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**Honworld Group Limited**  
**老恒和釀造有限公司\***

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

**(Stock Code: 2226)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2014**

**FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 June 2014 amounted to approximately RMB297.5 million, representing an increase of 34.8% from approximately RMB220.7 million for the corresponding period of 2013.
- Gross profit for the six months ended 30 June 2014 amounted to approximately RMB168.9 million, representing an increase of 30.5% from approximately RMB129.4 million for the corresponding period of 2013.
- Profit attributable to owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB89.9 million, representing an increase of 24.5% from approximately RMB72.2 million for the corresponding period of 2013.

\* For identification purposes only

In this announcement, “we”, “us” and “our” refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board of directors (the “**Board**”) of Honworld Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013 as follows:

## **INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 June 2014*

*(All amounts in RMB thousands unless otherwise stated)*

		<b>Six months ended 30 June</b>	
		<b>2014</b>	2013
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>297,478</b>	220,672
Cost of sales	5	<u>(128,542)</u>	<u>(91,243)</u>
Gross profit		<b>168,936</b>	129,429
Other income and gains	4	<b>2,133</b>	2,587
Selling and distribution expenses		<b>(16,459)</b>	(11,115)
Administrative expenses		<b>(36,372)</b>	(27,733)
Other expenses		—	(9)
Finance costs	6	<u>(11,483)</u>	<u>(8,635)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>106,755</b>	84,524
Income tax expense	7	<u>(16,868)</u>	<u>(12,286)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>89,887</b></u>	<u>72,238</u>
Attributable to:			
Owners of the Company		<u><b>89,887</b></u>	<u>72,238</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic and diluted			
— For profit for the period	8	<u><b>RMB18.2 cents</b></u>	<u>RMB19.3 cents</u>

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>PROFIT FOR THE PERIOD</b>	<u><b>89,887</b></u>	<u>72,238</u>
<b>OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:</b>		
Exchange differences on translation of financial statements of operations outside Mainland China	<u>11,268</u>	<u>2</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><b>101,155</b></u>	<u>72,240</u>
Attributable to:		
Owners of the Company	<u><b>101,155</b></u>	<u>72,240</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

(All amounts in RMB thousands unless otherwise stated)

	<i>Notes</i>	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	<b>294,499</b>	178,966
Prepaid land lease payments	<i>11</i>	<b>26,884</b>	23,244
Other intangible assets		<b>400</b>	407
Prepayments for items of property, plant and equipment		—	1,852
Time deposits	<i>15</i>	<b>20</b>	20
<b>Total non-current assets</b>		<b><u>321,803</u></b>	<u>204,489</u>
<b>CURRENT ASSETS</b>			
Inventories	<i>12</i>	<b>497,193</b>	326,652
Trade receivables	<i>13</i>	<b>130,966</b>	88,939
Prepayments, deposits and other receivables	<i>14</i>	<b>68,106</b>	64,578
Cash and cash equivalents	<i>15</i>	<b>484,626</b>	44,011
<b>Total current assets</b>		<b><u>1,180,891</u></b>	<u>524,180</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>16</i>	<b>100,030</b>	105,891
Other payables and accruals	<i>17</i>	<b>36,005</b>	50,460
Interest-bearing bank borrowings	<i>18</i>	<b>217,000</b>	233,000
Due to the ultimate holding company		—	461
Tax payable		<b>10,653</b>	28,918
<b>Total current liabilities</b>		<b><u>363,688</u></b>	<u>418,730</u>
<b>NET CURRENT ASSETS</b>		<b><u>817,203</u></b>	<u>105,450</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>1,139,006</u></b>	<u>309,939</u>

		<b>30 June 2014</b>	31 December 2013
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Other long term liabilities	19	4,788	4,862
Deferred tax liabilities		<u>8,751</u>	<u>8,751</u>
<b>Total non-current liabilities</b>		<u><b>13,539</b></u>	<u>13,613</u>
<b>Net assets</b>		<u><b>1,125,467</b></u>	<u>296,326</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	20	1,584	31
Reserves		1,123,883	253,239
Proposed final dividends	9	<u>—</u>	<u>43,056</u>
<b>Total equity</b>		<u><b>1,125,467</b></u>	<u>296,326</u>

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

*For the six months ended 30 June 2014*

*(All amounts in RMB thousands unless otherwise stated)*

### **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 ("BVI").

On 16 January 2014, the Company issued the Prospectus and launched a public offering of 125,000,000 shares offered at an 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 Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 January 2014 (the "Listing").

### **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

#### **Basis of preparation**

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

These interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013.

## Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2013. The Group has adopted the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's condensed consolidated financial statements.

IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>

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

### 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the 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 as required by IFRS 8 Operating Segments is presented.

#### Information about major customers

Revenue amounting to 10 percent or more of the Group's revenue derived from sales to a single customer for the reporting period is set out in the following table:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Customer A	68,023	40,820
Customer B	45,162	25,413
Customer C	39,531	24,140
Customer D	32,890	27,827
Customer E	27,488*	33,264
	<u>213,094</u>	<u>151,464</u>

\* Revenue from these customers in the relevant reporting period did not exceed 10 percent of the Group's revenue.

#### 4. 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:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Sale of goods	<u>297,478</u>	<u>220,672</u>
<b>Other income and gains</b>		
Subsidy received	1,250	1,096
Interest income	654	—
Gain from sale of materials	222	1,485
Others	<u>7</u>	<u>6</u>
	<u>2,133</u>	<u>2,587</u>

#### 5. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2014	2013
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cost of inventories sold		128,542	91,243
Depreciation	10	5,154	4,558
Recognition of prepaid land lease payments	11	280	273
Minimum lease payments under operation leases:			
Plant and machinery		216	194
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		6,012	5,368
Pension scheme contributions		<u>821</u>	<u>737</u>
		<u>6,833</u>	<u>6,105</u>



## 6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	<u>11,483</u>	<u>8,635</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	16,868	13,265
Deferred	<u>—</u>	<u>(979)</u>
Tax charge for the period	<u>16,868</u>	<u>12,286</u>

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 income tax provision of the Group in respect of its operations in Mainland China has been provided on the taxable profits for the periods, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the approval from the National Office of Leading Group for Administration of Hi-tech Enterprise Recognition, Huzhou Laohenghe Brewery Co., Limited and Huzhou Laohenghe Wine Co., Limited were granted the “New and Advanced Technology Enterprise” status and were entitled to the beneficial tax rate of 15% for the three years ending 31 December 2015.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2013 and 2014.

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

	Six months ended 30 June	
	2014	2013
	RMB	RMB
	(Unaudited)	(Unaudited)
Earnings per share attributable to ordinary equity holders of the Company	<u>18.2 cents</u>	<u>19.3 cents</u>

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

The calculation of basic earnings per share is based on:

<b>Six months ended 30 June</b>	
<b>2014</b>	2013
<b>RMB'000</b>	RMB'000
<b>(Unaudited)</b>	(Unaudited)

### **Earnings**

Profit attributable to ordinary equity holders of the Company,  
used in the basic earnings per share calculation

<b>89,887</b>	<b>72,238</b>
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The weighted average number of ordinary shares in issue during the six months ended 30 June 2013 used in the basic earnings per share calculation is determined on the assumption that the 365,000,000 shares issued in connection through capitalisation of the share premium account arising from the Listing of the Company on 28 January 2014 were in issue since the legal establishment of the Company.

### **Weighted average number of ordinary shares**

<b>Number of shares</b>	
<b>Six months ended 30 June</b>	
<b>2014</b>	2013
<b>'000</b>	'000

### **Shares**

Capitalisation upon legal establishment and as at 1 January 2014

<b>375,000</b>	375,000
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Effect of shares issued upon placing and public offering on 28 January 2014

<b>105,663</b>	—
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Effect of shares issued upon exercise of over-allotment on 13 February 2014

<b>13,674</b>	—
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Weighted average number of ordinary shares

<b>494,337</b>	<b>375,000</b>
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## **9. DIVIDEND**

No interim dividend was proposed for the current reporting period.

The 2013 proposed final dividends of RMB43,056,000 were approved by shareholders at the annual general meeting on 28 May 2014 and were distributed in June 2014.

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Opening balance	178,966	131,469
Additions	120,687	57,128
Depreciation	<u>(5,154)</u>	<u>(9,631)</u>
Closing balance	<u><b>294,499</b></u>	<u>178,966</u>

## 11. PREPAID LAND LEASE PAYMENTS

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Carrying amount at 1 January	23,790	24,336
Additions during the period	4,000	—
Recognised during the period	<u>(280)</u>	<u>(546)</u>
Carrying amount at period end	27,510	23,790
Less: Current portion included in prepayments, deposits and other receivables	<u>(626)</u>	<u>(546)</u>
Non-current portion	<u><b>26,884</b></u>	<u>23,244</u>

The leasehold land is situated in Mainland China and is held under a long term lease.

## 12. INVENTORIES

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Raw materials	7,899	7,155
Work in progress	476,384	311,053
Finished goods	<u>12,910</u>	<u>8,444</u>
Total inventories	<u><b>497,193</b></u>	<u>326,652</u>

At 30 June 2014, the Group's inventories with a carrying amount of RMB69,700,000 (31 December 2013: RMB70,277,000) were pledged to secure bank loans granted to the Group.

### 13. TRADE RECEIVABLES

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 credit term, is as follows:

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Within 1 month	67,511	47,774
1 to 3 months	58,298	36,384
3 to 6 months	4,745	4,357
6 months to 1 year	394	402
Over 1 year	<u>18</u>	<u>22</u>
Total	<u><b>130,966</b></u>	<u>88,939</u>

### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Prepayments	42,031	40,479
Deposits and other receivables	<u>26,075</u>	<u>24,099</u>
	<u><b>68,106</b></u>	<u>64,578</u>

The above balances are unsecured, interest-free and have no fixed terms of repayment.

## 15. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Cash and bank balances	415,626	44,011
Time deposits	<u>69,020</u>	<u>20</u>
	<b>484,646</b>	44,031
Less: Non-pledged time deposits with original maturity of over three months when acquired	<u>(20)</u>	<u>(20)</u>
Cash and cash equivalents	<u><b>484,626</b></u>	<u>44,011</u>

## 16. TRADE PAYABLES

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

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Within 3 month	67,741	68,090
3 to 6 months	23,925	25,285
Over 6 months	<u>8,364</u>	<u>12,516</u>
	<u><b>100,030</b></u>	<u>105,891</u>

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.

## 17. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Other payables	29,311	39,149
Accruals	6,694	8,692
Advances from customers	<u>—</u>	<u>2,619</u>
	<u><b>36,005</b></u>	<u>50,460</u>

The above balances are unsecured, interest-free and other payables have an average term of three months.

## 18. INTEREST-BEARING BANK BORROWINGS

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Bank loan — secured, within one year	<b>217,000</b>	228,000
Other borrowings — secured	<u>—</u>	<u>5,000</u>
	<b><u>217,000</u></b>	<b><u>233,000</u></b>

The interest-bearing bank borrowings as at 30 June 2014 were denominated in RMB, repayable within one year and bearing interests at 6.00%/8.40% per annum.

The carrying amounts of the Group's bank loans approximate to their fair values.

## 19. OTHER LONG TERM LIABILITIES

As at 30 June 2014, the actuarial liabilities existing in relation to the retirement benefit obligations for employees who retired prior to the acquisition of Huzhou Laohenghe Brewery Co., Limited by the controlling shareholders and the early retirement obligations for employees who early retired were RMB4,788,000 (31 December 2013: RMB4,862,000). The benefit obligations arising from the plans were unfunded.

The movements of the actuarial liabilities recognised in the statement of financial position are as follows:

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Carrying amount at beginning of period	<b>4,862</b>	5,053
Benefits paid	<u>(74)</u>	<u>(191)</u>
At end of period	<b><u>4,788</u></b>	<b><u>4,862</u></b>

## 20. SHARE CAPITAL

The following is a summary of the authorised share capital and the issued share capital of the Company:

	<b>30 June 2014</b>	31 December 2013
	<b>US\$000</b>	<b>US\$000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Authorised:		
1,000,000,000 (31 December 2013: 1,000,000,000) ordinary shares of US\$0.0005 each	<u><u>500</u></u>	<u><u>500</u></u>
	<b>30 June 2014</b>	31 December 2013
	<b>RMB\$000</b>	<b>RMB\$000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Issued and fully paid:		
518,750,000 (31 December 2013: 10,000,000) ordinary shares of US\$0.0005 each	<u><u>1,584</u></u>	<u><u>31</u></u>

The movements in share capital were as follows:

- (a) At the date of incorporation of the Company, its authorised share capital was US\$50,000 divided into 100,000,000 shares of US\$0.0005 each.
- (b) Pursuant to an ordinary resolution passed on 17 December 2013, the authorised share capital of the Company was increased from US\$50,000 to US\$500,000 by the creation of 900,000,000 additional shares of US\$0.0005 each, ranking *pari passu* in all respects with the existing shares of the Company.
- (c) On 28 January 2014, the Company was successfully listed on the Stock Exchange by issuing 125,000,000 shares of US\$0.0005 each at HK\$7.15 per share. 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 share capital as detailed in the Prospectus.

Following the issuance of 490,000,000 shares as described above, the Company's issued share 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.

- (d) On 13 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. As at 30 June 2014, the Company has 518,750,000 issued shares of US\$0.0005 each.

- (e) A summary of the transactions during the period with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2013	<u>10,000,000</u>	<u>31</u>	<u>—</u>	<u>31</u>
At 31 December 2013 and 1 January 2014	10,000,000	31	—	31
Capitalisation issue ( <i>note (c)</i> )	365,000,000	1,114	—	1,114
Issue of shares in connection with the Listing and exercise of the over-allotment option ( <i>notes (c) and (d)</i> )	<u>143,750,000</u>	<u>439</u>	<u>806,694</u>	<u>807,133</u>
	<u>518,750,000</u>	<u>1,584</u>	<u>806,694</u>	<u>808,278</u>
Share issue expenses	<u>—</u>	<u>—</u>	<u>(37,205)</u>	<u>(37,205)</u>
At 30 June 2014	<u><u>518,750,000</u></u>	<u><u>1,584</u></u>	<u><u>769,489</u></u>	<u><u>771,073</u></u>

## 21. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its properties and equipment under operating lease arrangements. Leases for properties and equipment are negotiated for terms ranging between one to five years.

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 <i>RMB'000</i> (Unaudited)	31 December 2013 <i>RMB'000</i> (Audited)
Within one year	459	369
In the second to fifth years, inclusive	818	1,104
After five years	<u>252</u>	<u>336</u>
	<u><u>1,529</u></u>	<u><u>1,809</u></u>



## 22. COMMITMENTS

In addition to the operating lease commitments detailed in note 21 above, the Group had capital commitments as follows:

	<b>30 June 2014</b>	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Contracted, but not provided for:		
Plant and machinery	<b>9,900</b>	3,948
Advertising contracts	<b>4,500</b>	10,258
	<b>14,400</b>	14,206

## 23. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	<b>Six months ended 30 June 2014</b>	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Salaries, allowances and benefits in kind	<b>229</b>	216
Pension scheme contributions	<b>16</b>	14
Total compensation paid to key management personnel	<b>245</b>	230

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

According to the report dated May 2014 prepared by China Condiment Industrial Association in relation to the top 100 China condiment brand enterprise and analysis of the 2013 data statistics summary (the “**China Condiment Industrial Association Report**”), the Company is the largest manufacturer of cooking wine in the People’s Republic of China (the “**PRC**” or “**China**”), with a market share of approximately 47.1% in value terms and 31.2% in volume terms in 2013. The Company offers high quality and healthy cooking wine, and other condiments, including soy sauce and vinegar.

During the first half of 2014, the sales of high-end and mid-to-high end products maintains its strong growth rate due to expanding distribution regions. Meanwhile, the mid-range products benefited from further brand promotion after the Company’s listing in Hong Kong, and as a result generated faster growth in terms of sales. During the first half of 2014, the Company was duly granted the National New and Advanced Technology Enterprise Qualification. The Company continues its effort in the research and development of its products; during the first half of 2014, the Company introduced two new products including lees cooking wine and shrimp paste soy sauce, reinforcing its market leading position. Since 1 June 2014, the Company raised the price of some of its mid-range products by 25% due to market demand and supply factors. Products such as Lao Heng He Cooking Wine, Five Spices Cooking Wine, and Scallion & Ginger Cooking Wine had its price adjusted, but still maintaining its market leading position. For the six months ended 30 June 2014, revenue of the Group amounted to RMB297.5 million (30 June 2013: RMB220.7 million), representing an increase of 34.8% as compared to the corresponding period in 2013.

## Financial Review

### Overview

The key financial indicators of the Group are as follows:

	Six months ended		Period- to-period change (%)
	30 June 2014 RMB'000	2013 RMB'000	
<b>Income statement items</b>			
Sales	297,478	220,672	34.8%
Gross profit	168,936	129,429	30.5%
Profit attributable to owners of the Company	89,887	72,238	24.4%
EBITDA	123,672	97,783	26.5%
Earnings per share (RMB cents) ( <i>Note a</i> )			
— basic and diluted	18.2	19.3	(5.7%)
<b>Selected financial ratios</b>			
Gross profit margin (%)	56.8%	58.7%	(3.2%)
Net profit margin attributable to owners of the Company (%)	30.2%	32.7%	(7.6%)
EBITDA margin (%)	41.6%	44.3%	(6.1%)
Gearing ratio ( <i>Note b</i> )	N/A	69.1%	N/A

#### Notes:

- (a) Please refer to Note 8 to the financial statements for the calculation of earnings per share.
- (b) The gearing ratio was based on net debt divided by total equity and net debt. Net debt includes total debt net of cash and cash equivalents.

### Revenue

During the six months ended 30 June 2014, the revenue of the Group increased by 34.8% from RMB220.7 million for the six months ended 30 June 2013 to RMB297.5 million for the corresponding period of 2014, 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 26.1% from RMB171.1 million for the six months ended 30 June 2013 to RMB215.7 million for the corresponding period of 2014, reflecting increases in all product lines except for our mass-market cooking wine products, in particular, the demand for our

mid-range cooking wine products such as star cooking wine products like Five Spices Cooking Wine, Scallion & Ginger Cooking Wine (蔥薑料酒) and Lao Heng He Cooking Wine (老恒和料酒) grew even faster. At the same time, the Group's high-end products also recorded an increase.

Revenue from the Group's soy sauce products increased by 48.9% from RMB31.7 million for the six months ended 30 June 2013 to RMB47.2 million for the corresponding period of 2014. The increase in sales of the Group's soy sauce products for the first half of 2014 as compared to the corresponding period of 2013 primarily reflected an increase in sales volume and average selling prices for the Group's soy sauce products like Premium Flavored Soy Sauce (鮮上鮮醬油) and Super Soy Sauce (特級醬油).

Revenue from the Group's vinegar products increased by 197.4% from RMB7.8 million for the six months ended 30 June 2013 to RMB23.2 million for the corresponding period of 2014, which was mainly attributable to the growing market demand and the increased production capacity of the naturally-brewed vinegar, such as Rose Rice Vinegar (玫瑰米醋) and Premium Zhejiang Vinegar (上品浙醋).

The Company believes the strong performance of the Group's sales was 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 and enhanced marketing and promotion efforts which resulted in further market penetration. During the first half of 2014, the Company newly expanded its market to regions such as Hunan, Guizhou and Jilin.

The Company launched two new products, namely lees cooking wine and shrimp paste soy sauce through researching and developing traditional techniques during the first half of 2014.

### ***Cost of Sales***

The Group's cost of sales increased by 40.9% from RMB91.2 million in the six months ended 30 June 2013 to RMB128.5 million for the corresponding period of 2014, reflecting an increase 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 30.5% from RMB129.4 million in the six months ended 30 June 2013 to RMB168.9 million in the corresponding period of 2014. However, the gross profit margin decreased from 58.7% in the first half year of 2013 to 56.8% for the corresponding period of 2014, primarily due to the increased packaging cost as a result of increased use of new bottles to improve product packaging quality.

### ***Selling and Distribution Expenses***

Selling and distribution expenses primarily consisted of advertising expenses, marketing expenses, travelling expenses, and remuneration for our sales employees. The Group's selling and distribution expenses increased from RMB11.1 million during the six months ended 30 June 2013 to RMB16.5 million for the corresponding period of 2014, which was mainly in line with the increase in revenue. The Group's selling and distribution expenses as a percentage of the Group's revenue increased from 5.0% for the six months ended 30 June 2013 to 5.5% for the corresponding period of 2014 as the Group conducted extensive marketing and promotion activities to strengthen the "Lao Heng He" brand recognition and value.

### ***Administrative Expenses***

The administrative expenses increased by 31.4% from RMB27.7 million during the six months ended 30 June 2013 to RMB36.4 million for the corresponding period of 2014. This increase mainly reflected expenses related to the listing of the Company amounting approximately to RMB6.9 million.

### ***Finance Costs***

Finance costs increased by 33.7% from RMB8.6 million during the six months ended 30 June 2013 to RMB11.5 million for the corresponding period of 2014. The increase in finance costs primarily reflected the purchase of raw material to fulfill the requirement of the expanded production capacity during the six months ended 30 June 2014; the Company increased its bank loans in the first quarter of 2014. The average balance of the Group's bank loans recorded an increase in 2014.

### ***Profit before Tax***

As a result of the foregoing, the profit before tax increased by 26.4% from RMB84.5 million during the six months ended 30 June 2013 to RMB106.8 million for the corresponding period of 2014.

### ***Income Tax Expense***

Income tax expenses increased by 37.4% from RMB12.3 million during the six months ended 30 June 2013 to RMB16.9 million for the corresponding period of 2014, which was mainly due to the increase in profit before tax. The effective income tax rate was 15.8% and 14.5% for the first half year of 2014 and the corresponding period of 2013, respectively. The increase in the effective income tax rate was mainly due to the expenses from public relationship and investors management activities incurred in Hong Kong that cannot be offset against our revenue. The subsidiaries of the Company in China, Huzhou Laohenghe Brewery Co. Limited and Huzhou Laohenghe Wine Co., Limited, having received the "Certificate of New and Advanced Technology Enterprise", 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 six months ended 30 June 2014 in respect of its operations in the PRC was provided at the rate of 15% (six months ended 30 June 2013: 15%) on the taxable profits.

### ***Profit for the period attributable to the owners of the Company***

Profit attributable to ordinary equity holders of the Company increased by about 24.5% from RMB72.2 million for the six months ended 30 June 2013 to RMB89.9 million for the corresponding period of 2014. Basic earnings per share decreased from RMB19.3 cents for the six months ended 30 June 2013 to RMB18.2 cents for the six months ended 30 June 2014 and net profit margin decreased from 32.7% for the six months ended 30 June 2013 to 30.2% for the corresponding period of 2014. Decrease in earnings per share was attributable to the new shares of the Company (the “**Shares**”) issued upon the initial public offering (the “**IPO**”) on 28 January 2014 (the “**Listing Date**”) and the Shares issued upon exercise of the over-allotment option on 13 February 2014 that resulted in an enlarged share capital. The decrease in net profit margin was primary a result of the decrease in gross profit margin.

### **Financial and Liquidity Position**

#### ***Working Capital Management***

A substantial part of the inventories of the Group was contributed by work-in-progress, which mainly represented the base wine, base soy sauce and base vinegar in the brewing period. The inventory turnover days increased from 371 days during the year of 2013 to 585 days during the first half year of 2014, which was primarily a result of significant increase in work-in-progress by RMB165.3 million, or 53.2%. In order to cope with the continuing increase in demand for the cooking wine, soy sauce and vinegar products, utilizing the proceeds from the IPO, the Group expanded its production scale significantly, and the stock of base wine, base soy sauce and base vinegar all recorded a significant increase, to ensure the Group has sufficient work-in-progress stock not only for the short-term product, but also for the expansion in the next few years.

Trade receivables primarily represented the receivables for goods sold to the distributors. Trade receivables turnover days increased from 52 days for the year ended 31 December 2013 to 67 days for the six months ended 30 June 2014, which primarily reflect an increase of sales attributable to Category A and Category B distributors as a percentage of total sales, as these distributors generally have longer credit terms than distributors in other categories, coupled with a decrease of sales attributable to Category D distributors as a percentage of total sales, as Category D distributors generally have to pay in full upon delivery.

Trade payables represented payables to suppliers for raw materials, like rice, wheat, bean and others. Trade payables turnover days was 63 days for the six months ended 30 June 2014 which was comparable with 65 days for the year ended 31 December 2013.

#### **Capital Commitment**

Capital commitment as at 30 June 2014 amounted to approximately RMB14.4 million (30 June 2013: RMB14.2 million), which was mainly related to construction in progress for expansion of plant and advertising contract for marketing events.

## **Contingent Liabilities**

As at 30 June 2014, the Group did not have any material contingent liability.

## **Pledge of Assets**

As at 30 June 2014, the Group's inventory with carrying amount of RMB69.7 million (31 December 2013: RMB70.3 million) were pledged to secure general banking facilities granted to the Group.

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.

## **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 and sustained growth in China's disposable income which coincided with consumer consumption upgrades, due to an increase in consumer spending in the PRC and increasing health and food safety awareness, 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 about by these competitive advantages.

According to a report dated 29 March 2013 prepared by Euromonitor (the "**Euromonitor Report**"), from 2008 to 2012, the PRC cooking wine market grew at a CAGR of 21.5% in terms of production value, and reached RMB5.8 billion in 2012. The historical retail sales value of the total PRC cooking wine market grew at a CAGR of 23.4% from 2008 to 2012. Cooking wine as one of the fastest growing segment in the PRC condiment market, the PRC cooking wine market, in terms of retail sales value, is expected to grow at a CAGR of 20.3% from 2012 to 2017 and reach approximately RMB10.6 billion by 2017, according to the Euromonitor Report. The Company targets to achieve and outperform industry growth rate, and aims to achieve strong growth in its revenue and profit in 2014.

The Company plans to expand its production capacity through the construction of 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 litres by the end of 2014 fermentation season through increased production. The Company will also continue to improve its research and development capabilities to focus on standardization of the production process, new product development and product improvement.



## **EVENTS AFTER THE REPORTING PERIOD**

On 1 August 2014, the Company announced that a warrant subscription agreement (the “**Warrant Subscription Agreement**”) was entered into between the Company and Power Success Global Investments Limited (“the **Subscriber**”), a limited liability company incorporated in the British Virgin Islands and is wholly owned by Mr. Chan Chi Hung, where the Company has agreed to issue and the Subscriber has agreed to subscribe for 100,000,000 warrants (the “**Warrants**”) at the issue price of HK\$0.1 per Warrant. Each Warrant will entitle holders to subscribe for one Share at a subscription price of HK\$8.00 per Share, subject to adjustment, during a period of 12 months commencing from the date of completion of the Warrant Subscription Agreement. Those funds raised will mainly be used for working capital, improving capability and expenses for products promotion for the Group. On 20 August 2014, The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has conditionally approved the listing of the 100,000,000 Shares which may be issued on the exercise of the subscription rights attached to the Warrants subject to fulfillment of all other conditions of the Warrant Subscription Agreement. As at the date of this announcement, the Warrants have not been issued.

## **EMPLOYEES & REMUNERATION POLICIES**

As at 30 June 2014, the Group had a total of approximately 249 employees (31 December 2013:202). The employees’ cost including remuneration was RMB6.8 million during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB6.1 million). The remuneration policies, bonus and training programs for employees of our Group were implemented continuously according to policies disclosed in the 2013 Annual Report and no change has been made during the six-month period ended 30 June 2014.

## **SIGNIFICANT INVESTMENTS HELD**

There were no significant investments held by the Group as at 30 June 2014 (31 December 2013: nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

There was no material acquisition and disposal during the six months ended 30 June 2014.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2014, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.



## USE OF PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. Net proceeds from the global offering were approximately RMB769.4 million (equivalent to approximately HK\$968.7 million), after deducting the underwriting commission and relevant expenses. As at 30 June 2014, the unused proceeds were deposited in licensed banks in Hong Kong and China.

<b>Purpose</b>	<b>Percentage of total amount</b>	<b>Net proceeds RMB'million</b>	<b>Utilised amount (as at 30 June 2014) RMB'million</b>	<b>Unutilised amount (as at 30 June 2014) RMB'million</b>
Purchase of rice towards production of base wine	50%	384.7	236.7	148.0
Expansion of production facilities for our cooking wine products	25%	192.4	97.0	95.4
Repayment of loans	10%	77.0	23.8	53.2
Continued expansion of our distribution network	5%	38.5	13.0	25.5
Working capital and other general corporate purposes	10%	<u>76.8</u>	<u>7.0</u>	<u>69.8</u>
Total		<u><u>769.4</u></u>	<u><u>377.5</u></u>	<u><u>391.9</u></u>

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had cash and cash equivalents of RMB484,626,000 (31 December 2013: RMB44,011,000). As at 30 June 2014, the Group had interest-bearing bank borrowings of an aggregate amount of RMB217,000,000 (31 December 2013: RMB233,000,000), which were denominated in RMB, repayable within one year or on demand and interest-bearing from 6.0% to 8.4% per annum. The gearing ratio, calculated as total bank borrowings divided by equity attributable to the shareholders of the Company, amounted to 19.3% (31 December 2013: 78.6%).

## PROPOSED INTERIM DIVIDEND

The Board proposed not to declare any interim dividend for the six-month period ended 30 June 2014.

## **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 Company has adopted the code provisions set out in the Corporate Governance Code (the “**Code**”) contained in Appendix 14 of the Rules (the “**Listing Rules**”) Governing the Listing Of Securities on the Stock Exchange since the Listing Date as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time to maintain and improve the high standard of corporate governance practices.

Save for the deviations explained below, the Company has complied with the Code from the Listing Date to the period ended 30 June 2014 (the “**Relevant Period**”).

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.

During the Relevant Period, 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, where the two positions should be held by two different individuals. 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 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 FINANCIAL INFORMATION**

The audit committee of the Company (which comprises of wholly independent non-executive directors, namely Mr. Ma Chaosong (Chairman), Mr. Lei Jiasu and Mr. Shen Zhenchang) has discussed with management of the Company and reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2014 and recommended its adoption by the Board.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.hzlaohenghe.com](http://www.hzlaohenghe.com). The interim report of the Company for the six months ended 30 June 2014 containing all the information required by the Listing Rules will be dispatched to Shareholders and published on the above websites in due course.

I would again like to express my sincere appreciation to all Shareholders, diligent employees and friends from all sectors for their support to the Company.

By Order of the Board  
**Honworld Group Limited**  
**Chen Weizhong**  
*Chairman*

Hong Kong, 21 August 2014

*As at the date of this announcement, the Board comprises three executive directors, 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.*