天喔國際控股有限公司
Tenwow International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01219)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

— Revenue amounted to RMB2,470.1 million, representing a slight decrease of 0.4% year-on-year;

— Gross profit amounted to RMB503.6 million, representing a decrease of 3.3% year-on-year;

— Gross profit margin was 20.4%, representing a decrease of 0.6 percentage point year-on-year;

— Net profit attributable to the shareholders of the Company amounted to RMB120.7 million, representing a decrease of 3.5% year-on-year;

— The Board of Directors declared an interim dividend of RMB2.39 cents per share, representing an increase of 4.4% year-on-year.

The board (the "**Board**") of directors (the "**Directors**") of Tenwow International Holdings Limited (the "**Company**" or "**Tenwow**") hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2017 with comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**2,470,103**	2,479,663
Cost of sales	*5*	**(1,966,490)**	(1,959,091)
Gross Profit		**503,613**	520,572
Distribution costs	*5*	**(200,581)**	(195,881)
Administrative expenses	*5*	**(107,789)**	(95,141)
Other income		**16,540**	11,512
Other losses — net		**(3,670)**	(20,752)
Operating profit		**208,113**	220,310
Finance income		**7,871**	9,264
Finance costs		**(58,786)**	(55,471)
Finance costs — net		**(50,915)**	(46,207)
Share of profit/(loss) of associates		**85**	(25)
Share of profit of a joint venture		**6,898**	9,369
Profit before income tax		**164,181**	183,447
Income tax expense	*6*	**(38,662)**	(53,426)
Profit for the period		**125,519**	130,021
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
— Currency translation differences		**(7,734)**	(191)
Total comprehensive income for the period		**117,785**	129,830

	Note	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Total profit attributable to:			
Equity holders of the Company		**120,741**	125,114
Non-controlling interests		**4,778**	4,907
		125,519	130,021
Total comprehensive income attributable to:			
Equity holders of the Company		**113,135**	124,923
Non-controlling interests		**4,650**	4,907
		117,785	129,830
Earnings per share for profit attributable to equity holders of the Company			
— Basic and diluted earnings per share (Expressed in RMB cents per share)	*7*	**5.5**	6.0

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2017** *RMB'000*	Audited 31 December 2016 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,081,351**	1,036,846
Land use rights		**152,172**	140,229
Intangible assets		**89,280**	90,576
Investments in associates		**2,849**	2,764
Investments in a joint venture		**442,501**	424,422
Deferred income tax assets		**23,052**	20,042
		1,791,205	1,714,879
Current assets			
Inventories	*9*	**1,065,769**	869,402
Trade and other receivables	*10*	**3,071,794**	3,167,830
Restricted cash		**364,376**	702,362
Cash and cash equivalents		**1,192,548**	969,158
		5,694,487	5,708,752
Total assets		**7,485,692**	7,423,631
EQUITY			
Share capital		**176,448**	176,448
Share premium		**1,241,596**	1,293,887
Other reserves		**251,560**	258,966
Retained earnings		**1,582,290**	1,461,549
		3,251,894	3,190,850
Non-controlling interests		**58,962**	59,972
Total equity		**3,310,856**	3,250,822

	Note	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**298,648**	280,380
Deferred income tax liabilities		**28,731**	27,386
Deferred income on government grants		**18,830**	19,712
		346,209	327,478
Current liabilities			
Trade and other payables	*11*	**1,569,176**	1,746,142
Current income tax liabilities		**54,261**	71,964
Borrowings		**2,202,615**	2,024,650
Current portion of deferred income on government grants		**2,575**	2,575
		3,828,627	3,845,331
Total liabilities		**4,174,836**	4,172,809
Total equity and liabilities		**7,485,692**	7,423,631

NOTES

1. GENERAL INFORMATION

Tenwow International Holdings Limited was incorporated by Mr. Lin Jianhua (the "**Controlling Shareholder**") in the Cayman Islands on 25 August 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**") on 17 September 2013. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company, an investment holding company, and its subsidiaries are principally engaged in the manufacturing, distribution and trading of beverages, food and snacks and others in the People's Republic of China (the "**PRC**" or "**China**").

This condensed consolidated financial information is presented in Renminbi ("**RMB**"), unless otherwise stated. This condensed consolidated financial information was approved for issue by the Board of Directors on 21 August 2017.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

Taxes on income for the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Amendments and interpretations to HKFRSs which are effective for periods beginning on or after 1 January 2017 have no material effect on the Group's operating results, financial position or comprehensive income.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive Directors. The executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management determines the operating segments based on the internal reports provided for review to the executive Directors. The executive Directors consider the performance of the Group from a product perspective. The executive Directors assess the performance of the operating segments based on a measure of gross profit for the period which is consistent with that in the consolidated financial statements.

The Group's operations are mainly organize under the following business segments: own brand products and third-party brand products, and each has the segments of non-alcoholic beverages, alcoholic beverages, food and snacks, and other products.

The amounts provided to executive Directors with respect to total assets, total liabilities and capital expenditure are measured in a manner consistent with that of consolidated financial statements. The executive Directors review the total assets, total liabilities and capital expenditure at Group level. Therefore no segment information of total assets, total liabilities and capital expenditure information was presented.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary and only reporting format.

(a) Turnover

The Group's revenue which represents turnover for the six months ended 30 June 2017 and 2016 is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
— Own Brand Products		
Non-alcoholic beverages	**364,347**	445,230
Alcoholic beverages	**247,362**	215,067
Food and snacks	**381,693**	410,060
Others	**23,512**	20,297
	1,016,914	1,090,654
— Third-Party Brand Products		
Non-alcoholic beverages	**23,165**	19,628
Alcoholic beverages	**1,120,260**	1,046,473
Food and snacks	**269,033**	284,803
Others	**40,731**	38,105
	1,453,189	1,389,009
Total	**2,470,103**	2,479,663

(b) Segment information

The segment information for the six months ended 30 June 2017 is as follows:

	Own Brand Products					Third-Party Brand Products					
	Non-alcoholic beverages	Alcoholic beverages	Food and snacks	Others	Sub-total	Non-alcoholic beverages	Alcoholic beverages	Food and snacks	Others	Sub-total	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment sales	364,347	247,362	381,693	23,512	1,016,914	23,165	1,120,260	269,033	40,731	1,453,189	2,470,103
Segment cost of sales	(230,560)	(195,132)	(278,028)	(19,522)	(723,242)	(20,584)	(945,148)	(240,037)	(37,479)	(1,243,248)	(1,966,490)
Segment gross profit	133,787	52,230	103,665	3,990	293,672	2,581	175,112	28,996	3,252	209,941	503,613

The segment information for the six months ended 30 June 2016 is as follows:

	Own Brand Products					Third-Party Brand Products					
	Non-alcoholic beverages *RMB'000*	Alcoholic beverages *RMB'000*	Food and snacks *RMB'000*	Others *RMB'000*	Sub-total *RMB'000*	Non-alcoholic beverages *RMB'000*	Alcoholic beverages *RMB'000*	Food and snacks *RMB'000*	Others *RMB'000*	Sub-total *RMB'000*	Total *RMB'000*
Segment sales	445,230	215,067	410,060	20,297	1,090,654	19,628	1,046,473	284,803	38,105	1,389,009	2,479,663
Segment cost of sales	(271,116)	(164,312)	(304,282)	(14,966)	(754,676)	(17,481)	(899,119)	(255,033)	(32,782)	(1,204,415)	(1,959,091)
Segment gross profit	174,114	50,755	105,778	5,331	335,978	2,147	147,354	29,770	5,323	184,594	520,572

Operating segments results are reconciled to profit before income tax as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Segment gross profit	**503,613**	520,572
Distribution costs	**(200,581)**	(195,881)
Administrative expenses	**(107,789)**	(95,141)
Other income	**16,540**	11,512
Other losses — net	**(3,670)**	(20,752)
Operating profit	**208,113**	220,310
Finance income	**7,871**	9,264
Finance expenses	**(58,786)**	(55,471)
Finance costs — net	**(50,915)**	(46,207)
Share of profit/(loss) of associates	**85**	(25)
Share of profit of a joint venture	**6,898**	9,369
Profit before income tax	**164,181**	183,447

Most of the Group companies are domiciled in the PRC and majority of the non-current assets are located in the PRC.

For the six months ended 30 June 2017, revenue of the Group from Nanpu Food (Group) Co., Ltd. ("**Nanpu**"), a joint venture of the Group, accounted for 5.8% (for the six months ended 30 June 2016: 21.0%) of the Group's revenue.

5. EXPENSES BY NATURE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Raw materials used and changes in inventories of finished goods and work in progress	**1,843,746**	1,835,001
Employee benefit expenses	**150,841**	131,056
Advertising and promotion costs	**76,508**	100,245
Depreciation and amortisation charges	**48,026**	46,297
Transportation expenses	**40,281**	28,155
Utility costs	**24,085**	30,150
Machinery maintenance expenses	**20,054**	19,212
Taxes and surcharges	**13,867**	14,660
Operating leases	**11,346**	10,286
Travel expenses	**8,984**	6,292
Office expenses	**6,833**	5,837
Entertainment fee	**5,399**	5,084
Provision for impairment of trade and other receivables and inventory	**8,314**	3,282
Outsourcing fee	**858**	806
Other expenses	**15,718**	13,750
Total	**2,274,860**	2,250,113

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax	**40,327**	57,016
Deferred income tax	**(1,665)**	(3,590)
Income tax expense	**38,662**	53,426

(i) Cayman Islands profits tax

The Company is not subject to any taxation of Cayman Islands income tax.

(ii) British Virgin Islands profits tax

The subsidiary incorporated in the British Virgin Islands (under the BVI Business Companies Acts of the British Virgin Islands) is exempted from payment of British Virgin Islands income tax.

(iii) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits.

(iv) PRC corporate income tax

The corporate income tax ("**CIT**") is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes. Pursuant to the PRC Corporate Income Tax Law (the "**CIT Law**"), the tax rate of CIT is unified at 25% for all types of entities.

(v) PRC withholding income tax

Pursuant to the CIT Law and tax treaty between China and Hong Kong, a 5% withholding tax will be levied on the dividends declared from the Group's subsidiaries established in China to Hong Kong.

7. EARNINGS PER SHARE

(a) Basic

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Net profit attributable to the equity holders of the Company *(RMB'000)*	**120,741**	125,114
Weighted average number of ordinary shares in issue for basic earnings per share *(thousands)*	**2,205,970**	2,073,612
Basic earnings per share *(RMB cents)*	**5.5**	6.0

Basic earnings per share is calculated by dividing the net profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the six months ended 30 June 2017 and 2016.

(b) Diluted

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Net profits attributable to the equity holders of the Company *(RMB'000)*	**120,741**	125,114
Weighted average number of ordinary shares in issue for basic earnings per share *(thousands)*	**2,205,970**	2,073,612
Adjusted for share options *(thousands)*	**3,371**	8,558
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**2,209,341**	2,082,170
Diluted earnings per share *(RMB cents)*	**5.5**	6.0

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprised share options. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

8. DIVIDENDS

Final dividend and special dividend totalling RMB52,291,000 (2016: final dividend and special dividend totalling RMB78,088,000 relating to the year ended 31 December 2015) relating to the year ended 31 December 2016 was paid in June 2017. On 21 August 2017, the Board declared the payment of an interim dividend of RMB2.39 cents (equivalent to HK2.71 cents) per ordinary share, totalling RMB52,680,000 approximately (equivalent to HK$59,782,000) for the six months ended 30 June 2017.

9. INVENTORIES

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
Raw materials and packaging materials	**135,584**	139,279
Work in progress	**16,274**	31,244
Finished goods	**916,215**	701,047
	1,068,073	871,570
Less: inventory provision	**(2,304)**	(2,168)
	1,065,769	869,402

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Trade and bill receivables	**2,227,784**	2,034,771
— due from third parties	**1,763,512**	1,446,977
— due from related parties	**464,272**	587,794
Less: provision for impairment of trade receivables	**(16,952)**	(8,963)
Trade and bills receivables — net	**2,210,832**	2,025,808
Prepayment for procurement of inventories	**686,002**	965,608
Deferred expense	**11,941**	29,637
Other receivables:	**163,425**	146,994
— Other amounts due from related parties	**27,355**	12,532
— Deposit	**20,073**	15,592
— Others	**115,997**	118,870
Less: provision for impairment of other receivables	**(406)**	(217)
	860,962	1,142,022
	3,071,794	3,167,830

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The majority of the Group's sales are on open account with credit terms ranging from 1 month to 4 months. As at 30 June 2017, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Within 3 months	**1,819,519**	1,883,548
3 to 6 months	**270,091**	85,474
6 to 12 months	**132,133**	47,762
Over 12 months	**6,041**	17,987
	2,227,784	2,034,771

11. TRADE AND OTHER PAYABLES

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Trade and bills payables		
— due to third parties	**1,023,832**	1,108,327
— due to related parties	**109,888**	95,378
	1,133,720	1,203,705
Payables for property, plant and equipment	**77,554**	67,222
Salary and social welfare payables	**14,938**	13,667
Value-added tax and other taxes payables	**134,547**	174,655
Advance from customers	**77,304**	161,953
Accrued expenses	**20,965**	22,234
Dividends payable to non-controlling interests	**158**	–
Other amounts due to related parties	**3,457**	3,301
Other payables	**106,533**	99,405
	435,456	542,437
	1,569,176	1,746,142

As at 30 June 2017, the ageing analysis of the trade and bills payables based on invoice date was as follows:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Up to 2 months	**891,678**	888,611
2 months to 3 months	**86,606**	119,618
3 months to 6 months	**134,049**	183,179
6 months to 1 year	**16,886**	7,450
Over 1 year	**4,501**	4,847
	1,133,720	1,203,705

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Environment

In the first half of 2017, China's gross domestic product ("**GDP**") grew year-on-year at a rate of 6.9%, while the per capita consumption expenditure of national residents was RMB8,834, up by 6.1% after deducting the price factor. Meanwhile, China's food and beverage industry is currently in a period of structural adjustment and facing significant changes in consumer demand. Products that succeeded in the past are now experiencing stagnant or recess in growth. With a variety of personalized new products now entering the market, the competitive landscape has become more complex, which is challenging but also represents opportunities.

Review of First Half of 2017

The Group produces and distributes a wide range of own brand products and distributes various products produced by well-known international and domestic third-party brands. The Group's products can be divided into four major categories, namely food and snacks, non-alcoholic beverages, alcoholic beverages, and other products.

In the first half of 2017, alcoholic beverages under both own brands and third-party brands achieved relatively sound development. However, both own brand non-alcoholic beverages and own brand food and snacks are facing greater challenges. Revenue of the Group decreased slightly by 0.4% year-on-year to RMB2,470.1 million. Gross profit decreased by 3.3% year-on-year to RMB503.6 million. Gross profit margin decreased by 0.6 percentage point year-on-year to 20.4%. Although the net profit attributable to equity holders decreased by 3.5% year-on-year to RMB120.7 million, it represents a significant improvement when compared to the net profit attributable to equity holders of RMB79.7 million in the second half of 2016.

The Board declared an interim dividend of RMB2.39 cents (equivalent to HK2.71 cents) per share for the six months ended 30 June 2017, increased by 4.4% year-on-year (interim dividend for the six months ended 30 June 2016: RMB2.29 cents (equivalent to HK2.71 cents) per share).

Revenue

The table below sets forth the Group's revenue by product segment and main product category for the six months ended 30 June 2017 and 30 June 2016:

	Six months ended 30 June			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Own brand products				
Non-alcoholic beverages	**364,347**	**14.8%**	445,230	18.0%
Alcoholic beverages	**247,362**	**10.0%**	215,067	8.7%
Food and snacks	**381,693**	**15.5%**	410,060	16.5%
Others(1)	**23,512**	**1.0%**	20,297	0.8%
	1,016,914	**41.3%**	1,090,654	44.0%
Third-party brand products				
Non-alcoholic beverages	**23,165**	**0.9%**	19,628	0.8%
Alcoholic beverages	**1,120,260**	**45.3%**	1,046,473	42.2%
Food and snacks	**269,033**	**10.9%**	284,803	11.5%
Others(2)	**40,731**	**1.6%**	38,105	1.5%
	1,453,189	**58.7%**	1,389,009	56.0%
Total	**2,470,103**	**100.0%**	2,479,663	100.0%

Notes:

1. Primarily includes "Chuan Xiang" Chinese seasonings and packaging materials.

2. Primarily includes household care products.

Gross Profit and Gross Profit Margin

The table below sets forth the gross profit, proportion of total gross profit and gross profit margin by product segment and main product category for the six months ended 30 June 2017 and 30 June 2016:

	Six months ended 30 June					
	2017			2016		
	Gross Profit	**Shares**	**Gross profit margin**	Gross Profit	Shares	Gross profit margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*
Own brand products						
Non-alcoholic beverages	**133,787**	**26.6%**	**36.7%**	174,114	33.4%	39.1%
Alcoholic beverages	**52,230**	**10.4%**	**21.1%**	50,755	9.8%	23.6%
Food and snacks	**103,665**	**20.6%**	**27.2%**	105,778	20.3%	25.8%
Others	**3,990**	**0.7%**	**17.0%**	5,331	1.0%	26.3%
	293,672	**58.3%**	**28.9%**	335,978	64.5%	30.8%
Third-party brand products						
Non-alcoholic beverages	**2,581**	**0.5%**	**11.1%**	2,147	0.4%	10.9%
Alcoholic beverages	**175,112**	**34.8%**	**15.6%**	147,354	28.3%	14.1%
Food and snacks	**28,996**	**5.8%**	**10.8%**	29,770	5.8%	10.5%
Others	**3,252**	**0.6%**	**8.0%**	5,323	1.0%	14.0%
	209,941	**41.7%**	**14.4%**	184,594	35.5%	13.3%
Total	**503,613**	**100.0%**	**20.4%**	520,572	100.0%	21.0%

Own Brand Product Business

In the first half of 2017, the non-alcoholic beverage market was highly challenging. The early Chinese New Year has shortened the period of sales for roasted nuts and seeds and the gift boxes, which also affected the performance of own brand products. Due to these factors, revenue of the Group's own brand products decreased by 6.8% year-on-year to RMB1,016.9 million. Gross profit margin decreased by 1.9 percentage points year-on-year to 28.9% while gross profit decreased by 12.6% year-on-year to RMB293.7 million. In the first half of 2017, own brand products contributed 58.3% to the Group's overall gross profit (first half of 2016: 64.5%).

— *Food and Snacks*

The Group's own brand food and snacks mainly include products (such as roasted nuts and seeds, gift boxes, preserved fruits and meat snacks) sold under the Group's flagship "Tenwow" brand and its sub-brands (such as "Tenwow Ideas" ("天喔主意"), "Nuts' Manor" ("堅果莊園"), and "Jingchao Family"("精炒世家")) and products sold under other own brands (such as the "Morning Smile" ("早早麥") oatmeal series).

In the first half of 2017, affected by the Chinese New Year factor, revenue of own brand food and snacks decreased by 6.9% year-on-year to RMB381.7 million. The Chinese New Year in 2017 was on 28 January, which was earlier than that in 2016 on 8 February. This shortened the sales period of this year's Chinese New Year peak season by 11 days. Generally speaking, the number of sales days before the Chinese New Year has greater impact on the performance of roasted nuts and seeds and gift boxes. By optimizing product and channel structures, gross profit margin of own brand food and snacks increased by 1.4 percentage points year-on-year to 27.2%, while gross profit decreased slightly by 2.0% year-on-year to RMB103.7 million.

During the period, the Group has made great efforts to develop the vast online market. The Group's preserved fruits, especially Han Huamei ("韓話梅"), are well received by the online market. In terms of new product development, the Group combines different packaged goods and preserved fruits into beautifully packaged gift boxes targeting at the younger generation.

— *Alcoholic Beverages*

The Group's own brand alcoholic beverages, primarily targeting at the mass market, include imported bottled wines from Italy, France and Chile marketed under the Group's own brands, and own produced Chinese rice wines.

In the first half of 2017, revenue of own brand alcoholic beverages increased by 15.0% year-on-year to RMB247.4 million as a result of the satisfactory sales growth of imported wine (such as "嘉誠莊園" and "約翰馬仕"). Due to the increased promotional activities for both Chinese rice wines and wine, gross profit margin of own brand alcoholic beverages decreased by 2.5 percentage points year-on-year to 21.1%. Gross profit, on the other hand, increased by 2.9% year-on-year to RMB52.2 million.

The Group's own brand imported wines mainly target at the low-end to mid-range segment. Currently, this mass market is still relatively favourable, and the Group will continue to adhere to the strategy of "small profit but quick returns", and step up its efforts in exploring more channels to expand its market for better economy of scales. For Chinese rice wines, the Group launched the "谷和有話說" series in a bid to re-position Chinese rice wines as a trendy and fashionable product to attract the younger generation.

— *Non-alcoholic Beverages*

The own brand non-alcoholic beverages comprise ready-to-drink beverages such as "VitC VitE" series, "Fruit Tea" series, "Charcoal Roasted" series, "Barno" coffee series, "Tenwow Idea" series, "Pure Tea" series, as well as bottled water series such as "Tribute Spring" ("金貢泉") and "My Favourite Water" ("心水").

In the first half of 2017, revenue of own brand non-alcoholic beverages decreased by 18.2% year-on-year to RMB364.3 million, mainly due to the sales decline of "VitC VitE" series and the lower sales in certain core markets (such as Hunan and Jiangxi) due to abnormal weather. Gross profit decreased by 23.2% year-on-year to RMB133.8 million. Gross profit margin of own brand non-alcoholic beverages decreased by 2.4 percentage points to 36.7%. The decline in gross profit margin was mainly due to the sales decline of "VitC VitE" series, which has a relatively higher gross profit margin; the increase in raw material costs; and as overall sales declined, some fixed cost items (such as depreciation) have contributed to higher unit cost of sales.

For the performance of each major product series, the sales of "Fruit Tea" series has revitalized with the addition of "Citron White Tea" and "Vintage Citron Pu'er" flavours; the "Charcoal roasted" series was relaunched and positive responses were received following its adjustment last year; the high-end "Barno" coffee series targeting at tier-one cities have achieved satisfactory results; and the water series has demonstrated good momentum with the launch of "My Favourite Water" ("心水") series. In the second half of 2017, the Group will focus on optimizing its existing products and strive to explore new channels and markets.

— *Others*

Other own brand products include "Chuan Xiang" ("川湘") brand sauces and flavorings, groceries and preserved food products as well as packaging materials. In the first half of 2017, the revenue, gross profit margin and gross profit generated by the Group's other product categories under its own brands was RMB23.5 million, 17.0% and RMB4.0 million respectively. The sales of "Chuan Xiang" remained stable, while groceries and preserved food products and packaging material sustained their growth.

Third-party Brand Product Business

In the first half of 2017, revenue from third-party brand products increased by 4.6% year-on-year to RMB1,453.2 million, which was in line with expectation. Revenue of alcoholic beverages, other products (mainly household care products) and non-alcoholic beverages under third-party brands all recorded growth, while revenue from third-party brand food and snacks declined slightly. Costs of sales of third-party brand products, which mainly comprise the costs paid to brand owners for purchasing products, increased by 3.2% year-on-year to RMB1,243.2 million. Overall gross profit margin increased by 1.1 percentage points year-on-year to 14.4%, as a result of our continuous effort in optimizing third-party brands products by focusing on products or channels with higher gross profit margin. Gross profit increased by 13.7% year-on-year to RMB209.9 million as both revenue and gross profit margin increased.

— *Alcoholic Beverages*

Third-party brand alcoholic beverage products include spirits, wine, Chinese wine and beer. The Group distributes a wide range of international and domestic brands, including Martell, Hennessy, Remy Martin, Carlo Rossi, Imperial Court, Maotai and other alcoholic beverages.

In response to market conditions, the Group continued to optimize its product portfolio of third-party brand alcoholic beverages. Both Chinese wine and beer achieved satisfactory performance, while wine business remained stable. Sales of certain mid-range and low-end spirits beverages also bottomed out and rebounded. Revenue of third-party brand alcoholic beverages increased by 7.1% year-on-year to RMB1,120.3 million. Gross profit margin increased 1.5 percentage points to 15.6%, mainly due to the significant improvement in gross margins for both Chinese wine and spirits. As a result, gross profit of third-party alcoholic beverages increased by 18.8% year-on-year to RMB175.1 million.

— *Food and Snacks*

Third-party brand food and snacks include, amongst others, Nestle, Dove, Wrigley, Glico and Kraft. Due to tough overall market environment, revenue derived from third-party brand food and snacks decreased by 5.5% to RMB269.0 million, gross profit margin increased slightly by 0.3 percentage point year-on-year to 10.8%, while gross profit decreased by 2.6% year-on-year to RMB29.0 million. The increase in gross profit margin was mainly due to the proactive measures taken by the Group to optimize its third-party brand business and continue to gradually adjust channels and products with relatively lower-margin.

— *Non-alcoholic Beverages*

Third-party brand non-alcoholic beverages, which account for a relatively small proportion of the Group's business, currently include, amongst others, Mogu Mogu coconut jelly drink, Saratoga spring water and Red Bull energy drinks. In the first half of 2017, third-party brand non-alcoholic beverages generated revenue of RMB23.2 million and gross profit of RMB2.6 million with gross profit margin of 11.1%. Third-party brand non-alcoholic beverages is not a core operation of the Group.

— *Others*

The other third-party brand product category mainly comprises Unilever household care products. In the first half of 2017, sales of other products under the third-party brands generated RMB40.7 million in revenue and RMB3.3 million in gross profit with gross profit margin of 8.0%. The segment of other third-party brand products is not a core operation of the Group.

Revenue by Sales Channels

The Group distributed its own brand and third-party brand products through direct sales (which include four main sales channels) and distributors (which comprise Nanpu and third-party distributors). Nanpu, a connected person of the Group, was also one of the largest distributors of the Group, but its revenue contribution has been significantly reduced from 44.8% in 2010 to 5.8% in the first half of 2017.

The table below sets forth the breakdown of the Group's revenue by sales channel for the six months ended 30 June 2017 and 30 June 2016:

	Six months ended 30 June			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Direct channels				
On-premise channels [(1)]	**402,014**	**16.3%**	285,157	11.5%
Modern retail channels [(2)]	**306,527**	**12.4%**	341,874	13.8%
Small business channels[(3)]	**263,506**	**10.7%**	314,075	12.7%
Other channels [(4)]	**160,838**	**6.5%**	52,294	2.1%
Sub-total	**1,132,885**	**45.9%**	993,400	40.1%
Distributors				
Nanpu[(5)]	**142,827**	**5.8%**	521,433	21.0%
Third-party distributors	**1,194,391**	**48.3%**	964,830	38.9%
Sub-total	**1,337,218**	**54.1%**	1,486,263	59.9%
Total	**2,470,103**	**100.0%**	2,479,663	100.0%

Notes:

(1) Includes chain restaurants, hotels, and leisure and entertainment locations that provide dine-in services for the Group's products.

(2) Includes chain hypermarkets, chain supermarkets and chain convenience stores.

(3) Includes wholesale centres and various retail stores.

(4) Primarily includes group purchase and online sales.

(5) Nanpu and its associates.

Revenue by Geographic Locations

The table below sets forth the Group's revenue contribution by sales in different geographic locations for the six months ended 30 June 2017 and 30 June 2016:

	Six months ended 30 June			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Eastern China	**1,649,859**	**66.7%**	1,444,090	58.2%
Central China	**439,591**	**17.8%**	609,682	24.6%
Southern China	**174,899**	**7.1%**	192,886	7.8%
Northern China	**92,659**	**3.8%**	122,473	4.9%
Western China	**113,095**	**4.6%**	110,532	4.5%
Total	**2,470,103**	**100.0%**	2,479,663	100.0%

Eastern China has enjoyed relatively faster growth, which was driven by the satisfactory growth in the sales of alcoholic beverages under both own brands and third-party brands, and the sustainable growth of our own brand food and snacks business. Revenue from Central China has decreased, mainly due to the Group's strategy to optimize products and sales channels with relatively lower gross profit margins. In addition, the abnormal weather in Hunan and Jiangxi affected the sales of own brand non-alcoholic beverages in the region.

Distribution Costs

Distribution costs primarily include advertising and promotion expenses, wages and benefits, and transportation expenses. In the first half of 2017, the Group's distribution costs increased by 2.4% year-on-year to RMB200.6 million, which accounted for 8.1% of the Group's revenue (first half of 2016: 7.9%). The increase in distribution costs was mainly due to the increase in transportation expenses and the increase in wages and benefits as a result of the growing number of employees. The base for transportation expenses was lower in the previous year as it was a transitional period in the first quarter of 2016. Since the Group started to distribute its own brand non-alcoholic beverages nationwide, it began to bear the related transportation expenses gradually from the second quarter of 2016. The transportation expenses was fully borne by the Group for the entire period in the first half of 2017. In addition, as the Group's sales company, Tenwow Food Group (Shanghai) Sales Co., Ltd, penetrated into the online sales channel and modern channels in Eastern China, transportation expenses increased. Advertising and promotion costs decreased during the period as the Group adjusted its market strategy by shifting its focus from traditional television commercial advertising to diversified offline and new media promotions in order to access the consumers directly.

Administrative Expenses

Administrative expenses consist primarily of wages and benefits for management and administrative staff, and depreciation expenses associated with property, facilities and equipment for administrative purposes. The Group's administrative expenses increased by 13.3% to RMB107.8 million, which accounted for 4.4% of the Group's revenue (first half of 2016: 3.8%). Increase in administrative expenses was primarily due to an increase in wages and benefits as a result of the growing number of employees, and increase in provision for impairment of trade and other receivables and inventory based on prudential principles.

Finance Costs

The Group's financial costs primarily include bank loan interests and handling charges less interests income on bank deposits. In the first half of 2017, net finance costs increased by 10.2% to RMB50.9 million. This was primarily due to the increase in the amount of borrowings as the Group expands its business.

Share of Profit of Nanpu

In the first half of 2017, as a result of the tough overall market environment, the Group's share of profit of Nanpu decreased by 26.4% to RMB6.9 million, which was a significant improvement when compared with the second half of 2016.

Profit Attributable to the Equity Holders of the Company

Profit attributable to equity holders of the Company decreased by 3.5% year-on-year to RMB120.7 million in the first half of 2017. This was a significant improvement when compared to the profit attributable to equity holders of RMB79.7 million in the second half of 2016.

Liquidity and Capital Resources

The Group's funds and capital required for operations are primarily sourced from internal resources and loans provided by the Group's principal banks.

As at 30 June 2017, the Group had bank deposits and cash in the amount of RMB1,556.9 million (31 December 2016: RMB1,671.5 million). Renminbi accounted for approximately 79.7% of the Group's cash. As at 30 June 2017, the Group had total borrowings in the amount of RMB2,501.3 million (31 December 2016: RMB2,305.0 million). Approximately 88.1% of these borrowings have terms of less than 1 year. The majority of the Group's borrowings were in Renminbi and Hong Kong dollars, with Renminbi accounted for 76.3%. The Group's borrowings were either obtained at fixed interest rates or variable interest rates.

The net borrowings of the Group as at 30 June 2017 (total borrowings less cash and cash equivalents and restricted cash) was RMB944.4 million (31 December 2016: RMB633.5 million). The Group's gearing ratio as at 30 June 2017 was 22.2% (31 December 2016: 16.3%).

The Group has sufficient cash and bank lines of credit that can meet its future operation needs. The management is also prepared to make prudent arrangements and decisions in response to the changes in domestic and international financial environments.

Use of Proceeds from Global Offering

The shares of the Company were listed on the Main Board of the SEHK on 17 September 2013 with net proceeds from the global offering of approximately HK$1,714.2 million (after deducting underwriting commissions and related expenses). According to the intended usage as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 5 September 2013 (the "**Prospectus**"), the amount utilized as at 30 June 2017 was HK$1,578.9 million. Unutilized portion included HK$95.3 million for expansion of production capacity of the existing facilities and construction of new production facilities, and HK$40.0 million for research and development (such as purchasing research equipment and hiring qualified research and development personnel). The Company has no intention to use the remaining net proceeds contrary to the description as stated in the Prospectus.

Capital Expenditures and Capital Commitments

In the first half of 2017, the Group's capital expenditures and investments amounted to RMB103.5 million (first half of 2016: RMB66.7 million), which primarily included the expenditures for construction costs and equipment for Chengdu production base, construction costs and equipment for warehouses and logistics in Putian production base, and construction costs and land costs for the water production base in Changxing. The Group's fixed-asset investments in the short term will mainly be the Tianjin production base, office buildings in Shanghai production base, phase 2 of Chengdu production base and phase 2 of Changxing water production base. The Group's capital commitments relating to building, equipment and land was RMB188.6 million (31 December 2016: RMB203.7 million).

Key Financial Ratios

The following table sets forth the Group's key financial ratios:

	Six months ended 30 June	
	2017	2016
Gross profit margin	**20.4%**	21.0%
EBITDA margin	**11.0%**	11.5%
Margin of profit attributable to the equity holders of the Company	**4.9%**	5.0%

	30 June 2017	31 December 2016
Current ratio	**1.49**	1.48
Quick ratio	**1.21**	1.26
Gearing ratio*	**22.2%**	16.3%

* Gearing ratio = net borrowings ÷ (total equity + net borrowings)

Inventory

The Group's inventory primarily includes finished products, followed by raw materials and packaging materials, as well as work-in-process products. As at 30 June 2017, inventory and inventory turnover days were RMB1,065.8 million (31 December 2016: RMB869.4 million) and 89 days (31 December 2016: 74 days) respectively. Alcoholic beverages, household care products and accessories have longer shelf life and accounted for approximately 64.9% of the inventory. Due to the strong demand for alcoholic beverages and the arrival of peak season for own brand non-alcoholic beverage sales, the Group has stocked more finished products.

Trade Receivables

The Group's trade receivables refer to the Group's accounts receivable balance from its customers. As at 30 June 2017, trade receivables balance and trade receivables turnover days were RMB2,210.8 million (31 December 2016: RMB2,025.8 million) and 154 days (31 December 2016: 147 days) respectively. The increases in both trade receivables and turnover days were due to the delayed payment of certain quality customers (such as customers in modern retail channels and on-premise channels) as a result of the challenging retailing environment.

Trade Payables

The Group's trade payables primarily include payment due to suppliers of third-party brand products, raw materials and outsourced products. As at 30 June 2017, trade payables balance and trade payable turnover days were RMB1,133.7 million (31 December 2016: RMB1,203.7 million) and 107 days (31 December 2016: 97 days) respectively. The increase in trade payable turnover days was because the Group deferred its payments to certain suppliers having regarded the status of their trade receivables in order to ensure greater flexibility in cash flow management.

Foreign Currency Risk

The majority of the Group's transactions are settled in Renminbi, which is not a free-floating currency. The fluctuation of Renminbi during the year did not have any material effect on the Group's performance. The Group will periodically review its foreign currency risks. Although the Group is exposed to minimal exchange rate fluctuation risks, the Group will use foreign exchange forward contracts for risk management and to control its assets and liabilities when interest or exchange rate is uncertain or fluctuates, or whenever it is suitable. The Group's policy is not to engage in speculative derivative financial transactions and not to invest the current capital in financial products with significant underlying leverage or risk, including hedge funds or similar instruments.

Contingent Liability

As at 30 June 2017 and 31 December 2016, the Group was still in the process of renewing certificates for certain land use rights with net book value amounting to RMB0.9 million and RMB1.0 million, respectively. The Group might incur certain obligations in connection with such application of land use rights certificates. Since the amount of the obligation cannot be measured with sufficient reliability, no provision was made in the consolidated financial statements.

Asset Pledge

As at 30 June 2017, buildings with net book value of RMB401.4 million (31 December 2016: RMB407.4 million), land use rights with net book value of RMB40.2 million (31 December 2016: RMB40.5 million) and machinery and equipment with net book value of RMB152.5 million (31 December 2016: RMB171.1 million) were pledged for borrowings.

Human Resources and Staff Remuneration

As at 30 June 2017, the Group had a total of 3,556 employees in the PRC and Hong Kong. In the first half of 2017, employee remuneration was RMB150.8 million. The Group's employees and Directors are remunerated with reference to their position, performance, experience and prevailing salary trends in the market. The Group provides professional management training to employees, and offers incentives and share options pursuant to the Company's share option scheme based on employee performance and the Group's profits.

Prospects

The rest of 2017 will continue to be full of challenges. As domestic and international economic environment remained uncertain, the Chinese government has adopted various policies to ensure steady progress in the overall economy and to safeguard employment. Many circumstances will remain uncertain in the short term, but in the long run, the rising salary and purchasing power will be able to drive the overall consumer market. With the huge potential of China's consumer market, the Group believes that there are still ample opportunities up for grabs in the food and beverage market.

Future Strategies

In order to grasp the opportunities in the PRC's market for packaged food and beverage sector, the Group will continue to leverage its own competitive advantages to develop its businesses. The details of the Group's development strategy in the future are as follows:

Continue to Strengthen Business of Own Brand Products

The Group has always focused on the development of its own brand products. It will continue to enrich the portfolio of its own brand products while further solidifying the market position of existing product offerings. Structural adjustments will be carried out according to market demand to phase out unsatisfactory stock keeping units, while efforts will be made to facilitate continuous innovation and promotion of new, trendy and healthy products. The Group will strengthen the market penetration of its products to take the own brand business to new heights.

Continue to Optimize Distribution Networks and Business Presence Nationwide

In order to tap into the end consumers' increasing demand for the Group's products in the PRC, the Group will extend its market coverage by further expanding its distribution networks. While putting efforts to further improve its existing distribution networks in Eastern and Central China, the Group will strive to expand its presence into new markets such as Southwestern and Northern China. The Group will strategically establish production bases in various regions across China for the production and sales of its own brand non-alcoholic beverages, foods and snacks locally. By achieving the "local sales" business model, the Group will be able to reduce its transportation costs and improve its inventory management. Moreover, it will also enable the Group to make flexible adjustment to its production capacity according to changes in the market and meet demands promptly. In terms of channel expansion, by improving the special sales channels, on-premise channels, modern retail channels and small business channels, the Group will be able to establish a fast-moving product platform to promote sales of the Group's products.

Diversified Marketing Strategy

The Group's marketing strategy mainly comprised of online marketing and offline activities. Over the past few years, the Group has put significant effort in television commercial advertising and other online media to build up brand recognition of Tenwow products. In the future, the Group will adjust its marketing strategy proactively by shifting its focus from traditional television commercial advertising to diversified offline and new media in order to access the consumers directly.

Expand Online Market to Boost Online Sales

With more and more consumers getting used to online consumption, the fast-growing online channels have developed rapidly with vast potential. Online sales have become an important sales channel that cannot be neglected. Meanwhile, the Group has developed special product lines which cater for the online market for food and snacks, and will launch a variety of online promotional activities in different seasons to expand market share. The Group will develop online sales channels rationally and in an orderly manner so that online and offline sales channels will complement each other to promote high-quality Tenwow products. In order to accommodate the needs of the Group's online businesses, apart from the existing sub-warehouses in Shanghai and Wuhan, the Group's other production bases across the country leverage on the Cainiao Network (China Smart Logistics Network) to save logistics costs, enhance profitability of the Company and improve gross profit margin of the Group's products.

Look for Opportunities for Business Expansion

To expand its business further, the Group will continue to seek opportunities for acquisitions and cooperation according to criteria such as the brand recognition, business prospects, compatibility with the Group's existing products, sales channel coverage, management team and transaction price. The Group believes that suitable acquisitions or cooperation can further improve its value chain, facilitate the exploration of additional distribution channels and obtain new products offerings, new experience and expertise. Acquisitions and cooperation will also provide a springboard for the Group to diversify into different product categories in the future, help to enhance the Group's market position and enlarge its market share. The Company introduced Fosun International Limited as a strategic investor in 2016, with an aim to explore opportunities in different business prospects.

EVENTS AFTER THE REPORTING PERIOD

No event has occurred between the balance sheet date (i.e. 30 June 2017) and the date of this announcement that would cause material impact on the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

REVIEW OF INTERIM RESULTS AND FINANCIAL STATEMENTS

The unaudited interim results and interim report of the Group for the six months ended 30 June 2017 have been reviewed and approved by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee is of the opinion that such interim results and interim report were prepared in accordance with the applicable accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and all other applicable legal requirements and therefore recommended for the Board's approval of the same.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its code of corporate governance. According to CG Code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lin Jianhua, chairman of the Company was appointed as chief executive officer of the Company on 22 March 2017, when Mr. Wang Juewei, the former chief executive officer resigned. Mr. Lin Jianhua was the founder of the Group and has over 24 years of experience in the food and beverage industry. He is very familiar with the Group's business and thus is the ideal candidate for the role of chief executive officer. The Board believes that this arrangement will enable the Company to make and implement decisions promptly, and to achieve the Company's objectives efficiently and effectively. The Board will review the current situation from time to time and will make necessary arrangements when the Board considers appropriate. Save as disclosed above, the Company has complied with all other applicable code provisions as set out in the CG code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2017.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by relevant employees (the "**Employees Written Guidelines**") who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company for the six months ended 30 June 2017.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of RMB2.39 cents (equivalent to HK2.71 cents) per share in cash to the shareholders of the Company ("**Shareholders**") for the six months ended 30 June 2017 (30 June 2016: RMB2.29 cents or HK2.71 cents per share), representing a total payment of approximately RMB52.7 million (30 June 2016: RMB47.6 million). The interim dividend will be payable on or before Monday, 25 September 2017 to the Shareholders whose names appear on the register of members of the Company on Friday, 15 September 2017.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of the Shareholders to receive the interim dividend, the register of members of the Company will be closed from Thursday, 14 September 2017 to Friday, 15 September 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch 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 not later than 4:30 p.m. on Wednesday, 13 September 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (ir.tenwow.com.hk), respectively. The 2017 Interim Report will be despatched to the Shareholders and published on the above-mentioned websites in due course.

By Order of the Board
Tenwow International Holdings Limited
Lin Jianhua
Chairman

Hong Kong, 21 August 2017

As at the date of this announcement, the executive directors of the Company are Mr. Lin Jianhua, Mr. Lam Hang Boris, Mr. Lin Qi, Mr. Yeung Yue Ming and Ms. Au Lai Hang; the non-executive directors of the Company are Mr. Liu Zhao and Mr. Yan Zhixiong; and the independent non-executive directors of the Company are Mr. Liu Chang-Tzong, Mr. Cheung Yui Kai Warren, Mr. Wang Longgen and Mr. Shen Yalong.