Honworld Group Limited

老 恒 和 釀 造 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2226)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2013 amounted to approximately RMB530.4 million, representing an increase of 57.3% from approximately RMB337.1 million recorded in 2012.
- Gross profit for the year ended 31 December 2013 amounted to approximately RMB313.1 million, representing an increase of 62.3% from approximately RMB192.9 million recorded in 2012.
- Profit attributable to owners of the Company for the year ended 31 December 2013 amounted to approximately RMB174.2 million, representing an increase of 77.0% from approximately RMB98.4 million recorded in 2012.
- The Board has recommended the payment of a final dividend of RMB8.3 cents per ordinary share.

* *For identification purposes only*

The board of directors (the "**Board**") of Honworld Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	**530,433**	337,125
Cost of sales		**(217,364)**	(144,226)
Gross profit		**313,069**	192,899
Other income and gains	5	**11,519**	5,051
Selling and distribution expenses		**(25,679)**	(24,104)
Administrative expenses		**(74,094)**	(22,899)
Other expenses		**(17)**	(35)
Finance costs	7	**(17,646)**	(15,463)
PROFIT BEFORE TAX	6	**207,152**	135,449
Income tax expense	8	**(32,945)**	(37,011)
PROFIT FOR THE YEAR		**174,207**	98,438
Attributable to:			
Owners of the Company		**174,207**	98,438
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic and diluted		**RMB46.5 cents**	RMB26.3 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**174,207**	98,438
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of operations outside Mainland China	**9**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**9**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**174,216**	98,438
Attributable to:		
Owners of the Company	**174,216**	98,438

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**178,966**	131,469
Prepaid land lease payments		**23,244**	23,790
Other intangible assets		**407**	—
Prepayment for items of property, plant and equipment		**1,852**	104
Time deposits		**20**	20
Total non-current assets		**204,489**	155,383
CURRENT ASSETS			
Inventories	*11*	**326,652**	114,598
Trade and bills receivables	*12*	**88,939**	78,414
Prepayments, deposits and other receivables		**64,578**	127,548
Due from a director		**—**	23
Cash and cash equivalents		**44,011**	2,231
Total current assets		**524,180**	322,814
CURRENT LIABILITIES			
Trade payables	*13*	**105,891**	48,104
Other payables and accruals		**50,460**	34,394
Interest-bearing bank and other borrowings		**233,000**	206,400
Due to the ultimate holding company		**461**	—
Tax payable		**28,918**	36,730
Total current liabilities		**418,730**	325,628
NET CURRENT ASSETS/(LIABILITIES)		**105,450**	(2,814)
TOTAL ASSETS LESS CURRENT LIABILITIES		**309,939**	152,569

	Note	**2013**	2012
	Note	***RMB'000***	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**309,939**	152,569
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**—**	10,000
Other long term liabilities		**4,862**	5,053
Deferred tax liabilities		**8,751**	4,406
Total non-current liabilities		**13,613**	19,459
Net assets		**296,326**	133,110
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**31**	31
Reserves		**253,239**	133,079
Proposed final dividend	*9*	**43,056**	—
Total equity		**296,326**	133,110

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 4 December 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively known as the "Group") were principally engaged in the manufacture and sale of condiment products under the brand name of "Lao Heng He" in the People's Republic of China (the "PRC").

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Key Shine Global Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI").

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "SEHK"), a group reorganisation (the "Reorganisation") was undertaken pursuant to which the group companies controlled by Mr. Chen Weizhong and Ms. Xing Liyu were transferred to the Company. The Reorganisation was completed on 15 March 2013. Details of the Reorganisation are set out in the prospectus (the "Prospectus") of the Company dated 16 January 2014.

On 16 January 2014, the Company issued the Prospectus and then launched a public offering of 125,000,000 shares offered at a final offer price of HK$7.15 per share and the capitalisation of 365,000,000 shares (the "Capitalisation Issue"). The Company's shares were listed on the SEHK on 28 January 2014 (the "Listing").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board.

They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRSs issued in May 2012

The adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in manufacturing and sale of condiment products. For management purposes, the Group operates in one business unit and has one reportable operating segment as follows:

- The food segment manufactures and sells condiment products.

As all of the Group's revenue is derived from sales of its products to the customers in the PRC and all of the Group's identifiable non-current assets are located in the PRC, no geographical information required by IFRS 8 *Operating Segments* is presented.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**530,433**	337,125
Other income and gains		
Subsidy received	**10,280**	135
Gain from sales of materials	**717**	725
Rental income	**440**	—
Interest income	**49**	564
Interest compensation	**—**	3,614
Others	**33**	13
	11,519	5,051

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2013	2012
	RMB'000	*RMB'000*
Costs of inventories sold	**217,364**	144,226
Depreciation	**9,631**	2,564
Auditors' remuneration	**600**	—
Recognition of prepaid land lease payments	**546**	263
Minimum lease payments under operation leases:		
Plant and machinery	**685**	763
Office buildings	**—**	775
	685	1,538
Employee benefit expense (excluding directors' remuneration):		
— Wages and salaries	**9,798**	9,030
— Pension scheme contributions	**1,078**	1,031
	10,876	10,061
Research and development costs — Current year expenditure	**42,841**	12,191

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2013	2012
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**17,646**	11,849
Interest on bank acceptance bills	**—**	3,614
	17,646	15,463

8 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated. Pursuant to the rules and regulations of the Cayman Islands, the Group was not subject to any income tax in the Cayman Islands.

The corporate income tax of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2012: 25%) on the taxable profits, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the approval from the National Ministry of Science and Technology, Huzhou Laohenghe Brewery Co., Limited and Huzhou Laohenghe Wine Co., Limited were certificated as the "High and New Technology Enterprise" and were entitled to the preferential tax rate of 15% for the three years ending 31 December 2015.

	2013	2012
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**28,600**	32,782
Deferred	**4,345**	4,229
Total tax charge for the year	**32,945**	37,011

A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for the jurisdiction where most of the Company's subsidiaries are located to the tax expense at the effective tax rate is as follows:

	2013		2012	
	RMB'000	***%***	*RMB'000*	*%*
Profit before tax	**207,152**		135,449	
Tax at the statutory tax rate	**51,788**	**25.0**	33,862	25.0
Lower tax rate enacted by the local authority	**(20,085)**	**(9.8)**	—	—
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**5,324**	**2.6**	2,933	2.2
Income not subject to tax	**(2,573)**	**(1.2)**	—	—
Tax incentive on eligible expenditures	**(1,528)**	**(0.7)**	—	—
Expenses not deductible for tax	**19**	**—**	216	0.1
Tax charge at the Group's effective rate	**32,945**	**15.9**	37,011	27.3

9. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Proposed final — RMB8.3 cents (2012: Nil) per ordinary share	**43,056**	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

	2013	2012
	RMB	*RMB*
Earnings per share attributable to ordinary equity holders of the Company	**46.5 cents**	26.3 cents

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of basic earnings per share is based on:

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**174,207**	98,438

The weighted average number of ordinary shares in issue during the years ended 31 December 2013 and 2012 used in the basic earnings per share calculation is determined on the assumption that the 10,000,000 ordinary shares with a par value of US$0.0005 each issued in connection with the incorporation of the Company on 4 December 2012 and the 365,000,000 shares with par value of US$0.0005 each issued in connection through capitalisation of the share premium accounts arising from the Listing of the Company on 28 January 2014 had been in issue since 1 January 2012.

	2013	2012
	'000	*'000*
Weighted average number of ordinary shares in issue	**375,000**	375,000

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years.

11. INVENTORIES

	2013	2012
	RMB'000	*RMB'000*
Raw materials	**7,155**	6,353
Work in progress	**311,053**	101,894
Finished goods	**8,444**	6,351
	326,652	114,598

At 31 December 2013, the Group's inventories with a carrying amount of RMB70,277,000 (2012: RMB34,437,000) were pledged to secure bank loans granted to the Group.

12. TRADE AND BILLS RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**88,939**	63,014
Bills receivable	**—**	15,400
Impairment	**—**	—
Total	**88,939**	78,414

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to three months.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 1 month	**47,774**	37,066
1 to 3 months	**36,384**	20,481
3 to 6 months	**4,357**	3,340
6 months to 1 year	**402**	1,920
Over 1 year	**22**	207
	88,939	63,014

13. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 3 month	**68,090**	33,373
3 to 6 months	**25,285**	7,283
Over 6 months	**12,516**	7,448
	105,891	48,104

Trade payables of the Group are non-interest-bearing and are normally settled on terms of one to three months. The carrying amounts of the trade payables approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company is the largest manufacturer of cooking wine in the People's Republic of China (the "**PRC**" or "**China**"), with a retail market share of 13.8% in value terms and 5.8% in volume terms in 2012, according to Euromonitor International, a global research organization that provides strategy research for consumer markets. The Company offers high-quality, healthy cooking wine and other condiments, including soy sauce and vinegar.

In 2013, the Group recorded significant growth in various grades of cooking wine, soy sauce and vinegar as compared to the previous year, due to the Company adopting a sales strategy with better product mix in 2013, which captured the desirable consumer market segment and allowed the Company to have better pricing power, and managed to achieve outstanding growth in financial results. For the year ended 31 December 2013, the Group's revenue reached approximately RMB530.4 million (2012: RMB337.1 million), representing an increase of approximately 57.3% over the previous year.

Profit before tax was approximately RMB207.2 million for the year ended 31 December 2013 (2012: RMB135.4 million), representing an increase of approximately 53.0% over 2012. Profit attributable to owners of the Company was approximately RMB174.2 million for the year ended 31 December 2013 (2012: RMB98.4 million), representing an increase of approximately 77.0% over the previous year.

The Company's key product, cooking wine, continues to be our major source of revenue, representing around 74% of our total revenue. Due to the various key drivers for the PRC cooking wine market including: (1) a growing urban population and rising consumer purchasing power; (2) increasing health and food safety awareness; (3) gradual convergence of consumer taste and demand; and, (4) government policy favouring China's agricultural industry and grain production, demand for better-quality cooking wine has grown rapidly in the past few years. The Group has continued to increase its investments in production and used naturally-brewed yellow rice wine as a base to manufacture various grades of cooking wine. Notably, there is a significant upside for consumer demands for naturally-brewed and better-quality cooking wine. Therefore, the Company is optimistic about the long term outlook for cooking wine demand going forward, particularly in the higher-end cooking wine products.

However, the Company do face certain risks in its production and business development, including: (1) the significant increase in the prices of raw materials (including rice, soy beans and wheat) might significantly increase the production cost for the Company; (2) the changes in consumer habits for Chinese food might impact its sales; and (3) the pressure for exploring new markets might be larger than what the Company has expected.

To certain extent, cooking wine are commodity products. However, increasingly, Chinese consumers are choosing quality products with greater brand recognition, and consumers are attaching a greater importance to quality and food safety, and are becoming less price sensitive.

The Company's profitability is mainly affected by relevant domestic policies, its cost of sales, product structure and product mix as well as its product quality. In 2013, the increase in cost of sales is mainly due to the increase in sales revenue. The Company is actively managing its cost of sales, and is enhancing production and operation efficiency, and targets to continue to record strong growth in its revenue and profit on a yearly basis.

Financial Review

Overview

The key financial indicators of the Group are as follows:

	Year ended 31 December		Year-on-year change
	2013	2012	*(%)*
	RMB'000	*RMB'000*	
Income statement items			
Sales	**530,433**	337,125	57.3%
Gross profit	**313,069**	192,899	62.3%
Profit attributable to owners of the Company	**174,207**	98,438	77.0%
EBITDA	**234,975**	153,739	52.8%
Earnings per share (RMB cents) *(Note a)*			
— basic and diluted	**46.5**	26.3	76.8%
Selected financial ratios			
Gross profit margin (%)	**59.0%**	57.2%	3.1%
Net profit margin attributable to owners of the Company (%)	**32.8%**	29.2%	12.3%
EBITDA margin (%)	**44.3%**	45.6%	(2.9%)
Return on equity holders' equity (%)	**58.8%**	74.0%	(20.5%)
Gearing ratio *(Note b)*	**54.2%**	69.4%	(21.9%)

Notes:

(a) Please refer to Note 10 to the financial statements for the calculation of earnings per share.

(b) The gearing ratio is based on net debt divided by total equity and net debt. Net debt includes total debt net of cash and cash equivalents.

Revenue

The revenue of the Group, increased by 57.3% from RMB337.1 million in 2012 to RMB530.4 million in 2013, primarily reflecting an increase in the sales of our cooking wine products, soy sauce products and vinegar products.

Revenue from cooking wine products increased by 34.6% from RMB292.3 million for the year of 2012 to RMB393.4 million for the year of 2013, reflecting increases in all product lines except for our mass-market cooking wine products. The increase in sales volume for all cooking wine products except for our mass-market products primarily reflected an increase in demand for our higher-end products, especially the high-end and mid-range cooking wine products, such as the 15% ABV Cooking Wine (15度料酒), Steamed Fish Cooking Wine (蒸魚料酒), Scallion & Ginger Cooking Wine (蔥薑料酒) and Lao Heng He Cooking Wine (老恒和料酒). This change in product mix of the cooking wine products contributed mainly to the increased revenue.

Revenue from the Group's soy sauce products increased by 696.1% from RMB12.8 million for the year of 2012 to RMB101.9 million for the year of 2013. The increase in sales of the Group's soy sauce products for the year of 2013 as compared to the year of 2012 primarily reflected an increase in sales volume and average selling prices for the Group's soy sauce products due to (i) the addition to the Group's distribution network of a leading soy sauce distributor, which helps to deepen our market penetration, especially in eastern China market which had high purchasing power for condiment products; and (ii) the Group's decrease in the production of low-end soy sauce such as ordinary soy sauce and third-class soy sauce and an increasing focus on the production of premium and higher-end soy sauce. For example, there is an increasing demand for the Group's soy sauce products with higher retail prices such as the new Premium Flavored Soy Sauce (鮮上鮮醬油).

Revenue from the Group's vinegar products increased by 52.7% from RMB9.3 million for the year of 2012 to RMB14.2 million for the year of 2013, which was mainly attributable to the growing market demand of the naturally-brewed vinegar, such as Crab Vinegar (蟹醋), Rose Rice Vinegar (玫瑰米醋) and Premium Zhejiang Vinegar (上品浙醋).

The Group's shift in focus to the cooking wine business affected the Group's other products, which decreased by 8.3% from RMB22.8 million for the year of 2012 to RMB20.9 million for the year of 2013.

The Company believes the strong performance of the Group's sales is largely contributed by (i) increasing recognition of the "Lao Heng He" ("老恒和") brand; (ii) growing consumer consciousness of food safety and preference for naturally-brewed cooking wine products which the Company introduced to the market; (iii) rising disposable income level in the PRC, and (iv) the Group's expansion of its distribution network which resulted in further market penetration.

Cost of Sales

The Group's cost of sales increased by 50.8% from RMB144.2 million in 2012 to RMB217.4 million in 2013, reflecting increases in all major cost of sales components. The increase in cost of sales was mainly in line with the increase in sales revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 62.3% from RMB192.9 million in 2012 to RMB313.1 million in 2013. The gross profit margin increased from 57.2% in 2012 to 59.0% in 2013, primarily contributed by the increase in the gross profit margin of soy sauce products with higher selling prices such as the Premium Flavored Soy Sauce (鮮上鮮醬油).

Other Income and Gains

Other income increased by 125.5% from RMB5.1 million in 2012 to RMB11.5 million in 2013. Other income consists primarily of subsidy received and gains from sales of materials. The increase in other income is primarily due to the RMB10.3 million subsidy received, partially offset by the decrease in interest compensation from RMB3.6 million to zero in 2013.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses, marketing expenses, travelling expenses, and salaries and wages for our sales employees.

The Group's selling and distribution expenses increased slightly from RMB24.1 million in 2012 to RMB25.7 million in 2013. The Group's selling and distribution expenses as a percentage of the Group's revenue decreased from 7.1% for 2012 to 4.8% for 2013, primarily reflecting the increase in revenue for the year of 2013. Despite the considerable increase in revenue, our selling and distribution expenses remained stable as the Group mainly adopted the distributorship model for its sales.

Administrative Expenses

The administrative expenses increased significantly from RMB22.9 million in 2012 to RMB74.1 million in 2013. This increase mainly reflected (i) research and development expenses of RMB42.8 million for new fermentation and processing methods of base wine and soy sauce to improve their nutrition and flavor; and (ii) listing expenses of RMB19.2 million.

Finance Cost

Finance cost increased by 13.5% from RMB15.5 million in 2012 to RMB17.6 million in 2013. The increase in finance costs primarily reflected an increase in interest on bank loans from RMB11.8 million for the year of 2012 to RMB17.6 million for the year of 2013 as a result of an increase in the average balance of the Group's bank loans in 2013.

Profit before Tax

As a result of the foregoing, the profit before tax increased by 53.0% from RMB135.4 million to RMB207.2 million.

Income Tax Expense

Income tax expenses decreased by 11.1% from RMB37.0 million in 2012 to RMB32.9 million in 2013, with the effective income tax rate decreased from 27.3% in 2012 to 15.9% in 2013, mainly due to the subsidiaries of the Group in Mainland China, Huzhou Laohenghe Brewery Co. Limited and Huzhou Laohenghe Wine Co., Limited, having been granted the "Certificate of New and Advanced Technology Enterprise" and are entitled to the beneficial tax rate of 15% for three years starting from 1 January 2013. As such, the corporate income tax of the Group for the year of 2013 in respect of its operations in the PRC has been provided at the rate of 15% (2012: 25%) on the taxable profits.

Profit for the year attributable to the owners of the Company

For the foregoing reasons, profit attributable to the owners of the Company increased from RMB98.4 million in 2012 to RMB174.2 million in 2013.

Net Profit Margin

Net profit margin increased 3.6 percentage points from 29.2% in 2012 to 32.8% in 2013. The increase in net profit margin was mainly attributable to an increase in net profits, primarily due to increases in revenue and gross margin.

Financial and Liquidity Position

Trade and Bills Receivables

Trade and bills receivables increased from RMB78.4 million as of 31 December 2012 to RMB88.9 million as of 31 December 2013, mainly due to increase in sales.

Details of the ageing analysis of trade and bills receivables are set out in Note 12 to the financial statements. The turnover days of trade receivables increased from 43 days in 2012 to 52 days in 2013, mainly reflecting an increase in the proportion of sales to Category A distributors (who employs extensive distribution networks and sales channel with each covering one or more provinces for distributing our products) which normally had longer credit terms.

Inventories

Inventories increased from RMB114.6 million as of 31 December 2012 to RMB326.7 million as of 31 December 2013, primarily due to increase in work in progress, which in turn reflected increased production of base wine.

As at 31 December 2013, our inventories with a carrying amount of RMB70.3 million were pledged to secure general banking facilities granted to us.

Borrowings

As of 31 December 2013, the Group's total borrowings amounted to RMB233.0 million.

The Group's principal sources of liquidity include cash generated from business operations and bank and other borrowings. The cash from these sources are primarily used for the Group's working capital and the expansion of production capacity.

Net Gearing Ratios

The gearing ratio of the Group was 54.2% as at 31 December 2013, representing a decrease of 21.9% as compared to 69.4% as at 31 December 2012.

The gearing ratio is based on net debt divided by total equity and net debt as at 31 December 2013. Net debt includes total debt net of cash and cash equivalents.

Capital Commitment

Capital commitment as at 31 December 2013 amounted to approximately RMB14.2 million (2012: RMB9.1 million), which was mainly related to purchase of plant, property and equipment, as well as advertising contract.

Contingent Liabilities

As at 31 December 2013, the Group did not have material contingent liability.

Pledge of Assets

Details of the Group's bank loans which are secured by the assets of the Group, are included in Note 11 to the financial statements.

Except as disclosed in this announcement, the Group has not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. It does not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or research and development or other services with it.

OUTLOOK

Future Prospects

Looking ahead, despite the uncertainty in the global economic conditions, China's GDP is expected to continue to grow steadily. The Chinese Government is widely expected to reinforce its economic restructuring policies to expand domestic demand. Riding on China's strong economic growth, sustained growth in China's disposable income which coincided with an increase in consumer spending in the PRC, increasing health and food safety awareness which lead to consumer consumption upgrades, the Company believes its products trading under the "Lao Heng He" brand, will enjoy rapid growth in China.

Leveraging on the Company's well known heritage brand "Lao Heng He" which dates back to more than 130 years, extensive distribution network and strong relationship with key distributors, the Company is determined to capture the opportunities brought by these healthy market trends.

The Company plans to expand its production capacity through additional production facilities at its headquarters in Huzhou City, Zhejiang Province. The addition of these facilities is expected to allow the Company to increase its stock of base wine to approximately 169 million liters by 2014 through increased production. The Company will also continue to improve its research and development capabilities to focus on standardization of production process, new product development and product improvement.

In 2014, the Company will focus on higher-end cooking wine products, and will endeavour to continue to streamline its cooking wine portfolio and develop natural and healthy products, to shape the "Lao Heng He" brand image for products of superior quality and strengthen its competitiveness in the cooking wine market in China.

Furthermore, the Company will look for suitable merger and acquisition opportunities to enhance its production capacity and product portfolio, and which will bring strategic and economic long-term value to the Group. The Company is determined to become one of the leading condiment producers in China.

Goal and Strategy

The Company aims to maintain its leadership in the cooking wine industry, to consolidate market share, and continue to expand the market share of its cooking wine products in the national markets (among key cities and consumers), to increase the Company's sales and increase the Company's market share in the naturally-brewed cooking wine industry.

The Company aims to introduce new condiment products through R&D and innovation and improvement of traditional techniques, and to increase the quality and profit margin for other condiment products. In addition, the Company will leverage on the opportunities presented by its successful initial public offering on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the stability in prices of agricultural products currently, to accelerate the process of increasing the stock of base wine in earthen jars, which is intended to guard against the risks of future price increase of agricultural and sideline products and prepare for enough base wine in earthen jars for its rapid development in the future.

EVENTS AFTER THE REPORTING PERIOD

(a) On 28 January 2014, the Company was successfully listed on the main board of the Stock Exchange by issuing 125,000,000 shares of US$0.0005 each at a final offer price HK$7.15 per share (the "**Listing**").

(b) As part of the Listing, 365,000,000 shares were issued by way of capitalisation of share premium on the proceeds from the issue of 125,000,000 shares as stated in the section headed "Share Capital" of the prospectus issued by the Company on 16 January 2014 (the "**Prospectus**").

Following the issuance of 490,000,000 shares as described above, the Company's issued shares increased from 10,000,000 shares of US$0.0005 each to 500,000,000 shares of US$0.0005 each. On the date of the Listing, the Company had 500,000,000 issued shares of US$0.0005 each.

(c) On 18 February 2014, the Company allotted and issued 18,750,000 additional shares of US$0.0005 at HK$7.15 per share pursuant to the exercise of the over-allotment option by the international underwriter. On the date of this announcement, the Company has 518,750,000 issued shares of US$0.0005 each.

EMPLOYEES

As at 31 December 2013, the Group had a total of approximately 188 employees. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and are determined with reference to their experience and qualifications and general market conditions.

SIGNIFICANT INVESTMENTS HELD

There was no significant investments held by the Group as at 31 December 2013 (31 December 2012: nil).

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

USE OF PROCEEDS FROM THE LISTING

The gross proceeds from the Listing amounted to HK$1,027.8 million (equivalent to approximately RMB808.1 million). Such proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The proceeds are temporarily placed in short term deposits with licensed institutions in Hong Kong.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB8.3 cents per ordinary share (equivalent to approximately HK10.5 cents per ordinary share) for the year ended 31 December 2013 to shareholders whose names appear on the Company's register of members on 11 June 2014 (the "**Proposed Final Dividend**"). Subject to the approval of the Company's shareholders at the Company's forthcoming annual general meeting to be held on 28 May 2014 (the "**2014 AGM**"), the Proposed Final Dividend is expected to be paid on or about 2 July 2014.

CLOSURE OF REGISTER OF MEMBERS FOR 2014 AGM

For the purpose of determining the rights to attend and vote at the 2014 AGM, the register of members of the Company will be closed from 26 May 2014 to 28 May 2014 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the 2014 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 23 May 2014.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND

The payment of the Proposed Final Dividend is subject to the approval of the shareholders at the 2014 AGM. For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from 9 June 2014 to 11 June 2014 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 6 June 2014.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date hereof, the Company has maintained the public float as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (the "**Listing Rules**") since 28 January 2014 (the "**Listing Date**") and up to the date of this announcement (the "**Relevant Period**").

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") contained in Appendix 14 to the Listing Rules throughout the Relevant Period, except for the deviations summarized below.

Provision A.2.1 of the Code provides that the roles of the Chairman and the chief executive officer (the "**CEO**") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the CEO should be clearly established and set out in writing.

Currently, the positions of the Chairman and the CEO of the Company are held by Mr. Chen Weizhong. Although this deviates from the practice in provision A.2.1 of the Code, Mr. Chen has considerable and extensive experience in the cooking wine industry and management in general. The Board believes that it is in the best interest of the Company to have an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in discussing the strategy and long-term development of the Group.

From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the Chairman should not be able to monopolize the voting result. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure. The remuneration committee and nomination committee of the Board also regularly review the structure and composition of the Board and will make appropriate recommendations to the Board regarding any proposed changes.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining and implementing a high standard of corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the directors of the Company and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all directors of the Company confirmed that they have complied with the Model Code during the period from the Listing Date up to the date hereof. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Relevant Period.

REVIEW OF ANNUAL RESULTS

Audit Committee

The audit committee of the Company (the "**Audit Committee**") (which comprises all independent non-executive directors, namely Mr. Ma Chaosong (Chairman), Mr. Lei Jiasu and Mr. Shen Zhenchang) has reviewed with management, the annual results for the year ended 31 December 2013, including accounting principles and policies adopted by the Group, and discussed internal controls and financial reporting matters.

The Audit Committee has reviewed the remuneration and independence of the auditor of the Company, Ernst & Young, and recommended that the Board re-appoint Ernst & Young as the Company's auditors for 2014, which is subject to the approval of the shareholders of the Company at the 2014 AGM.

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in this announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

By Order of the Board
Honworld Group Limited
Chen Weizhong
Chairman

Hong Kong, 25 March 2014

As at the date of this announcement, the Board comprises three executive director, namely, Mr. Chen Weizhong, Mr. Sheng Mingjian and Mr Wang Chao; one non-executive director, namely Mr. Zhang Bihong; and three independent non-executive directors, namely, Mr. Shen Zhenchang, Mr. Lei Jiasu and Mr. Ma Chaosong.