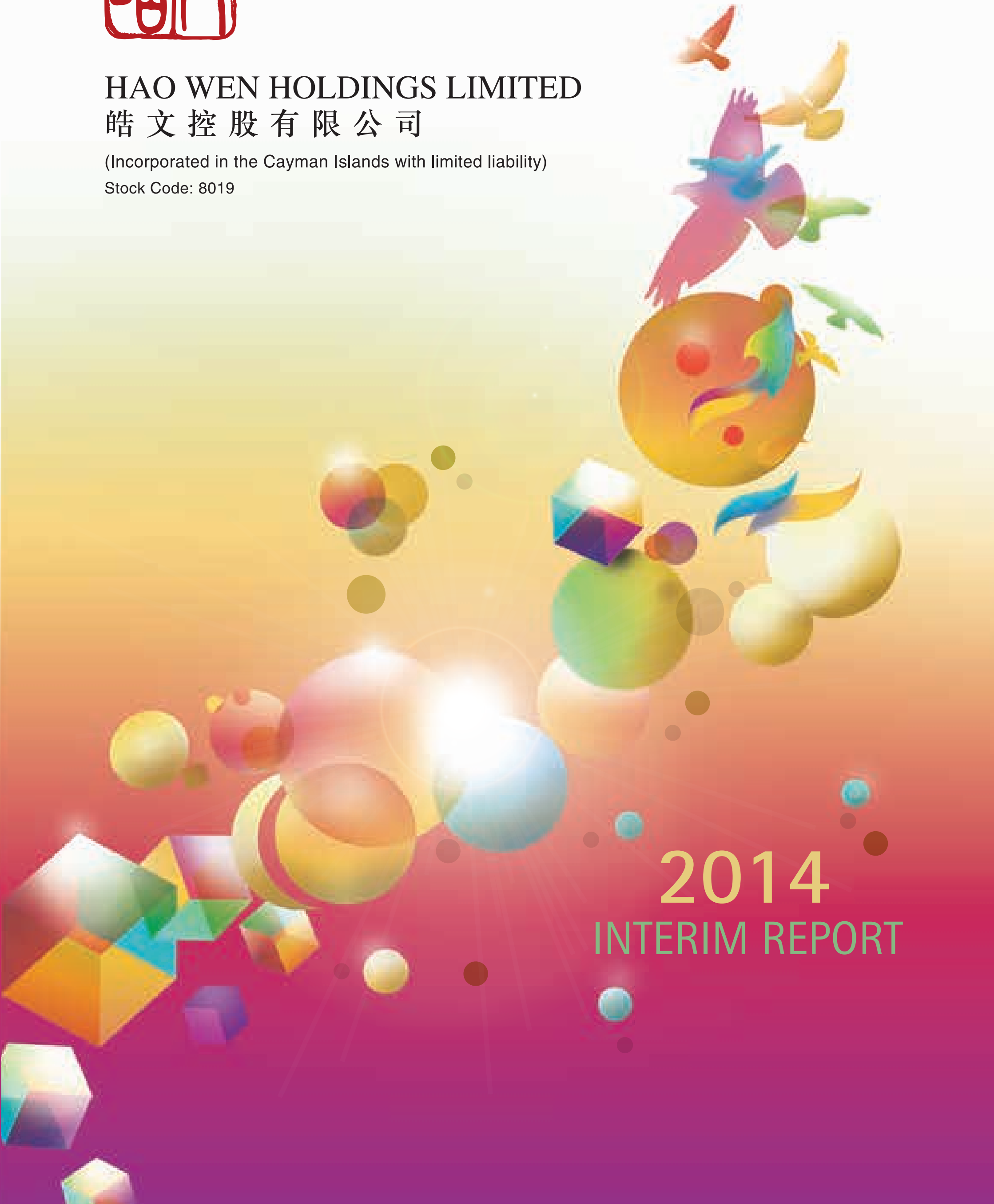
HAO WEN HOLDINGS LIMITED

皓 文 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019



2014 INTERIM REPORT

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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 2014 amounted to approximately RMB6,011,000 representing a decrease of approximately 86% over the corresponding period in 2013.
- Loss attributable to owners of the Company for the six months ended 30 June 2014 was approximately RMB15,460,000.
- Loss per share for the six months ended 30 June 2014 was approximately RMB0.72 cents.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014.

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 2014, 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	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Turnover	3	**6,011**	42,471	**2,714**	32,825
Cost of sales		**(5,765)**	(40,346)	**(2,444)**	(31,090)
Gross profit		**246**	2,125	**270**	1,735
Other gains and losses	5	**(2,539)**	4,574	**(452)**	6,713
General and administrative expenses		**(13,194)**	(23,536)	**(6,759)**	(17,120)
Loss from operations		**(15,487)**	(16,837)	**(6,941)**	(8,672)
Finance costs	6(a)	**(65)**	(5,032)	**–**	(3,993)
Loss before taxation	6	**(15,552)**	(21,869)	**(6,941)**	(12,665)
Income tax expenses	7	**–**	–	**–**	–
Loss for the period from continuing operation		**(15,552)**	(21,869)	**(6,941)**	(12,665)
Discontinued operation					
Loss for the period from discontinued operation		**–**	(6)	**–**	–
Loss for the period		**(15,552)**	(21,875)	**(6,941)**	(12,665)
Other comprehensive (loss)/income, net of tax					
Exchange differences on translation into presentation currency		**(267)**	1,049	**(161)**	1,139
Total comprehensive loss for the period		**(15,819)**	(20,826)	**(7,102)**	(11,526)

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

	Notes	Six months ended 30 June 2014 RMB'000	Six months ended 30 June 2013 RMB'000	Three months ended 30 June 2014 RMB'000	Three months ended 30 June 2013 RMB'000
(Loss)/profit for the period attributable to:					
Owners of the Company		**(15,460)**	(21,875)	**(6,955)**	(12,665)
Non-controlling interests		**(92)**	–	**14**	–
Total comprehensive (loss)/income attributable to:					
Owners of the Company		**(15,727)**	(20,826)	**(7,116)**	(11,526)
Non-controlling interests		**(92)**	–	**14**	–
Loss per share					
For continuing and discontinued operations					
– Basic	9	**(RMB0.72 cent)**	(RMB1.14 cent)	**(RMB0.32 cent)**	(RMB0.63 cent)
– Diluted		**(RMB0.61 cent)**	(RMB1.14 cent)	**(RMB0.27 cent)**	(RMB0.63 cent)
For continuing operations					
– Basic	9	**(RMB0.72 cent)**	(RMB1.14 cent)	**(RMB0.32 cent)**	(RMB0.63 cent)
– Diluted		**(RMB0.61 cent)**	(RMB1.14 cent)	**(RMB0.27 cent)**	(RMB0.63 cent)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) As at 30 June 2014 RMB'000	(Audited) As at 31 December 2013 RMB'000
NON-CURRENT ASSETS			
Plant and equipment	10	**2,980**	1,263
Intangible assets		**11,660**	19,600
Goodwill	11	**213,259**	–
		227,899	20,863
CURRENT ASSETS			
Inventories	12	**1,531**	–
Financial asset at fair value through profit or loss		**1,064**	–
Trade and other receivables	13	**19,558**	22,811
Cash and bank balances		**3,170**	9,024
		25,323	31,835
CURRENT LIABILITIES			
Trade and other payables	14	**29,903**	5,352
Tax payable		**89**	88
		29,992	5,440
Net current (liabilities)/assets		**(4,669)**	26,395
Total assets less current liabilities		**223,230**	47,258
NET ASSETS		**223,230**	47,258
CAPITAL AND RESERVES			
Share capital		**175,510**	146,820
Reserves		**47,720**	(99,562)
		223,230	47,258

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital RMB'000	Share premium RMB'000	Capital reduction reserve RMB'000	Convertible notes equity reserve RMB'000	Share option reserve RMB'000	Warrants reserve RMB'000	Foreign currency Translation reserve RMB'000	Accumu-lated losses RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	17,122	72,080	92,489	–	20,103	–	(10,277)	(195,283)	–	(3,766)
Issuance of shares upon 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	92,489	–	7,315	–	(9,228)	(204,370)	–	(9,146)
At 1 January 2014	**146,820**	**84,248**	**92,489**	**–**	**36,239**	**–**	**(11,541)**	**(300,997)**	**–**	**47,258**
Issuance of convertible notes	**–**	**–**	**–**	**10,169**	**–**	**–**	**–**	**–**	**–**	**10,169**
Issuance of shares upon conversion of convertible notes	**28,690**	**63,304**	**–**	**(10,169)**	**–**	**–**	**–**	**–**	**–**	**81,825**
Issuance of unlisted warrants	**–**	**–**	**–**	**–**	**–**	**1,349**	**–**	**–**	**–**	**1,349**
Recognised upon acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**98,448**	**98,448**
Total comprehensive loss for the six months ended 30 June 2014	**–**	**–**	**–**	**–**	**–**	**–**	**(267)**	**(15,460)**	**(92)**	**(15,819)**
At 30 June 2014	**175,510**	**147,552**	**92,489**	**–**	**36,239**	**1,349**	**(11,808)**	**(316,457)**	**98,356**	**223,230**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Net cash used in operating activities	**(7,186)**	(3,848)
Net cash (used in)/generated from investing activities	**(18)**	8,272
Net cash generated from/(used in) financing activities	**1,350**	(1,902)
Net (decrease)/increase in cash and cash equivalents	**(5,854)**	2,522
Cash and cash equivalents, at 1 January	**9,024**	4,569
Cash and cash equivalents, at 30 June	**3,170**	7,091
Analysis of the balances of cash and cash equivalents cash and bank balances	**3,170**	7,091

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(a) 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 2013, 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, IFRS 12 and IAS 27 (Amendments)	Investment Entities
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IAS 36	Recoverable Amount and Disclosures for Non-Financial Assets
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies[1]

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]
IFRS 9, IFRS 7 and IAS 39 (Amendments)	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39[2]
IAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[1]
IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle[1]
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle[1]
IFRS 14	Regulatory Deferral Accounts[3]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

2 No mandatory effective date yet determined but is available for adoption.

3 Effective for annual periods beginning on or after 1 January 2016.

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 IFRS 9, 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.

The date when entities would be required to apply IFRS 9 was previously stated at 1 January 2015.

This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The directors anticipate 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.

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 RMB15,460,000 for the period ended 30 June 2014;

– the Group had consolidated net current liabilities of approximately RMB4,669,000 as at 30 June 2014.

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) 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.

(2) Fund raising exercise

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.

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)*

(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.

(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.

	2014 RMB'000	2013 RMB'000
Continuing operations:		
Sale of biodegradable raw materials and products	**707**	42,471
Manufacturing and sale of biomass fuel	**5,304**	–
	6,011	42,471
Discontinued operation:		
Distribution of skin care products	**–**	–
Total	**6,011**	42,471

4. SEGMENT REPORTING

Segment revenues and results

	(Unaudited) For the six months ended 30 June							
	Continuing operations				Discontinued operation			
	Biodegradable raw materials and products		Biomass fuel		Skin care products		Consolidated	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Turnover								
External sales	**707**	42,471	**5,304**	–	**–**	–	**6,011**	42,471
Result								
Segment result	**(8,216)**	(15,687)	**(308)**	–	**–**	(6)	**(8,524)**	(15,693)
Unallocated corporate expenses							**(6,963)**	(1,150)
Loss from operations							**(15,487)**	(16,843)
Finance costs							**(65)**	(5,032)
Loss before taxation							**(15,552)**	(21,875)
Income tax expenses							**–**	–
Loss for the period							**(15,552)**	(21,875)

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		Biomass fuel		Skin care products		Consolidated	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Turnover								
External sales	**219**	32,825	**2,495**	–	**–**	–	**2,714**	32,825
Result								
Segment result	**(3,823)**	(11,971)	**(49)**	–	**–**	–	**(3,872)**	(11,971)
Unallocated corporate (expense)/income							**(3,069)**	3,299
Loss from operations							**(6,941)**	(8,672)
Finance costs							**–**	(3,993)
Loss before taxation							**(6,941)**	(12,665)
Income tax expenses							**–**	–
Loss for the period							**(6,941)**	(12,665)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: Nil).

4. SEGMENT REPORTING *(continued)*

Segment assets and liabilities

	Continuing operations				Discontinued operation			
	Biodegradable raw materials and products		Biomass fuel		Skin care products		Consolidated	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Assets								
Segment assets	**20,946**	33,404	**223,516**	–	**–**	–	**244,462**	33,404
Unallocated corporate assets							**8,760**	19,294
							253,222	52,698
Liabilities								
Segment liabilities	**2,702**	2,024	**22,975**	–	**–**	–	**25,677**	2,024
Unallocated corporate liabilities							**4,315**	3,416
							29,992	5,440

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

All assets are allocated to operating segments other than financial assets at fair value through profit or loss and other corporate assets.

All liabilities are allocated to operating segments other than corporate liabilities.

5. OTHER GAINS AND LOSSES

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Continuing operations:				
Fair value loss on financial assets at fair value through profit or loss	(2,805)	–	(572)	–
Sundry income	266	254	120	(1)
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
	(2,539)	4,574	(452)	6,713

6. LOSS BEFORE TAXATION

Loss 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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
(a) **Net finance costs**				
Continuing operations:				
Interest on bank and other borrowings wholly repayable within five years	–	(230)	–	(230)
Interest on convertible notes	(65)	(3,688)	–	(2,955)
Interest on promissory notes	–	(1,114)	–	(808)
	(65)	(5,032)	–	(3,993)
(b) **Staff costs**				
Continuing operations:				
Contributions to defined contribution retirement plans	39	30	29	14
Salaries, wages and other benefits	1,382	910	752	411
Total staff costs	1,421	940	781	425
(c) **Other items**				
Continuing operations:				
Amortisation of intangible assets	7,943	8,210	3,972	3,932
Depreciation	424	244	144	46
Auditors' remuneration	794	796	400	385
Impairment of intangible assets	–	9,585	–	9,585
Cost of inventories sold	5,765	40,346	2,444	31,090

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	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
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% (2013: 16.5%) on the estimated assessable profit for the period ended 30 June 2014.

(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 (2013: 25%).

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2013: Nil).

9. LOSS PER SHARE

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Loss for the period				
– For continuing and discontinued operations	(15,460)	(21,874)	(6,955)	(12,665)
– For continuing operations	(15,460)	(21,868)	(6,955)	(12,665)
Weighted average number of ordinary share	2,155,824,890	1,925,617,178	2,188,001,686	2,018,115,686
Effect of dilutive potential ordinary shares issuable under the Company's warrants	364,800,000	–	364,800,000	–
Weighted average number of ordinary shares for diluted eps	2,520,624,890	1,925,617,178	2,552,801,686	2,018,115,686

10. PLANT AND EQUIPMENT

During the Period, the Group acquired plant and equipment of approximately RMB1,942,000 mainly comprising sundry assets.

11. GOODWILL

	RMB'000
Cost	
At 1 January 2014	–
Acquisition of subsidiaries	213,259
At 30 June 2014	213,259
Accumulated impairment loss	
At 1 January and 30 June 2014	–
Carrying amounts	
At 30 June 2014	213,259

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

– Biomass fuel business

12. INVENTORIES

	(Unaudited) As at 30 June 2014 RMB'000	(Audited) As at 31 December 2013 RMB'000
Raw materials, at cost	**705**	–
Finished goods, at cost	**826**	–
	1,531	–
Less: Write-down of inventories	**–**	–
	1,531	–

13. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2014 RMB'000	(Audited) As at 31 December 2013 RMB'000
Trade debtors	**8,790**	2,734
Less: allowance for doubtful debts	**–**	–
	8,790	2,734
Other receivables	**4,096**	2,207
Trade deposit	**5,652**	5,518
Deposit for acquisition of subsidiaries	**–**	10,656
Rental and other deposits	**1,019**	1,539
Prepayments	**1**	157
	19,558	22,811

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 2014 RMB'000	(Audited) As at 31 December 2013 RMB'000
0 to 30 days	**2,697**	–
31 to 60 days	**2,847**	256
61 to 90 days	**–**	–
91 to 180 days	**493**	539
181 to 365 days	**801**	1,937
Over 365 days	**1,952**	2
	8,790	2,734
Less: allowances for doubtful debts	**–**	–
	8,790	2,734

14. TRADE AND OTHER PAYABLES

	(Unaudited) As at 30 June 2014 RMB'000	(Audited) As at 31 December 2013 RMB'000
Trade creditors	**2,765**	1,571
Accrued expenses and other payables	**27,137**	3,781
	29,902	5,352

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 2014 RMB'000	(Audited) As at 31 December 2013 RMB'000
0 to 30 days	**–**	1,571
31 to 60 days	**202**	–
61 to 90 days	**497**	–
91 to 180 days	**460**	–
181 to 365 days	**749**	–
Over 365 days	**857**	–
	2,765	1,571

15. CONVERTIBLE NOTES

On 3 January 2014, the Company issued 2% coupon convertible notes with a principal amount of HK$116,480,000 (equivalent to approximately RMB92,543,000). Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.32 per conversion share. The convertible notes were issued as part of the consideration for acquisition of Double Win International Investments Limited. The maturity date of the convertible notes is the third anniversary of the date of issue of the convertible notes, 3 January 2017.

On 16 January 2014, the noteholders requested for the conversion of the convertible bonds in the principal amount of HK$116,480,000.

The 364,000,000 conversion shares issued represent approximately 16.64% of the existing issued share capital of the Company as enlarged by the allotment and issuance of the 364,000,000 conversion shares.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2014 (the "Period"), the Group recorded an unaudited consolidated turnover of approximately RMB6,011,000 (2013: RMB42,471,000), which represented a decrease of approximately 86% as compared with that of the corresponding period in 2013. The decrease in turnover was due to significant increase production costs and subcontracting charges. Such increases have weakened the competitiveness of our products.

Manufacturing and sale of biomass fuel is a newly acquired business operation. The manufacturing of biomass fuel commenced at the beginning of March 2014. Low gross profit is mainly due to the spoilages and wastes generated during the preliminary manufacturing process when the production lines were set up and being tested.

The general and administrative expenses for the Period decreased by approximately RMB10,342,000 or 44% as compared with the corresponding period in 2013. This was due to the impairment of intangible assets in 2013 but no such item this year.

Net financial costs for the Period decreased by approximately RMB4,967,000 or 99% as compared with the corresponding period in 2013. This was due to the decrease in interest expense on the convertible notes as the convertible note was converted and settled during the period of 2013.

Loss attributable to shareholders of the Company for the Period amounted to RMB15,460,000 (2013: RMB21,875,000), which represented approximately RMB6,415,000 or 29% decrease as compared with the corresponding period in 2013.

BUSINESS REVIEW

The biodegradable containers and disposable industrial packaging products are traded under the brand name "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.

The rises in raw material costs and sub-contracting charges as a result of the escalating raw material prices and labour costs have weakened the competitiveness of our biodegradable containers and disposable industrial packaging products. In addition, the strong appreciation of Renminbi and the economic downturn in Europe also have had adverse impact on the results of our biodegradable containers and disposable industrial packaging products. In view of the unsatisfactory results, the Board has made a substantial provision for an asset impairment loss in respect of the intangible assets in relation to our biodegradable containers and disposable industrial packaging products on 31 December 2013.

The Directors seek to explore new opportunities to improve the performance of the Group. Acquisition of the new business operation in the manufacturing and sale of biomass fuel will allow the Group to expand its business and offer a wider diversity of products and services. The Directors are optimistic about the long term prospects of the business of manufacturing and sale of biomass fuel. The PRC's 12th five-year plan marks a turning point from the country's previous emphasis on growth. While the country's GDP growth has benefited millions of people it has also impacted the environment. Though growth is still an important aspect for the PRC, the current plan responds with emphasis on clean energy sources and energy efficiency, which is an important step to ensure sustainable growth for the nation.

In accordance to the “Pearl River Delta Regional Air Quality Management Plan”, most “city-level” municipalities in the region will complete the ban on the combustion of high-polluting fuel in designated areas. Current facilities that are required to be modified to produce clean energy and those that fail to adjust will be forced to discontinue its operations. The ban will include the burning of traditional fuels such as washed coal, coal briquettes, coke, charcoal, industrial oil and the direct burning of non-processed raw biomass waste/materials such as crop, straw and other agriculture residues. The ban in Pearl River Delta Region will create abundant market opportunities for the Group’s wood pellet and biomass energy solution businesses and the Group has a comprehensive development plan in place that can enable the Company to capitalize on these opportunities.

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 2014, the Group had cash and cash equivalents amounting to approximately RMB3,170,000. 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.

CHARGES ON GROUP’S ASSETS

At 30 June 2014 and 2013, 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 Hong Kong Dollars. The Directors consider that the impact of foreign exchange exposure of the Group is minimal.

MAJOR EVENTS DURING THE PERIOD

Material acquisitions and disposals

On 26 November 2013, the Company entered into a sale and purchase agreement with two independent third parties, pursuant to which the Company agreed to acquire the entire share capital of Double Win International Investments Limited at the consideration of HK$130 million. The transaction was completed on 3 January 2014. Upon completion, the Company has issued the convertible notes of approximately HK$116,480,000 to the vendors as part of the consideration for the acquisition and paid the balance of the consideration by way of cash.

Convertible notes

On 3 January 2014, the Company has issued convertible notes in the principal amount of HK$116,480,000 with interest at a rate of 2% per annum. On 16 January 2014, the Company received notices from the noteholders for the request of conversion of the above mentioned convertible notes at the conversion price of HK$0.32 per conversion share. Accordingly, the Company issued 364,000,000 new shares to the noteholders and the conversion of convertible notes was completed on 10 March 2014.

Increase in authorised share capital

On 24 February 2014, the authorised share capital of the Company was increased from HK$200,000,000 to HK$1,000,000,000 by the creation of additional 8,000,000,000 shares.

Placement of unlisted warrants

On 30 April 2014, the Company and a placing agent entered into a placing agreement, pursuant to which the Company appointed the placing agent as its agent to place warrants conferring the right to subscribe for up to 364,800,000 shares in aggregate at an issue price of HK$0.005 per warrant.

Each warrant carries the right to subscribe for one share at an initial subscription price of HK$0.18 per share, subject to adjustment. The subscription right is exercisable during a period of three years from the date of issue of the warrants.

The transaction completed on 20 May 2014.

Placement of convertible notes and issue of bonus warrants

On 23 May 2014, a placing agent and the Company entered into a placing agreement pursuant to which the placing agent agreed to procure not less than six placees to subscribe, in up to 3 tranches, for up to HK$200 million of the convertible bonds with the entitlement to the bonus warrants at nil consideration on the basis of 1 bonus warrant for every 5 conversion shares issued upon exercise of the convertible bonds.

Placing of the tranche 1 of convertible bonds in an aggregate principal amount of HK$80 million completed on 1 August 2014.

MAJOR EVENTS AFTER THE PERIOD

Conversion of convertible bonds and issue of bonus warrants

On 4 August 2014, the Company received notices from the bondholders to request the conversion of the convertible bonds in an aggregate principal amount of HK$72,500,000 at the conversion price of HK$0.10 per conversion share.

In addition, 145,000,000 bonus warrants were issued to bondholders on the basis of one bonus warrant for every five conversion shares, entitling them to subscribe for 145,000,000 warrant shares at the initial subscription price per warrant share.

CAPITAL STRUCTURE

The issued share capital of the Company increased to 2,188,001,680 shares upon the allotment and issuance of the 364,000,000 conversion shares.

SIGNIFICANT INVESTMENTS

The Group had no significant investments during the period.

EMPLOYEE INFORMATION

Currently, the Group has about 26 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 2014, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 11.8%.

CONTINGENT LIABILITIES

As at 30 June 2014, 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 2014, 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. Lok Wing Fu	Beneficial Owner	3,000,000 (L)	0.14%

Note:

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

Save as disclosed above, as at 30 June 2014, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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. Wong Man Keung (Note 2)	Beneficial owner and interest of controlled corporation	188,780,000 (L)	8.63%
Sonic Phoenix Limited (Note 2)	Beneficial owner	155,460,000 (L)	7.11%
Mr. Yip Chi Fai, Stevens (Note 3)	Interest of controlled corporation	147,232,000 (L)	6.73%
Beckon Investments Limited (Note 3)	Beneficial owner	147,232,000 (L)	6.73%

Notes:

1. The letter "L" denotes a long position in shares.
2. Mr. Wong Man Keung is deemed or taken to be interested in these shares which are beneficially owned by his wholly-owned company, namely Sonic Phoenix Limited for the purpose of the SFO.
3. 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 2014.

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 employees, Directors of the Company or its subsidiaries other eligible participants 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 on the date of grant and the average closing price of the shares on the Stock Exchange 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 2014, the Directors, employees, consultants, advisors and other service providers of the company had the following interests in options to subscribe for shares of the company under the share option scheme of the company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 of the company.

Details of grantees	No. of options outstanding	Date granted	Period during which options are exercisable	Exercise price per share
Chow Yik (Director)	5,000,000	28 November 2013	29 November 2013 to 28 November 2017	HK$0.319
Leung King Fai (Director)	204,253	11 November 2009	11 November 2009 to 10 November 2019	HK$4.132
	5,000,000	28 November 2013	29 November 2013 to 28 November 2017	HK$0.319
Consultants, Advisers, Service Providers, Employees and Others	2,297,875	11 November 2009	11 November 2009 to 10 November 2019	HK$4.132
	169,800,000	28 November 2013	29 November 2013 to 28 November 2017	HK$0.319

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

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

As at 30 June 2014, 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 Mr. Kwok Pak Yu, Steven, 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, 11 August 2014

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
Mr. Lok Wing Fu

Independent non-executive directors:
Mr. Lam Kai Tai
Mr. Wong Ting Kon
Mr. Kwok Pak Yu, Steven