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 2014

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2014 amounted to approximately RMB668.4 million, representing an increase of 26.0% from approximately RMB530.4 million recorded in 2013.
- Gross profit for the year ended 31 December 2014 amounted to approximately RMB386.5 million, representing an increase of 23.5% from approximately RMB313.1 million recorded in 2013.
- Profit attributable to ordinary equity holders of the Company for the year ended 31 December 2014 amounted to approximately RMB211.6 million, representing an increase of 21.5% from approximately RMB174.2 million recorded in 2013.
- The Board has recommended the payment of a final dividend of RMB10.0 cents per ordinary share for 2014.

* *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**") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	**668,426**	530,433
Cost of sales		**(281,928)**	(217,364)
Gross profit		**386,498**	313,069
Other income and gains	5	**5,877**	11,519
Selling and distribution expenses		**(40,338)**	(25,679)
Administrative expenses		**(81,444)**	(74,094)
Other expenses		**(1,512)**	(17)
Finance costs	7	**(22,858)**	(17,646)
PROFIT BEFORE TAX	6	**246,223**	207,152
Income tax expense	8	**(34,620)**	(32,945)
PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**211,603**	174,207
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic and diluted		**RMB41.8 cents**	RMB46.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**211,603**	174,207
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of operations outside Mainland China	**10,530**	9
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**10,530**	9
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**222,133**	174,216

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**501,493**	178,966
Prepaid land lease payments		**27,196**	23,244
Other intangible assets		**414**	407
Prepayments for items of property, plant and equipment		**1,207**	1,852
Time deposits		**1,820**	20
Deferred tax assets		**327**	—
Total non-current assets		**532,457**	204,489
CURRENT ASSETS			
Inventories	*11*	**830,488**	326,652
Trade receivables	*12*	**187,900**	88,939
Prepayments, deposits and other receivables		**167,155**	64,578
Cash and cash equivalents		**218,466**	44,011
Total current assets		**1,404,009**	524,180
CURRENT LIABILITIES			
Trade payables	*13*	**175,608**	105,891
Other payables and accruals		**58,344**	50,460
Interest-bearing bank and other borrowings		**308,760**	233,000
Due to the ultimate holding company		**—**	461
Tax payable		**16,915**	28,918
Total current liabilities		**559,627**	418,730
NET CURRENT ASSETS		**844,382**	105,450
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,376,839**	309,939

	Note	2014 RMB'000	2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,376,839**	309,939
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**109,000**	—
Other long term liabilities		**4,684**	4,862
Deferred tax liabilities		**8,751**	8,751
Total non-current liabilities		**122,435**	13,613
Net assets		**1,254,404**	296,326
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**1,584**	31
Reserves		**1,200,945**	253,239
Proposed final dividend	*9*	**51,875**	43,056
Total equity		**1,254,404**	296,326

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 4 December 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, 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").

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

On 16 January 2014, the Company issued the prospectus and launched a public offering of 125,000,000 shares at an offer price of HK$7.15 per share and the capitalisation of 365,000,000 shares (the "Capitalisation Issue"). The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 January 2014 (the "Listing").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendments to IFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendments to IFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendments to IFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendments to IFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective IFRSs*

1 Effective from 1 July 2014

The adoption of the revised standards and new interpretation has had no significant financial effect on these financial statements.

4. 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 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.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**668,426**	530,433
Other income and gains		
Subsidy received	**2,906**	10,280
Gain from sale of materials	**1,575**	717
Interest income	**1,310**	49
Rental income	**36**	440
Others	**50**	33
	5,877	11,519

6. PROFIT BEFORE TAX

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

	2014	2013
	RMB'000	*RMB'000*
Costs of inventories sold	**281,928**	217,364
Depreciation	**12,707**	9,631
Auditors' remuneration	**1,564**	600
Recognition of prepaid land lease payments	**597**	546
Minimum lease payments under operating leases regarding plant and machinery	**546**	685
Employee benefit expense (excluding directors' remuneration):		
— Wages and salaries	**14,027**	9,798
— Pension scheme contributions	**1,681**	1,078
	15,708	10,876
Research and development costs	**48,639**	42,841
Donations	**1,510**	—

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2014	2013
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**22,858**	17,646

8. INCOME TAX

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.

The corporate income tax of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2013: 25%) on the taxable profits, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the approval from the National Office of Leading Group for Administration of Hi-tech Enterprise Recognition, Huzhou Laohenghe Brewery Co., Limited and Huzhou Laohenghe Wine Co., Limited were granted the "New and Advanced Technology Enterprise" status and were entitled to the beneficial tax rate of 15% for the three years ending 31 December 2015.

	2014	2013
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**34,947**	28,600
Deferred	**(327)**	4,345
Total tax charge for the year	**34,620**	32,945

A reconciliation of the income tax expense applicable to profit before 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:

	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**246,223**		207,152	
Tax at the statutory tax rate	**61,556**	**25.0**	51,788	25.0
Lower tax rate enacted by the local authority	**(26,544)**	**(10.8)**	(20,085)	(9.8)
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**—**	**—**	5,324	2.6
Income not subject to tax	**(200)**	**(0.1)**	(2,573)	(1.2)
Tax incentive on eligible expenditures	**(3,044)**	**(1.2)**	(1,528)	(0.7)
Expenses not deductible for tax	**2,852**	**1.2**	19	—
Tax charge at the Group's effective rate	**34,620**	**14.1**	32,945	15.9

9. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Proposed final — RMB10.0 cents (2013: RMB8.3 cents) per ordinary share	**51,875**	43,056

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

	2014	2013
	RMB	*RMB*
Earnings per share attributable to ordinary equity holders of the Company	**41.8 cents**	46.5 cents

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 506,643,836 (2013:375,000,000) in issue during the year.

The calculation of basic earnings per share is based on:

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**211,603**	174,207

The weighted average number of ordinary shares in issue during the years ended 31 December 2014 and 2013 used in the basic earnings per share calculation is determined on the assumption that the 10,000,000 ordinary shares with a par value of US$0.0005 each issued in connection with the incorporation of the Company on 4 December 2012 and the 365,000,000 shares with a par value of US$0.0005 each issued in connection through capitalisation of the share premium account arising from the Listing of the Company on 28 January 2014 had been in issue since 1 January 2013.

	2014	2013
	'000	*'000*
Weighted average number of ordinary shares in issue	**506,644**	375,000

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the impact of the warrants outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

11. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**13,908**	7,155
Work in progress	**782,719**	311,053
Finished goods	**33,861**	8,444
	830,488	326,652

At 31 December 2014, the Group's inventories with a carrying amount of RMB117,530,000 (2013: RMB70,277,000) were pledged to secure bank loans granted to the Group.

12. TRADE RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**187,900**	88,939

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 aged analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 month	**86,375**	47,774
1 to 3 months	**81,517**	36,384
3 to 6 months	**16,382**	4,357
6 months to 1 year	**3,380**	402
Over 1 year	**246**	22
	187,900	88,939

13. TRADE PAYABLES

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

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**102,149**	68,090
3 to 6 months	**31,924**	25,285
Over 6 months	**41,535**	12,516
	175,608	105,891

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is one of the leading manufacturers of cooking wine in Peope's Republic of China (the "**PRC**" or "**China**"). The Group offers high-quality and healthy cooking wine as well as other condiments, including soy sauce and vinegar.

In 2014, the Group recorded strong growth in various grades of cooking wine and vinegar as compared to the previous year. The strong growth is a good testimony to the effective distribution and pricing strategies implemented by the Group in 2014.

For the year ended 31 December 2014, the Group's revenue reached approximately RMB668.4 million (2013: RMB530.4 million), representing an increase of approximately 26.0% over the previous year. Profit before tax was approximately RMB246.2 million for the year ended 31 December 2014 (2013: RMB207.2 million), representing an increase of approximately 18.9% over 2013. Profit attributable to the ordinary equity holders of the Company was approximately RMB211.6 million for the year ended 31 December 2014 (2013: RMB174.2 million), representing an increase of approximately 21.5% over 2013.

The Group's key product, cooking wine, continues to be our major source of revenue, representing approximately 70.8% of the total revenue. The encouraging result is attributable to various key drivers of the PRC cooking wine market, including: 1) growing urban population and rising purchasing power; 2) increasing health and food safety awareness; 3) gradual convergence of consumer taste and demand; and 4) the rapid growth in demand for better-quality cooking wine over the past few years.

The Group has continued to increase its investments in production and use naturally-brewed yellow rice wine as a base to manufacture various grades of cooking wine. Notably, there is a significant upside on consumer demands for naturally-brewed and better quality cooking wine.

The Group has gained wider recognition among consumers for its quality products. With the continuing expansion of the products' sales channels and the increasing resources allocated to Group's development, the Group has not only attained the status of Hi-tech Enterprise, but also maneuvered itself into a favorable position to promote the traditional recipes during the process of industrialized production and supply healthy and quality condiments to consumers. Therefore, the Group is optimistic about the long term outlook for cooking wine demand going forward, particularly in the premium and high-end cooking wine products.

However, the Group does face certain risks in its production and business development, which include: 1) risk of significant increase in the cost of production, such as increase in the prices of agricultural sideline products, packaging cost or labour cost; 2) negative impact on our sales due to the changing consumer habits for Chinese food; 3) the greater-than-expected cost pressure from market expansion; 4) Category A and B distributors' (as defined in the prospectus issued by the Company on 16 January 2014 ("**Prospectus**")) operational risks may negatively impact on our sales channels, due to our increasing sales to Category A and B distributors; and 5) the possibility of failure of our new products to obtain market recognition.

We see a trend of increasing number of Chinese consumers choosing quality products with greater brand recognition. Chinese consumers are attaching a greater importance to quality and food safety, and are more willing to pay premium price for premium quality products.

The Group's profitability is mainly affected by the product price and its cost of sales, the product structure and mix, and the relevant domestic policies. However, benefited from internal factors such as the Group's timely stockpiling of base wine, growing brand influence, and its attainment of Hi-tech Enterprise status, as well as external factors such as rising purchasing power of consumers, the growing awareness of healthy products and the increasing market capacity, we have offset most of the impact from these risk factors and continued to achieve strong growth in both revenue and profit.

In order to widen our potential Shareholder base over the long term, on 2 September 2014, the Company successfully issued 100,000,000 warrants to independent investor at the issue price of HK$0.10 per warrant whereas the subscription price is HK$8.00 per subscription share upon the exercise of the relevant warrants. As at the date of this announcement, no warrants have been exercised.

Financial Review

Overview

The key financial indicators of the Group are as follows:

	Year ended 31 December		Year-on-year
	2014	2013	change
	RMB'000	*RMB'000*	*(%)*
Income statement items			
Sales	**668,426**	530,433	26.0%
Gross profit	**386,498**	313,069	23.5%
Profit attributable to ordinary equity holders of the Company	**211,603**	174,207	21.5%
EBITDA	**282,385**	234,975	20.2%
Earnings per share (RMB cents) *(Note a)* — basic and diluted	**41.8**	46.5	(10.1%)
Selected financial ratios			
Gross profit margin (%)	**57.8%**	59.0%	(2.0%)
Net profit margin attributable to ordinary equity holders of the Company (%)	**31.7%**	32.8%	(3.4%)
EBITDA margin (%)	**42.2%**	44.3%	(4.7%)
Return on equity holders' equity (%)	**17.7%**	58.8%	(69.9%)
Gearing ratio *(Note b)*	**25.9%**	54.2%	(52.2%)

Notes:

(a) Please refer to Note 10 to the financial statements for the calculation of earnings per share.

(b) The gearing ratio is based on net debt divided by total equity and net debt. Net debt includes total debt net of cash and cash equivalents.

Revenue

The revenue of the Group, increased by 26.0% from RMB530.4 million in 2013 to RMB668.4 million in 2014, primarily reflecting an increase in the sales of our cooking wine products, soy sauce products and vinegar products.

Revenue from cooking wine products increased by 20.2% from RMB393.4 million for the year of 2013 to RMB472.9 million for the year of 2014, reflecting increases in all product lines except for our mass-market cooking wine products. With our great effort on enhancing the "Lao Heng He" ("老恒和") cooking wine brand and continually focusing on producing high quality cooking wine products, the sales of our cooking wine products kept increasing in 2014, especially the star products, such as 15% ABV Cooking Wine (15度料酒), Steamed Fish Cooking Wine (蒸魚料酒), Scallion & Ginger Cooking Wine (蔥薑料酒) and Lao Heng He Cooking Wine (老恒和料酒).

Revenue from the Group's soy sauce products increased by 4.4% from RMB101.9 million for the year of 2013 to RMB106.4 million for the year of 2014. In 2014, the Group streamlined its soy sauce product offering, with main focus on several premium products such as Premium Flavored Soy Sauce (鮮上鮮特級醬油) and Mushroom Dark Soy Sauce (草菇老抽).

Revenue from the Group's vinegar products increased by 382.0% from RMB14.2 million for the year of 2013 to RMB68.6 million for the year of 2014, which was mainly attributable to the growing market popularity and the ramping up of production capacity of the naturally brewed vinegar, such as Crab Vinegar (蟹醋), Rose Rice Vinegar (玫瑰米醋) and Premium Zhejiang Vinegar (上品浙醋).

The Group's shift in focus to the cooking wine business affected the Group's other products, which decreased by 1.9% from RMB20.9 million for the year of 2013 to RMB20.5 million for the year of 2014.

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

Cost of Sales

The Group's cost of sales increased by 29.7% from RMB217.4 million in 2013 to RMB281.9 million in 2014. The increase in cost of sales was largely in line with the increase in sales revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 23.5% from RMB313.1 million in 2013 to RMB386.5 million in 2014. However, the gross profit margin decreased slightly from 59.0% in 2013 to 57.8% in 2014, primarily due to the increased packaging cost as the Group upgraded some key products' packaging design and packaging quality.

Other Income and Gains

Other income decreased by 49.0% from RMB11.5 million in 2013 to RMB5.9 million in 2014. Other income consists primarily of subsidy received, gains from sales of materials and interest income. The decrease in other income is primarily due to the decrease in subsidy received from RMB10.3 million in 2013 to RMB2.9 million in 2014, partially offset by the increase in interest income from RMB49,000 in 2013 to RMB1.3 million in 2014.

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.

The Group's selling and distribution expenses increased from RMB25.7 million in 2013 to RMB40.3 million in 2014, and the distribution expenses as a percentage of the Group's revenue increased from 4.8% for 2013 to 6.0% for 2014, as the Group conducted extensive marketing and promotional activities to strengthen the "Lao Heng He" ("老恒和") brand recognition and value.

Administrative Expenses

The administrative expenses increased by 9.9% from RMB74.1 million in 2013 to RMB81.4 million in 2014. This increase mainly reflected an increase in the research and development costs and staff costs.

Finance Cost

Finance cost increased by 29.5% from RMB17.6 million in 2013 to RMB22.9 million in 2014. The increase in finance costs primarily reflected an increase in interest on bank loans from RMB17.6 million for the year of 2013 to RMB22.9 million for the year of 2014 as a result of an increase in the average balance of the Group's bank loans in 2014 to support the expansion of the Group's business.

Profit before Tax

As a result of the foregoing, the profit before tax increased by 18.9% from RMB207.2 million in 2013 to RMB246.2 million in 2014.

Income Tax Expense

Income tax expense increased by 5.1% from RMB32.9 million in 2013 to RMB34.6 million in 2014, with the effective income tax rate decreased from 15.9% in 2013 to 14.1% in 2014, mainly due to more tax incentive obtained on eligible expenditures in 2014. Subsidiaries of the Group in Mainland China, including Huzhou Laohenghe Brewery Co., Limited and Huzhou Laohenghe Wine Co., Limited, having been granted the "Certificate of New and Advanced Technology Enterprise" and are entitled to the beneficial tax rate of 15% for three years starting from 1 January 2013. As such, the corporate income tax of the Group for the year of 2014 in respect of its operations in the PRC has been provided at the rate of 15% (2013: 15%) on the taxable profit.

Profit Attributable to Ordinary Equity Holders of the Company

For the foregoing reasons, profit attributable to ordinary equity holders of the Company increased from RMB174.2 million in 2013 to RMB211.6 million in 2014.

Earnings per Share Attributable to Ordinary Equity Holders of the Company

Basic earnings per share decreased from RMB46.5 cents for 2013 to RMB41.8 cents for 2014. Decrease in earnings per share was attributable to the new shares of the Company (the "**Shares**") issued upon the IPO on 28 January 2014 (the "**Listing Date**") and the Shares issued upon exercise of the over-allotment option on 13 February 2014 that resulted in an enlarged share capital.

Net Profit Margin

Net profit margin decreased 1.1 percentage points from 32.8% in 2013 to 31.7% in 2014. The decrease in net profit margin was mainly attributable to an increase in cost of sales resulting to a decrease in gross profit margin.

Financial and Liquidity Position

Trade Receivables

Trade receivables increased from RMB88.9 million as of 31 December 2013 to RMB187.9 million as of 31 December 2014, mainly reflecting increases in sales.

Details of the ageing analysis of trade receivables are set out in Note 12 to the financial statements in this announcement. The turnover days of trade receivables increased from 52 days in 2013 to 76 days in 2014, which was mainly due to a larger amount of sales incurred during the last three months of 2014, as compared to the last three months of 2013 and the increase in sales to higher category distributors, which had longer credit period.

The Group implemented a multi-category distributor system to manage distribution of its products since 2011. The Group classify its distributors into Categories A (the highest), B, C and D based on their distribution scale and capabilities.

Inventories

Inventories increased from RMB326.7 million as of 31 December 2013 to RMB830.5 million as of 31 December 2014, primarily due to increase in work in progress by RMB471.7 million. A substantial part of the inventories of the Group was contributed by work in progress, which mainly represented the base wine, base soy sauce and base vinegar in the brewing period. Due to the long production cycle and short sales cycle, the Group need to keep an abundant stock of well-aged base wine to cope with the rapid sales growth in the future. With leverage of the proceeds from the IPO and the funding support from the banks, the Group expanded its production scale significantly, and the stock of base wine recorded a significant increase, to ensure the Group has sufficient work in progress stock not only for the short-term production, but also for the expansion in the coming years.

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

As at 31 December 2014, the Group's inventories with a carrying amount of RMB117.5 million were pledged to secure general banking facilities granted to the Group.

Borrowings

As of 31 December 2014, the Group's total borrowings amounted to RMB417.8 million (31 December 2013: RMB 233.0 million).

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

Liquidity and Financial Resources

As at 31 December 2014, the Group had cash and cash equivalents of RMB218.5 million (31 December 2013: RMB44.0 million). As at 31 December 2014, the Group had interest-bearing bank borrowings of an aggregate amount of RMB417.8 million (31 December 2013: RMB233.0 million), which were denominated in RMB with interest rates from 5.80% to 7.20% per annum.

Gearing Ratio

The gearing ratio of the Group was 25.9% as at 31 December 2014, representing a decrease of 52.2% as compared to 54.2% as at 31 December 2013.

The gearing ratio is based on net debt divided by total equity and net debt as at 31 December 2014. Net debt includes total debt net of cash and cash equivalents.

Capital Commitment

Capital commitment as at 31 December 2014 amounted to approximately RMB16.4 million (31 December 2013: RMB14.2 million), which was mainly related to construction in progress for expansion of plant.

Contingent Liabilities

As at 31 December 2014, the Group did not have any material contingent liability.

Pledge of Assets

As at 31 December 2014, the Group's inventories with a carrying amount of RMB117.5 million, property, plant and equipment with a carrying amount of RMB20.6 million and leasehold land with a carrying amount of RMB11.5 million were pledged to secure general banking facilities granted to the Group.

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

Material Acquisition and Disposal

The Group has no material acquisition and disposal as at 31 December 2014.

FUTURE PROSPECTS

In 2014, we saw the continuous slowdown of the China's macroeconomic growth, with China's GDP growth by 7.4% in 2014. We believe the "economic new normal" as advocated by China's president will become the consensus of the government and the private sectors for the next few years.

Looking ahead, despite the uncertainty in the global and domestic economic conditions, China's GDP is expected to grow at a relatively steady pace. Riding on China's steady economic growth, sustained growth in China's disposable income, an increase in consumer spending in the PRC and the increasing health and food safety awareness which gave rise to more discerning consumers, the Company believes our products under the "Lao Heng He" brand will achieve rapid growth in the PRC.

Leveraging the Group's well known heritage condiment brand "Lao Heng He" which dates back to 140 years ago, extensive distribution network and strong relationship with key distributors, the Group is determined to capture the opportunities brought by these healthy market trends.

We have expanded our production and storage facility at our plants in Huzhou City, Zhejiang Province in 2014. We have added new cooking wine production workshops, purchased new production equipment, and implemented various technical improvements to the production lines. At the same time, we have added three new warehouses to hold our base wine.

As at 31 December 2014, our stock of base wine increased to approximately 158.4 million liters and we plan to increase the Group's stock of base wine to approximately 225.0 million liters by the time when the fermentation season of 2015 ends. The Group will also continue to improve its research and development capabilities to focus on standardization of production process, new product development and product improvement.

Furthermore, we will look for suitable merger and acquisition opportunities to enhance our production capacity and product portfolio, which will bring long-term strategic and economic value to the Group. We are determined to maintain ourselves as one of the leading condiment producers in China.

GOALS AND STRATEGIES

In 2015, we will focus on the strategy of providing natural premium healthy condiments to our consumers and adhere to the long-term growth strategy which is based on the following core value: focus on providing natural, healthy and quality condiments and actively seek to rejuvenate and develop the traditional quality condiments.

We will endeavour to continue to streamline our cooking wine and soy sauce portfolio. Through continuous research and development of natural and healthy products, we aim at creating a brand image of premium quality for "Lao Heng He", thereby strengthening the Group's competitiveness in China's cooking wine market as well as providing consumers with more choices of healthy condiments.

The Group's operational goal is to maintain and fortify its leadership position in the cooking wine industry, continue to expand the distribution network of the Group's cooking wine products in the national market (among key cities and consumers), increase our corporate sales and enlarge the market share in the naturally-brewed cooking wine industry.

The Group also aims at introducing new condiment products through research and development and innovation of traditional production techniques and increasing the quality and profit margin of its condiment products. In addition, the Group will leverage the current stable agricultural product prices to accelerate the process of increasing the stock of base wine in earthen jars which, on one hand, can guard against the predicted risks of future price increase of agricultural products and, on the other hand, can provide enough base wine in earthen jars for the Group's rapid development in the future.

The Group's operational targets focus on: (i) maintaining customer satisfaction and market leader position in its product offerings; (ii) maintaining the flexibility in adapting to the local operating environment and establishing an effective customer feedback system to implement the "customer first and customer-oriented" marketing philosophy with more resources allocated to meet the needs of the end customers.

It is also the Group's operation goal to remain faithful to is core values, inherit and develop the traditional production method, establish a management system where product quality and safety comes first. To achieve this, the Group has stringent control over the whole production and supply chain and will continue to apply both traditional and modern production methods to deliver high quality and safety products to our customers.

The Group would also target to recruit local talents to join our operation, focusing on providing training to our employees, and lead the Group to become an international group. With this goal in mind, the Group will recruit and nurture local talents and offer a suitable platform for our employees to fully develop their potential.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2014.

EMPLOYEES

As at 31 December 2014, the Group had a total of approximately 329 employees. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, such as retirement benefits and medical insurance coverage. The employees' remuneration packages are determined with reference to their experience and qualifications and general market conditions.

SIGNIFICANT INVESTMENTS HELD

There was no significant investments held by the Group as at 31 December 2014 (31 December 2013: nil).

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the year 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year 2014.

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the Listing amounted to HK$968.7 million (equivalent to approximately RMB769.4 million) after deducting the underwriting commission and relevant expenses. Such proceeds has been applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The unused proceeds are temporarily placed in short term deposits with licensed institutions in Hong Kong and China.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB10.0 cents per ordinary share (equivalent to approximately HK12.6 cents per ordinary share) for the year ended 31 December 2014 (the "**Proposed Final Dividend**"), subject to the approval of the Company's shareholders at the Company's forthcoming annual general meeting to be held on or before 30 June 2015 (the "**2015 AGM**").

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (the "**Listing Rules**").

CORPORATE GOVERNANCE

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

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**Governance Code**") contained in Appendix 14 to the Listing Rules in 2014, except for the deviations summarized below.

Provision A.2.1 of the Code provides that the roles of the Chairman and the chief executive officer (the "**CEO**") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the CEO should be clearly established and set out in writing.

Mr. Chen Weizhong ("**Mr. Chen**") has continually served as both the Chairman and CEO of the Company since its incorporation. He is responsible for managing the Board and the business of the Group. Although this deviates from the practice in provision A.2.1 of the Code, Mr. Chen has considerable and extensive experience in the cooking wine industry and management in general. The Board believes that it is in the best interest of the Company to have an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in discussing the strategy and long-term development of the Group.

From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the Chairman should not be able to monopolize the voting result. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure and there is no imminent need to change the arrangement. The remuneration committee and nomination committee of the Board also regularly review the structure and composition of the Board and will make appropriate recommendations to the Board regarding any proposed changes.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the directors 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 2014. 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 2014.

REVIEW OF ANNUAL RESULTS

Audit Committee

The audit committee of the Company (the "**Audit Committee**") (which comprises all independent non-executive directors, namely Mr. Ma Chaosong (Chairman), Mr. Lei Jiasu and Mr. Shen Zhenchang) has reviewed, the audited consolidated financial statement of the Group for the year ended 31 December 2014, 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, Ernst & Young, and recommended that the Board re-appoint Ernst & Young as the Company's auditors for 2015, which is subject to the approval of the shareholders of the Company at the 2015 AGM.

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year.

ANNUAL GENERAL MEETING

The 2015 AGM will be held on or before 30 June 2015. A notice convening the 2015 AGM will be published on the website of the Stock Exchange and the Company and dispatched to the shareholders on or before 30 April 2015.

PUBLICATION OF RESULTS ANNOUNCEMENTS 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 2014 annual report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites on or before 30 April 2015.

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 Weizhong
Chairman

Hong Kong, 27 March 2015

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Chen Weizhong, Mr. Sheng Mingjian and Mr Wang Chao; one non-executive director, namely Mr. Zhang Bihong; and three independent non-executive directors, namely, Mr. Shen Zhenchang, Mr. Lei Jiasu and Mr. Ma Chaosong.