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 2015

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2015 amounted to approximately RMB356.7 million, representing an increase of 20.0% from approximately RMB297.5 million for the corresponding period of 2014.

- Gross profit for the six months ended 30 June 2015 amounted to approximately RMB202.2 million, representing an increase of 19.7% from approximately RMB168.9 million for the corresponding period of 2014.

- Profit attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately RMB110.0 million, representing an increase of 22.4% from approximately RMB89.9 million for the corresponding period of 2014.

- The Board does not recommend the payment of interim dividends of the six-month ended 30 June 2015 (six months ended 30 June 2014: nil).

* *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 2015, together with the comparative figures for the corresponding period in 2014 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015
(All amounts in RMB thousands unless otherwise stated)

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**356,676**	297,478
Cost of sales	*5*	**(154,431)**	(128,542)
Gross profit		**202,245**	168,936
Other income and gains	*4*	**1,644**	2,133
Selling and distribution expenses		**(18,905)**	(16,459)
Administrative expenses		**(39,770)**	(36,372)
Finance costs	*6*	**(15,288)**	(11,483)
PROFIT BEFORE TAX	*5*	**129,926**	106,755
Income tax expense	*7*	**(19,949)**	(16,868)
PROFIT FOR THE PERIOD		**109,977**	89,887
Attributable to:			
Owners of the Company		**109,977**	89,887
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*8*	**RMB21.2 cents**	RMB18.2 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015
(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**109,977**	89,887
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Exchange differences on translation of financial statements of operations outside Mainland China	**55**	11,268
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**110,032**	101,155
Attributable to:		
Owners of the Company	**110,032**	101,155

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**613,097**	501,493
Prepaid land lease payments	*11*	**26,873**	27,196
Other intangible assets		**556**	414
Prepayments for items of property, plant and equipment		**4,778**	1,207
Time deposits	*15*	**2,820**	1,820
Deferred tax assets		**109**	327
Total non-current assets		**648,233**	532,457
CURRENT ASSETS			
Inventories	*12*	**995,306**	830,488
Trade receivables	*13*	**165,777**	187,900
Prepayments, deposits and other receivables	*14*	**107,925**	167,155
Cash and cash equivalents	*15*	**269,560**	218,466
Total current assets		**1,538,568**	1,404,009
CURRENT LIABILITIES			
Trade payables	*16*	**197,484**	175,608
Other payables and accruals	*17*	**65,091**	58,344
Interest-bearing bank borrowings	*18*	**439,660**	308,760
Tax payable		**17,779**	16,915
Total current liabilities		**720,014**	559,627
NET CURRENT ASSETS		**818,554**	844,382
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,466,787**	1,376,839

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	18	**89,000**	109,000
Other long term liabilities	19	**4,600**	4,684
Deferred tax liabilities		**8,751**	8,751
Total non-current liabilities		**102,351**	122,435
Net assets		**1,364,436**	1,254,404
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	**1,584**	1,584
Reserves		**1,310,977**	1,200,945
Proposed final dividends	9	**51,875**	51,875
Total equity		**1,364,436**	1,254,404

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(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. In the opinion of the directors, the holding company and the ultimate holding company of the Company is Key Shine Global Holdings Limited, which was incorporated in the British Virgin Islands ("BVI").

The Company is an investment holding company. During the six months ended 30 June 2015, 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").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") since 28 January 2014.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 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 34 "Interim Financial Reporting" issued by the International Accounting Standards Committee.

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

The interim condensed consolidated financial statements has been prepared under the historical cost convention. The unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) that are relevant to the Group's operation for the preparation of the Group's Interim condensed consolidated financial statements:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs

The adoption of the above new and amended IFRSs has no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 six months ended 30 June 2015 is set out in the following table:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Customer A	**72,266**	68,023
Customer B	**55,138**	45,162
Customer C	**46,374**	39,531
Customer D	**37,171**	32,890
	210,949	185,606

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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**356,676**	297,478
Other income and gains		
Gain from sale of materials	**726**	222
Subsidy received	**521**	1,250
Rental income	**102**	—
Interest income	**94**	654
Others	**201**	7
	1,644	2,133

5. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Cost of inventories sold		**154,431**	128,542
Depreciation	*10*	**13,943**	5,154
Recognition of prepaid land lease payments	*11*	**323**	280
Minimum lease payments under operation leases:			
Land and buildings		**295**	216
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		**7,194**	6,012
Pension scheme contributions		**980**	821
		8,174	6,833

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**15,288**	11,483

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	**19,731**	16,868
Deferred	**218**	—
Tax charge for the period	**19,949**	16,868

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 2014 and 2015.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 518,750,000 (six months ended 30 June 2014: 494,337,000) in issue during the six months ended 30 June 2015.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	**109,977**	89,887
Weighted average number of ordinary shares in issue (in thousands)	**518,750**	494,337
Earnings per share (RMB cents per share)	**21.2**	18.2

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2015 and 2014 in respect of a dilution as the impact of the warrants outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

9. DIVIDEND

No interim dividend was proposed for the six months ended 30 June 2015.

The 2014 proposed final dividends of RMB51,875,000 were approved by shareholders at the annual general meeting on 29 May 2015 and were subsequently distributed on 3 July 2015.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Opening balance	**501,493**	178,966
Additions	**125,547**	335,234
Depreciation	**(13,943)**	(12,707)
Closing balance	**613,097**	501,493

11. PREPAID LAND LEASE PAYMENTS

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Carrying amount at 1 January	**27,843**	23,790
Additions during the period	**—**	4,650
Recognised during the period	**(323)**	(597)
Carrying amount at period end	**27,520**	27,843
Less: Current portion included in prepayments, deposits and other receivables	**(647)**	(647)
Non-current portion	**26,873**	27,196

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

12. INVENTORIES

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Raw materials	**8,126**	13,908
Work in progress	**975,881**	782,719
Finished goods	**11,299**	33,861
Total inventories	**995,306**	830,488

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 aging analysis of the trade receivables of the Group as at the end of the reporting period, based on the credit term, is as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**86,957**	86,375
1 to 3 months	**75,800**	81,517
3 to 6 months	**1,715**	16,382
6 months to 1 year	**899**	3,380
Over 1 year	**406**	246
Total	**165,777**	187,900

The directors are of the opinion that no provision for impairment of trade receivables is necessary.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepayments	**37,875**	68,005
Deposits and other receivables	**70,050**	99,150
	107,925	167,155

The above balances are unsecured, interest-free and have no fixed terms of repayment. The directors are of the opinion that no provision for impairment of prepayments, deposits and other receivables is necessary.

15. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and bank balances	**269,560**	218,466
Time deposits	**2,820**	1,820
	272,380	220,286
Less: Non-pledged time deposits with original maturity of over three months when acquired	**(2,820)**	(1,820)
Cash and cash equivalents	**269,560**	218,466

Cash and cash equivalents are dominated in:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
RMB	**214,339**	159,297
Hong Kong Dollar ("HK$")	**55,221**	59,169
Cash and cash equivalents	**269,560**	218,466

16. TRADE PAYABLES

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**79,583**	102,149
3 to 6 months	**54,078**	31,924
Over 6 months	**63,823**	41,535
	197,484	175,608

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

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Other payables	**50,317**	49,612
Accruals	**4,747**	5,826
Advances from customers	**10,027**	2,906
	65,091	58,344

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

18. INTEREST-BEARING BANK BORROWINGS

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Bank loans — secured, within one year	**439,660**	308,760
Bank loans — secured, non-current	**89,000**	109,000
	528,660	417,760

The interest-bearing bank borrowings as at 30 June 2015 were denominated in RMB, repayable within three years and bearing interests at 5.6%–6.6% per annum.

As at 30 June 2015, the Group's inventories with a carrying amount of RMB194.5 million (31 December 2014: RMB117.5 million), property, plant and equipment with a carrying amount of RMB20.0 million (31 December 2014: RMB20.6 million) and leasehold land with a carrying amount of RMB11.4 million (31 December 2014: RMB11.5 million) were pledged to secure bank loans granted to the Group.

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

19. OTHER LONG TERM LIABILITIES

As at 30 June 2015, 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 RMB4,600,000 (31 December 2014: RMB4,684,000). 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:

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Carrying amount at the beginning of the period	**4,684**	4,862
Benefits paid	**(84)**	(178)
At the end of the period	**4,600**	4,684

20. SHARE CAPITAL

As at 30 June 2015 and 31 December 2014, the Company had authorised share capital of US$500,000 divided into 1,000,000,000 ordinary shares with a par value of US$0.0005 each and issued and fully paid 518,750,000 ordinary shares of RMB1,584,000.

21. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its land and buildings under operating lease arrangements. Leases for land and buildings are negotiated for terms ranging from one to nineteen years.

At 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Within one year	**781**	791
In the second to fifth years, inclusive	**1,945**	2,200
After five years	**1,746**	1,884
	4,472	4,875

22. COMMITMENTS

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

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Contracted, but not provided for:		
Plant and machinery	**10,870**	16,406
Advertising contracts	**3,160**	—
	14,030	16,406

23. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2015 *RMB'000* **(Unaudited)**	2014 *RMB'000* (Unaudited)
Salaries, allowances and benefits in kind	**294**	229
Pension scheme contributions	**23**	16
Total compensation paid to key management personnel	**317**	245

24. EVENT AFTER THE PERIOD

Except for the distribution of the 2014 proposed final dividends as mentioned in note 9 above, there are no material subsequent events undertaken by the Company or the Group after 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2015, the Company focused its product sales and promotion strategy on increasing its cooking wine sales and taking market leadership position, as well as refining the quality and product mix of its other products. It is expected that the stock of base wine to reach 225 million liters by the end of the 2015 fermentation season (June 2016). The Company has sufficient base wine to increase its market shares by volume and value.

In the first half of 2015, the Company successfully introduced three types of bottled and four types of bagged original cooking wine specifically designed for the county and city level local distribution channels covering supermarkets, local community stores, agricultural and food markets, in response to our expansion strategy to third tier and fourth tier cities. We also launched a series of zero additive cooking wine, zero additive Stewed Mushroom Dark Soy Sauce (草菇老抽) and Premium Flavored Soy Sauce (鮮上鮮醬油) for the supermarkets distribution channels. To the Company's knowledge, Lao Heng He's Stewed Mushroom Dark Soy Sauce is the only dark soy sauce product without caramel color additives which has a patent application number in the PRC. It uses non-genetically modified soybeans and the production process involves no caramel colour additives, achieves the true healthy soy sauce. The Company introduced fragrance condiments series, large packaging cooking wine, soy sauce and rice vinegar series specifically designed for the food and beverage distribution channels.

Lao Heng He's cooking wine products are leading product categories in major supermarkets and stores. In the first half of 2015, while we continue to expand our market shares in the tradition channels of supermarkets and stores, the Company made efforts in building channels in the food and beverage distribution channels, third tier and fourth tier cities distribution channels and E-commerce distribution channels. For the expansion in the third tier and fourth tier cities, the Company has successfully developed more than 100 new county-level distributors in Jiangsu, Zhejiang, Shanghai, Beijing, Hebei and Liaoning. At the beginning of 2015, the Company has organized an E-commerce team. The Company's direct e-stores on on Jingdong, Taobao, Tmall and Yihaodian have all commenced their operations.

For the six months ended 30 June 2015, revenue of the Group amounted to RMB356.7 million (six months ended 30 June 2014: RMB297.5 million), representing an increase of 20.0% as compared to the corresponding period in 2014.

Financial Review

Overview

The key financial indicators of the Group are as follows:

	Six months ended 30 June		Period-to-period change
	2015	2014	**change**
	RMB'000	*RMB'000*	*(%)*
Income statement items			
Sales	**356,676**	297,478	20.0%
Gross profit	**202,245**	168,936	19.7%
Profit attributable to owners of the Company	**109,977**	89,887	22.4%
EBITDA	**159,299**	123,672	28.8%
Earnings per share (RMB cents) *(Note a)*			
— basic and diluted	**21.2**	18.2	16.5%
Selected financial ratios			
Gross profit margin (%)	**56.7%**	56.8%	(0.2%)
Net profit margin attributable to owners of the Company (%)	**30.8%**	30.2%	2.0%
EBITDA margin (%)	**44.7%**	41.6%	7.5%
Gearing ratio *(Note b)*	**27.8%**	N/A	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 2015, the revenue of the Group increased by 20.0% from RMB297.5 million for the six months ended 30 June 2014 to RMB356.7 million for the corresponding period of 2015, 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 19.9% from RMB215.7 million for the six months ended 30 June 2014 to RMB258.6 million for the corresponding period of 2015, reflecting an increase in average selling prices and sales volume for all product lines except for our mass-market cooking wine products. In particular, the demand for our premium and high-end cooking wine products such as Chef's Huadiao (厨用花雕), Well-aged Cooking Wine (年份料酒), 15% ABV Cooking Wine (15度料酒) and Steamed Fish Cooking Wine (蒸鱼料酒), grew even faster.

Revenue from the Group's soy sauce products increased by 17.4% from RMB47.2 million for the six months ended 30 June 2014 to RMB55.4 million for the corresponding period of 2015, reflecting an increase in sales volume for the Group's soy sauce products like Premium Flavored Soy Sauce (鲜上鲜酱油) and Stewed Mushroom Dark Soy Sauce (草菇老抽).

Revenue from the Group's vinegar products increased by 50.0% from RMB23.2 million for the six months ended 30 June 2014 to RMB34.8 million for the corresponding period of 2015, reflecting an increase in sale volume for the Group's naturally-brewed vinegar products, such as Rose Rice Vinegar (玫瑰米醋), Crab Vinegar (蟹醋) and Premium Zhejiang Vinegar (上品浙醋).

The Group's shift in focus to the cooking wine business affected the revenue from the Group's other products, which decreased by 30.7% from RMB11.4 million for the six months ended 30 June 2014 to RMB7.9 million for the corresponding period of 2015.

The Group believes the outstanding performance of the Group's sales is largely contributed to (i) increasing market recognition of the "Lao Heng He" ("老恒和") brand; (ii) consistent superior quality of the "Lao Heng He" ("老恒和") products; (iii) enhancing efforts on the Group's marketing and promotion activities; (iv) rising disposable income level in the PRC; (v) growing consumer consciousness of food safety and preference for naturally-brewed cooking wine products which the Group introduced to the market; and (vi) vertical penetration of the Group's distribution network to third tier and fourth tier cities.

Cost of Sales

The Group's cost of sales, include raw materials, manufacturing overhead and salaries and benefits, increased by 20.2% from RMB128.5 million in the six months ended 30 June 2014 to RMB154.4 million for the corresponding period of 2015, largely in line with the revenue growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 19.7% from RMB168.9 million in the six months ended 30 June 2014 to RMB202.2 million for the corresponding period of 2015, and the gross profit margin decreased slightly from 56.8% in the six months ended 30 June 2014 to 56.7% for the corresponding period of 2015.

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 RMB16.5 million during the six months ended 30 June 2014 to RMB18.9 million for the corresponding period of 2015, 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 decreased from 5.5% for the six months ended 30 June 2014 to 5.3% for the corresponding period of 2015, primarily as a result of the Group's continued efforts to adjust its marketing and promotional spending away from regions and advertising channels where marketing and promotion expenditure had lower returns.

Administrative Expenses

The administrative expenses increased by 9.3% from RMB36.4 million during the six months ended 30 June 2014 to RMB39.8 million for the corresponding period of 2015, mainly due to the increase in research and development expenses for new fermentation methods and new processing methods of base wine and base soy sauce to improve their nutrition and flavor.

Finance Costs

Finance costs increased by 33.0% from RMB11.5 million during the six months ended 30 June 2014 to RMB15.3 million for the corresponding period of 2015. The increase in finance costs primarily reflected an increase in average bank loans to fulfill the increased purchase of raw material for the expanded production capacity in the first half year of 2015.

Profit before Tax

As a result of the foregoing, the profit before tax increased by 21.6% from RMB106.8 million during the six months ended 30 June 2014 to RMB129.9 million for the corresponding period of 2015.

Income Tax Expense

As mentioned above, 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 2015 in respect of its operations in the PRC was provided at the rate of 15% (six months ended 30 June 2014: 15%) on the taxable profits. Income tax expenses increased by 17.8% from RMB16.9 million during the six months ended 30 June 2014 to RMB19.9 million for the corresponding period of 2015, which was mainly due to the increase in profit before tax. The effective income tax rate was 15.4% and 15.8% for the first half year of 2015 and the corresponding period of 2014, respectively.

Profit for the period attributable to owners of the Company

Profit attributable to owners of the Company increased by about 22.4% from RMB89.9 million for the six months ended 30 June 2014 to RMB110.0 million for the corresponding period of 2015. Basic earnings per share increased from RMB18.2 cents for the six months ended 30 June 2014 to RMB21.2 cents for the six months ended 30 June 2015 and net profit margin increased from 30.2% for the six months ended 30 June 2014 to 30.8% for the corresponding period of 2015. Increase in earnings per share was attributable to increase of revenue and stable net profit margin attributable to owners of the Company.

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 749 days during the year of 2014 to 1,071 days during the first half year of 2015, which was primarily a result of significant increase in work-in-progress by RMB193.2 million, or 24.7%. In order to cope with the continuing increase in demand for the cooking wine, soy sauce and vinegar products, 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 76 days for the year ended 31 December 2014 to 90 days for the six months ended 30 June 2015, 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 C and D distributors as a percentage of total sales, as Category C and 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 increased from 65 days for the year ended 31 December 2014 to 106 days for the six months ended 30 June 2015, primarily reflected our increasing bargaining power against our suppliers as our purchase volume increased as a result of our business expansion.

Capital Commitment

Capital commitment as at 30 June 2015 amounted to approximately RMB14.0 million (30 June 2014: RMB14.4 million), which was mainly related to construction in progress for expansion of plant and advertising contracts for marketing events.

Contingent Liabilities

As at 30 June 2015, the Group did not have any material contingent liability.

Pledge of Assets

As at 30 June 2015, the Group's inventories with a carrying amount of RMB194.5 million (31 December 2014: RMB117.5 million), property, plant and equipment with a carrying amount of RMB20.0 million (31 December 2014: RMB20.6 million) and leasehold land with a carrying amount of RMB11.4 million (31 December 2014: RMB11.5 million) were pledged to secure bank loans granted to the Group.

Inventories

Inventories increased from RMB830.5 million as at 31 December 2014 to RMB995.3 million as at 30 June 2015 primarily due to increase in work in progress, which in turn reflected increased production of base wine, base soy sauce and base vinegar.

The Group monitors the level of inventory maintained by its distributors on a regular basis. The Group's sales representatives maintain frequent telephone or email communications with each of its Categories A, B, C and D distributors, review their monthly inventory reports and visit their warehouses on a regular basis. The Group's sales representatives visit its Category A and B distributors' warehouses at least every three months to ensure that they keep optimal stock level and the Groups products are sold to end customers within the shell life. The Group generally expects its distributors to maintain stock sufficient for 5 to 20 days of supply. In the event a distributor maintains stocks of more than 20 days of supply, the relevant sales representatives will assist such distributor in marketing and promotional activities and suggest smaller sized orders to be placed for the succeeding periods to minimize excess inventory.

Borrowings

As at 30 June 2015, the Group's total bank borrowings amounted to RMB528.7 million (31 December 2014: RMB417.8 million).

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

Exchange Risk

The Group conducted its business primarily in China with the majority of its revenue and expenditures denominated in Renminbi. The Group does not have a foreign currency hedging policy. However, the management will monitor the situation and will consider hedging any significant foreign currency exposure should the need arise.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had cash and cash equivalents of RMB269.6 million (31 December 2014: RMB218.5 million). As at 30 June 2015, the Group had interest-bearing bank borrowings of an aggregate amount of RMB528.7 million (31 December 2014: RMB417.8 million), which were denominated in RMB, repayable within three years and bearing interests at 5.6% to 6.6% per annum. The gearing ratio, calculated as net debt divided by total equity and net debt as at 30 June 2015, amounted to 27.8% (31 December 2014: 25.9%). Net debt includes total debt net of cash and cash equivalents.

FUTURE PROSPECTS

We expect the uncertainty in the Chinese economy will prevail into the second half of 2015 due to the complicated internal and external environments. However, the "slower growth and structural improvement" policy guidance on the Chinese economy being gradually enforced, together with the increasingly prominent role of consumption, will both further unveil the potentials hidden in the consumer market. Therefore, we feel optimistic on the outlook of the Chinese economy and on our industry.

The Company's soy sauce workshop will start its renovation and expansion in the second half of 2015, which will further increase our production capacity of soy sauce. Our zero additive Stewed Mushroom Dark Soy Sauce (草菇老抽) and Premium Flavored Soy Sauce (鮮上鮮醬油) will be able to be distributed to more distribution channels and regions.

While we continuously focusing on sale of premium and high-end products, the Company will make more efforts in building up distribution channels in the third and fourth tier counties and cities in Eastern China, Southern China, Northern China and Northeastern China in the second half of 2015 and keep on expanding the vertical coverage of our sale network. For market segmentation, the Company will develop distribution network based on towns, counties and cities.

The Company vigorously promoted the channel building efforts in subdivided regions, and planned to increase its distributors to 400 and employ around 100 more sales representatives by the end of 2015.

EVENTS AFTER THE REPORTING PERIOD

Except for the distribution of the 2014 proposed final dividends as mentioned in note 9 above, there are no material subsequent events undertaken by the Company or the Group after 30 June 2015.

EMPLOYEES & REMUNERATION POLICIES

As at 30 June 2015, the Group had a total of approximately 306 employees (31 December 2014:329). The employees' cost including remuneration was RMB8.2 million during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB6.8 million). The remuneration policies, bonus and training programs for employees of our Group were implemented continuously according to policies disclosed in the Company's annual report for the year ended 31 December 2014 (the "**2014 Annual Report**") and no change has been made during the six-month period ended 30 June 2015.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Group as at 30 June 2015 (31 December 2014: nil).

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the six months ended 30 June 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2015, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PLACING OF UNLISTED WARRANTS UNDER GENERAL MANDATE IN 2014

The Company would like to provide additional information in respect of the placing of unlisted warrants under general mandate as disclosed in the 2014 Annual Report.

The Company on 3 August 2014 announced that on 1 August 2014, 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 ("**Mr. Chan**"), Mr. Chan is the chairman and director of CCH Group Co., Limited, together with its subsidiaries, is principally engaged in (i) promotional events organizing; (ii) production of movies; (iii) talents agency; (iv) distribution of art works; and (v) distribution of registered proprietary commercial decorative products.

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, which represents a premium of approximately 24.8% over the closing price of HK$6.41 per share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the date of the Warrants Subscription Agreement. The placing of the Warrants was completed on 2 September 2014.

The gross proceeds from the Warrant Subscription is HK$10,000,000. The net proceeds from the Warrant Subscription, after deduction of related expenses, are approximately HK$9,650,000, representing a net issue price of approximately HK$0.0965 per Warrant.

Those funds raised was mainly used for general working capital, in particular improving production capacity.

Please refer to Company's announcement dated 3 August 2014 for further details.

The Directors consider that the issuance of the Warrants would provide extra funding to the Company without immediate issue of new Shares, and will provide possible funding from issue of Shares at a substantial premium to the then prevailing market price of the Shares which will benefit the long-term development of the Group by strengthening its financial conditions. The Directors consider that the terms of the Warrants Subscription Agreement are fair and reasonable and in the interest of the Company and Shareholders as a whole. As at the date of this announcement, the Warrants have not been exercised.

USE OF PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the Stock Exchange on 28 January 2014 (the "**Listing Date**"). Net proceeds from the global offering were approximately RMB769.4 million (equivalent to approximately HK$968.7 million) (the "**IPO Proceeds**"), after deducting the underwriting commission and relevant expenses. As at 30 June 2015, the IPO Proceeds has been used in accordance with the disclosures made in the prospectus of the Company dated 16 January 2014, the unused proceeds were deposited in licensed banks in Hong Kong and China.

Purpose	**Percentage of total amount**	**Net proceeds**	**Utilised amount (as at 30 June 2015)**	**Unutilised amount (as at 30 June 2015)**
		RMB'million	*RMB'million*	*RMB'million*
Purchase of rice towards production of base wine	50%	384.7	384.7	0
Expansion of production facilities for our cooking wine products	25%	192.4	192.4	0
Repayment of loans	10%	77.0	77.0	0
Continued expansion of our distribution network	5%	38.5	33.0	5.5
Working capital and other general corporate purposes	10%	76.8	43.9	32.9
Total		769.4	731.0	38.4

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 for the six months ended 30 June 2015.

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 six months ended 30 June 2015, 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.

Provision E.1.2 of the Code provides that the chairpersons of the audit, remuneration, nomination committees should be available to answer questions at the annual general meeting. Due to his other business commitments, Mr. Shen Zhenchang, the chairman of the remuneration committee was not present at the annual general meeting held on 29 May 2015.

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 six months ended 30 June 2015. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the six months ended 30 June 2015.

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 2015 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 and on the website of the Company at www.hzlaohenghe.com. The interim report of the Company for the six months ended 30 June 2015 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, 31 August 2015

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.