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 2016

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2016 amounted to approximately RMB360.1 million, representing an increase of 1.0% from approximately RMB356.7 million for the corresponding period of 2015.

- Gross profit for the six months ended 30 June 2016 amounted to approximately RMB197.1 million, representing a decrease of 2.5% from approximately RMB202.2 million for the corresponding period of 2015.

- Profit attributable to owners of the parent for the six months ended 30 June 2016 amounted to approximately RMB101.7 million, representing a decrease of 7.6% from approximately RMB110.0 million for the corresponding period of 2015.

- The Board does not recommend the payment of interim dividends for the six months ended 30 June 2016 (six months ended 30 June 2015: 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 (the "**Board**'') of directors (the "**Directors**") of Honworld Group Limited (the "**Company**'') is pleased to announce the unaudited interim condensed consolidated financial results of the Company and its subsidiaries (the "**Group**'') for the six months ended 30 June 2016, together with the comparative figures for the corresponding period of 2015 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016
(All amounts in RMB thousands unless otherwise stated)

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**360,064**	356,676
Cost of sales	*5*	**(162,932)**	(154,431)
Gross profit		**197,132**	202,245
Other income and gains	*4*	**9,958**	1,644
Selling and distribution expenses		**(23,908)**	(18,905)
Administrative expenses		**(44,308)**	(39,770)
Finance costs	*6*	**(18,959)**	(15,288)
PROFIT BEFORE TAX	*5*	**119,915**	129,926
Income tax expense	*7*	**(18,261)**	(19,949)
PROFIT FOR THE PERIOD		**101,654**	109,977
Attributable to:			
Owners of the parent		**101,654**	109,977
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	**RMB19.5 cents**	RMB21.2 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016
(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**101,654**	109,977
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	**4,590**	55
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**106,244**	110,032
Attributable to:		
Owners of the parent	**106,244**	110,032

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**701,581**	629,556
Prepaid land lease payments	*11*	**45,603**	26,683
Other intangible assets		**414**	414
Prepayments for items of property, plant and equipment		**161,366**	113,493
Deferred tax assets		**4,042**	2,891
Total non-current assets		**913,006**	773,037
CURRENT ASSETS			
Inventories	*12*	**1,023,161**	945,469
Trade receivables	*13*	**164,710**	141,959
Prepayments, deposits and other receivables	*14*	**349,905**	249,279
Time deposits		**–**	2,874
Cash and cash equivalents	*15*	**362,641**	186,048
Total current assets		**1,900,417**	1,525,629
CURRENT LIABILITIES			
Trade payables	*16*	**185,096**	118,459
Other payables and accruals	*17*	**30,411**	55,847
Interest-bearing bank borrowings	*18*	**533,760**	570,345
Tax payable		**49,297**	37,003
Total current liabilities		**798,564**	781,654
NET CURRENT ASSETS		**1,101,853**	743,975
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,014,859**	1,517,012

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*18*	**74,174**	74,415
Other long term liabilities	*19*	**137,422**	4,505
Deferred tax liabilities		**14,761**	14,761
Total non-current liabilities		**226,357**	93,681
Net assets		**1,788,502**	1,423,331
EQUITY			
Equity attributable to owners of the parent			
Share capital	*20*	**1,767**	1,584
Reserves		**1,786,735**	1,421,747
Total equity		**1,788,502**	1,423,331

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016
(All amounts in RMB thousands unless otherwise stated)

1. CORPORATE INFORMATION

Honworld Group Limited (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 2016, 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 Limited of Hong Kong (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 2016 ("**the period**") 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 2015.

The interim condensed consolidated financial statements have 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 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("**IFRS**s", 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 IFRS 11	*Joint Arrangements: Accounting for Acquisitions of Interests*
Amendments to IAS 16 And IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 And IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*

The adoption of the above new and amended IFRSs has had 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 2016 is set out in the following table:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Customer A	**59,094**	72,266
Customer B	**51,393**	55,138
Customer C	**38,209**	46,374
Customer D	**–***	37,171
	148,696	210,949

* Revenue from the customer did not exceed 10 percent of the Group's revenue during the six month ended 30 June 2016.

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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**360,064**	356,676
Other income and gains		
Subsidy received	**5,940**	521
Gain from sale of materials	**3,050**	726
Interest income	**874**	94
Rental income	**92**	102
Others	**2**	201
	9,958	1,644

5. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Cost of inventories sold		**162,932**	154,431
Depreciation	*10*	**20,257**	13,943
Recognition of prepaid land lease payments	*11*	**523**	323
Minimum lease payments under operation leases:			
Land and buildings		**246**	295
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		**11,623**	7,194
Pension scheme contributions		**1,369**	980
		12,992	8,174

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**18,959**	15,288

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	**19,412**	19,731
Deferred	**(1,151)**	218
Tax charge for the period	**18,261**	19,949

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 ended 31 December 2015. The Directors confirm that the Group have completed the relevant filing procedures for the "New and Advanced Technology Enterprise" status as at 30 June 2016 and expect the Group to continue to enjoy the beneficial tax rate of 15%.

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 2015 and 2016.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 521,387,000 (six months ended 30 June 2015: 518,750,000) in issue during the six months ended 30 June 2016.

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Profit attributable to owners of the parent (RMB'000)	**101,654**	109,977
Weighted average number of ordinary shares in issue (in thousands)	**521,387**	518,750
Earnings per share (RMB cents per share)	**19.5**	21.2

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2016 and 2015 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the period.

9. DIVIDEND

No interim dividend was proposed for the six months ended 30 June 2016.

The 2015 proposed final dividends of RMB45,650,000 were approved by shareholders at the annual general meeting on 31 May 2016 and were subsequently distributed on 30 June 2016.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Opening balance	**629,556**	501,493
Additions	**92,282**	155,417
Depreciation	**(20,257)**	(27,354)
Closing balance	**701,581**	629,556

11. PREPAID LAND LEASE PAYMENTS

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount at 1 January	**27,333**	27,843
Additions during the period	**19,840**	–
Recognised during the period	**(523)**	(510)
Carrying amount at period end	**46,650**	27,333
Less: Current portion included in prepayments, deposits and other receivables	**(1,047)**	(650)
Non-current portion	**45,603**	26,683

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

12. INVENTORIES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**2,582**	8,069
Work in progress	**996,690**	921,174
Finished goods	**23,889**	16,226
Total inventories	**1,023,161**	945,469

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 based on the credit term, is as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**78,037**	82,014
1 to 3 months	**81,993**	57,482
3 to 6 months	**3,652**	1,087
6 months to 1 year	**791**	1,007
Over 1 year	**237**	369
Total	**164,710**	141,959

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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepayments	**186,073**	55,106
Deposits and other receivables	**163,832**	194,173
	349,905	249,279

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Cash and bank balances	**362,641**	186,048
Time deposits	**–**	2,874
	362,641	188,922
Less: Non-pledged time deposits with original maturity of over three months when acquired	**–**	(2,874)
Cash and cash equivalents	**362,641**	186,048

Cash and cash equivalents are dominated in:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
RMB	**134,152**	184,698
Hong Kong Dollar ("HK$")	**228,489**	1,350
Cash and cash equivalents	**362,641**	186,048

16. TRADE PAYABLES

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 3 months	**69,565**	50,338
3 to 6 months	**45,325**	17,704
Over 6 months	**70,206**	50,417
	185,096	118,459

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

17. OTHER PAYABLES AND ACCRUALS

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Other payables	**22,745**	37,425
Accruals	**5,505**	13,875
Advances from customers	**2,161**	4,547
	30,411	55,847

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

18. INTEREST-BEARING BANK BORROWINGS

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Bank loans – secured, within one year	**533,760**	570,345
Bank loans – secured, non-current	**74,174**	74,415
	607,934	644,760

The interest-bearing bank borrowings as at 30 June 2016 were denominated in RMB, repayable within three years and bearing interests at 4.57% – 6.42% per annum.

As at 30 June 2016, the Group's inventories with a carrying amount of RMB443.5 million (31 December 2015: RMB366.1 million), property, plant and equipment with a carrying amount of RMB79.5 million (31 December 2015: RMB74.6 million) and leasehold land with a carrying amount of RMB11.2 million (31 December 2015: RMB11.2 million) were pledged to secure general banking facilities granted to the Group.

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

19. OTHER LONG TERM LIABILITIES

	notes	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Other long term payables	*(a)*	**133,000**	–
Special payables	*(b)*	**4,422**	4,505
At the end of the period		**137,422**	4,505

(a) On 6 May 2016, two subsidiaries of the Company, Huzhou Laohenghe Brewery Co., Limited ("**Huzhou Lao Heng He**") and Huzhou Chen Shi Tian Niang Management Consulting Co., Ltd ("**Huzhou Chen Shi**") entered into an investment agreement with China Development Fund Co., Ltd ("**CD Fund**") (國開發展基金有限公司). Pursuant to the investment agreement, CD Fund invested RMB133 million in Huzhou Lao Heng He (the "**Capital Investment**"). Based on the terms of the investment agreement, CD Fund has the right to request Huzhou Chen Shi to purchase the equity interest of Huzhou Lao Heng He owned by CD Fund within 8 years. Huzhou Lao Heng He shall pay CD Fund annual return equal to 1.2% of the Capital Investment. Based on the terms of the investment agreement, Huzhou Chen Shi, which is the shareholder of Huzhou Lao Heng He, has contractual obligation to CD Fund in the event of uncertain future events such as liquidation, dissolution or termination of Huzhou Lao Heng He that are beyond the control of the Group. As Huzhou Chen Shi does not have the unconditional right to avoid delivering cash, the Capital Investment of RMB133 million made by CD Fund was recorded as financial liability.

(b) As at 30 June 2016, the actuarial liabilities existing in relation to the retirement benefit obligations for employees who retired prior to the acquisition of Huzhou Lao Heng He by the controlling shareholders and the early retirement obligations for employees who early retired were RMB4,422,000 (31 December 2015: RMB4,505,000). 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 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Carrying amount at the beginning of the period	**4,505**	4,684
Benefits paid	**(83)**	(179)
At the end of the period	**4,422**	4,505

20. SHARE CAPITAL

Shares

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Authorised:		
1,000,000,000 ordinary shares of US$0.0005 (RMB0.00305) each	**3,050**	3,050
Issued and fully paid:		
578,750,000 (31 December 2015: 518,750,000) ordinary shares of US$0.0005 (RMB0.00305) each	**1,767**	1,584

The movements in share capital were as follows:

	Number of shares in issue	**Issued capital** *RMB'000*	**Share premium account** *RMB'000*	**Total** *RMB'000*
At 1 January 2015	518,750,000	1,584	769,489	771,073
Final 2014 dividend declared	–	–	(51,875)	(51,875)
At 31 December 2015	518,750,000	1,584	717,614	719,198
At 31 December 2015 and 1 January 2016	518,750,000	1,584	717,614	719,198
Final 2015 dividend declared	–	–	(45,650)	(45,650)
Issue of shares *(Note a)*	60,000,000	183	304,394	304,577
At 30 June 2016	578,750,000	1,767	976,358	978,125

(a) On 23 June 2016, 60,000,000 new shares have been issued and allotted by the Company to Natural Seasoning International (HK) Limited, at the subscription price of HK$6.00 (RMB5.08) per share under the general mandate granted to the Board at the annual general meeting of the Company held on 31 May 2016. The proceeds of RMB183,000 representing the par value, were credit to the Company's share capital. The remaining proceeds of RMB304,507,000 after netting-off the share issue expenses of RMB113,000 were credit to the share premium account.

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 twelve years.

As at 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**739**	971
In the second to fifth years, inclusive	**1,548**	1,752
After five years	**1,404**	1,572
	3,691	4,295

22. COMMITMENTS

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Plant and machinery	**76,121**	30,156

23. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	**294**	294
Pension scheme contributions	**28**	23
Total compensation paid to key management personnel	**322**	317

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The growth of GDP of the People's Republic of China (the "**PRC**") continues to slow down, with a year-on-year growth rate of 6.7% recorded in the first half of 2016. The growth momentum of the condiments industry has also slowed down. However, quality, innovative and premium products are still favoured by consumers, and increasingly more attention is being paid to safe and healthy products. Under this background, only players who are able to quickly adapt themselves to the changing market condition and consumer consumption trend can seize the favourable opportunities.

The sales in the first half of 2016 slightly increased as compared with the corresponding period of 2015. The Company focused on expanding its sales and marketing team along with optimizing its marketing and promotion strategy. As at 30 June 2016, the Company employed 225 sales and marketing employees, increasing from approximately 61 sales and marketing employees as at 31 December 2015. We are near completion on deploying our sales team across our distribution regions.

In the first half of 2016, the Company has adopted a new distribution strategy, shifting its focus from major supermarket channels to further focusing on vertical penetration of our distribution network to third tier and fourth tier cities. We continue to broaden our customer base into more geographic locations and roll our products into nationwide distribution foot print. We have added around 218 new distributors, namely around 84 in Eastern China, 30 in Northern China, 12 in North East China, 42 in Central China and North West China and around 50 in Southern China. Our customers are mainly based in Eastern China, Southern China and Northern China, and rest of the third and fourth tier cities in China. As of 30 June 2016, we have a total of around 600 distributors.

The Company has decided to divert more resources to the local regional distribution channels. We have rolled out new products to better fit the regional distribution channels' profile, focusing on medium ranged products. In addition, we have reduced our promotional and marketing activities in the major supermarkets, which lead to reduced sales of our products.

In the first half of 2016, we introduced 4 new products in the medium range, including 1L Rose Vinegar, 350ml and 500ml Sticky Ricewine and 1.9L Handmade Ricewine.

In the first half of 2016, we strengthened our sales team management and enforcement of sales policies, and implemented incentive structures that will reward and penalize our sales team based on sales target performance. Our shift in focus in the distribution channels will allow us to expand and diversify our sales channels to better weather any changing market conditions.

For the six months ended 30 June 2016, revenue of the Group amounted to RMB360.1 million (six months ended 30 June 2015: RMB356.7 million), representing an increase of 1.0% as compared to the corresponding period of 2015.

Financial Review

Overview

The key financial indicators of the Group are as follows:

	Six months ended 30 June		**Period-to-period change**
	2016	2015	
	RMB'000	*RMB'000*	*(%)*
Income statement items			
Sales	**360,064**	356,676	1.0
Gross profit	**197,132**	202,245	(2.5)
Profit attributable to owners of the parent	**101,654**	109,977	(7.6)
EBITDA	**159,654**	159,299	0.2
Earnings per share (RMB cents) *(Note a)*			
– basic and diluted	**19.5**	21.2	(8.0)
Selected financial ratios			
Gross profit margin (%)	**54.7%**	56.7%	(3.5)
Net profit margin attributable to owners of the parent (%)	**28.2%**	30.8%	(8.4)
EBITDA margin (%)	**44.3%**	44.7%	(0.9)

	30 June 2016	31 December 2015	**Period-to-period change**
	RMB'000	*RMB'000*	*(%)*
Gearing ratio *(Note b)*	**25.0%**	30.9%	(19.1)

Notes:

(a) Please refer to Note 8 to the financial statements for the calculation of earnings per share.

(b) The gearing ratio is based on net debt divided by total equity and net debt as at 30 June 2016. Net debt includes total debt net of cash and cash equivalents. Total debt include trade payables, other payables and accruals, interest-bearing bank and other borrowings and other long term liabilities.

Revenue

During the six months ended 30 June 2016, the revenue of the Group increased by 1.0% from RMB356.7 million for the six months ended 30 June 2015 to RMB360.1 million for the corresponding period of 2016, primarily reflecting combined effect of the decrease in the sale of our soy sauce products and vinegar products and the increase in the sale of our cooking wine and other products.

Revenue from cooking wine products increased by 0.2% from RMB258.6 million for the six months ended 30 June 2015 to RMB259.2 million for the corresponding period of 2016, reflecting the combined effect of the decrease of sales volume for premium and high-end cooking wine and the increase of sales for medium-range and mass-market cooking wine.

Revenue from the Group's soy sauce products decreased by 11.4% from RMB55.4 million for the six months ended 30 June 2015 to RMB49.1 million for the corresponding period of 2016, reflecting a decrease in sales volume for the Group's soy sauce products like Premium Flavored Soy Sauce (鮮上鮮醬油).

Revenue from the Group's vinegar products decreased by 7.2% from RMB34.8 million for the six months ended 30 June 2015 to RMB32.3 million for the corresponding period of 2016, reflecting a decrease in sales volume for Crab Vinegar (蟹醋) and Premium Zhejiang Vinegar (上品浙醋).

Revenue from the Group's other products increased by 146.8% from RMB7.9 million for the six months ended 30 June 2015 to RMB19.5 million for the corresponding period of 2016, reflecting an increase in sales volume for the Group's sauce products such as soybean paste (黄豆醬) and fermented bean curd products.

The Group believes the slowdown in the Group's sales during the six months ended 30 June 2016 is largely a result of the decrease in the frequency of the promotions in the major supermarket channels, especially for the premium and high-end product, lead to lower sales from the major supermarket channels.

Cost of Sales

The Group's cost of sales, include raw materials, manufacturing overhead and salaries and benefits, increased by 5.5% from RMB154.4 million in the six months ended 30 June 2015 to RMB162.9 million for the corresponding period of 2016.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by 2.5% from RMB202.2 million in the six months ended 30 June 2015 to RMB197.1 million for the corresponding period of 2016, and the gross profit margin decreased from 56.7% in the six months ended 30 June 2015 to 54.7% for the corresponding period of 2016. The decrease in gross profit margin is due to the decrease in the portion of revenue from the Group's premium and high-end products.

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 RMB18.9 million during the six months ended 30 June 2015 to RMB23.9 million for the corresponding period of 2016, which was mainly due to the RMB4.6 million spending in advertising expenses on TV advertisement and name sponsorship on TV shows. The Group's selling and distribution expenses as a percentage of the Group's revenue increased from 5.3% for the six months ended 30 June 2015 to 6.6% for the corresponding period of 2016, primarily as a result of the increasing marketing expenses and sales employee cost.

Administrative Expenses

The administrative expenses increased by 11.3% from RMB39.8 million during the six months ended 30 June 2015 to RMB44.3 million for the corresponding period of 2016, mainly due to the increase in research and development expenses for new production methods based on traditional production techniques to develop new taste and enhancing nutritional values.

Finance Costs

Finance costs increased by 24.2% from RMB15.3 million during the six months ended 30 June 2015 to RMB19.0 million for the corresponding period of 2016. The increase in finance costs primarily reflected an increase in average balance of bank loans to fulfill the increased working capital needs for the expanded production capacity during the first half year of 2016.

Profit before Tax

As a result of the foregoing, the profit before tax decreased by 7.7% from RMB129.9 million during the six months ended 30 June 2015 to RMB119.9 million for the corresponding period of 2016.

Income Tax Expense

As mentioned above, the subsidiaries of the Company in China, Huzhou Laohenghe Brewery Co. Limited ("**Huzhou Lao Heng He**") and Huzhou Laohenghe Wine Co., Limited, having received the "Certificate of New and Advanced Technology Enterprise", were entitled to the beneficial tax rate of 15% for three years ended 31 December 2015. The Directors confirm that the Group have completed the relevant filing procedures for the "New and Advanced Technology Enterprise" status as at 30 June 2016 and expect the Group to continue to enjoy the beneficial tax rate of 15%. In the event if the Group do not continue to be qualified as "New and Advanced Technology Enterprise", then the applicable corporate income tax of the Group from 1 January 2016 onwards shall be at the tax rate of 25%.

As such, the corporate income tax of the Group for the six months ended 30 June 2016 in respect of its operations in the PRC was provided at the rate of 15% (six months ended 30 June 2015: 15%) on the taxable profits. Income tax expenses decreased by 8.5% from RMB19.9 million during the six months ended 30 June 2015 to RMB18.3 million for the corresponding period of 2016, which was mainly due to the decrease in profit before tax. The effective income tax rate was 15.2% and 15.4% for the first half year of 2016 and the corresponding period of 2015, respectively.

Profit for the period attributable to owners of the parent

Profit attributable to owners of the parent decreased by about 7.6% from RMB110.0 million for the six months ended 30 June 2015 to RMB101.7 million for the corresponding period of 2016. Basic earnings per share decreased from RMB21.2 cents for the six months ended 30 June 2015 to RMB19.5 cents for the six months ended 30 June 2016 and net profit margin decreased from 30.8% for the six months ended 30 June 2015 to 28.2% for the corresponding period of 2016. Decrease in earnings per share was attributable to the decrease of the net profit margin attributable to ordinary equity holders of the parent and the increase in the weighted average number of ordinary share in issue. The decrease in net profit margin was primary a result of the decrease in gross profit margin.

Financial and Liquidity Position

Working Capital Management

A substantial part of the inventories of the Group was contributed by work-in-progress, which mainly represented the base wine, work-in-progress soy sauce and base vinegar in the brewing period. The inventory turnover days increased from 931 days during the year of 2015 to 1,090 days during the first half year of 2016, which was primarily a result of increase in work-in-progress by RMB75.5 million, or 8.2%. In order to cope with the continuing increase in demand for the cooking wine, soy sauce, soybean paste and vinegar products, the Group keeps adjusting its production scale 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 slightly from 75 days for the year ended 31 December 2015 to 78 days for the six months ended 30 June 2016, which was mainly due to the fact that the Company slightly extended the credit terms with its long standing distributors to longer periods under the current slowed down economy.

Trade payables represented payables to suppliers for raw materials, like rice, wheat, bean and others. Trade payables turnover days decreased from 116 days for the year ended 31 December 2015 to 92 days for the six months ended 30 June 2016, primarily due to the increase in the prepayments for raw materials.

Capital Commitment

Capital commitment as at 30 June 2016 amounted to approximately RMB76.1 million (31 December 2015: RMB30.2 million), which was mainly related to construction in progress for expansion of the production plant.

Contingent Liabilities

As at 30 June 2016, the Group did not have any material contingent liability.

Pledge of Assets

As at 30 June 2016, the Group's inventories with a carrying amount of RMB443.5 million (31 December 2015: RMB366.1 million), property, plant and equipment with a carrying amount of RMB79.5 million (31 December 2015: RMB74.6 million) and leasehold land with a carrying amount of RMB11.2 million (31 December 2015: RMB11.2 million) were pledged to secure bank loans granted to the Group.

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

Inventories

Inventories increased from RMB945.5 million as of 31 December 2015 to RMB1,023.2 million as of 30 June 2016 primarily due to the increase in work-in-progress, which in turn reflected increased production of base wine, work-in-progress 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 Group's 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 2016, the Group's total bank borrowings amounted to RMB607.9 million (31 December 2015: RMB644.8 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 2016, the Group had cash and cash equivalents of RMB362.6 million (31 December 2015: RMB186.0 million). As at 30 June 2016, the Group had interest-bearing bank borrowings of an aggregate amount of RMB607.9 million (31 December 2015: RMB644.8 million), which were denominated in RMB, repayable within three years and bearing interests at 4.57% to 6.42% per annum. The gearing ratio, calculated as net debt divided by total equity and net debt as at 30 June 2016, amounted to 25.0% (31 December 2015: 30.9%).

FUTURE PROSPECTS

We expect the uncertainty in the Chinese economy will prevail into the second half of 2016 due to the complicated internal and external environments. However, with the "slower growth and structural improvement" (放緩速度、優化結構) policy guidance on the Chinese economy being gradually implemented, 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 the condiments industry.

With our expanded production facilities, the production capacity of our high-end soy sauce, and soybean sauce will be further increased. Our Premium Flavored Soy Sauce (鮮上鮮醬油) and original soybean sauce will be able to be distributed to more distribution channels and market regions.

While we focusing on launching new products gradually, the Company will make more efforts in building up distribution channels in Eastern China, Southern China, Northern China, Northeastern China and other non first tier cities in the second half of 2016, accelerating the expansion of sales channels and designing products that fit with the end customer base. We intend to significantly increase our market shares in the regional distribution channels and have designed our sales strategies and distribution network based on closely defined market segments such as towns, counties and cities.

The Company will take full advantage of brand endorsement of Chef Nic (十二道鋒味), standardise our product images and prices and further execute our sales and marketing plans through our existing E-commerce platforms.

The Group's financial performance has met with headwinds in the first half of 2016, the challenge is expected to continue under current economic environment in China. But we believe through our prudent and diligent business management and our focused business strategy planning, we will be able to weather the uncertain economic environment ahead. The Group's stable customer base, the Company's focus on cost effectiveness, the expansion of the distribution channels, the constant development of new products and our focus on product quality and safety will contribute to the long term growth of our Company. The Group will strive to prepare for the up and downs of our industry and maintain our leadership position in the Chinese cooking wine industry.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or the Group after 30 June 2016.

EMPLOYEES & REMUNERATION POLICIES

As at 30 June 2016, the Group had a total of approximately 522 employees (31 December 2015: 303). The employees' cost including remuneration was RMB13.0 million during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB8.2 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 2015 (the "**2015 Annual Report**") and no change has been made during the six months period ended 30 June 2016.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Group as at 30 June 2016 (31 December 2015: nil).

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the six months ended 30 June 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2016, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 1 June 2016 (after trading hours), the Company entered into a subscription agreement with Natural Seasoning International (HK) Limited (the "**Subscriber**"), an investment vehicle managed by Lunar Capital. Pursuant to which the Company has agreed to allot and issue and the Subscriber has agreed to subscribe for 60,000,000 subscription shares (the "**Subscription Shares**") at a subscription price of HK $360 million (the "**Subscription**"), which is based on the subscription price of HK$6.00 per Subscription Share.

The Subscription Shares will be issued under the general mandate granted to the Directors by an ordinary resolution of the Shareholders passed on 31 May 2016, whereby the Directors have been duly authorised to allot and issue new shares not exceeding 20% of the total issued share capital of the Company in issue as at 31 May 2016. As such, the allotment and issue of the Subscription Shares are not subject to additional shareholders' approval.

The Subscription has been completed on 23 June 2016. Please refer to the announcements of the Company dated 2 June 2016 and 23 June 2016 for further details.

DEEMED DISPOSAL OF THE EQUITY INTEREST IN HUZHOU LAO HENG HE

On 6 May 2016 (after trading hours), China Development Fund Co. Ltd. ("**CD Fund**"), Huzhou Lao Heng He and Huzhou Chen Shi Tian Niang Management Consulting Co. Ltd. ("**Huzhou Chen Shi**"), entered into an investment agreement ("**Investment Agreement**") in relation to the capital investment of RMB133 million by CD Fund to Huzhou Lao Heng He ("**Capital Investment**"). The Capital Investment was completed on 27 June 2016, and CD Fund became a shareholder of Huzhou Lao Heng He, and owns approximately 3.46% of Huzhou Lao Heng He at completion.

Based on the terms of the Investment Agreement, Huzhou Lao Heng He agreed to repurchase the equity interest of Huzhou Lao Heng He owned by CD Fund within 8 years from the date of completion of the Capital Investment. Huzhou Lao Heng He shall pay CD Fund returns at an annual rate of equal to 1.2% of the Capital Investment. Based on the terms of the Investment Agreement, Huzhou Chen Shi, which is the shareholder of Huzhou Lao Heng He, has contractual obligation to pay CD Fund in the event that Huzhou Lao Heng He defaults in the payment of such return or repayment of the Capital Investment. As Huzhou Chen Shi does not have the unconditional right to avoid delivering cash, the Capital Investment of RMB133 million made by CD Fund was recorded as financial liability in the Company's financial statements. Please refer to Note 19 of the financial statements for further details.

Please refer to the announcements of the Company dated 9 May 2016 and 29 June 2016 for further details.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management structures and internal control procedures 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 2016.

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 2016, the positions of the Chairman and the CEO of the Company are held by Mr. Chen Weizhong. Although this deviates from the practice in provision A.2.1 of the Code, where the two positions should be held by two different individuals, Mr. Chen has considerable and extensive experience in the cooking wine industry and management in general. The Board believes that it is in the best interest of the Company to have an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in discussing the strategy and long-term development of the Group.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors 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 the Directors confirm that they have complied with the Model Code during the six months ended 30 June 2016. 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 2016.

CHANGE IN CORPORATE POSITIONS

With effect from 23 June 2016, (i) Mr. Zhang Bihong has resigned as the non-executive Director of the Company; and (ii) Mr. Sun Qingdong has been appointed as a non-executive Director of the Company and a member of the audit committee.

AUDIT COMMITTEE

The audit committee of the Company comprised of three independent non-executive Directors and one non-executive Director, namely Mr. Ma Chaosong (chairman), Mr. Lei Jiasu and Mr. Shen Zhenchang and Mr. Sun Qingdong (Appointed on 23 June 2016).

The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial information, financial reporting system, internal control and risk management system of the Group, to oversee the audit process, to develop and review the Group's policies and to perform other duties and responsibilities as assigned by the Board. The audit committee has reviewed the accounting principles and policies adopted by the Group together with the management and discussed auditing, internal controls and financial reporting matters.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (which comprises of three independent non-executive Directors and one non-executive Director, namely Mr. Ma Chaosong (Chairman), Mr. Lei Jiasu, Mr. Shen Zhenchang and Mr. Sun Qingdong) has discussed with the management of the Company and reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2016 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 2016 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 2016

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. Sun Qingdong; and three independent non-executive directors, namely, Mr. Shen Zhenchang, Mr. Lei Jiasu and Mr. Ma Chaosong.