Honworld Group Limited
老恒和釀造有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2226)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2024 amounted to RMB275.1 million, representing an increase of 6.3% from RMB258.8 million recorded in 2023.

- Gross profit for the year ended 31 December 2024 amounted to RMB73.1 million, representing a decrease of 1.4% from RMB74.1 million recorded in 2023.

- Loss attributable to ordinary equity holders of the Company for the year ended 31 December 2024 amounted to RMB516.6 million, representing a decrease of 1.5% from RMB524.3 million recorded in 2023.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2024.

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Directors**") of Honworld Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**" or "**we**") for the year ended 31 December 2024, together with the comparative figures for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	Notes	***RMB'000***	*RMB'000*
Revenue	*4.1*	**275,077**	258,784
Cost of sales		**(202,011)**	(184,673)
Gross profit		**73,066**	74,111
Other income and gains	*4.2*	**29,833**	2,993
Selling and distribution expenses		**(86,945)**	(95,194)
Administrative expenses		**(40,974)**	(47,133)
(Provision for)/Reversal of impairment losses, net		**(6,435)**	170
Other expenses	*5*	**(285,258)**	(264,388)
Finance costs	*7*	**(199,851)**	(194,875)
Loss before income tax	*6*	**(516,564)**	(524,316)
Income tax expense	*8*	**–**	–
Loss for the year		**(516,564)**	(524,316)
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted *(RMB)*	*10*	**(0.89)**	(0.91)
Loss for the year		**(516,564)**	(524,316)
Items that will be reclassified subsequently to profit or loss			
Exchange loss on translation of financial statements of foreign operations		**(1,438)**	(1,063)
Total comprehensive expense for the year		**(518,002)**	(525,379)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**249,592**	258,114
Right-of-use assets		**45,661**	46,960
Other intangible assets		**447**	907
Prepayments, other receivables and other assets	13	**2,455**	3,865
		298,155	309,846
Current assets			
Inventories	11	**586,086**	645,899
Trade receivables	12	**25,220**	20,775
Prepayments, other receivables and other assets	13	**134,348**	126,167
Amounts due from related companies		**21**	246
Pledged deposits		**191**	131
Cash and cash equivalents		**6,346**	10,124
		752,212	803,342
Current liabilities			
Trade payables	14	**58,038**	57,268
Other payables and accruals	15	**452,136**	432,455
Other liabilities		**–**	50,000
Amounts due to related companies		**1,107**	1,649
Amount due to immediate holding company		**463**	453
Interest-bearing bank and other borrowings	16	**3,309,947**	2,806,293
Provision for loss on unauthorised guarantees		**–**	17,500
Tax payable		**72,408**	72,408
		3,894,099	3,438,026
Net current liabilities		**(3,141,887)**	(2,634,684)
Total assets less current liabilities		**(2,843,732)**	(2,324,838)

	Notes	**2024**	2023
		RMB'000	*RMB'000*
Non-current liabilities			
Interest-bearing bank and other borrowings	*16*	**1,393**	2,187
Other long-term liabilities	*17*	**6,419**	6,517
		7,812	8,704
Net liabilities		**(2,851,544)**	(2,333,542)
EQUITY			
Share capital	*18*	**1,767**	1,767
Reserves		**(2,853,311)**	(2,335,309)
Total deficit		**(2,851,544)**	(2,333,542)

NOTES TO FINANCIAL STATEMENTS

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 and its principal place of business in Hong Kong is located at Room A5, 7/F, China United Plaza, 1008 Tai Nan West Street, Kowloon, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 28 January 2014 (the "**Listing**").

The Company is an investment holding company. During the year, the Company and its subsidiaries (the "**Group**") were principally engaged in the manufacture and sale of cooking wine as well as condiment products under the brand name of "Lao Heng He" in the People's Republic of China (the "**PRC**").

Pursuant to the loan agreement dated 24 March 2019 between an independent third party (as the lender) and a wholly owned subsidiary held by the former beneficial owner of the Group, Key Shine Global Holdings Limited ("**Key Shine**") (as the borrower), the loan included shares as collateral, whereby Key Shine mortgaged the shares.

In September 2023, due to the continued occurrence of defaults under the financing documents, CLSA Limited (中信里昂證券有限公司) exercised its rights under the financing documents for and on behalf of Wuxing City Investment HK Company Limited ("**Wuxing HK**") (吳興城投 (香港)有限公司) to enforce the share pledge and transfer the pledged shares from Key Shine to Wuxing HK. Immediately following the enforcement action, Wuxing HK becomes the beneficial owner of the pledged shares.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are Wuxing HK and Huzhou City Wuxing District State-owned Capital Supervision and Management Service Centre (湖州市吳興區國有資本監督管理服務中心) respectively, which were established in Hong Kong and the PRC respectively.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**"), which collective term includes all applicable individual IFRS accounting standards, International Accounting Standards ("**IASs**") and Interpretations ("**IFRS Accounting Standards**") and the applicable disclosure requirements of the Companies Ordinance.

The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRS Accounting Standards and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.3.

The consolidated financial statements have been prepared on the historical cost basis.

2.2 Going concern assumption

In preparing the consolidated financial statements, 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 RMB836,000 (2023: approximately RMB102,215,000) and net loss of approximately RMB516,564,000 (2023: approximately RMB524,316,000) incurred for the year ended 31 December 2024 and, as of that date, the Group had net current liabilities of approximately RMB3,141,887,000 (2023: approximately RMB2,634,684,000), capital deficiency of approximately RMB2,851,544,000 (2023: approximately RMB2,333,542,000) and accumulated losses of approximately RMB3,718,420,000 (2023: approximately RMB3,201,856,000), respectively.

As at 31 December 2024, the Group's total borrowings comprising interest-bearing bank and other borrowings amounting to approximately RMB3,311,340,000 (2023: approximately RMB2,808,480,000), of which current borrowings amounted to approximately RMB3,309,947,000 (2023: approximately RMB2,806,293,000) and approximately RMB1,822,775,000 (2023: approximately RMB1,863,275,000) in principal amount were overdue as disclosed in note 16 to the consolidated financial statements, while its cash and cash equivalents amounted to approximately RMB6,346,000 (2023: approximately RMB10,124,000).

Despite of these circumstances, the consolidated financial statements 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 HK, has undertaken to provide continuing financial support to the Group for a period of twelve months from the date of approval of the consolidated financial statements 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 approval of these consolidated 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"), Huzhou Wuxing Nantaihu Construction Investment Group Co., Ltd. (湖州吳興南太湖建設投資集團有限公司) (formerly known as 湖州吳興南太湖建設投資有限公司) ("南太湖") and Huzhou Husheng Financial Leasing Co., Ltd. (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 approximately RMB376,788,000, RMB2,315,145,000 and RMB339,637,000 (2023: approximately RMB203,305,000, RMB1,998,748,000 and RMB275,987,000) respectively and has undertaken to provide new financing facilities of RMB450,000,000 (2023: RMB150,000,000) for a period of twelve months from the date of approval of these consolidated financial statements. Therefore, the directors of the Company 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 flows 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 consolidated financial statements of the Group for the year ended 31 December 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 consolidated financial statements.

2.3 ADOPTION OF AMENDED IFRS ACCOUNTING STANDARDS

Amended IFRS Accounting Standards that are effective for annual periods beginning on 1 January 2024

In the current year, the Group has applied for the first time the following amended IFRS Accounting Standards, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 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
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

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 the sale 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 customer amounting to 10 percent or more of the Group's revenue for the reporting period is set out in the following table:

	2024	2023
	RMB'000	*RMB'000*
Customer A	**30,728**	30,715

4. REVENUE, OTHER INCOME AND GAINS

4.1 Revenue from contracts with customers

An analysis of revenue is as follows:

	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**275,077**	258,784

(i) Disaggregation revenue information

	2024	2023
	RMB'000	*RMB'000*
Type of goods		
Condiment products	**275,077**	258,784
Timing of revenue recognition		
Goods transferred at a point in time	**275,077**	258,784

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024	2023
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**50,097**	32,736

(ii) Performance obligations

Information about the Group's performance obligation 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.

4.2 Other income and gains

	2024	2023
	RMB'000	*RMB'000*
Subsidies received *(note (a))*	**2,810**	751
Bank interest income	**10**	18
Foreign exchange gain, net	**214**	26
Recovery of other receivables previously written-off *(note(b))*	**8,500**	–
Reversal of provision for loss on unauthorised guarantees *(note(c))*	**17,500**	–
Other interest income	**–**	2,068
Gain on lease termination	**170**	–
Others	**629**	130
	29,833	2,993

Notes:

(a) The amount represented subsidies received from the relevant authorities in the PRC without any unfulfilled conditions.

(b) The other borrowings have been offset against the other receivables as at 31 December 2024, following the settlement of the legal case, in which the amount of RMB8,500,000 was written off in prior years.

(c) Based on legal advice, one of the legal case has been dismissed and the remaining legal case which the plaintiff has withdrawn the lawsuit as at 31 December 2024. Therefore, a total amount of RMB17,500,000 has been reversed during the year ended 31 December 2024.

5. OTHER EXPENSES

	2024	2023
	RMB'000	*RMB'000*
Donations	**30**	134
Surcharge for overdue tax payment *(note)*	**32,523**	37,787
Loss on disposal	**389**	–
Overdue interest expense *(note 16(f))*	**252,047**	226,079
Others	**269**	388
	285,258	264,388

Note:

The amount represented the provision of surcharge for overdue tax payment to be imposed by the State Administration of Taxation in the PRC.

6. LOSS BEFORE INCOME TAX

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

	Notes	**2024** **RMB'000**	2023 RMB'000
Costs of inventories sold		**202,011**	184,673
Provision for/(Reversal of provision for) inventories, net	*11*	**358**	(3,038)
Depreciation of owned assets		**28,202**	27,138
Depreciation of right-of-use assets		**1,625**	1,345
Amortisation of other intangible assets		**460**	215
Lease payments not included in the measurement of lease liabilities		**342**	408
Auditor's remuneration		**1,800**	2,040
Provision for/(Reversal of) impairment losses, net on:			
— trade receivables		**219**	(577)
— prepayment and other receivables		**1,282**	2,092
— amounts due from related companies		**(10)**	(2,092)
— right-of-use assets		**789**	407
		2,280	(170)
Written off of inventories		**4,155**	–
Employee benefit expenses (excluding directors' remuneration):			
— wages and salaries		**42,152**	39,671
— pension scheme contributions *(note)*		**7,350**	5,609
		49,502	45,280
Research and development costs		**10,738**	13,317
Donations	*5*	**30**	134
Foreign exchange gain, net	*4.2*	**(214)**	(26)

Note:

As at 31 December 2024 and 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024	2023
	RMB'000	*RMB'000*
Interest on bank loans	**3,089**	746
Interest on other borrowings	**196,591**	193,897
	199,680	194,643
Interest on lease liabilities	**171**	232
	199,851	194,875

8. INCOME TAX EXPENSE

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 operate. Pursuant to the rules and regulations of the Cayman Islands, the Group was not subject to any income tax in the Cayman Islands.

Pursuant to the relevant laws and regulations in the PRC, a wholly owned subsidiary of the Group Huzhou Laohenghe Brewery Co., Limited ("**Huzhou Laohenghe**") (湖州老恒和釀造有限公司)("**湖州老恒和**") obtained the High and New Technology Enterprises qualification. Accordingly, it enjoyed a preferential income tax rate of 15% (2023: income tax rate of 25%) for the year ended 31 December 2024 and the total unrecognised tax losses maybe carried forward for ten years from the year of incurring the loss.

The corporate income tax of the Group in respect of its operations in Mainland China has been provided at the rate of 15%–25% (2023: 25%) on the taxable profits, based on the existing legislation, interpretations and practices in respect thereof.

	2024	2023
	RMB'000	*RMB'000*
Current — PRC		
Under-provision in respect of the prior year	**–**	–
Total tax charge for the year	**–**	–

A reconciliation of the income tax expense applicable to loss before income tax at the statutory rate for the jurisdiction where most of the Company's subsidiaries are located to the tax expense at the effective tax rate is as follows:

	2024		2023	
	RMB'000	*%*	*RMB'000*	*%*
Loss before income tax	**(516,564)**		(524,316)	
Tax at the statutory tax rate	**(79,400)**	**15.4**	(131,079)	25.0
Lower tax rate enacted by the local authority	**747**	**(0.2)**	454	(0.1)
Tax effect of unrecognised temporary differences	**538**	**(0.1)**	878	(0.2)
Tax losses not recognised	**71,811**	**(13.9)**	122,586	(23.4)
Tax effect of expenses not deductible for tax purpose	**7,786**	**(1.5)**	9,661	(1.8)
Tax effect of income not taxable for tax purpose	**(1,482)**	**0.3**	(2,500)	0.5
Tax charge at the Group's effective rate	**–**	**–**	–	–

As at the reporting date, the Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences of approximately RMB2,030,210,000 (2023: approximately RMB1,552,655,000) and RMB52,578,000 (2023: approximately RMB49,305,000), respectively. Of the total unrecognised tax losses, approximately RMB34,748,000 may be carried forward for five years from the year of incurring the loss, while approximately RMB1,966,873,000 that related to Huzhou Laohenghe may be carried forward for ten years from the year of incurring the loss (2023: approximately RMB1,552,655,000 may be carried forward for five years from the year of incurring the loss), and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of those tax losses and deductible temporary differences due to the unpredictability of future profit streams.

9. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 578,750,000 (2023: 578,750,000) in issue during the year.

	2024	2023
	RMB'000	*RMB'000*
Loss attributable to ordinary equity holders of the Company *(RMB'000)*	**516,564**	524,316
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)*	**0.89**	0.91

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2024 and 2023 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

11. INVENTORIES

	2024	2023
	RMB'000	*RMB'000*
Raw materials	**11,742**	11,040
Work in progress	**562,479**	616,847
Finished goods	**11,865**	18,012
	586,086	645,899

The Group has a significant balance of inventories and needs to maintain the majority of its base wine at an appropriate level for a period over one year to meet the future production needs. The determination of the value of inventories, which are stated at the lower of cost and net realisable value, involved significant estimation, which were influenced by the assumptions concerning future sales and usage and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items.

For the year ended 31 December 2024, damage to in-process products were caused by the failure to meet the use requirements for the semi-finished products. Inventory amounting to RMB4,155,000 has been written off, which was primarily due to the combined effects of the environmental factors, such as some semi-finished products being left for a long period of time, sinking of foundations and unstable stacking.

As at 31 December 2024, the carrying amount of inventories included provision of approximately RMB937,000 (2023: approximately RMB579,000), which is determined with reference to the net realisable value of the inventory items. The additional provision approximately RMB358,000 (2023: reversal of provision approximately RMB3,038,000) was made during the year ended 31 December 2024.

As at 31 December 2024, the Group's inventories with a carrying amount of approximately RMB442,122,000 (2023: approximately RMB487,255,000) were pledged to secure other borrowings granted to the Group, as further detailed in note 16(g) to the consolidated financial statements.

12. TRADE RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables, gross	**27,893**	23,229
Less: Allowance for credit losses	**(2,673)**	(2,454)
Trade receivables, net	**25,220**	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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**20,850**	16,248
3 to 6 months	**3,876**	3,198
6 months to 1 year	**494**	1,329
	25,220	20,775

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024	2023
	RMB'000	*RMB'000*
Prepayments *(note (a))*	**4,683**	6,339
Less: Impairment	**(1,845)**	(1,949)
Value-added tax recoverable	**113,370**	91,001
Deposits and other receivables *(notes (a) and (b))*	**23,408**	38,345
Less: Allowance for credit losses	**(2,813)**	(3,704)
	136,803	130,032
Less: Portion classified as non-current assets	**(2,455)**	(3,865)
Current portion included in prepayments, other receivables and other assets	**134,348**	126,167

Notes:

(a) Details of prepayments, deposits and other receivables as at 31 December 2024 and 2023 are as follows:

	2024	2023
	RMB'000	*RMB'000*
Prepayments for fixed assets	**2,455**	4,234
Prepayments for procurements of condiment products	**175**	228
Other prepayments	**2,053**	1,877
Deposits and other receivables *(note (b))*	**23,408**	38,345
	28,091	44,684
Less:		
Portion classified as non-current assets	**(2,455)**	(3,865)
Current portion included in prepayments, other receivables and other assets	**25,636**	40,819

(b) Included in the balances was mainly the guarantee deposit paid for sale and leaseback arrangements (note 16(i)) of approximately RMB18,850,000 (2023: approximately RMB18,850,000).

As at 31 December 2023, due to the change in the beneficial owner of the Group as set out in note 1 to the consolidated financial statements, the former related companies have ceased to be related companies of the Group with net balances of approximately RMB11,101,000, net of ECL allowances of approximately RMB2,092,000. Balances were reclassified from amounts due from related companies to other receivables. Except for balance amounting to approximately RMB2,092,000 which remains as Stage 3, the remaining balance remains as Stage 1. The ECL allowances on amounts due from related companies recognised amounting to approximately RMB2,092,000 were fully reversed and hence the ECL allowances on other receivables amounting to approximately RMB2,092,000 were recognised as at 31 December 2023.

As at 31 December 2024, approximately RMB2,277,000 of deposits and other receivables was fully written off because the Group considered these receivables are unrecoverable due to the liquidity condition of the debtors.

Impairment analysis is performed at each reporting date and ECLs are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic condition, as appropriate. Except the above balance which has classified as Stage 3, other financial assets included in the above balances were categorised in Stage 1 at the year of the reporting period. In calculating the ECL rate, the Group considers the historical loss rate and adjusts for forward-looking data.

Except the above-mentioned balance which is categorised as Stage 3, other financial assets included in the above balance relate to receivables for which there was no recent history of default and past due amounts.

14. TRADE PAYABLES

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

	2024 *RMB'000*	2023 *RMB'000*
Within 3 months	**30,858**	27,763
3 to 6 months	**17,969**	14,445
Over 6 months	**9,211**	15,060
	58,038	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.

15. OTHER PAYABLES AND ACCRUALS

	Notes	2024 *RMB'000*	2023 *RMB'000*
Contract liabilities	*(a)*	**50,729**	50,097
Other tax payables	*(b)*	**38,822**	61,020
Other payables and accruals	*(c)*	**353,345**	311,897
Amount due to a director		**7**	6
Salary payables		**9,233**	9,435
		452,136	432,455

Notes:

(a) Details of contract liabilities are as follows:

	2024 *RMB'000*	2023 *RMB'000*
Short-term advances received from customers		
Sales of goods	**50,729**	50,097

Contract liabilities include short-term advances received to deliver products. The increase in contract liabilities in 2024 was mainly due to the increase in short-term advances received from customers in relation to the provision of sale of goods at the end of the year.

(b) Included in the balances was mainly the value added tax payable of approximately RMB26,086,000 (2023: approximately RMB47,629,000).

(c) Balance includes the provision of surcharge for overdue tax payment, equipment and construction costs payables of approximately RMB247,472,000 and RMB22,470,000 respectively (2023: approximately RMB214,949,000 and RMB14,516,000).

During the year ended 31 December 2023, due to the change in the beneficial owner of the Group as set out in note 1 to the consolidated financial statements, the below balances were reclassified:

— Key Shine ceased to be the ultimate holding company of the Group and the respective balances of RMB49,458,000 has been reclassified from amount due to ultimate holding company to other payables; and

— Yilong County Zhongwei Food Co., Ltd. and Zhejiang Ruoxiachun Brewing Co., Ltd. ceased to be the related companies of the Group and the respective balances of RMB1,137,000 and RMB10,000,000 have been reclassified from amounts due to related parties to other payables respectively.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2024			31 December 2023		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Lease liabilities	**3.60–4.90**	**2025**	**1,638**	4.75–4.90	2024	911
Bank loans — unsecured [(a)(b)]	**5.80**	**2025**	**49,000**	5.80	2024	49,000
Bank loans — secured [(a)(c)]	**3.25**	**2025**	**10,000**	–	–	–
Other borrowings — unsecured [(d)(f)(h)]	**7.00**	**2024**	**217,739**	7.00–24.00	2023	278,342
Other borrowings — secured [(e)(f)(g)(i)]	**7.00–15.32**	**2024–2025**	**3,031,570**	10.65–15.32	2023	2,478,040
			3,309,947			2,806,293
Non-current						
Lease liabilities	**3.60–4.90**	**2026–2029**	**1,393**	4.75–4.90	2025-2029	2,187
Total			**3,311,340**			2,808,480
Analysed into:						
Within one year or on demand			**3,309,947**			2,806,293
In the second year			**473**			946
In the third year to fifth years, inclusive			**920**			1,241
			3,311,340			2,808,480

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

(b) As at 31 December 2024, included in the balances was bank loans amounting to RMB49,000,000 (2023: RMB49,000,000) which was unsecured, bearing interest at 5.80% (2023: 5.80%) per annum and repayable within one year (2023: repayable within one year).

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

(d) As at 31 December 2024, included in the balances was other borrowings amounting to approximately RMB217,739,000 (2023: approximately RMB278,342,000) which was unsecured, bearing interest at 7.00% (2023: 7.00%–24.00%) per annum and repayable within one year (2023: repayable within one year).

(e) As at 31 December 2024, included in the balances was other borrowings amounting to approximately RMB3,031,570,000 (2023: approximately RMB2,478,040,000) which was secured, bearing interest at 7.00%–15.32% (2023: 10.65%–15.32%) per annum and repayable within one year (2023: repayable within one year), in which approximately RMB376,788,000, RMB2,315,145,000 and RMB339,637,000 (2023: approximately 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 31 December 2024, the Group's other borrowings amounting to approximately RMB1,822,775,000 (2023: approximately RMB1,863,275,000) in principal amount were overdue and the related overdue interest expense of approximately RMB252,047,000 (2023: approximately RMB226,079,000) (note 5) was recognised for the year ended 31 December 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:

	Note	**2024** *RMB'000*	2023 *RMB'000*
Property, plant and equipment		**169,160**	189,337
Right-of-use assets		**45,661**	46,960
Inventories	*11*	**442,122**	487,255
		656,943	723,552

(h) As at 31 December 2023, included in the balances was other borrowings amounting to approximately RMB19,144,000 that were withdrawn on behalf of a former related company, Zhejiang Zhongwei Brewery Limited ("**Zhejiang Zhongwei**"). The amount was unsecured, bore interest at 24.00% per annum and repayable on demand. The amount has been netted off against other receivables during the year ended 31 December 2024, following the settlement of legal case.

(i) The amount included certain sales and leaseback arrangements of machinery and equipment with remaining lease terms of 1 year as at 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.

17. OTHER LONG-TERM LIABILITIES

	2024	2023
	RMB'000	*RMB'000*
Other long-term payables *(note)*	**–**	–
Provision for long service payment	**6,419**	6,517
	6,419	6,517

Note:

On 6 May 2016, two subsidiaries of the Company, Huzhou Chenshi Tianniang Industrial Co., Limited ("**Huzhou Chenshi**") 湖州陳氏天釀實業有限公司 ("**湖州陳氏**") and Huzhou Laohenghe, which is also a subsidiary of Huzhou Chenshi entered into an investment agreement with China Development Fund Co., Ltd. (the "**CD Fund**") (國開發展基金有限公司) (the "**Investment Agreement**"). Pursuant to the Investment Agreement, CD Fund agreed to subscribe for a 3.5% 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 addition, Huzhou Chenshi has contractual obligation to repurchase all the equity interest of Huzhou Laohenghe held by the 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.

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 completed during the year. (2023: RMB50,000,000 was payable on 2 February 2024 according to the repayment schedule under the Investment Agreement).

The balance of other long-term payables was analysed as follows:

	2024	2023
	RMB'000	*RMB'000*
Other long-term payables	**–**	50,000
Less:		
Portion classified as current portion included in other liabilities	**–**	(50,000)
Non-current portion		
More than 1 but within 5 years	**–**	–

18. SHARE CAPITAL

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

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

19. EVENTS AFTER THE REPORTING PERIOD

In 2025, 湖洲吳興城市, 南太湖 and 湖盛融資 have confirmed that they do not intend to demand payment from the Group for the amounts due to them for a period of twelve months from the date of approval of these consolidated financial statements.

Zhejiang Changxing Sanhetang Trading Co. Limited, a wholly owned subsidiary of the Group has been deregistered on 23 January 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are one of the leading manufacturers of comprehensive 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 2024, we attained the following achievements:

1. We participated in the formulation of a series of group standards and national standards, such as the "General Principles for Quality of Healthy Condiments (健康調味品質量通則)" and "Intelligent Manufacturing in the Biotech Fermentation Industry (生物發酵行業智能製造)";

2. Our "Development and Industrialization of Novel Nutritional Mulberry Vinegar Based on Mulberry Extraction and Fermentation Technology (基於桑椹提取和發酵技術的新型營養保健桑椹醋開發及產業化)", a provincial key research and development project, was reviewed and approved by a panel of experts organized by the Provincial Science and Technology Department;

3. Our wholly-owned subsidiary, Huzhou Laohenghe Brewery Co., Limited* (湖州老恒和釀造有限公司), was approved as a High and New Technology Enterprise by the National Office of Leading Group for Administration of High and New Technology Enterprise Recognition* (全國高新技術企業認定管理工作領導小組辦公室); and

4. The "Lao Heng He Cooking Wine" brand was awarded the title of "2024 Cooking Wine Gold Best Seller" of offline cooking wine of 2024 by Fast Moving Consumer Goods (FMCG) Weekly Magazine, and the market share of the offline sales was 19.1% in 2024, ranking first for the eighth consecutive year in the industry.

In 2024, facing a more complex international and domestic environment, the overall economic operation of China remained stable with progress. The domestic economic environment presented a complex and ever-changing situation with intense competition in the condiment industry and increasing market concentration. Large enterprises dominated the market with their brands, research and development and market share. Consumer behavior changes, technological advancements, price involution and growing environmental awareness are rapidly influencing the market landscape. 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, and attempted to enhance 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 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, further accelerate product development both offline and online and 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 2024, in order to further enhance the brand awareness and influence of the Company through marketing and promotion, we launched a new series of offline products, including 1.75L Lao Heng He cooking wine (老恒和料酒) pure grain and zero-additive series, 500ml Lao Heng He cooking wine organic series, 285g Lao Heng He rice sauce and light fermented bean curd series. Meanwhile, the Group introduced several online products, including 420ml, 1L, 1.75L, 2L and 2.5L cooking wine products, all of which were well received by consumers in the market and achieved excellent sales performance, leading to online sales revenue of approximately RMB23.0 million in 2024, representing an increase of approximately 83.0% as compared to approximately RMB12.6 million in the corresponding period in 2023. Furthermore, in 2024, the Group was invited to take part in the "Food Expo PRO" hosted by the Hong Kong Trade Development Council (HKTDC) and 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 global consumers have come to know about "Lao Heng He". Honworld will continue to uphold the development concept of "based in the Yangtze River Delta, facing the world", actively explore domestic and international markets, strengthen communication and cooperation with international customers as well as continuously improve product quality and service levels, in order to bring healthier and delicious brewing products to global consumers.

In 2024, in terms of product quality and research and development, 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 new products while improving the technology of the new production lines of soy sauce and soybean paste as well as bringing them into production. We also led or participated in the formulation of a series of group and national enterprise standards, further enhancing the core position of our products in industry competition. In addition, in 2024, the Group continued to strengthen its food safety technology protection capability by purchasing relevant equipment and testing instruments to enhance 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 supplier quality management evaluation system, optimised internal quality standards and improved testing standards to gradually improve and enhance the establishment of the quality system.

In 2024, the Group achieved sales revenue of approximately RMB275.1 million, representing an increase of approximately 6.3% as compared to approximately RMB258.8 million in 2023. The increase in sales revenue was mainly attributable to the continuous optimisation of our product structure, promotion enhancement and concurrent development through multiple channels, in particular, the rapidly developed online channels. On the other hand, the Group actively implemented measures to facilitate cost management, thereby enhancing production and operating efficiency, management effectiveness, product quality and comprehensive core market competiveness.

In 2024, our cooking wine products remained as our major source of revenue, sales revenue of cooking wine products amounted to approximately RMB187.0 million, accounting for approximately 68.0% of our total revenue. On the other hand, with the market repositioning and increased marketing efforts of our soy sauce products, our sales revenue of soy sauce products in 2024 amounted to approximately RMB30.3 million, accounting for approximately 11.0% 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 and price involution, we continued to adjust 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 28.6% in 2023 to approximately 26.6% in 2024.

The loss attributable to ordinary equity holders of the Company was approximately RMB516.6 million (2023: RMB524.3 million), representing an decrease of approximately 1.5% as compared to 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 personalised and diversified needs of 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 factors such as product pricing, cost of sales, marketing strategies and product structure and composition. 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 uncertainties to the sales distribution of the Group due to the widespread transformation of distributor channels; (6) the impact of uncertainty in the new economic landscape; and (7) the cost pressure caused by stricter environmental protection policies.

Financial Review

Overview

The key financial indicators of the Group are as follows:

	Year ended 31 December		Year-on-year
	2024	2023	Change
	RMB'000	*RMB'000*	%
Income statement items			
Revenue	**275,077**	258,784	6.3
Gross profit	**73,066**	74,111	(1.4)
Loss attributable to owners of the Company	**(516,564)**	(524,316)	(1.5)
Loss before interest, taxes, depreciation and amortisation ("**LBITDA**")	**(286,426)**	(301,375)	(5.0)
Loss per share *(RMB) (note (a))*	**(0.89)**	(0.91)	(2.2)
Selected financial ratios			
Gross profit margin (%)	**26.6**	28.6	(7.0)
Net loss margin (%)	**(187.8)**	(202.6)	(7.3)
LBITDA margin (%)	**(104.1)**	(116.5)	(10.6)
Return on equity holders' equity (%)	**(18.1)**	(22.5)	(19.6)
Gearing ratio *(note (b))* (%)	**393.5**	328.1	19.9

Notes:

(a) Please refer to note 10 to the consolidated financial statements of this announcement for the calculation of loss per share.

(b) The gearing ratio is based on net debt divided by total deficit plus net debt as at 31 December 2024. Net debt includes total debt net of cash and cash equivalents. Total debt includes trade payables, other payables and accruals, other liabilities, 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 liabilities.

Revenue

The revenue of the Group increased by 6.3% from RMB258.8 million in 2023 to RMB275.1 million in 2024, primarily attributable to the growth of online channels brought about by the Group's continuous development of new products, optimisation of product structure, enhancement of product quality, intensification of promotional efforts and synergy among diversified channels.

Revenue from cooking wine products increased by 8.9% from RMB171.7 million in 2023 to RMB187.0 million in 2024, primarily due to the combined influence of factors such as the Group's continuous development of new products, optimisation of product structure, expansion of the depth and breadth of new products, better satisfaction of diversified needs from consumers and strengthening of market penetration of distribution channels.

Revenue from the Group's soy sauce products increased by 15.2% from RMB26.3 million in 2023 to RMB30.3 million in 2024, primarily due to the Group's focus on developing products with zero-additive concept and high cost-effectiveness to meet the diverse and health-conscious consumption needs of different consumers.

While introducing new products to the market and developing sesame oil and oyster sauce, we also continued to adjust the product structure of our rice vinegar and other products in 2024, phasing out underperforming products. Therefore, the revenue from rice vinegar and other products decreased by 4.9% from RMB60.8 million in 2023 to RMB57.8 million in 2024.

Cost of Sales

Our cost of sales increased by 9.4% from RMB184.7 million in 2023 to RMB202.0 million in 2024. The increase in cost of sales was primarily attributable to the increase in revenue and the higher proportion of sales of popular mid-range products with relatively low margins.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 1.3% from RMB74.1 million in 2023 to RMB73.1 million in 2024. The gross profit margin decreased from 28.6% in 2023 to 26.6% in 2024, primarily due to the increase in the proportion of sales of mid-range products with relatively low gross profit margins as a result of the increase in promotional efforts for old products and the development of a series of new products suitable for mass consumption in online and offline channels in order to cater for the competitive market landscape such as changes in consumer spending behaviour and price involution during the year.

Other Income and Gains

Other income and gains increased by 896.8% from RMB3.0 million in 2023 to RMB29.8 million in 2024. Other income and gains primarily include subsidies received, bank interest income and foreign exchange gain, net. The increase in other income and gains was primarily due to the reversal of provision for loss on unauthorised guarantees based on legal advise during the current period, the recovery of other receivables previously written-off and the increase in government grants.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses, marketing expenses, promotion expenses, travelling expenses, and remuneration of our sales employees.

Our selling and distribution expenses decreased from RMB95.2 million in 2023 to RMB86.9 million in 2024, and the selling and distribution expenses as a percentage of the Group's revenue decreased from 36.8% in 2023 to 31.6% in 2024, primarily due to the combination of reduced advertising expenses and increased promotional costs.

Administrative Expenses

Administrative expenses decreased by 13.0% from RMB47.1 million in 2023 to RMB41.0 million in 2024. The decrease in administrative expenses was primarily due to the decrease in fees for services and consultations other than sales and production.

Finance Costs

Finance costs increased by 2.6% from RMB194.9 million in 2023 to RMB199.9 million in 2024. The increase in finance cost was mainly attributable to the addition of bank and other borrowings.

Loss before Income Tax

Due to the aforesaid reasons, the loss before income tax decreased by 1.5% from RMB524.3 million in 2023 to RMB516.6 million in 2024.

Income Tax Expense

The corporate income tax of the Group in respect of its operations in China has been provided at the rate of 15%–25% (2023: 25%) on the taxable profits, based on the existing laws, interpretations and practices in respect thereof.

Income tax expense was nil in 2023 and 2024, mainly due to loss arising from the business.

Loss Attributable to Ordinary Equity Holders of the Company

Loss attributable to ordinary equity holders of the Company decreased by 1.5% from RMB524.3 million in 2023 to RMB516.6 million in 2024, which was mainly attributable to the decrease in net loss as a result of the aforesaid reasons.

Loss per Share Attributable to Ordinary Equity Holders of the Company

Loss per share decreased from RMB0.91 in 2023 to RMB0.89 in 2024. The decrease in loss per share was attributable to the decrease in loss attributable to ordinary equity holders of the Company.

Net Loss Margin

Net loss margin decreased by 7.3% from 202.6% in 2023 to 187.8% in 2024, which was primarily attributable to the combined effect of the aforesaid reasons.

FINANCIAL AND LIQUIDITY POSITION

Prepayments, deposits and other receivables

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

	2024 *RMB'000*	2023 *RMB'000*
Prepayments for fixed assets	**2,455**	4,234
Prepayments for procurements of condiment products	**175**	228
Other prepayments	**2,053**	1,877
Deposits and other receivables	**23,408**	38,345
	28,091	44,684
Less: Portion classify as non-current assets	**(2,455)**	(3,865)
Current portion included in prepayments, deposits and other receivables	**25,636**	40,819

Trade receivables

Trade receivables increased from RMB20.8 million as at 31 December 2023 to RMB25.2 million as at 31 December 2024 and the turnover days of trade receivables were 33 days in 2024, remaining unchanged from 2023, which was mainly due to the stable cooperation between the Group and distributors, and there were no significant changes as compared to 2023. Details of the ageing analysis of trade receivables are set out in note 12 to the consolidated financial statements in this announcement.

In 2024, we classified our distributors into two categories, namely core distributors and non-core distributors, based on their scale, channels, capability and cooperativeness, local influence and other factors, and provided them with our resources in respect with terminal construction and market development for their orderly development and reasonable allocation, with an aim of molding all of them to be our core distributors.

Inventories

As at 31 December 2024, the carrying amount of the Group's inventories amounted to RMB586.1 million (2023: RMB645.9 million), of which RMB420.2 million (2023: RMB465.3 million) were base wine.

Inventories decreased from RMB645.9 million as at 31 December 2023 to RMB586.1 million as at 31 December 2024, primarily due to the combination of factors including revenue growth, improvements to the accounting system, and the in-process products being damaged due to some semi-finished products not meeting use requirements. A substantial part of our inventories are work in progress, mainly representing base wine, base soy sauce, semi-finished soybean paste and base vinegar in the brewing period. Due to the long production cycle and short sales cycle, we reserve certain amount of well-aged base wine produced through different processes to cope with the sales growth in the future.

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. 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 minimise excess inventory.

As at 31 December 2024, our inventories with a carrying amount of RMB442.1 million (31 December 2023: RMB487.3 million) were pledged to secure other borrowings granted to the Group. For details please refer to note 16(g) to the consolidated financial statements in this announcement.

Borrowings

As at 31 December 2024, our total borrowings amounted to RMB3,311.3 million (31 December 2023: RMB2,808.5 million).

Our principal sources of liquidity include cash generated from business operation and other borrowings. The cash from these sources are primarily used for our working capital, the expansion of production capacity, other capital expenditures and debt service requirements.

Foreign currency risks

The Group mainly operates in the PRC and its operations mainly settled in Renminbi. The Group will closely monitor the fluctuations of the Renminbi exchange rate and give prudent consideration as to entering into any currency swap arrangement as and when appropriate for hedging corresponding risks. For the year ended 31 December 2024, the Group had not engaged in hedging activities for managing foreign exchange rate risk.

Liquidity and Financial Resources

As at 31 December 2024, we had cash and cash equivalents of RMB6.3 million (31 December 2023: RMB10.1 million). As at 31 December 2024, we had interest-bearing bank and other borrowings of an aggregate amount of RMB3,311.3 million (31 December 2023: RMB2,808.5 million), which were denominated in RMB with interest rates from 3.60% to 15.32% per annum.

Our principal sources of liquidity include cash generated from business operation 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.

GEARING RATIO

The gearing ratio of the Group was 393.5% as at 31 December 2024, representing an increase of 19.9% over the gearing ratio of 328.1% as at 31 December 2023.

The gearing ratio is based on net debt divided by total deficit plus net debt as at 31 December 2024. Net debt includes total debt net of cash and cash equivalents. Total debt includes trade payables, other payables and accruals, other liabilities, 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 liabilities.

CAPITAL COMMITMENT

Capital commitment as at 31 December 2024 amounted to RMB6.2 million (31 December 2023: RMB19.7 million), which was mainly related to the completion and transfer to fixed assets of construction-in-progress projects during this period.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have other material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2024, our inventories with a carrying amount of RMB442.1 million, property, plant and equipment with a carrying amount of RMB169.2 million and right-of-use assets with a carrying amount of RMB45.7 million were pledged to secure general banking facilities granted to us.

Except as disclosed in this announcement, to the best knowledge and belief of the Directors, we have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. We do not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engage in leasing or hedging or research and development or other service.

MATERIAL ACQUISITION AND DISPOSAL

The Company had no material acquisition and disposal as at 31 December 2024.

SIGNIFICANT INVESTMENTS HELD

Our Group did not hold any significant investments during the year ended 31 December 2024.

FUTURE PROSPECTS

Looking forward to 2025, China will continue to focus on boosting consumption, further expanding domestic demand, and promoting economic policies that benefit the people and stimulate consumption. The government will increase residents' income through various channels, with particular emphasis on enhancing the consumption capacity and willingness of middle- and low-income groups to unleash consumption potential. Service consumption will be a key focus, driving the upgrade of consumption structure towards high quality and diversification. While the condiment industry faces challenges such as weak consumer demand, lack of consumer confidence and intensified market competition, it will also encounter new opportunities amidst changing market conditions. The trend of market differentiation continues, with the coexistence of high-end and high-value products. The time-honoured Chinese brand products with premium quality and high cost performance will remain largely popular among consumers given their brand history and quality assurance. Furthermore, as consumers pay more attention to health, safety and nutrition, the condiment industry will emphasize product innovation and upgrades. Nutritiousness, safety, tastiness and convenience will become the main themes of industry innovation and development, driving the industry towards intelligence and environmental friendliness.

The Group adheres to a consumer-oriented approach and maintains unwavering quality, delivering the operating philosophy of "perseverance combined with good-naturedness and creditworthiness (恒以持之、和信為本)" to consumers through products to resonate with them. With the popularization of healthy eating concepts, consumers are increasingly focused on the nutritional content and health attributes of seasonings. We uphold a natural, healthy and nutrition-oriented approach (such as low fat, low sugar, low salt, organic, additive-free and other healthy products), leveraging our own strengths to continuously innovate, meet consumers' personalised, diversified, healthy and convenient needs, and bring consumers a good-looking, high-quality, safe and nutritious delicious experience. 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.

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, market influence and resilience against risks. Riding on its 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. We will continue to innovate and upgrade alongside dimensions ranging from bacterial strain research, smart and digital 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 high-quality products, 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 "Lao Heng He" products will maintain growth momentum in China's market.

GOALS AND STRATEGIES

In 2025, as the concluding year of "14th Five-Year" in China, the economic growth target is expected to reach around 5%. The China's government will continue to promote economic recovery through incremental policies and structural reforms, with a focus on exploring the domestic market and boosting consumer confidence. Consumer demand for health, nutrition, and convenience continues to grow. The market for condiment products emphasizing concepts such as healthiness, low salt, low sugar and low fat will continue to expand. There is an increasing emphasis on product quality and brand trust, with consumers showing a preference for well-known brands and products with health attributes. In the new economic landscape, our market strategy remains consumer-centric. By introducing diversified, personalised products that meet consumer needs through new technologies and processes, we aim to enhance customer loyalty. Our commitment is to provide consumers with better quality, safer, faster, healthier, and more nutritious naturally brewed condiments.

In 2025, the Group will concentrate on the work objectives as "stabilising customers, expanding channels, increasing revenue, reducing costs, ensuring quality, and striving for innovation" 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) at the New Year's work deployment and mobilization conference. 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 2025 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 focus on product innovation and quality improvement. By deeply understanding consumer needs and market trends, we will develop distinctive new condiments, such as low-sodium, low-fat, low-sugar, low-salt, organic, additive-free and other health products, and natural or functional condiments to meet the trend of healthy eating. Meanwhile, we will strengthen quality control to ensure food safety and flavour stability, thereby establishing a positive brand image. On the other hand, we will enhance market marketing and brand promotion. Utilizing digital marketing methods such as social media and content marketing, we will boost the brand's online exposure and interactivity. Participation in domestic and international food exhibitions will expand the brand's global influence. Additionally, we will continue to collaborate with strong online platforms and offline distributors in diversified channels, actively increasing the market share of the "Lao Heng He" brand in the China's market.

We are accelerating the expansion of new retail models and discount retail channels, enriching our online product lines, and creating a diversified online channel that combine "traditional e-commerce and emerging retail platforms", such as key account (KA) supermarket's online platform, community e-commerce platform, group buying membership e-commerce platform, etc. By leveraging online live streaming, short videos and other digital marketing methods, we aim to achieve a comprehensive brand communication effect across multiple dimensions. Furthermore, we will focus on promoting social e-commerce and community integration, developing a community distribution model for all-staff shopping guides, enhancing user interaction and brand loyalty through social networks.

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

MATERIAL EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after 31 December 2024. For other subsequent events, please refer to note 19 to the consolidated financial statements.

EMPLOYEES

As at 31 December 2024, the Group had approximately 509 full-time employees (31 December 2023: 528). The employees' remuneration packages are determined with reference to their experience and qualifications and general market conditions. The remuneration policies, bonus, evaluation systems and training programs for employees of our Group were implemented continuously according to policies disclosed in the 2023 annual report and no change has been made in 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) for the year ended 31 December 2024. As at 31 December 2024, the Company did not hold any treasury shares.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2025 AGM

For the purpose of determining the rights to attend and vote at the Company's forthcoming annual general meeting to be held on 26 May 2025 (the "**2025 AGM**") , the register of members of the Company will be closed from 21 May 2025 to 26 May 2025 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the 2025 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 20 May 2025.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required by the Listing Rules.

CORPORATE GOVERNANCE

The Board monitored the corporate governance practices of the Company throughout the year under review.

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company had complied with the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules during the year ended 31 December 2024, save for the deviation set out below.

Under code provision C.2.1 of the Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chen Wei is the chairman of the Board. Following the resignation of Mr. Liu Jianbin on 20 November 2024, the Company currently has no chief executive officer. The executive deputy general manager and the senior management team of the Company meet regularly to collectively manage the day-to-day operation and business of the Group. The Board believes that the current management structure allows stable and consistent leadership in the Company's decision making and operational efficiency in the absence of a chief executive officer. The Company is currently in the process of seeking a new chief executive officer to fill the vacancy, and has not identified any potential candidate as at the date of this announcement.

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 C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors of the Company and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors of the Company confirmed that they have complied with the Model Code during the year ended 31 December 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 year ended 31 December 2024.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "**Auditor**"), to the amounts set out in the Company's consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report from the independent auditor of the Group on the consolidated financial statements of the Group for the year ended 31 December 2024.

Material Uncertainty Related to Going Concern

We draw attention to note 2.2 to the consolidated financial statements, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee which comprises all independent non-executive Directors, namely Mr. Ng Wing Fai (Chairman), Mr. Sun Jiong and Mr. Shen Zhenchang has reviewed the consolidated financial statements of the Group for the year ended 31 December 2024, including accounting principles and policies adopted by the Group, and discussed internal controls and financial reporting matters.

The Audit Committee has reviewed the remuneration and independence of the auditor of the Company, Grant Thornton Hong Kong Limited, and recommended that the Board re-appoint Grant Thornton Hong Kong Limited as the Company's auditor for 2025, which is subject to the approval of the shareholders of the Company at the 2025 AGM.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hzlaohenghe.com. The 2024 annual report of the Company will be dispatched to the shareholders of the Company and published on the above-mentioned websites on or before 30 April 2025.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

By Order of the Board
Honworld Group Limited
Chen Wei
Chairman

Hong Kong, 28 March 2025

As at the date of this announcement, the executive director of the Company is Chen Wei; the non-executive director of the Company is Wang Yanping and the independent non-executive directors of the Company are Shen Zhenchang, Ng Wing Fai and Sun Jiong.