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 2024

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2024 amounted to approximately RMB144.3 million, representing an increase of 12.9% from approximately RMB127.8 million for the corresponding period of 2023.
- Gross profit for the six months ended 30 June 2024 amounted to approximately RMB47.1 million, representing an increase of 6.6% from approximately RMB44.2 million for the corresponding period of 2023.
- Loss attributable to ordinary equity holders of the Company for the six months ended 30 June 2024 amounted to approximately RMB247.6 million, representing an increase of 1.1% from approximately RMB244.9 million for the corresponding period of 2023.
- The Board does not recommend the payment of interim dividends for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 condensed consolidated interim financial results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2024, together with the comparative figures for the corresponding period of 2023 as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*4*	**144,277**	127,791
Cost of sales		**(97,169)**	(83,609)
Gross profit		**47,108**	44,182
Other income and gains	*4*	**1,417**	1,282
Selling and distribution expenses		**(44,168)**	(46,503)
Administrative expenses		**(19,053)**	(22,091)
Impairment losses, net		**(393)**	(462)
Other expenses	*6*	**(132,253)**	(128,764)
Finance costs	*7*	**(100,262)**	(92,570)
Loss before income tax	*5*	**(247,604)**	(244,926)
Income tax expense	*8*	**–**	–
Loss for the period		**(247,604)**	(244,926)
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted (RMB)	*9*	**(0.43)**	(0.42)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(247,604)**	(244,926)
Items that will be reclassified to profit or loss in subsequent periods:		
— Exchange differences on translation of foreign operations	**(3,055)**	(1,477)
Total comprehensive expense for the period	**(250,659)**	(246,403)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	**As at 30 June 2024** *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**248,512**	258,114
Right-of-use assets		**46,310**	46,960
Other intangible assets		**555**	907
Prepayments, other receivables and other assets	*14*	**5,409**	3,865
		300,786	309,846
Current assets			
Inventories	*12*	**610,770**	645,899
Trade receivables	*13*	**18,459**	20,775
Prepayments, other receivables and other assets	*14*	**144,573**	126,167
Amounts due from related companies		**37**	246
Pledged deposits	*15*	**155**	131
Cash and cash equivalents	*15*	**9,873**	10,124
		783,867	803,342
Current liabilities			
Trade payables	*16*	**52,757**	57,268
Other payables and accruals	*17*	**390,362**	432,455
Other liability	*19*	**–**	50,000
Amounts due to related companies		**1,145**	1,649
Amount due to immediate holding company		**456**	453
Interest-bearing bank and other borrowings	*18*	**3,126,159**	2,806,293
Provision for loss on unauthorised guarantees		**17,500**	17,500
Tax payable		**72,408**	72,408
		3,660,787	3,438,026

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2024

	Notes	**As at 30 June 2024** *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Net current liabilities		**(2,876,920)**	(2,634,684)
Total assets less current liabilities		**(2,576,134)**	(2,324,838)
Non-current liabilities			
Interest-bearing other borrowings	*18*	**1,600**	2,187
Other long term liability	*19*	**6,467**	6,517
		8,067	8,704
Net liabilities		**(2,584,201)**	(2,333,542)
EQUITY			
Share capital	*20*	**1,767**	1,767
Reserves		**(2,585,968)**	(2,335,309)
Total deficit		**(2,584,201)**	(2,333,542)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

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.

The Company is an investment holding company. During the six months ended 30 June 2024, 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 since 28 January 2014.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of preparation

The unaudited condensed consolidated interim financial statements (the "**Interim Financial Information**") of the Group for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "*Interim Financial Reporting*" issued by International Accounting Standards Board ("**IASB**") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

Going concern assumption

In preparing the Interim Financial Information, the directors of the Company have given consideration to the future liquidity of the Group in light of its net cash used in operating activities of approximately RMB47,203,000 (six months ended 30 June 2023: RMB166,178,000) and net loss of approximately RMB247,604,000 (six months ended 30 June 2023: RMB244,926,000) incurred for the six months ended 30 June 2024 and, as of that date, the Group had net current liabilities of approximately RMB2,876,920,000 (31 December 2023: RMB2,634,684,000), capital deficiency of approximately RMB2,584,201,000 (31 December 2023: RMB2,333,542,000) and accumulated losses of approximately RMB3,449,460,000 (31 December 2023: RMB3,201,856,000), respectively.

As at 30 June 2024, the Group's total borrowings comprising interest-bearing bank and other borrowings amounting to approximately RMB3,127,759,000 (31 December 2023: RMB2,808,480,000), of which current borrowings amounted to approximately RMB3,126,159,000 (31 December 2023: RMB2,806,293,000) and approximately RMB1,863,275,000 (31 December 2023: RMB1,863,275,000) were overdue as disclosed in note 18 to the Interim Financial Information, while its cash and cash equivalents amounted to approximately RMB9,873,000 (31 December 2023: RMB10,124,000).

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Going concern assumption (Continued)

Despite of these circumstances, the Interim Financial Information have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the end of the reporting period, after taking into consideration of the measures and arrangements that the Group has implemented or is in the process of implementing as detailed below:

- The immediate holding company, Wuxing City Investment HK Company Limited, 吳興城投(香港)有限公司, has undertaken to provide continuing financial support to the Group for a period of twelve months from the date of approval (i.e. 30 March 2024) of the annual consolidated financial statements for the year ended 31 December 2023 by the directors in order to maintain the Group as a going concern;

- The Group is in negotiation with financial institutions for the renewals of the Group's short term borrowings upon expiry, new borrowings and applying for future credit facilities. Up to the date of issuance of the condensed consolidated interim financial statements, the Group's major lenders, Huzhou Wuxing City Investment Development Group Co., Ltd. 湖州吳興城市投資發展集團有限公司 ("**湖州吳興城市**"), 湖州吳興南太湖建設投資集團有限公司 ("**南太湖**") and 湖州湖盛融資租賃有限公司 ("**湖盛融資**") have shown the positive support on the Group by not requiring the Group to repay the loan of RMB319,335,000, RMB2,156,082,000 and RMB296,633,000 (31 December 2023: RMB203,305,000, RMB1,998,748,000 and RMB275,987,000) respectively and has undertaken to provide new financing facilities of approximately RMB150,000,000 for a period of 12 months from the date of approval (i.e. 30 March 2024) of the annual consolidated financial statements for the year ended 31 December 2023. Therefore, the directors of the Group are confident that the entire borrowings can be renewed upon expiration and future credit facilities can be applied based on the Group's past experience and credit history; and

- The directors have evaluated all the relevant facts available to them and made a business plan to improve its liquidity by (i) monitoring the production activities in order to fulfill the forecast production volume and meet sales forecast, (ii) taking measures to tighten cost controls over various production costs and expenses, and (iii) any feasible financial arrangement.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the end of the reporting period after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its business. Accordingly, the directors are of the opinion that it is appropriate to prepare the Interim Financial Information of the Group for the six months ended 30 June 2024 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its immediate holding company and major lenders.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the Interim Financial Information.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Changes in accounting policies and disclosures

The Interim Financial Information for the six months ended 30 June 2024 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following amended International Financial Reporting Standards ("**IFRSs**") which are effective as of 1 January 2024.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and related amendments to International Interpretation 5
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The adoption of these amended IFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

The Group has not applied any new standard, amendment to standard or interpretation to IFRSs and IFRSs that are not yet effective for the current accounting period.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture 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 that 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 derived from sales to individual customers amounting to 10 percent or more of the Group's revenue for the reporting period is set out in the following table:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**15,062**	14,387

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	**144,277**	127,791

Revenue from contracts with customers

(i) Disaggregated revenue information

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods		
Condiment products	**144,277**	127,791
Timing of revenue recognition		
Goods transferred at a point in time	**144,277**	127,791

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Other income and gains

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Subsidy received	**47**	136
Bank interest income	**5**	12
Foreign exchange gain, net	**214**	42
Other interest income	**1,031**	1,081
Others	**120**	11
	1,417	1,282

5. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses (excluding directors' remuneration):		
— Wages and salaries	**19,636**	18,660
— Pension scheme contributions	**3,231**	2,663
	22,867	21,323
Depreciation:		
— Owned assets	**14,144**	13,593
— Right-of-use assets	**650**	650
	14,794	14,243
Impairment loss/(Reversal of impairment loss), net on		
— Trade receivables	**(301)**	(51)
— Other receivable	**694**	665
— Amounts due from related companies	**–**	(152)
	393	462
Amortisation of other intangible assets	**352**	107
Cost of inventories recognised as expenses	**97,169**	83,609
Research and development costs	**6,716**	6,463
Donations	**15**	51
Foreign exchange gain, net	**(214)**	(42)

6. OTHER EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Donations	**15**	51
Surcharge for overdue tax payment	**17,585**	19,996
Overdue interest expenses	**114,367**	108,518
Others	**286**	199
	132,253	128,764

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**1,974**	–
Interest on other borrowings	**98,205**	92,460
Interest on lease liabilities	**83**	110
	100,262	92,570

8. INCOME TAX EXPENSE

No provision for PRC Income Tax has been provided as the Group incurred taxation losses for the six months ended 30 June 2024 and 2023.

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Income Tax		
— Current period	**–**	–

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 578,750,000 (six months ended 30 June 2023: 578,750,000) in issue during the six months ended 30 June 2024.

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the Company (RMB'000)	**(247,604)**	(244,926)
Weighted average number of ordinary shares in issue (in thousands)	**578,750**	578,750
Loss per share attributable to ordinary equity holders of the Company — Basic and diluted (RMB)	**(0.43)**	(0.42)

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2024 and 2023 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue.

10. DIVIDEND

No interim dividend was proposed for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group purchased property, plant and equipment with an aggregate cost of approximately RMB4,624,000 (six months ended 30 June 2023: RMB7,814,000) and disposed of certain plant and equipment with an aggregate carrying amount of approximately RMB82,000 (six months ended 30 June 2023: RMB788,000), resulting in a loss on disposal of approximately RMB82,000 (six months ended 30 June 2023: RMB788,000).

12. INVENTORIES

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Raw materials	**10,307**	11,040
Work in progress	**583,937**	616,847
Finished goods	**16,526**	18,012
	610,770	645,899

13. TRADE RECEIVABLES

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Trade receivables, gross	**20,612**	23,229
Less: Allowance for credit losses	**(2,153)**	(2,454)
Trade receivables, net	**18,459**	20,775

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 ageing analysis of the trade receivables of the Group based on the invoice date and net of loss allowance, is as follows:

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Within 3 months	**12,920**	16,248
3 to 6 months	**3,767**	3,198
6 months to 1 year	**1,772**	1,329
	18,459	20,775

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Prepayments	**5,285**	4,390
Value-added tax recoverable	**110,303**	91,001
Deposits and other receivables	**34,394**	34,641
	149,982	130,032
Less: Portion classified as non-current assets	**(5,409)**	(3,865)
Current portion included in prepayments, other receivables and other assets	**144,573**	126,167

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Cash and bank balances	**9,873**	10,124
Pledged deposits	**155**	131
	10,028	10,255

Cash and cash equivalents are denominated in:

RMB	**9,125**	9,182
Hong Kong Dollar	**588**	782
United States Dollar (USD)	**160**	160
Cash and cash equivalents	**9,873**	10,124

16. TRADE PAYABLES

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

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Within 3 months	**23,684**	27,763
3 to 6 months	**21,461**	14,445
Over 6 months	**7,612**	15,060
	52,757	57,268

Trade payables of the Group are non-interest-bearing and are normally settled on terms of one to six months, extending to longer period for those long standing suppliers. The carrying amounts of the trade payables approximate to their fair values.

17. OTHER PAYABLES AND ACCRUALS

	Notes	As at 30 June 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Contract liabilities		**10,313**	50,097
Other tax payables	*(a)*	**49,294**	61,020
Other payables and accruals	*(b)*	**324,569**	311,897
Amount due to a director		**7**	6
Salary payables		**6,179**	9,435
		390,362	432,455

Notes:

(a) Included the balances were mainly the value added tax payable of approximately RMB38,588,000 (31 December 2023: RMB47,629,000).

(b) Included in the balances were mainly the provision of surcharge for overdue tax payment and equipment and construction costs payables of approximately RMB232,534,000 and RMB10,859,000 (31 December 2023: RMB214,949,000 and RMB14,516,000).

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Current		
Lease liabilities	**1,195**	911
Bank loans — unsecured	**49,000**	49,000
Bank loans — secured	**10,010**	–
Other borrowings — unsecured	**393,627**	278,342
Other borrowings — secured	**2,672,327**	2,478,040
	3,126,159	2,806,293
Non-current		
Lease liabilities	**1,600**	2,187
Total	**3,127,759**	2,808,480

18. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) As at 30 June 2024, the Group's total facilities of bank loans amounting to RMB59,010,000 (31 December 2023: RMB49,000,000), of which RMB59,010,000 (31 December 2023: RMB49,000,000) had been utilised.

(b) As at 30 June 2024, included in the balances were bank loans amounting to RMB49,000,000 (31 December 2023: RMB49,000,000), which were unsecured, guaranteed by the fellow subsidiary of the Group, 湖州吳興城市, bearing interest at 5.80% (31 December 2023: 5.80%) per annum and repayable within one year (2023: repayable within one year).

(c) As at 30 June 2024, included in the balances were bank loans amounting to RMB10,010,000 (31 December 2023: Nil), which were secured, bearing interest at 3.25%–3.40% (31 December 2023: Nil) per annum and repayable within one year (31 December 2023: Nil).

(d) As at 30 June 2024, included in the balances were other borrowings amounting to approximately RMB393,627,000 (31 December 2023: RMB278,342,000) which were unsecured, bearing interest at 7.00%–24.00% (31 December 2023: 7.00%–24.00%) per annum and repayable within one year (31 December 2023: repayable within one year), in which approximately RMB99,723,000 (31 December 2023: Nil) was from the fellow subsidiary of the Group, 湖州吳興城市.

(e) As at 30 June 2024, included in the balances were other borrowings amounting to approximately RMB2,672,327,000 (31 December 2023: RMB2,478,040,000) which were secured, bearing interest at 10.65%–15.32% (31 December 2023: 10.65%–15.32%) per annum and repayable within one year (31 December 2023: repayable within one year), in which RMB219,612,000, RMB2,156,082,000 and RMB296,633,000 (31 December 2023: RMB203,305,000, RMB1,998,748,000 and RMB275,987,000) were from the fellow subsidiaries of the Group, 湖州吳興城市, 南太湖 and 湖盛融資 respectively.

(f) As at 30 June 2024, the Group's other borrowings amounting to approximately RMB1,863,275,000 (31 December 2023: RMB1,863,275,000) in principal amount were overdue and the related overdue interest expense of approximately RMB114,367,000 (30 June 2023: RMB108,518,000) was recognised for the six months ended 30 June 2024.

(g) At the end of the reporting period, certain of the Group's assets were pledged to the lenders for securing the bank and other borrowings granted to the Group.

The carrying values of these assets are:

	Carrying values	
	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**183,506**	189,337
Right-of-use assets	**46,310**	46,960
Inventories	**454,919**	487,255
	684,735	723,552

18. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(h) As at 30 June 2024, included in the balances were other borrowings amounting to approximately RMB20,175,000 (31 December 2023: RMB19,144,000) that were withdrawn on behalf of a former related company, Zhejiang Zhongwei Brewery Co., Limited. The amounts were unsecured, bore interest at 24.00% (31 December 2023: 24.00%) per annum and repayable on demand.

(i) As at 30 June 2024, the Group's other borrowings amounting to approximately RMB209,250,000 (31 December 2023: RMB209,250,000) in principal amount included certain sale and leaseback arrangements of machinery and equipment that were overdue as at 30 June 2024 and 31 December 2023. According to the sale and leaseback agreements, if no default occurs during the lease term, the ownership of the plant and machinery shall be automatically transferred to the lessee at a nominal consideration.

The management assessed the accounting treatment and was of the view that the Group have control over the machinery and equipment as the Group had the option to acquire the assets at nominal consideration at the end of the lease period. Thus the transfer of the machinery and equipment to the lender did not satisfy the requirement of IFRS 15 to be accounted for as a sales of assets and the Group shall continue to recognise the transferred assets as property, plant and equipment and shall recognised transfer proceeds from the lender as other borrowings.

All the Group's bank and other borrowings are denominated in RMB. The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

19. OTHER LIABILITIES

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Other liability *(note)*	**–**	50,000
Provision for long service payment	**6,467**	6,517
	6,467	56,517

Note:

On 6 May 2016, two subsidiaries of the Company, Huzhou Chen Shi Tianniang Industrial Co., Ltd ("**Huzhou Chenshi**") and Huzhou Laohenghe Brewery Co., Limited ("**Huzhou Laohenghe**", which is also the subsidiary of Huzhou Chenshi) entered into an investment agreement with China Development Fund Co., Ltd ("**CD Fund**") (the "**Investment Agreement**"). Pursuant to the Investment Agreement, CD Fund agreed to subscribe for 3.5% of equity interest of Huzhou Laohenghe for a total cash consideration of RMB133,000,000 (the "**Capital Investment**") and Huzhou Laohenghe shall pay CD Fund fix annual return equal to 1.2% of the Capital Investment from the date of the agreement. In additions, Huzhou Chenshi has contractual obligation to repurchase all the equity interest of Huzhou Laohenghe held by CD Fund within 8 years according to the repayment schedule under the Investment Agreement.

Further details of the Investment Agreement have been disclosed in the announcements of the Company dated 9 May 2016 and 29 June 2016, respectively.

19. OTHER LIABILITIES (continued)

As Huzhou Chenshi does not have the unconditional right to avoid delivering cash to CD Fund pursuant to the Investment Agreement, the Capital Investment of RMB133,000,000 was recorded as a financial liability.

On 2 February 2024, the Group settled the remaining other liability amounting to RMB50,000,000 by bank transfer. Upon the completion of settlement, the 3.5% equity interest in CD Fund should be transferred to the Group. The transfer of this equity interest was not completed at the date of issuance of the Interim Financial Information (31 December 2023: RMB50,000,000 was payable on 2 February 2024 according to the repayment schedule under the Investment Agreement).

20. SHARE CAPITAL

Details of movement of the share capital of the Company are as follows:

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Authorised:		
1,000,000,000 ordinary shares of USD0.0005 (RMB0.00305) each	**3,050**	3,050
Issued and fully paid:		
578,750,000 ordinary shares of USD0.0005 (RMB0.00305) each	**1,767**	1,767

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are one of the leading manufacturers of condiment products in the People's Republic of China (the "**PRC**" or "**China**"). We offer high quality and healthy brewed cooking wine as well as other condiments, including naturally-brewed soy sauce, naturally-brewed vinegar, soybean paste, sesame oil and fermented bean curd, which are organic without any additives. In the first half of 2024, we attained the following achievements:

1. Our matsutake cooking wine was awarded the title of 2024 Cereal-based Brew Cooking Wine Flavour Award (2024穀物釀造料酒醞味獎) at the 20th China International Alcoholic Drinks Expo;

2. Our subsidiary, Huzhou Lao Heng He Brewery Co., Ltd., was designated by the "leading group for rural work of the Wuxing Committee of the Huzhou City of the Chinese Communist Party (中共湖州市吳興區委農村工作領導小組)" as the "Top Ten Leading Agricultural Enterprise (十佳農業龍頭企業)" in Wuxing District in 2023;

3. Lao Heng He once again obtained certifications including "integrity and quality management system (誠信質量管理體系)" and "organic product certification (有機產品質量認證)"; and

4. Our product, the king of Huadiao cooking wine (花雕料酒王), was recognised as "2023 Zhejiang Province Famous, Special and Excellent Food (2023 年度浙江省名特優食品)" by the Zhejiang Industry Organisation (浙江省工業協會).

In the first half of 2024, the economy in China demonstrated high resilience and growth momentum characterised by complexity and volatility with considerable challenges despite promising prospects. Amid fierce global market competition, leading enterprises achieved market dominance by leveraging on advantages in terms of their brands, channels and techniques. Leading brands retained their income without increase in profit, and most enterprises were facing domestic competitions such as price wars. In light of the intensification of the abovementioned situation, the Group adhered to the spirit of the "Year of Grasping Projects (大抓項目年)" meeting held in 2024. The Group enhanced its market competitiveness and growth in product sales by reducing costs and enhancing effectiveness as well as operating efficiency, optimising product structure, stepping up promotion efforts and expanding sales channels.

In the first half of 2024, as for market strategy, the Group continued to engage professional marketing team from Shanghai Osens Creative of Culture Co., Ltd (上海歐賽斯文化創意有限公司) to provide a full-scale upgrade package for our current brand and further enhance the planning and design in terms of high-end product packaging, plans for promotional events, deployment of various online media platforms and key offline promotion channels so as to adopt a brand new appearance under our "grand brand, big single product and national product (大品牌、大單品、國民產品)" strategy through multiple channels and capture the high ground of diversified condiment products.

In order to further enhance the brand awareness and influence of the Company through marketing and promotion, in January 2024, the Group cooperated with Xinchao Media in respect of media broadcast in elevators and adopted elevator advertisement as the preferred form of media for the first time. During the advertising period, the search volume of the "Lao Heng He" brand exhibited an increase of 33% when compared with the previous period and 300% when compared with the corresponding period last year. Furthermore, in April 2024, the Group was invited to take part in the "Hainan Expo 2024" organised by the Ministry of Commerce and The People's Government of Hainan Province. Through the above mentioned broadcast and exhibitions, more young people became the core members of "Lao Heng He", the time-honored, century-old Chinese brand, thus enhancing the confidence of our customers in our product operations.

In terms of product research and development, in the first half of 2024, the Group continued to engage external technical professionals with doctoral and undergraduate qualifications to form a research and development team, and established comprehensive product research and development system and procedures. Our team cooperated with tertiary institutions such as Zhejiang Gongshang University and Jiangnan University to carry out research on brewing theories. To pave the way for standardising our technological procedures of production, we have successfully developed and launched over ten new products while improving the technology of the new production lines of soy sauce and soybean paste as well as bringing them into production.

In respect of product quality control, in the first half of 2024, the Group continued to strengthen its food safety technology protection capability by purchasing relevant equipment and testing instruments as well as enhancing technical support. We have strengthened and improved the food safety control system to strictly monitor the process from raw materials, processing, factory inspection to storage, transportation and sales. We have built a whole-process digital food safety traceability system, so as to implement code control of each product, formulate emergency plans and disposal plans for food safety accidents, establish a sound risk management and control mechanism, implement food safety hazard investigation, and carry out monitoring measures such as daily control, weekly inspection and monthly scheduling. Meanwhile, we have formulated emergency plans and disposal plans for food safety accidents to gradually improve and enhance the establishment of the quality system.

In respect of production workshop management, in the first half of 2024, the Group continued to reconstruct and upgrade the existing equipment, improve and innovate the process, formulate standardised systems, optimise the operation process, and improve the operation level of the production management team. Meanwhile, in order to further expand the market and develop new products, the Group purchased new equipment to enhance labour efficiency of the workshop and reduce production cost, so that the products of the Company have more core competitive strengths in the market.

In the first half of 2024, the Group achieved sales revenue of approximately RMB144.3 million, representing an increase of approximately 12.9% as compared to approximately RMB127.8 million for the corresponding period of 2023. The increase in sales revenue was mainly attributable to the optimisation of our product structure, promotion enhancement and concurrent development through multiple channels. On the other hand, the Group actively implemented measures to reduce costs and enhance efficiency, thereby enhancing production and operating efficiency, management effectiveness, product quality and comprehensive core market competiveness.

In the first half of 2024, our cooking wine products remained as our major source of revenue, accounting for approximately 63.9% of our total revenue. On the other hand, with the market repositioning of our soy sauce products, our sales revenue of soy sauce products in the first half of 2024 amounted to approximately RMB16.2 million, accounting for approximately 11.2% of our total revenue. In terms of market strategy, our existing distributors are located in fourth- and fifth-tier cities across 30 provinces, autonomous regions and municipalities in China. We continued to promote channel penetration and development of distribution and catering channels in the Yangtze River Delta and Pearl River Delta regions, actively develop overseas markets, and increase investment in the promotion of the reach of our products at sales terminals through a number of preferential measures. In order to match with the aforementioned market penetration strategy and to cope with the adverse factors such as insufficient market consumption power, we have adjusted the Group's product structure to increase the proportion of sales of mid-range products with higher popularity yet lower gross margins. As a result, the gross profit margin of the Group's products decreased from approximately 34.6% for the first half of 2023 to approximately 32.7% for the corresponding period of 2024.

The loss attributable to ordinary equity holders of the Company was approximately RMB247.6 million (the corresponding period of 2023: RMB244.9 million), representing an increase of approximately 1.1% as compared to the corresponding period of 2023, due to the combined effect of the abovementioned increase in revenue and decrease in gross profit. Based on the expected growth in sales of cooking wine, soy sauce, rice vinegar, fermented bean curd and other products as a result of the growing demand from existing customers and further development of sales channels, we believe that a rich and diversified condiment product portfolio will be more beneficial to the business development of the Group in the coming years. Therefore, we are planning to further develop the horizontal and vertical condiment industry chain, and make Lao Heng He a diversified condiment manufacturer with cooking wine as the leading product.

Our profitability mainly depends on product pricing, cost of sales, marketing strategies and product structure and composition, as well as factors during the reform of the Company. We actively monitor any potential risk factors that may affect our financial results and strive to mitigate the increase in costs and expenses with more efficient operations, higher profit margin, better product portfolio, and sales channel penetration. However, the Group also faces certain risks in its business development process, including: (1) risks of significant increase in production costs, such as increase in the prices of agricultural and sideline products, packaging costs and labour costs; (2) changes in consumer education, awareness and habits in the consumption of cooking wine products, as well as the competition between multiple sales channels, which have a negative impact on our sales; (3) significant increase in market expansion costs and sales expenses as compared with the Company's expectations; (4) risks that our new products may not be recognised by the market in the short term; (5) the more complicated sales policies and credit terms management due to the rapid increase in the number of distributors; and (6) the impact of uncertainty in the new economic landscape.

Goals and Strategies

Looking forward to the second half of 2024, China will adhere to the principles of "leveraging reform to foster steady growth, structural adjustments, and risk prevention", "deepening comprehensive reforms by promoting Chinese-style modernisation, enhancing macro-control efforts, driving innovation-led development, tapping into the potential of domestic demand, continuously bolstering new growth drivers and competitive advantages, stimulating business entities vitality, stabilising market expectations, and boosting social confidence", continue to maintain the themes of "seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old" as the core economic strategy for the "Year of Consumption Promotion" in 2024, and place emphasises on "boosting consumption to expand domestic demand" and "focusing on service consumption as a key driver for consumption expansion and upgrading". In the new economic landscape, our market strategy remains consumer-centric, focusing on developing high-quality, affordable products that address diverse consumer needs. We will allocate resources to create products suitable for various sales channels, striving to enhance customer loyalty. Our commitment is to provide consumers with better quality, safer, faster, healthier, and more nutritious naturally brewed condiments.

In the second half of the year, the Group will concentrate on the "Year of Grasping Projects" initiated by Huzhou Wuxing City Investment Development Group Co., Ltd. (湖州吳興城市投資發展集團有限公司) in 2024. The focus will be on achieving the goals of expanding the customer base, increasing revenue, improving quality, controlling costs, and promoting innovation. At a meeting in February 2024, the Group emphasised the need for a continuous focus on operations, and the strategic approach of "One Heart, Two Wings" was reaffirmed for the future of the Company. The Group will exert significant effort in customer development, establishing a robust quality control system, and increasing investment in research and development, introducing new technologies and techniques to enhance product and service quality, establishing long-term cooperative relationships with suppliers, optimising the procurement processes, reducing procurement costs, and strictly controlling various expenses. The objectives are to raise revenue, cut costs, increase efficiency, and achieve business goals swiftly and steadily, ultimately striving for higher operating performance. This approach will lay a solid foundation for the future development of the Group's business. Despite market challenges, the Group remains optimistic about the future. Additionally, the Group will focus on developing other condiment areas to further promote business growth.

Our business objective for the second half of 2024 is to enhance our market position in the condiment industry by expanding diversified sales channels and conducting sales of portfolio products by leveraging our leading position in the base wine industry and multi-modal management of product production. On one hand, we will strengthen our corporate management by bringing in talented individuals and increasing our investment in business team building and staff training. On the other hand, we will enrich our product structure and continue to intensify our research and development efforts to launch more high-end products with high cost performance that cater to mass consumption. In terms of expanding distributors, we will continue to cooperate with strong online platforms and offline distributors through diversified development channels. We will also actively work to increase the market share of the "Lao Heng He" brand in the Chinese market.

We rapidly accelerated the development of new retail models, platforms, discount retail channels, private and public domain traffic, and ladder media. We continuously expanded our online product offerings and established various online channels that integrate traditional merchants with emerging retail platforms. These include online platforms for key account (KA) customer outlets in superstores, community e-commerce platforms, and group-buying e-commerce platforms. Each platform provides multi-dimensional coverage through live streaming and short video content. Additionally, we strive to strengthen the connection between social e-commerce and communities, creating a community distribution model guided by all employees.

"Lao Heng He" is committed to becoming the brand of choice for consumers.

Financial Review

Overview

The key financial indicators of the Group are as follows:

	Six months ended 30 June		Period-to-period change
	2024	2023	
	RMB'000	*RMB'000*	*%*
Income statement items			
Revenue	**144,277**	127,791	12.9
Gross profit	**47,108**	44,182	6.6
Loss attributable to ordinary equity holders of the Company	**(247,604)**	(244,926)	1.1
Loss before interest, taxes, depreciation and amortisation ("**LBITDA**")	**(132,196)**	(138,006)	(4.2)
Loss per share (RMB) *(note a)* — basic and diluted	**(0.43)**	(0.42)	2.4
Selected financial ratios			
Gross profit margin (%)	**32.7**	34.6	(5.5)
Net loss margin attributable to ordinary equity holders of the Company (%)	**(171.6)**	(191.7)	(10.5)
LBITDA margin (%)	**(91.6)**	(108.0)	(15.2)

	30 June 2024	31 December 2023	**Period-to-period change**
	RMB'000	*RMB'000*	*%*
Gearing ratio *(note b)* (%)	**357.8**	328.1	9.1

Notes:

(a) Please refer to note 9 to the Interim Financial Information for the calculation of loss per share.

(b) The gearing ratio is based on net debt divided by total equity and net debt as at 30 June 2024. Net debt includes total debt net of cash and cash equivalents. Total debt includes trade payables, other payables and accruals, other liability, amounts due to related companies, amount due to immediate holding company, interest-bearing bank and other borrowings, provision for loss on unauthorised guarantees and other long-term liability.

Revenue

The revenue of the Group increased by 12.9% from RMB127.8 million for the six months ended 30 June 2023 to RMB144.3 million for the corresponding period of 2024, primarily due to a combination of factors such as the Group's continuous development of new products, optimisation of the structure of old products, intensification of promotional efforts, co-existence of multi-channel development, active promotion of cost reduction and efficiency enhancement, and strengthening of product quality.

Revenue from the Group's cooking wine products increased by 13.3% from RMB81.4 million for the six months ended 30 June 2023 to RMB92.2 million for the corresponding period of 2024, primarily due to a combination of factors such as the Group's continuous development of new products, optimisation of the structure of old products, expansion of the depth and breadth of new products, better meeting of the diversified needs of consumers and intensification of promotional efforts.

Revenue from the Group's soy sauce products increased by 20.7% from RMB13.4 million for the six months ended 30 June 2023 to RMB16.2 million for the corresponding period of 2024 primarily due to the Group's focus on developing products with a zero-additive concept and high cost performance to cater for the diversified needs of different consumers in terms of health consumption.

While introducing new products to the market, we have also continued to adjust our product portfolio of rice vinegar and other products by reducing the production volume of low-performing products during this period. As a result, the revenue from rice vinegar and other products increased by 8.8% from RMB33.0 million for the six months ended 30 June 2023 to RMB35.9 million for the corresponding period of 2024.

Cost of Sales

The Group's cost of sales, including raw materials, manufacturing overhead and salaries and benefits, increased by 16.2% from RMB83.6 million for the six months ended 30 June 2023 to RMB97.2 million for the corresponding period of 2024, primarily attributable to an increase in revenue and increase in the proportion of sales of low and mid-range products with higher popularity yet lower gross margins.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 6.6% from approximately RMB44.2 million for the six months ended 30 June 2023 to approximately RMB47.1 million for the corresponding period of 2024, and the gross profit margin decreased from 34.6% for the six months ended 30 June 2023 to 32.7% for the corresponding period of 2024. The decrease in gross profit margin is primarily due to the adjustment to the Group's product structure to increase the proportion of sales of mid-range products with higher popularity yet lower gross margins.

Other Income and Gains

Other income and gains increased by 10.5% from approximately RMB1.3 million for the six months ended 30 June 2023 to approximately RMB1.4 million for the corresponding period of 2024. Other income and gains primarily include government subsidies received, foreign exchange gains and interest income. The increase in other income and gains for the period was primarily due to the increase in exchange rate gains and losses.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses, marketing expenses, travelling expenses, and remuneration for our sales employees. The Group's selling and distribution expenses decreased by 5.0% from approximately RMB46.5 million for the six months ended 30 June 2023 to approximately RMB44.2 million for the corresponding period of 2024. The Group's selling and distribution expenses as a percentage of the Group's revenue decreased from 36.4% for the six months ended 30 June 2023 to 30.6% for the corresponding period of 2024, primarily due to lower advertising and service expenses for marketing activities.

Administrative Expenses

Administrative expenses decreased by 13.8% from approximately RMB22.1 million for the six months ended 30 June 2023 to approximately RMB19.1 million for the corresponding period of 2024, mainly due to decrease in non-selling and non-production services and consultancy fees.

Finance Costs

Finance costs increased by 8.3% from approximately RMB92.6 million for the six months ended 30 June 2023 to approximately RMB100.3 million for the corresponding period of 2024. The increase in finance costs is primarily attributable to the increase in borrowings.

Loss before Income Tax

As a result of the foregoing, the loss before income tax increased by 1.1% from approximately RMB244.9 million for the six months ended 30 June 2023 to approximately RMB247.6 million for the corresponding period of 2024.

Income Tax Expense

The corporate income tax of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (corresponding period of 2023: 25%) on the taxable profits, in accordance with the existing legislation, interpretations and practices.

Income tax expenses remained nil for the six months ended 30 June 2024 and the corresponding period of 2023 mainly due to the continuous losses incurred by the Group.

Loss per Share Attributable to Ordinary Equity Holders of the Company

Basic loss per share increased from RMB0.42 for the six months ended 30 June 2023 to RMB0.43 for the corresponding period of 2024, mainly due to the increase in net loss caused by the reasons stated above.

Net Loss Margin

Net loss margin decreased by 10.5% from 191.7% for the six months ended 30 June 2023 to 171.6% for the corresponding period of 2024, which was mainly attributable to the increase in revenue.

Financial and Liquidity Position

Prepayments, deposits and other receivables

Details of the Group's prepayments, deposits and other receivables as at 30 June 2024 and 31 December 2023 are as follows:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepayments for fixed assets	**5,458**	4,234
Prepayments for procurement of condiment products	**8**	228
Other prepayments	**1,768**	1,877
Deposits and other receivables	**38,792**	38,345
	46,026	44,684
Less: Portion classify as non-current assets	**(5,409)**	(3,865)
Current portion included in prepayments, deposits and other receivables	**40,617**	40,819

Trade Receivables

Trade receivables primarily represented the receivables for goods sold to the distributors. Trade receivables turnover days decreased from 33 days for the year ended 31 December 2023 to 25 days for the six months ended 30 June 2024, which is attributable to the adjustment on distribution channels and cooperation with more high-quality distributors.

Inventories

Inventories decreased from approximately RMB645.9 million as at 31 December 2023 to approximately RMB610.8 million as at 30 June 2024 primarily due to the increase of sales revenue during current period and the increase in the use of work in progress and sales of finished products resulted from the significant increase in sales volume of mid-range products.

We regularly monitor the inventory level maintained by our distributors. Our sales representatives maintain frequent telephone or email communications with our distributors to inquire about their monthly inventory reports, and pay regular visits to their warehouses. Our sales representatives conduct statistics on the inventory of distributors at least once a month, which is reported to the Company weekly, and pay regular visits to the warehouses of distributors to ensure that they keep optimal stock level and our products are sold to end sellers within the shelf life. We generally expect our distributors to maintain sufficient stock for 30 to 60 days of supply. In the event a distributor maintains stocks of more than 45 days of supply, the relevant sales representatives will assist such distributor in marketing and promotional activities and suggest orders with a smaller amount to be placed for the subsequent periods to minimize excess inventory.

Borrowings

As at 30 June 2024, the Group's total borrowings amounted to approximately RMB3,127.8 million (31 December 2023: RMB2,808.5 million). The Group's principal sources of liquidity include cash generated from business operations and bank and other borrowings. The cash from these sources was primarily used for the Group's working capital and the expansion of production capacity. Presently, the Group does not employ any financial instruments to hedge against the interest rate exposure.

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 2024, the Group had cash and cash equivalents of approximately RMB9.9 million (31 December 2023: RMB10.1 million). As at 30 June 2024, we had interest-bearing bank and other borrowings of an aggregate amount of RMB3,127.8 million (31 December 2023: RMB2,808.5 million), which were denominated in RMB with interest rates from 3.25% to 24.00% per annum.

Our principal sources of liquidity include cash generated from business operation and bank and other borrowings. We used cash from such sources for working capital, production facility expansions, other capital expenditures and debt repayment. We expect these uses will continue to be our principal uses of cash in the future, and that our cash flow will be sufficient to fund our ongoing business requirements. Meanwhile, we have decided to further broaden our financing channel to improve our capital structure.

Capital Commitments

Capital commitments as at 30 June 2024 amounted to approximately RMB14.3 million (31 December 2023: RMB19.7 million), mainly due to payment of part of the cost of equipment and construction in progress.

Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liability.

Pledge of Assets

Please refer to note 18 of Interim Financial Information for details of pledge of assets of 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. The Group does not have any interest in any unconsolidated entity to which the Group provides financing, liquid capital, market risk or credit support or for which the Group engages in leasing or hedging or research and development or other services.

FUTURE PROSPECTS

Looking forward to the second half of 2024, China will focus on expanding domestic demand by boosting consumption. Meanwhile, improving people's livelihood and encouraging consumption will be the focus of its economic policy. China will strive to increase the income of its residents and adopt various measures to enhance the consumption ability and willingness of the low-middle-income groups while expanding and upgrading consumption by leveraging on consumption of services. Nonetheless, the condiment industry is still facing a lackluster demand and consumer confidence amid stiffening competition and an ever changing market environment. In particular, the changes in the market environment continue to polarise the landscape and create demand for high-end products with high cost performance at the same time. Meanwhile, the rise of discount retail channels and the pursuit of simplicity and high efficiency at the retail end have presented consumers with even more choices. In spite of the challenges and opportunities, the time-honoured Chinese brand products have remained largely popular among consumers given their premium quality and high cost performance, and nutritiousness, safety, tastiness and convenience continue to be the essence of the innovation and development of the condiment cooking wine industry.

The Group continues to focus on being consumer-oriented and preserving product quality while practising and conveying the brand philosophy of "perseverance combined with goodnaturedness and creditworthiness (恒以持之、和信為本)" through its products and generating resonance with the consumers. Meanwhile, we make good use of our strengths to constantly innovate to meet consumers' demand for more personalised, diversified, healthy and faster products and deliveries, and provide good-looking, high quality and safer, more nutritious and healthier flavours to consumers.

In the Group's latest development strategic plan for the condiments and cooking wine industry, we hold on resolutely to our orientation towards natural, healthy and nutritious products (encompassing both organic and functional components), strictly abide by the food safety regulations, and remain dedicated to imbuing the richness of the Chinese cuisine culture into the daily culinary rituals of our fellow countrymen. As an industry leader, we actively promote the integration between food technology and production practices, and are committed to becoming a publicity ambassador for the cooking wine industry as well as a trusted and reliable seasoning knowledge consultant for consumers.

With the effective implementation of national brewing and cooking wine standards and market standardisation proceeding at a faster pace, the cooking wine industry has entered a new era with "pure brewing" dominating the market and gradually taking the place of traditionally "prepared" and "blended" condiment products, auguring a similar trend in the industry's future development. Accordingly, the Group has planned to strengthen the publicity and promotion over the sources of raw materials for production, its wine quality assurances, year of brewing, the unique craft employed and its applications, etc., to guide and cultivate consumers' usage habits, with a view to increasing the market share of the Group's cooking wine products.

In response to the increasingly stringent food safety regulatory environment and environmental protection policy requirements, the Group, as a leader in the realm of base wine manufacturing, has demonstrated remarkable competitiveness in terms of technological advantages, financial strength, market influence and resilience against risks. Riding on its strong brand recognition, modernised and upgraded traditional craftsmanship, a well-developed and mature quality control system and an efficient product research and development system, the "Lao Heng He" brand cooking wine products are poised to achieve broader room of development.

In addition to consolidating its leading position in the mid-to-high-end cooking wine and cereal-based brewed cooking wine markets, the Group maintains a diversified product structure strategy by expanding the breadth of its product lines laterally and deepening its product mix vertically to address market demand proactively and deliver a variety of green, healthy and palatable condiments. The Group will continue to innovate and upgrade alongside dimensions ranging from bacterial strain research, smart brewing, online quality control and spice craft process improvement, with a view to driving the enterprise's sustainable development through technological innovation, solidifying and strengthening the leading position of "Lao Heng He" in the cooking wine market, fulfilling its promise of being the "most trusted partner" and delivering safe, healthy and delectable cooking wine product experience to consumers. In the face of fierce market competition, we will differentiate ourselves with our distinguished product quality, strive to achieve outstanding business performance, gain deep trust from consumers, and ultimately achieve sustainable development and value growth of the enterprise.

Therefore, we believe that our upgraded "Lao Heng He" products will continue to grow in China.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or the Group after 30 June 2024.

EMPLOYEES & REMUNERATION POLICIES

As at 30 June 2024, the Group had a total of 510 full time employees (31 December 2023: 528). The employees' cost (excluding directors' and chief executive's remuneration) of the Group was RMB22.9 million during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB21.3 million). The remuneration policies, bonus and training programs for employees of our Group were implemented continuously according to the policies disclosed in the Group's annual report for the year ended 31 December 2023 and no change has been made during the six months ended 30 June 2024.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments as at 30 June 2024 (31 December 2023: nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition and disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2024.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2024, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including sale of treasury shares). As at 30 June 2024, the Company did not hold any treasury shares.

CORPORATE GOVERNANCE

The Company recognises 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 C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") 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.

The Company has complied with the Code for the six months ended 30 June 2024.

The Board will continue to review and monitor the practices of the Company with an aim to maintain and implement 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 C3 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 2024. 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 2024.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") is comprised of three Directors, namely Mr. Ng Wing Fai (chairman), Mr. Shen Zhenchang and Mr. Sun Jiong.

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 2024.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has discussed with the management of the Company and reviewed and passed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2024 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 2024 containing all the information required by the Listing Rules will be 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 Wei
Chairman

Hong Kong, 29 August 2024

As at the date of this announcement, the executive Directors are Chen Wei and Liu Jianbin; and the independent non-executive Directors are Shen Zhenchang, Ng Wing Fai and Sun Jiong.