutical products		Consolidated	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Assets								
Segment assets	89,290	104,992	–	–	–	–	89,290	104,992
Unallocated corporate assets							9,974	22,202
							99,264	127,194
Liabilities								
Segment liabilities	1,292	1,323	–	–	–	–	1,292	1,323
Unallocated corporate liabilities							107,118	129,637
							108,410	130,960

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to operating segments other than interests in associates, investment properties, financial assets at fair value through profit or loss and other corporate assets.

All liabilities are allocated to operating segments other than convertible notes, promissory notes and corporate liabilities.

5. OTHER GAINS AND LOSSES

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2013 RMB'000	2012 RMB'000 (restated)	**2013 RMB'000**	2012 RMB'000 (restated)
Continuing operations:				
Distribution income	**–**	1,867	**–**	1,867
Fair value (loss)/gain on financial assets at fair value through profit or loss	**–**	(514)	**–**	(393)
(Loss)/gain on disposal of financial assets at fair value through profit or loss	**–**	(950)	**–**	(201)
Sample income	**–**	3	**–**	4
Sundry income	**254**	352	**(1)**	24
Gain on disposal of subsidiaries	**23**	–	**2,417**	–
Gain on extension of Promissory notes	**1,484**	–	**1,484**	–
Fair value gain on convertible notes	**2,813**	–	**2,813**	–
	4,574	758	**6,713**	1,301
Discontinued operation:				
Sample income	**–**	266	**–**	264
Sundry income	**–**	102	**–**	94
	4,574	1,126	**6,713**	1,659

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	
	2013 RMB'000	2012 RMB'000 (restated)	**2013 RMB'000**	2012 RMB'000 (restated)
(a) Net finance (costs)/income				
Continuing operations:				
Interest on bank and other borrowings wholly repayable within five years	**(230)**	–	**(230)**	–
Interest on convertible notes	**(3,688)**	(4,619)	**(2,955)**	(3,889)
Interest on promissory notes	**(1,114)**	(1,196)	**(808)**	(892)
	(5,032)	(5,815)	**(3,993)**	(4,781)
Discontinued operation:				
Interest on bank and other borrowings wholly repayable within five years	**–**	(3,726)	**–**	(1,685)
Net financial costs recognised in consolidated statement of comprehensive income	**(5,032)**	(9,541)	**(3,993)**	(6,466)
(b) Staff costs				
Continuing operations:				
Contributions to defined contribution retirement plans	**30**	27	**14**	14
Salaries, wages and other benefits	**910**	943	**411**	462
Discontinued operation:				
Salaries, wages and other benefits	**–**	7,673	**–**	4,491
Total staff costs	**940**	8,643	**425**	4,967
(c) Other items				
Continuing operations:				
Amortisation of intangible assets	**8,210**	8,699	**3,932**	4,349
Depreciation	**244**	393	**46**	195
Auditors' remuneration	**796**	816	**385**	410
Impairment of intangible assets	**9,585**	–	**9,585**	–
Cost of inventories sold	**40,346**	45,984	**31,090**	22,127
Discontinued operation:				
Depreciation	**–**	634	**–**	316
Advertising and promotion expenses	**–**	12,570	**–**	11,220
Cost of inventories sold	**–**	12,101	**–**	5,882

7. INCOME TAX EXPENSES

Income tax expenses in the consolidated statement of comprehensive income represents:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2013 RMB'000	2012 RMB'000 (restated)	**2013 RMB'000**	2012 RMB'000 (restated)
Continuing operations:				
Current tax				
Hong Kong	–	–	–	–
PRC enterprise income tax	–	–	–	–
Discontinued operation:				
Current tax				
PRC enterprise income tax	–	–	–	–
	–	–	–	–

(i) Hong Kong profits tax

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

(ii) Income taxes outside Hong Kong

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

The 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 (2012: 25%).

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2012: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2013 RMB'000	2012 RMB'000 (restated)	**2013 RMB'000**	2012 RMB'000 (restated)
Loss for the period				
– For continuing and discontinued operations	**(21,874)**	(25,524)	**(12,665)**	(14,857)
– For continuing operations	**(21,868)**	(12,174)	**(12,665)**	(7,681)
Weighted average number of ordinary share	**1,925,617,178**	1,832,090,909	**2,018,115,686**	1,832,290,909

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2013 and 2012 was the same as basic loss per share because the effects of the Company's share options were anti dilutive.

10. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2013 RMB'000	(Audited) As at 31 December 2012 RMB'000
Trade debtors	**6,031**	3,798
Less: allowance for doubtful debts	**–**	–
	6,031	3,798
Other receivables	**2,946**	8,119
Trade deposit	**1,592**	778
Rental and other deposits	**398**	530
Prepayments	**1**	124
	10,968	13,349
Less: loan receivables – non-current portion	**(1,990)**	(2,038)
	8,978	11,311

Customers are generally granted with credit term of 90 days.

Ageing analysis

An ageing analysis of trade receivables is as follows:

	(Unaudited) As at 30 June 2013 RMB'000	(Audited) As at 31 December 2012 RMB'000
0 to 30 days	**1,253**	3,283
31 to 60 days	**1,033**	440
61 to 90 days	**962**	2
91 to 180 days	**2,783**	73
181 to 365 days	**–**	–
Over 365 days	**–**	–
	6,031	3,798
Less: allowances for doubtful debts	**–**	–
	6,031	3,798

11. TRADE AND OTHER PAYABLES

	(Unaudited) As at 30 June 2013 RMB'000	(Audited) As at 31 December 2012 RMB'000
Trade creditors	**837**	856
Accrued expenses and other payables	**5,041**	7,336
	5,878	8,192

The average credit period on purchases of goods is 30 days.

Ageing analysis

An ageing analysis of trade payables is as follows:

	(Unaudited) As at 30 June 2013 RMB'000	(Audited) As at 31 December 2012 RMB'000
0 to 30 days	**837**	856
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 180 days	**–**	–
181 to 365 days	**–**	–
Over 365 days	**–**	–
	837	856

12. OTHER BORROWINGS

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

	Notes	(Unaudited) As at 30 June 2013 RMB'000	(Audited) As at 31 December 2012 RMB'000
Unsecured interest-bearing other loans	(a)	**80,032**	–
Amounts shown under current liabilities, on demand or within one year		**80,032**	–

Notes:

(a) During the period, the convertible notes matured. The bondholders agreed to defer the payment to 25 October 2013. The amount is reclassified as other loan. The loan was unsecured and bearing interest 3% p.a..

13. PROMISSORY NOTES

On 27 May 2011, Premium Stars Investment Limited, a wholly owned subsidiary of the Company, issued promissory notes with a principal amount of HK$30,000,000 (equivalent to approximately RMB25,005,000) for acquiring the entire issued share capital of Smart Courage Group (the "Promissory Notes"). The fair value of Promissory Notes was approximately HK$26,959,000 (equivalent to approximately RMB22,470,000) on 27 May 2011. The Promissory Notes bear interest at 5% per annum and are repayable in second anniversary from the date of issue of Promissory Notes. The effective interest rate is 10.913%.

On 25 March 2013, the Vendor of the Promissory Note is willing to postpone the maturity date of the Promissory Note to 27 May 2015. Other terms and conditions of the Promissory Note remain unchanged.

13. PROMISSORY NOTES *(continued)*

The movement of the carrying amount of the Promissory Notes during the period ended 30 June 2013 is set out below:

	RMB'000
At 31 December 2012	23,932
Interest charged calculated at an effective interest rate of 10.913%	1,114
Interest paid	(597)
Gain on extension of Promissory notes	(1,484)
Exchange adjustments	(554)
At 30 June 2013	22,411

As at 30 June 2013, the fair value of Promissory Notes was approximately HK$28,154,000 (equivalent to approximately RMB22,411,000).

14. CONVERTIBLE NOTES

On 27 May 2011, the Company issued 3% coupon convertible notes (the "Convertible Notes") with a principal amount of HK$120,000,000 (equivalent to approximately RMB100,020,000). Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.10 per conversion share. The Convertible Notes were issued as part of the consideration for acquisition of Smart Courage Limited and its subsidiaries. The maturity date of the Convertible Notes is the date immediately preceding the second anniversary of the date of issue of the Convertible Notes. The effective interest rate of the liability component on initial recognition is 10.913% per annum.

The Convertible Notes recognised in the statement of financial position was calculated, as follows:

	RMB'000
At 31 December 2012	97,822
Conversion rights exercised	(15,446)
Interest charged calculated at an effective interest rate of 10.913%	3,685
Interest paid	(1,091)
Fair value charges	(2,813)
Exchange adjustments	(2,125)
Matured during the period	(80,032)
At 30 June 2013	–

14. CONVERTIBLE NOTES *(continued)*

Interest expense on the Convertible Notes is calculated using the effective interest method by applying the effective interest rate of 10.913% to the liability component. The fair values of the Convertible Notes has been arrived on the basis of a valuation carried out on date of issue and at end of the reporting period by independent professional valuers not connected with the Group. The effective interest rate range from 8.82% to 10.913% per annum.

On 5 April 2013, Alpha Tycoon Limited and Talent Keen Limited (collectively, the "Bondholders") requested for the conversion of the Convertible Bonds in the principal amount of HK$4,457,764 and HK$15,000,000 respectively.

The 194,577,640 Conversion Shares to be issued represent approximately 9.60% of the existing issued share capital of the Company as enlarged by the allotment and issuance of the 194,577,640 Conversion Shares.

The Convertible Bonds is matured on 27 May 2013. The Bondholders in the principal amount of HK$100,542,236 (equivalent to approximately RMB80,032,000) of the Convertible Bonds have agreed to defer the repayment of the principal amount to 25 October 2013. The amount is reclassified as other borrowings and bearing interest 3% p.a..

15. MAJOR ACQUISITIONS AND DISPOSALS DURING THE PERIOD

On 15 May 2013, the Company entered into a sale and purchase agreement with an independent third party, the Company agreed to sell the entire share capital of Merry Sky Limited (a wholly owned subsidiary of the Group) at a total consideration of HK$2,200,000. The transaction was completed on 15 June 2013.

On 27 June 2013, the Company entered into a sale and purchase agreement with an independent third party, the Company agreed to sell the entire share capital of Jin Hao Limited (a wholly owned subsidiary of the Group) at a total consideration of HK$200,000. The transaction was completed on 30 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2013 (the "Period"), the Group recorded an unaudited consolidated turnover of approximately RMB42,471,000 (2012: RMB52,466,000), which represented an decrease of approximately 19% as compared with that of the corresponding period in 2012. The decrease in turnover was due to significant increase production costs and subcontracting charges. Such increases have weakened the competitiveness of our products.

The general and administrative expenses for the Period increased by approximately RMB10,214,000 or 77% as compared with the corresponding period in 2012. This was due to the impairment of intangible assets.

Net financial costs for the Period decreased by approximately RMB783,000 or 13% as compared with the corresponding period in 2012. This was due to the decrease in interest expense on the convertible notes as part of the convertible note was converted during the period.

OPERATION REVIEW

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

FUTURE PROSPECTS

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

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 2013, the Group had cash and cash equivalents amounting to approximately RMB7,091,000. 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

The Company proposes to raise not less than approximately HK$162 million (before expenses) by way of an open offer of not less than 1,621,334,832 consolidated shares and not more than 1,657,334,832 consolidated shares at a subscription price of HK$0.10 per consolidated share on the basis of eight (8) consolidated shares for every one (1) consolidated share held on the record date by qualifying shareholders.

The estimated net proceeds from the open offer will be not less than approximately HK$156 million. The Board intends to apply the net proceeds from the open offer as to approximately HK$134 million for the settlement of the outstanding convertible notes together with accrued interests of approximately HK$103 million and promissory notes together with accrued interests of approximately HK$31 million, and as to approximately HK$22 million for general working capital purposes. Details of the proposed open offer are set out in the Company's announcement dated 11 July 2013.

CHARGES ON GROUP'S ASSETS

At 30 June 2013 and 2012, 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 Hong Kong Dollars. The Directors consider that the impact of foreign exchange exposure of the Group is minimal.

MAJOR EVENTS DURING THE PERIOD

Postponement of Maturity Date of Promissory Note

On 25 March 2013, the Vendor of the Promissory Note is willing to postpone the maturity date of the Promissory Note to 27 May 2015. Other terms and conditions of the Promissory Note remain unchanged.

Conversion of Convertible Bonds

On 5 April 2013, the Company received notices from Alpha Tycoon Limited and Talent Keen Limited (collectively, the "Bondholders"), requesting for the conversion of the Convertible Bonds in the principal amount of HK$4,457,764 and HK$15,000,000 respectively.

Deferred Payment of the Convertible Bonds

The Convertible Bonds is matured on 27 May 2013. The Bondholders in the principal amount of HK$100,542,236 of the Convertible Bonds have agreed to defer the repayment of the principal amount to 25 October 2013.

Major acquisitions and disposals

On 15 May 2013, the Company entered into a sale and purchase agreement with an independent third party, the Company agreed to sell the entire share capital of Merry Sky Limited (a wholly owned subsidiary of the Group) at a total consideration of HK$2,200,000. The transaction was completed on 15 June 2013.

On 27 June 2013, the Company entered into a sale and purchase agreement with an independent third party, the Company agreed to sell the entire share capital of Jin Hao Limited (a wholly owned subsidiary of the Group) at a total consideration of HK$200,000. The transaction was completed on 30 June 2013.

MAJOR EVENTS AFTER THE PERIOD

Share Consolidation

The Company proposes to implement a share consolidation on the basis that every ten (10) issued and unissued existing shares with a par value of HK$0.01 each will be consolidated into one (1) consolidated share with a par value of HK$0.1 each.

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

Open Offer

Subject to the share consolidation becoming effective, the Company proposes to raise not less than approximately HK$162 million (before expenses) by way of an open offer of not less than 1,621,334,832 consolidated shares and not more than 1,657,334,832 consolidated shares at a subscription price of HK$0.10 per consolidated share on the basis of eight (8) consolidated shares for every one (1) consolidated share held.

Up to the date of this report, the share consolidation and open offer have not yet been completed.

CAPITAL STRUCTURE

The issued share capital of the Company increased to 2,026,668,549 shares upon the allotment and issuance of the 194,577,640 conversion shares.

SIGNIFICANT INVESTMENTS

The Group had no significant investments during the period.

EMPLOYEE INFORMATION

Currently, the Group has about 20 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 2013, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 109.2%.

CONTINGENT LIABILITIES

As at 30 June 2013, 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 2013, save for the interest of the Directors in share options as below, neither of the Directors nor the Chief Executive of the Company had interests and or short positions in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

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

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

At 30 June 2013, the Directors, consultants, advisors and other service providers of the Company had the following interests in options to subscribe for shares of the Company granted for nil consideration under the share option scheme of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK$0.01 of the Company.

Details of grantees	No. of options outstanding at the begining of the Period	No. of options forfeited during the Period	No. of options outstanding at the end of the Period	Date granted	Period during which options are exercisable	Exercise price per share
Hu Yangxiong *(Former Director)* (Note)	86,760,000	86,760,000	0	22 January 2010	2 December 2009 to 1 December 2019	HK$0.2488
Leung King Fai *(Director)*	4,000,000	–	4,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211
Consultants, Advisers, Service Providers and Others	61,000,000	16,000,000	45,000,000	11 November 2009	11 November 2009 to 10 November 2019	HK$0.211
Total	151,760,000	102,760,000	49,000,000			

Note:

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

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

SUBSTANTIAL SHAREHOLDERS

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

Name	Capacity/ Nature of interest	No. of shares (Note 1)	Approximate percentage of interest
Mr. Yip Chi Fai, Stevens (Note2)	Interest of a controlled corporation	184,040,000 (L)	9.08%
Beckon Investments Limited	Beneficial owner	184,040,000 (L)	9.08%

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, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 30 June 2013.

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

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

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

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

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

Hong Kong, 14 August 2013

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

Executive directors:
Mr. Chow Yik
Mr. Lee Cheuk Yue, Ryan
Mr. Leung King Fai

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