# HAO WEN HOLDINGS LIMITED

# 皓 文 控 股 有 限 公 司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8019)**

## ANNUAL RESULTS ANNOUNCEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2011

**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.**



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

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

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

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

**HIGHLIGHTS**

- Turnover of the Group for the year ended 31 December 2011 was approximately RMB121,706,000 representing an increase of approximately 36.4% as compared with that of the previous year.

- Loss attributable to owners of the Company for the year ended 31 December 2011 was approximately RMB47,543,000.

- Loss per share was approximately RMB2.74 cents.

- The Directors do not recommend the payment of a final dividend for the year.

## RESULTS

The board of Directors (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011, together with the comparative audited figures for the year ended 31 December 2010, as follows:

**Consolidated statement of comprehensive income**
*For the year ended 31 December 2011*

| | *Notes* | **2011** **RMB'000** | 2010 *RMB'000* |
|---|---|---|---|
| **Turnover** | 3 | **121,706** | 89,226 |
| Cost of sales | | **(60,477)** | (26,945) |
| **Gross profit** | | **61,229** | 62,281 |
| Other gains and losses | 5 | **(1,175)** | (10,041) |
| Selling and distribution expenses | | **(46,524)** | (43,251) |
| General and administrative expenses | | **(46,517)** | (43,246) |
| **Loss from operations** | | **(32,987)** | (34,257) |
| Share of results of associates | | **(801)** | (752) |
| Gain on disposal of subsidiaries | | **1,156** | — |
| Finance costs | 6(a) | **(14,660)** | (2,694) |
| **Loss before taxation** | 6 | **(47,292)** | (37,703) |
| Income tax expenses | 7 | **(251)** | (331) |
| **Loss for the year** | | **(47,543)** | (38,034) |
| **Other comprehensive loss, net of tax** | | | |
| Exchange difference on translating foreign operations | | **(1,322)** | (776) |
| **Total comprehensive loss for the year** | | **(48,865)** | (38,810) |
| **Loss for the year attributable to owners of the Company** | | **(47,543)** | (38,034) |
| **Total comprehensive loss for the year attributable to owners of the Company** | | **(48,865)** | (38,810) |
| | | ***RMB cents*** | *RMB cents* |
| **Loss per share** | 8 | | |
| — Basic | | **(2.74)** | (3.33) |
| — Diluted | | **(2.74)** | (3.33) |

## Consolidated statement of financial position

*At 31 December 2011*

| | Note | **2011** **RMB'000** | 2010 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | | **51,346** | 12,252 |
| Investment properties | | **1,670** | 1,670 |
| Intangible assets | | **118,081** | 3,472 |
| Goodwill | | **6,821** | 6,821 |
| Interests in associates | | **9** | 4,658 |
| | | **177,927** | 28,873 |
| **Current assets** | | | |
| Inventories | | **7,930** | 4,729 |
| Trade and other receivables, prepayments and deposits | *10* | **16,683** | 67,892 |
| Financial assets at fair value through profit or loss | | **6,880** | 2,583 |
| Cash and bank balances | | **12,010** | 27,692 |
| | | **43,503** | 102,896 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **48,846** | 59,853 |
| Bank and other borrowings | | **55,000** | 33,968 |
| Current taxation liabilities | | **—** | 129 |
| | | **103,846** | 93,950 |
| **Net current (liabilities)/assets** | | **(60,343)** | 8,946 |
| **Total assets less current liabilities** | | **117,584** | 37,819 |
| **Non-current liabilities** | | | |
| Convertible notes | | **92,499** | — |
| Promissory notes | | **22,746** | — |
| | | **115,245** | — |
| **Net assets** | | **2,339** | 37,819 |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | *12* | **17,122** | 14,607 |
| Reserves | *12* | **(14,783)** | 23,212 |
| **Total equity** | | **2,339** | 37,819 |

## NOTE TO FINANCIAL STATEMENTS

### 1. General 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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 July 2001. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the manufacture and sales of medicines, sale of biodegradable food containers and disposable industrial packaging for consumer products.

### 2. Basis of Preparation

**(a) *Statement of compliance***

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations promulgated by the International Accounting Standards Board (the "IASB"). These consolidated 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(c) 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.

**(b) *Going concern basis***

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 RMB47,543,000 for the year ended 31 December 2011;

— the Group had consolidated net current liabilities of approximately RMB60,343,000 as at 31 December 2011; and

— the Group had outstanding bank and other borrowings of approximately RMB55,000,000, which is due for repayment within the next twelve months after 31 December 2011.

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.

**(c) *Application of New and Revised International Financial Reporting Standards***

The following new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB have been applied by the Group in the current year and have affected the amounts reported in these consolidated financial statements. The application of these new and revised IFRSs has had no material impact on the Group's financial performance and positions for the current and prior years, but may affect the accounting for future transactions or arrangement.

*Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)*

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change (see the consolidated statement of changes in equity).

*IAS 24 Related Party Disclosures (as revised in 2009)*

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Group is not government-related entities. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard.

*Amendments to IFRS 3 Business Combinations*

As part of Improvements to IFRSs issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ("market-based measure").

*Amendments to IAS 32 Classification of Rights Issue*

The amendments address the classification of certain rights issue denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

*Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement*

The Interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.

*IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

Except for the amendments to IAS 1 described earlier, the application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

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

| | |
|---|---|
| IFRS 1 (Amendments) | Severe Hyperinflation and Removal of Fixed Date for First-time Adopters[1] |
| IFRS 7 (Amendments) | Disclosures — Transfer of Financial Assets[1] |
| IFRS 7 (Amendments) | Disclosures — Offsetting Financial Assets and Financial Liabilities[4] |
| IFRS 9 | Financial instruments[6] |
| IFRS 10 | Consolidated Financial Statements[4] |
| IFRS 11 | Joint Arrangements[4] |
| IFRS 12 | Disclosure of Interest in Other Entities[4] |
| IFRS 13 | Fair Value Measurement[4] |
| IAS 1 (Amendments) | Presentation of Items of Other Comprehensive Income[3] |
| IAS 12 (Amendments) | Deferred tax: Recovery of Underlying Assets[2] |
| IAS 19 (2011) | Employee Benefits[4] |
| IAS 27 (2011) | Separate Financial Statements[4] |
| IAS 28 (2011) | Investments in Associates and Joint Ventures[4] |
| IAS 32 (Amendments) | Offsetting Financial Assets and Financial Liabilities[5] |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine[4] |

[1] Effective for annual periods beginning on or after 1 July 2011.

[2] Effective for annual periods beginning on or after 1 January 2012.

[3] Effective for annual periods beginning on or after 1 July 2012.

[4] Effective for annual periods beginning on or after 1 January 2013.

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

[6] Effective for annual periods beginning on or after 1 January 2015.

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to IFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

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

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires 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.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at 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 the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation — Special Purpose Entities. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities — Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in IFRS 10). In addition, the application of IFRS 11 may result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under IFRS 11, those jointly controlled entities will be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The directors of the Company are in the process to assess the impact on the Group's consolidated financial statements in relation to the application of these new and revised standards, amendments and interpretations. .

## 3. TURNOVER

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

| | **2011** | 2010 |
|---|---:|---:|
| | ***RMB'000*** | *RMB'000* |
| Sale of pharmaceutical products | **80,541** | 88,437 |
| Sale of biodegradable products | **40,336** | — |
| Distribution of skin care products | **829** | 789 |
| | **121,706** | 89,226 |

## 4. SEGMENT REPORTING

Information reported to the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or provided. The segmentations are based on the information about the operation of the Group that management uses to make decision and regularly review by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group's reportable and operating segment under IFRS 8 are as follows:

(a) manufacturing and sale of pharmaceutical products;

(b) sale of biodegradable food containers and disposable industrial packaging for consumer products; and

(c) distribution of skin care products

**Segment revenues and results**

| | **Pharmaceutical products** | | **Biodegradable products** | | **Skin care products** | | **Consolidated** | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| **Turnover** | | | | | | | | |
| External sales | **80,541** | 88,437 | **40,336** | — | **829** | 789 | **121,706** | 89,226 |
| **Result** | | | | | | | | |
| Segment result | **(9,350)** | (2,882) | **(12,718)** | — | **129** | 781 | **(21,939)** | (2,101) |
| Unallocated corporate expenses | | | | | | | **(11,048)** | (21,095) |
| Impairment loss on available-for-sale investments | | | | | | | **—** | (1,200) |
| Impairment loss on intangible assets | **—** | — | **—** | — | **—** | (2,522) | **—** | (2,522) |
| Impairment loss recognised in respect of trade receivables | **—** | (4,349) | **—** | — | **—** | — | **—** | (4,349) |
| Impairment loss of interests in associates | **—** | — | **—** | — | **—** | — | **—** | (2,990) |
| Loss from operations | | | | | | | **(32,987)** | (34,257) |
| Share of results of associates | | | | | | | **(801)** | (752) |
| Gain on disposal of subsidiaries | | | | | | | **1,156** | — |
| Finance costs | | | | | | | **(14,660)** | (2,694) |
| Loss before taxation | | | | | | | **(47,292)** | (37,703) |
| Income tax expense | | | | | | | **(251)** | (331) |
| Loss for the year | | | | | | | **(47,543)** | (38,034) |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3 of the Company's 2011 annual report. Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' emoluments, impairment loss on available-for-sale investments, impairment loss on intangible assets, impairment loss recognised in respect of trade receivables, impairment loss on interests in associates, share of results of associates, gain on disposal of subsidiaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

**Segment assets and liabilities**

| | **Pharmaceutical products** | | **Biodegradable products** | | **Skin care products** | | **Consolidated** | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| **Assets** | | | | | | | | |
| Segment assets | **39,044** | 57,154 | **137,994** | — | **3,510** | 589 | **180,548** | 57,743 |
| Unallocated corporate assets | | | | | | | **40,882** | 74,026 |
| | | | | | | | **221,430** | 131,769 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | **82,892** | 89,494 | **5,482** | — | **—** | — | **88,374** | 89,494 |
| Unallocated corporate liabilities | | | | | | | **130,717** | 4,456 |
| | | | | | | | **219,091** | 93,950 |

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.

**Other segment information**

The following is an analysis of the Group's other segment information:

| | Pharmaceutical products | | Biodegradable products | | Skin care products | | Unallocated | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Capital expenditure | | | | | | | | | | |
| — acquisition of subsidiaries | **—** | — | **—** | — | **—** | — | **—** | 6,821 | **—** | 6,821 |
| — intangibles assets | **—** | — | **134,338** | — | **—** | 7,193 | **—** | — | **134,338** | 7,193 |
| — investment properties | **—** | — | **—** | — | **—** | — | **—** | 1,750 | **—** | 1,750 |
| — others | **42,114** | 1,329 | **—** | — | **—** | — | **1,285** | 3,937 | **43,399** | 5,266 |
| Depreciation and amortisation | **3,521** | 5,350 | **16,704** | — | **694** | 1,199 | **766** | 257 | **21,685** | 6,806 |
| Impairment loss on: | | | | | | | | | | |
| — trade receivables | **—** | 4,349 | **—** | — | **—** | — | **—** | — | **—** | 4,349 |
| — intangible assets | **—** | — | **—** | — | **—** | 2,522 | **—** | — | **—** | 2,522 |
| — available-for-sale investments | **—** | — | **—** | — | **—** | — | **—** | 1,200 | **—** | 1,200 |
| — interests in associates | **—** | — | **—** | — | **—** | — | **—** | 2,990 | **—** | 2,990 |

The Group's revenue from its major products were disclosed in note 3.

**Geographical information**

The Group operates in two principal geographical areas, the PRC (excluding Hong Kong) and Hong Kong. The Group's revenue from the external customers by location of operations and information about its non-current assets are detailed below.

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **Year ended 31 December 2011** | Year ended 31 December 2010 | **At 31 December 2011** | At 31 December 2010 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| The PRC | **80,541** | 88,437 | **53,025** | 17,038 |
| Hong Kong | **41,165** | 789 | **124,902** | 11,835 |
| | **121,706** | 89,226 | **177,927** | 28,873 |

**Information about major customers**

Included in revenue arising from sale of pharmaceutical products of approximately RMB80,541,000 (2010: RMB88,437,000) of approximately RMB61,779,000 (2010: RMB64,329,000), which arose from one (2010: one) single external customers. No other single customers contributed 10% or more to the Group's revenue for both 2011 and 2010.

## 5. OTHER GAINS AND LOSSES

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sample income | **612** | 211 |
| Gain on disposal on leasehold properties and plant and equipment | **—** | 2,204 |
| Sundry income | **338** | 402 |
| Impairment loss recognised in respect of trade receivables | **—** | (4,349) |
| Impairment loss on available-for-sale investments | **—** | (1,200) |
| Impairment loss on intangible assets | **—** | (2,522) |
| Impairment loss on interests in associates | **—** | (2,990) |
| Fair value loss on investment properties | **—** | (80) |
| Fair value gain/(loss) on financial assets at fair value through profit or loss | **1,803** | (1,717) |
| Fair value loss on convertible notes | **(3,928)** | — |
| | **(1,175)** | (10,041) |

## 6. LOSS BEFORE TAXATION

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

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(a) Net finance costs/(income):** | | |
| Interest on bank and other borrowings wholly repayable within five years | **7,609** | 2,699 |
| Interest on convertible notes | **5,605** | — |
| Interest on promissory notes | **1,458** | — |
| Bank interest income | **(12)** | (5) |
| Net financial costs recognised in consolidated statement of comprehensive income | **14,660** | 2,694 |
| **(b) Staff costs (including directors' emoluments)** | | |
| Contributions to defined contribution plans | **1,623** | 3,075 |
| Salaries, wages and other benefits | **12,110** | 15,472 |
| Total staff costs | **13,733** | 18,547 |
| **(c) Other items:** | | |
| Amortisation of intangible assets | **17,398** | 1,199 |
| Amortisation of land lease premium | **—** | 207 |
| Depreciation | **4,287** | 5,400 |
| Operating lease charges in respect of property rentals: minimum lease payments | **3,910** | 492 |
| Advertising and promotion expenses | **40,002** | 33,793 |
| Auditors' remuneration — audit services | **995** | 1,500 |
| Cost of inventories sold | **60,477** | 26,945 |
| Equity-settled share-based payment expenses | **—** | 10,399 |

## 7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Current tax** | | |
| PRC enterprise income tax for the year | **251** | 331 |

### (i) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising from Hong Kong during the years ended 31 December 2011 and 2010.

### (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 subject to PRC enterprise income tax on its taxable income at an income tax rate of 25% in respect of the year ended 31 December 2011 (2010: 25%).

## 8. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB47,543,000 (2010: RMB38,034,000) and the weighted average of 1,737,570,000 (2010:1,141,771,000) ordinary shares.

### (b) Diluted loss per share

The diluted loss per share for the years ended 31 December 2011 and 2010 were same as the basic loss per share as the effects of the Company's convertible notes, share options and warrants were anti-dilutive.

## 9. DIVIDENDS

The board of directors do not recommend the payment of any dividends for the year ended 31 December 2011 (2010: Nil).

## 10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade debtors | **68,943** | 68,405 |
| Less: allowance for doubtful debts | **(62,419)** | (62,419) |
| | **6,524** | 5,986 |
| Bills receivables | **—** | 1,928 |
| Other receivables | **9,542** | 16,681 |
| Rental and other deposits | **615** | 35,863 |
| Prepayments | **2** | 7,434 |
| | **16,683** | 67,892 |

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

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 30 days | **5,436** | 1,765 |
| 31 to 60 days | **854** | 1,389 |
| 61 to 90 days | **234** | 1,838 |
| 91 to 180 days | **—** | 1,170 |
| 181 to 365 days | **—** | 171 |
| Over 365 days | **62,419** | 62,072 |
| | **68,943** | 68,405 |
| Less: allowance for doubtful debts | **(62,419)** | (62,419) |
| | **6,524** | 5,986 |

The Group generally requires its customer to pay a deposit shortly before delivery of goods, with the remaining balances of the sales with credit periods ranging from 90 to 180 days.

## 11. TRADE AND OTHER PAYABLES

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade creditors | **3,331** | 3,952 |
| Accrued expenses and other payables | **40,590** | 55,901 |
| Amounts due to directors | **4,925** | — |
| | **48,846** | 59,853 |

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

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 30 days | **1,028** | 1,506 |
| 31 to 60 days | **155** | 168 |
| 61 to 90 days | **136** | 236 |
| 91 to 180 days | **46** | 245 |
| 181 to 365 days | **—** | 478 |
| Over 365 days | **1,966** | 1,319 |
| | **3,331** | 3,952 |

## 12. SHARE CAPITAL AND RESERVES

| | Share Capital *RMB'000* | Share premium *RMB'000* | Capital reserve *RMB'000* | Capital reduction reserve *RMB'000* | Warrants reserve *RMB'000* | Share-based compensation reserve *RMB'000* | General reserve fund *RMB'000* | Exchange reserve *RMB'000* | Accumulated losses *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2010 | 92,623 | 18,214 | 7,195 | — | 142 | 9,704 | 9,025 | (688) | (127,312) | 8,903 |
| Loss for the year | — | — | — | — | — | — | — | — | (38,034) | (38,034) |
| Other comprehensive loss for the year | | | | | | | | | | |
| Exchange difference on translating foreign operations | — | — | — | — | — | — | — | (776) | — | (776) |
| Total comprehensive loss for the year | — | — | — | — | — | — | — | (776) | (38,034) | (38,810) |
| Issue of shares as consideration for acquisition of Jin Hao | 1,795 | 1,077 | — | — | — | — | — | — | — | 2,872 |
| Issue of shares as consideration for acquisition of Merry Sky | 3,993 | 3,195 | — | — | — | — | — | — | — | 7,188 |
| Shares issued pursuant to share subscription, net of share issuance expenses | 5,634 | 13,962 | — | — | — | — | — | — | — | 19,596 |
| Share capital reduction | (92,489) | — | — | 92,489 | — | — | — | — | — | — |
| Issue of warrants, net of warrant issuance expenses | 869 | 177 | — | — | (142) | — | — | — | — | 904 |
| Issue of shares upon placing, net of share issuance expenses | 2,182 | 24,585 | — | — | — | — | — | — | — | 26,767 |
| Equity settled share-based transaction | — | — | — | — | — | 10,399 | — | — | — | 10,399 |
| At 31 December 2010 | 14,607 | 61,210 | 7,195 | 92,489 | — | 20,103 | 9,025 | (1,464) | (165,346) | 37,819 |
| At 1 January 2011 | 14,607 | 61,210 | 7,195 | 92,489 | — | 20,103 | 9,025 | (1,464) | (165,346) | 37,819 |
| Loss for the year | — | — | — | — | — | — | — | — | (47,543) | (47,543) |
| Other comprehensive loss for the year | | | | | | | | | | |
| Exchange difference on translating foreign operations | — | — | — | — | — | — | — | (1,322) | — | (1,322) |
| Total comprehensive loss for the year | — | — | — | — | — | — | — | (1,322) | (47,543) | (48,865) |
| Issue of shares upon placing, net of transaction costs | 2,515 | 10,870 | — | — | — | — | — | — | — | 13,385 |
| At 31 December 2011 | 17,122 | 72,080 | 7,195 | 92,489 | — | 20,103 | 9,025 | (2,786) | (212,889) | 2,339 |

## EXTRACT OF THE INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual audited financial statements for the year ended 31 December 2011:

### Opinion

"In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Material uncertainty concerning going concern basis of accounting

Without qualifying our opinion, we draw attention to note 2(b) to the consolidated financial statements which indicates that the Group incurred a net loss of approximately RMB47,543,000 during the year ended 31 December 2011 and, as of that date, the Group's consolidated current liabilities exceeded its consolidated current assets by approximately RMB60,343,000. These conditions, along with other matters as set forth in note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern."

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operation Review

During the year under review, the Group engaged in the production and sales of the medicines known as "Plasmin Capsule" and "Puli Capsule" in Mainland China and sale of biodegradable containers in Hong Kong.

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

According to the clinical studies conducted by medical institutions in Mainland China, "Plasmin Capsule" has the principal effect of resolving blood clots and is used for treatment of cardiovascular and cerebrovascular diseases, while "Puli Capsule" has the principal effect of treating osteoarthritis. Both products are manufactured in the Group's production complex in Taigu County, Shanxi Province, that had been merited with the Good Manufacturing Practices ("GMP") certificate on 28 February 2003.

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.

**Financial Review**

During the year under review, the Group recorded an audited consolidated turnover of approximately RMB121,706,000 (2010: RMB89,226,000), which represented an increase of approximately 36% as compared with that of 2010. The increase in turnover was mainly due to the introduction of a new business in trading of biodegradable food containers and industrial parking products in Hong Kong, which represented approximately 33% of the consolidated turnover of the Group for the financial year 2011.

The Group's audited consolidated loss for the year was approximately RMB47,543,000 (2010: RMB38,034,000). The increase in loss was mainly due to an increase in the finance costs and amortisation of intangible assets.

The selling and distribution expenses were increased 8% to RMB46,524,000 as compared to last year. It was mainly due to the increase in advertising and promotion expenses.

The general and administrative expenses was increased by 8% to RMB46,517,000 as compared to last year. It was mainly due to the increase in staff costs.

Net finance expenses of approximately RMB14,660,000 were mainly arisen from interest charges on bank and other borrowings repayable within five years, interest on convertible notes and interest on promissory notes.

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

The sales of "Puli Capsule" was approximately RMB80,504,000 (2010: RMB84,729,000), representing approximately 66% of the consolidated turnover of the Group during the year. The Group recorded approximately RMB37,038 (2010: RMB3,708,000) from the sales of "Plasmin Capsule" representing approximately 0.03% of the consolidated turnover of the Group during the year. The Group recorded approximately RMB40,336,000 (2010: Nil) from the sales of biodegradable containers and industrial packing products representing approximately 33% of the consolidated turnover of the Group during the year. Also, the Group recorded approximately RMB829,000 (2010: RMB789,000) from the distribution income of cosmetic right representing 1% of the consolidated turnover of the Group.

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

Furthermore, the Company will review regularly and closely monitor the market trend of the industry and the performance of our biodegradable products.

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

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the balance of cash and cash equivalents amounted to approximately RMB12,010,000 (2010: RMB27,692,000). During the year, the Group has carried out a fund raising exercises through of placing of new shares, net proceeds from these funds raising activities amount to approximately HK$15,968,000. These capital resources provide a substantial support for the Group to business diversification and general working capital of the Company.

Total bank and other borrowings of the Group as at 31 December 2011 are approximately RMB55,000,000 (2010: RMB33,968,000) comprising of secured and unsecured other borrowings. The other borrowings are denominated in Renminbi and the interest rates of which were fixed.

The group's gearing ratio as at 31 December 2011 is 99% (2010: 71%), which is calculated by dividing total liabilities of RMB219,091,000 over total assets of the Group of RMB221,430,000.

As at 31 December 2011, the net current liabilities of the Group is RMB60,343,000 (2010: net current assets of RMB8,946,000) and the current ratio of the Group was approximately 0.4 times (2010: 1.1 times).

## CAPITAL RAISING

On 29 March 2011, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent has agreed to place, on a best effort basis, to not less than six independent placees for up to 300,000,000 new shares at a price of HK$0.055 per placing share, for and on behalf of the Company. The placement was completed on 21 April 2011.

## FOREIGN EXCHANGE EXPOSURE

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

## SIGNIFICANT INVESTMENTS

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

## MAJOR EVENTS DURING THE YEAR UNDER REVIEW

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

On 18 May 2011, the Company and Ms. Wu Rong entered into a sale and purchase agreement in relation to the disposal of the entire issued share capital of Top Beauty Holdings Limited ("Top Beauty"), (ii) the interest-free loans amounting to HK$25,270 owing by Top Beauty to the Company and (iii) the interest-free loans amounting to HK$6,011,930 owing by Good Wisdom Holdings Limited to the Company by the Company to Ms. Wu Rong, at a consideration of HK$6,000,000 payable by Ms. Wu Rong to the Company. The disposal was completed on 17 June 2011.

The Company published an announcement dated 8 April 2011 relating to the annual results of the Group for the year ended 31 December 2010 (the "Results Announcement"), to fulfill the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Results Announcement contained qualified audit opinion from the Company's former auditors (the "Former Auditors") due to the reason that they had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Since after the resignation of the Former Auditors on 14 June 2011, the Company has gathered from its associated companies and subsidiaries additional relevant information and documents. The Company subsequently revised the Results Announcement on 15 September 2011.

## MAJOR EVENTS SUBSEQUENT TO THE YEAR

Shanxi Everpride Pharmaceutical Company Ltd. ("Shanxi Everpride"), a wholly-owned subsidiary of the Company, entered into a co-operative agreement with Beijing Jia Hong Yu on 8 February 2002 with immediate effect for a term of 10 years. On 5 February 2012, Shanxi Everpride and Beijing Jia Hong Yu entered into a supplementary agreement to the co-operative agreement. For details, please refer to the Company's announcement dated 6 February 2012.

## CAPITAL STRUCTURE

On 21 April, 300,000,000 new shares at a price of HK$0.055 per placing shares were issued pursuant to a placing agreement entered into by the Company with a placing agent on 29 March 2011.

## EMPLOYEE INFORMATION

Currently, the Group has about 130 full-time employees (2010: 130 full-time employees) working in Hong Kong and in Mainland China. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The staff costs, including directors' emoluments, were approximately RMB13,733,000 for the year under review (2010: RMB18,547,000).

## CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no contingent liabilities (2010: Nil).

## BUSINESS OUTLOOK AND PROSPECTS

The Executive Directors still anticipate that fierce competition in the pharmaceutical industry in Mainland China will continue to strongly affect adversely the future earnings and prospects of the Group.

Going forward, the Board will make every effort to improve the operation results of the Group and continue to look for other pharmaceutical manufacturers for possible synergetic alliances through means including but not limited to merger and acquisition, so as to strengthen the profitability and minimise the performance risk of the Group.

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

| **Name of Director** | **Capacity/ Nature of interest** | **No. of shares** *(Note 1)* | **Approximate percentage of interest** |
|---|---|---|---|
| Mr. Hu Yangxiong | Beneficial Owner and interest of a controlled corporation | 85,700,000 (L) | 4.68% |
| Mr. Leung King Fai | Beneficial Owner | 660,000 (L) | 0.04% |

*Note:*

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

Save as disclosed above, as at 31 December 2011, none of the Directors or Chief Executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as known to any Director or Chief Executive of the Company, as at 31 December 2011, persons who have interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follows:

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

*Notes:*

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

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

Save as disclosed above, as at 31 December 2011, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

**Options to subscribe for shares in the Company**

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

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

At 31 December 2011, the directors, employees, consultants, advisors and other service providers of the company had the following interests in options to subscribe for shares of the company 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 | Date granted | Period during which options are exercisable | Exercise price per share |
|---|---|---|---|---|
| Hu Yanxiong (Director) | 86,760,000 | 20 January 2010 | 2 December 2009 to 1 December 2019 | HK$0.2488 |
| Zhao Borui (Director) | 7,000,000 | 11 November 2009 | 11 November 2010 to 10 November 2019 | HK$0.211 |
| Leung King Fai (Director) | 4,000,000 | 11 November 2009 | 11 November 2010 to 10 November 2019 | HK$0.211 |
| Consultants, Advisers, Service Providers, Employees and Others | 54,000,000 | 11 November 2009 | 11 November 2009 to 10 November 2019 | HK$0.211 |

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

**Directors' and Chief Executives' rights to acquire shares or debt securities**

As at 31 December 2011, save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

**Competing interest**

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

**Audit committee**

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee include the review and supervision of the financial reporting process and the internal monitoring system of the Group. The audit committee has three members comprising Mr. Lam Kai Tai, Mr. Wong Ting Kon and Ms. Yueng Mo Sheung, Ann, the three Independent Non-executive Directors. The audit committee met 5 times during the year. The Group's revised audited consolidated results for the year have been reviewed by the audit committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal reporting and monitoring system of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group. During the year, no material matters were identified and reported by the Board to the audit committee and the supervisory committee of the Board.

**Purchase, sale or redemption of shares**

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

**Code of conduct regarding directors' securities transactions**

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

**Corporate Governance**

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

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

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing Independent Non-executive Directors of the Company is appointed for a specific term. However, all the directors (Executive and Independent Non-executive) are subject to retirement at least once every three years under article 87 of the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

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

Hong Kong, 29 March 2012

*As at the date of this announcement, the executive Directors are Mr. Zhao Borui, Mr. Hu Yangxiong, Mr. Lee Cheuk Yue, Ryan, Mr. Chow Yik and Mr. Leung King Fai; the independent non-executive Directors are Mr. Lam Kai Tai, Ms. Yeung Mo Sheung, Ann and Mr. Wong Ting Kon.*