

2014

Third Quarterly Report



HAO WEN HOLDINGS LIMITED
皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8019

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

HIGHLIGHTS

- Turnover for the nine months ended 30 September 2014 amounted to approximately RMB6,125,000, representing a decrease of approximately 88% as compared to the corresponding period in 2013.
- Loss attributable to owners of the Company for the nine months ended 30 September 2014 was approximately RMB6,163,000.
- Loss per share for the nine months ended 30 September 2014 was approximately RMB0.26 cents.
- The Directors do not recommend the payment of any dividends for the nine months ended 30 September 2014.

UNAUDITED FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months and three months ended 30 September 2014, together with the comparative unaudited figures for the corresponding periods in last financial year, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Turnover	3	6,125	50,067	114	7,596
Cost of sales		(5,872)	(47,508)	(107)	(7,162)
Gross profit		253	2,559	7	434
Other gains and losses	5	14,148	4,695	16,687	121
General and administrative expenses		(20,464)	(29,002)	(7,270)	(5,466)
(Loss)/profit from operations		(6,063)	(21,748)	9,424	(4,911)
Finance costs	6(a)	(212)	(5,566)	(147)	(534)
(Loss)/profit before taxation	6	(6,275)	(27,314)	9,277	(5,445)
Income tax expenses	7	-	-	-	-
(Loss)/profit for the period from continuing operations		(6,275)	(27,314)	9,277	(5,445)
Discontinued operation					
Loss for the period from discontinued operation		-	(6)	-	-
(Loss)/profit for the period Other comprehensive income, net of tax		(6,275)	(27,320)	9,277	(5,445)
Exchange differences on translation into presentation currency		(221)	1,067	46	18
Total comprehensive (loss)/income for the period		(6,496)	(26,253)	9,323	(5,427)
(Loss)/profit for the period attributable to:					
Owners of the Company		(6,163)	(27,320)	9,297	(5,445)
Non-controlling interests		(112)	-	(20)	-

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

	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(6,384)	(26,253)	9,343	(5,427)
Non-controlling interests		(112)	–	(20)	–
(Loss)/earnings per share					
For continuing and discontinued operations					
– Basic	8	(RMB0.26 cents)	(RMB13.94 cents)	RMB0.35 cents	(RMB2.69 cents)
– Diluted		(RMB0.22 cents)	(RMB13.94 cents)	RMB0.29 cents	(RMB2.69 cents)
For continuing operations					
– Basic		(RMB0.26 cents)	(RMB13.94 cents)	RMB0.35 cents	(RMB2.69 cents)
– Diluted		(RMB0.22 cents)	(RMB13.94 cents)	RMB0.29 cents	(RMB2.69 cents)

NOTES TO FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

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

The unaudited financial statements for the nine months ended 30 September 2014 comprise the unaudited financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in trading of biodegradable food containers and disposal industrial packaging for consumer products.

2. BASIS OF PREPARATION

(a) Statement of compliance

The unaudited financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The principal accounting policies adopted in these condensed financial statements are consistent with those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2013, except for the adoption of new interpretations and amendments to IFRSs and the accounting policies adopted for new transactions, noted below.

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

IFRS 10, IFRS 12 and IAS 27	Investment Entities (Amendments)
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

NOTES TO FINANCIAL STATEMENTS *(continued)*

2. BASIS OF PREPARATION *(continued)*

(a) Statement of compliance *(continued)*

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

IFRS 9	Financial Instruments ²
IFRS 9, IFRS 7 and IAS 39	Hedge Accounting and amendments to IFRS 9, IFRS 7 (Amendments) 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.

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

2. BASIS OF PREPARATION *(continued)*

(a) Statement of compliance *(continued)*

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.

(b) Basis of measurement

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

(c) 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

2. BASIS OF PREPARATION *(continued)*

(d) 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	812	50,067
Manufacturing and sale of biomass fuel	5,313	–
	6,125	50,067
Discontinued operations:		
Distribution of skin care products	–	–
	6,125	50,067

NOTES TO FINANCIAL STATEMENTS *(continued)*

4. SEGMENT REPORTING

Segment revenues and results

	(Unaudited)							
	For the nine months ended 30 September							
	Continuing operations				Discontinued operation			
	Biodegradable raw materials and products		Biomass fuel		Skin care products		Consolidated	
2014	2013	2014	2013	2014	2013	2014	2013	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Turnover								
External sales	812	50,067	5,313	-	-	-	6,125	50,067
Result								
Segment result	(13,020)	(19,362)	(469)	-	-	(6)	(13,489)	(19,368)
Unallocated corporate income/(expenses)							7,426	(2,386)
Loss from operations							(6,063)	(21,754)
Finance costs							(212)	(5,566)
Loss before taxation							(6,275)	(27,320)
Income tax expenses							-	-
Loss for the period							(6,275)	(27,320)

	(Unaudited)							
	For the three months ended 30 September							
	Continuing operations				Discontinued operation			
	Biodegradable raw materials and products		Biomass fuel		Skin care products		Consolidated	
2014	2013	2014	2013	2014	2013	2014	2013	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Turnover								
External sales	105	7,596	9	-	-	-	114	7,596
Result								
Segment result	(4,804)	(3,675)	(161)	-	-	-	(4,965)	(3,675)
Unallocated corporate income/(expenses)							14,389	(1,236)
Profit/(loss) from operations							9,424	(4,911)
Finance costs							(147)	(534)
Profit/(loss) before taxation							9,277	(5,445)
Income tax expenses							-	-
Profit/(loss) for the period							9,277	(5,445)

NOTES TO FINANCIAL STATEMENTS *(continued)*

5. OTHER GAINS AND LOSS

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations:				
Fair value gain on financial assets at fair value through profit or loss	13,433	–	16,238	–
Sundry income	715	375	449	121
Gain on disposal of a subsidiary	–	23	–	–
Gain on extension of promissory notes	–	1,484	–	–
Fair value gain on convertible notes	–	2,813	–	–
	14,148	4,695	16,687	121

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
(a) Net finance costs/ (income)				
Continuing operations:				
Interest on bank and other borrowings wholly repayable within five year	10	462	10	232
Interest on convertible notes	202	3,688	137	–
Interest on promissory notes	–	1,416	–	302
	212	5,566	147	534

NOTES TO FINANCIAL STATEMENTS *(continued)*

6. LOSS BEFORE TAXATION *(continued)*

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
(b) Staff costs				
Continuing operations:				
Contributions to defined retirement plans	63	43	24	13
Salaries, wages and other benefits	2,045	1,343	663	433
	2,108	1,386	687	446
(c) Other items				
Continuing operations:				
Amortisation of intangible assets	11,914	12,315	3,971	4,105
Depreciation of property, plant and equipment	565	365	141	121
Auditors' remuneration	1,580	1,206	786	410
Impairment of intangible assets	–	9,585	–	–
Cost of inventories sold	5,872	47,508	107	7,162

7. INCOME TAX EXPENSES

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations:				
Current tax				
PRC enterprise income tax for the period	–	–	–	–
Discontinued operation:				
Current tax				
PRC enterprise income tax	–	–	–	–
	–	–	–	–

NOTES TO FINANCIAL STATEMENTS *(continued)*

7. INCOME TAX EXPENSES *(continued)*

(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 September 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 subsidiaries of the Company established in the PRC is generally subject to PRC enterprise income tax of 25% for the Period (2013: 25%).

8. (LOSS)/EARNINGS PER SHARE

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
(Loss)/profit for the period				
– For continuing and discontinued operations	(6,163)	(27,320)	9,297	(5,445)
– For continuing operations	(6,163)	(27,314)	9,297	(5,445)
Weighted average number of ordinary shares	2,343,089,598	195,967,111	2,687,436,853	202,666,854
Effect of dilutive potential ordinary shares issuable under the company's warrants	507,800,000	–	507,800,000	–
Weighted average number of ordinary shares for diluted EPS	2,850,889,598	195,967,111	3,195,236,853	202,666,854

NOTES TO FINANCIAL STATEMENTS *(continued)*

9. RESERVES

	For the three months ended 30 September									2013	
	2014										
	Share premium	Convertible Capital reduction reserve	Convertible notes equity reserve	Share option reserve	Foreign currency Warrants reserve	Foreign translation reserve	Accumulated losses	Non- controlling interests	Total		Total
As at 1 July	147,552	92,489	-	36,239	1,349	(11,808)	(316,457)	98,356	47,720	(27,832)	
Total comprehensive loss for the period	-	-	-	-	-	46	9,297	(20)	9,323	(5,427)	
Issuance of convertible notes	-	-	(3,346)	-	-	-	-	-	(3,346)	-	
Issuance of shares upon conversion of convertible notes	(2,121)	-	1,790	-	-	-	-	-	(331)	-	
Issuance of shares upon exercise of unlisted warrants	3,357	-	-	-	(185)	-	-	-	3,172	-	
Recognised upon acquisition of subsidiary	-	-	-	-	-	-	-	4	4	-	
As at 30 September	148,788	92,489	(1,556)	36,239	1,164	(11,762)	(307,160)	98,340	56,542	(33,259)	

NOTES TO FINANCIAL STATEMENTS (continued)

9. RESERVES (continued)

	For the nine months ended 30 September									2013	
	2014										
	Share premium	Capital reduction reserve	Convertible	Share option reserve	Warrants reserve	Foreign		Non-controlling interests	Total		Total
			notes equity reserve			currency translation	Accumulated losses				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January	84,248	92,489	-	36,239	-	(11,541)	(300,997)	-	(99,562)	(20,888)	
Total comprehensive loss for the period	-	-	-	-	-	(221)	(6,163)	(112)	(6,496)	(26,253)	
Issuance of convertible notes	-	-	6,823	-	-	-	-	-	6,823	-	
Issuance of shares upon conversion of convertible notes	61,183	-	(8,379)	-	-	-	-	-	52,804	13,882	
Issuance of unlisted warrants	-	-	-	-	1,349	-	-	-	1,349	-	
Issuance of shares upon exercise of unlisted warrants	3,357	-	-	-	(185)	-	-	-	3,172	-	
Recognised upon acquisition of subsidiaries	-	-	-	-	-	-	-	98,452	98,452	-	
As at 30 September	148,788	92,489	(1,556)	36,239	1,164	(11,762)	(307,160)	98,340	56,542	(33,259)	

10. DIVIDEND

The Directors do not recommend the payment of any dividends for the nine months ended 30 September 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 30 September 2014 (the “Period”), the Group recorded an unaudited consolidated turnover of approximately RMB6,125,000 (2013: RMB50,067,000), which represented an approximately 88% decrease 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 production lines are still at the stage of being set up and being tested as at the date of this report.

The general and administrative expenses for the Period decreased by approximately RMB8,538,000 or 29% 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 RMB5,354,000 or 96% as compared with the corresponding period in 2013. This was due to the decrease in interest expense on the convertible notes as the convertible notes was converted and settled during the period of 2013.

Loss attributable to shareholders of the Company for the Period amounted to RMB6,163,000 (2013: RMB27,320,000), which represented approximately RMB21,157,000 or 77% 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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.

On 1 September 2014, Starry Regent Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, pursuant to which Starry Regent Limited agreed to acquire 22.5% equity interest in Sincere Smart International Limited at the consideration of HK\$69 million. The transaction completed on 8 October 2014.

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.

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. Placing of the tranche 2 of convertible bonds in an aggregate principal amount of HK\$120 million completed on 25 August 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Major Events During the Period *(continued)*

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.

Conversion of convertible notes and issuance of bonus warrants

During the period, the Company received notices from the bondholders to request the conversion of the convertible bonds in total principal amount of HK\$107,000,000 at the conversion price of HK\$0.10 per conversion share.

In addition, 214,000,000 bonus warrants were issued to bondholders on the basis of one bonus warrant for every five conversion shares, entitling them to subscribe for 214,000,000 warrant shares at the initial subscription price per warrant share.

Exercise of unlisted warrants

On 3 September 2014, a holder of the unlisted warrants in the principal amount of HK\$9 million, has exercised his rights to convert the Unlisted Warrants into 50 million conversion shares at the subscription price of HK\$0.18 per conversion share.

Exercise of bonus warrants

On 3 September 2014, a holder of the bonus warrants in the principal amount of HK\$2.1 million, has exercised his rights to convert the bonus warrants into 21 million conversion shares at the subscription price of HK\$0.10 per conversion share.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Major Events After the Reporting Period

Conversion of convertible notes and issuance of bonus warrants

Up to 31 October 2014, the Company received notices from the bondholders to request the conversion of the convertible bonds in total principal amount of HK\$93,000,000 at the conversion price of HK\$0.10 per conversion share. All convertible bonds issued on 1 August 2014 and 25 August 2014 were fully converted into conversion shares. The Group has no outstanding convertible bonds after 31 October 2014.

In addition, after the reporting period, 186,000,000 bonus warrants were issued to bondholders on the basis of one bonus warrant for every five conversion shares, entitling them to subscribe for 186,000,000 warrant shares at the initial subscription price per warrant share. As at the date of this report, 379,000,000 bonus warrants remained outstanding.

OTHER INFORMATION

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

As at 30 September 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 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

OTHER INFORMATION *(continued)*

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)	0.09%

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

Save as disclosed above, 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 as at 30 September 2014.

Substantial Shareholders

As at 30 September 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)	Interest of a controlled corporation	316,480,000 (L)	9.50%
Sonic Phoenix Limited	Beneficial owner	283,940,000 (L)	8.52%
Avant Capital Management Limited	Interest of a controlled corporation	464,404,000 (L)	13.95%

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.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 30 September 2014.

OTHER INFORMATION *(continued)*

Options to subscribe for shares in the Company

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

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

At 30 September 2014, 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		Period during which options are exercisable	Exercise price per share
	outstanding	Date granted		
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 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.

OTHER INFORMATION *(continued)*

Director's and chief executive's rights to acquire shares or debt securities

As at 30 September 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.

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. Kwok Pak Yu, Steven and Mr. Ho Kei Wing, Nelson, the three Independent Non-executive Directors. The audit committee meets at least quarterly. The Group's unaudited financial results for the Period have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

Purchase, sale or redemption of shares

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

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

Hong Kong, 11 November 2014

As at the date hereof, the executive Directors are Mr. Chow Yik, Mr. Lok Wing Fu and Mr. Leung King Fai; the independent non-executive Directors are Mr. Lam Kai Tai, Mr. Kwok Pak Yu, Steven and Mr. Ho Kei Wing, Nelson.