Honworld Group Limited
老恒和釀造有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2226)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2018 amounted to approximately RMB384.9 million, representing an increase of 6.5% from approximately RMB361.4 million for the corresponding period of 2017.
- Gross profit for the six months ended 30 June 2018 amounted to approximately RMB199.4 million, representing a decrease of 2.2% from approximately RMB203.9 million for the corresponding period of 2017.
- Profit attributable to owners of the parent for the six months ended 30 June 2018 amounted to approximately RMB92.2 million, representing an increase of 11.4% from approximately RMB82.8 million for the corresponding period of 2017.
- The Board does not recommend the payment of interim dividends for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

* *For identification purposes only*

In this announcement, "we", "us" and "our" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the "**Board**") of directors (the "**Directors**") of Honworld Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated financial results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period of 2017 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
REVENUE	*4*	**384,943**	361,355
Cost of sales		**(185,584)**	(157,425)
Gross profit		**199,359**	203,930
Other income and gains	*4*	**8,621**	6,256
Selling and distribution expenses		**(37,116)**	(49,653)
Administrative expenses		**(36,874)**	(37,242)
Other expenses		**(1,264)**	(23)
Finance costs	*6*	**(23,205)**	(23,425)
PROFIT BEFORE TAX	*5*	**109,521**	99,843
Income tax expense	*7*	**(17,302)**	(17,051)
PROFIT FOR THE PERIOD		**92,219**	82,792
Attributable to:			
Owners of the parent		**92,219**	82,792
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	**RMB15.9 cents**	RMB14.3 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**92,219**	82,792
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,521**	(6,785)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**93,740**	76,007
Attributable to:		
Owners of the parent	**93,740**	76,007

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2018

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**950,251**	938,404
Prepaid land lease payments	*11*	**52,612**	53,249
Other intangible assets		**414**	414
Prepayments for items of property, plant and equipment		**491,376**	390,744
Deferred tax assets		**2,360**	2,254
Total non-current assets		**1,497,013**	1,385,065
CURRENT ASSETS			
Inventories	*12*	**1,237,266**	1,189,931
Trade receivables	*13*	**217,755**	129,547
Prepayments, deposits and other receivables	*14*	**266,045**	191,271
Pledged deposits	*15*	**77,606**	76,047
Cash and cash equivalents	*15*	**226,620**	443,893
Total current assets		**2,025,292**	2,030,689
CURRENT LIABILITIES			
Trade payables	*16*	**140,129**	153,539
Other payables and accruals	*17*	**109,969**	85,628
Interest-bearing bank and other borrowings	*18*	**774,921**	892,555
Tax payable		**37,639**	28,168
Total current liabilities		**1,062,658**	1,159,890
NET CURRENT ASSETS		**962,634**	870,799
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,459,647**	2,255,864

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2018

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*18*	**208,112**	62,254
Other long term liabilities	*20*	**137,106**	137,179
Deferred tax liabilities		**24,467**	22,592
Total non-current liabilities		**369,685**	222,025
Net assets		**2,089,962**	2,033,839
EQUITY			
Equity attributable to owners of the parent			
Share capital	*21*	**1,767**	1,767
Reserves		**2,088,195**	2,032,072
Total equity		**2,089,962**	2,033,839

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

1. CORPORATE INFORMATION

Honworld Group Limited (the "**Company**") was incorporated in the Cayman Islands on 4 December 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. In the opinion of the directors, the holding company and the ultimate holding company of the Company is Key Shine Global Holdings Limited, which was incorporated in the British Virgin Islands ("**BVI**").

The Company is an investment holding company. During the six months ended 30 June 2018, the Company and its subsidiaries (collectively known as the "**Group**") were principally engaged in the manufacture and sale of condiment products under the brand name of "Lao Heng He" in the People's Republic of China (the "**PRC**").

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 ("the **period**") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("the **Listing Rules**") and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Committee.

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

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

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of Investment Property
Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to the following two IFRSs: — IFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — IAS 28 Investments in Associates and Joint Ventures

Other than as further explained below, the directors do not anticipate that the application of the new and revised IFRSs above will have a material effect on these interim condensed consolidated financial statements and the disclosure.

IFRS 15

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption and it elected to apply that method to only those contracts that were not completed at the date of initial application. The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 18 and related interpretations.

The Group has concluded that revenue from sale of its products should be recognised at the point in time when control of the assets is transferred to the customer, generally on delivery of these products. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. The impact on the amount of revenue to be recognised was further explained below.

Advances from customers

Advance payment is sometimes required for the sales to customers. Prior to the adoption of IFRS 15, the advance payments from customers was recognised in the statement of financial position as “Advances from customers” within the account “Other payables and accruals”. Upon the adoption of IFRS 15, the Group reclassified the advance payments from customers to “Contract liabilities” within the account “Other payable and accruals”.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sales of condiment products. For management purposes, the Group operates in one business unit and has one reportable operating segment as follows:

- the food segment that manufactures and sells condiment products

As all of the Group's revenue is derived from sales of its products to the customers in the PRC and all of the Group's identifiable non-current assets are located in the PRC, no geographical information as required by IFRS 8 *Operating Segments* is presented.

Information about major customers

Revenue amounting to 10 percent or more of the Group's revenue derived from sales to a single customer for the six months ended 30 June 2018 is set out in the following table:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer X	**48,674**	53,122
Customer Y	**40,282**	47,026
Customer Z	**–***	36,881
	88,956	137,029

* Revenue from the customer did not exceed 10% of the Group's revenue for the reporting period.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of condiment products	**384,943**	361,355
Other income and gains		
Subsidy received	**7,144**	2,729
Interest income	**883**	1,785
Exchange gain	**–**	1,541
Gain from sale of materials	**508**	112
Rental income	**86**	86
Others	**–**	3
	8,621	6,256

5. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2018	2017
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Cost of inventories sold		**185,584**	157,425
Depreciation	*10*	**21,589**	19,536
Amortisation of prepaid land lease payments	*11*	**637**	608
Minimum lease payments under operating leases		**958**	1,405
Auditor's remuneration		**380**	350
Employee benefit expenses (excluding directors' remuneration):			
Wages and salaries		**17,695**	16,762
Pension scheme contributions		**2,088**	2,381
		19,783	19,143
Foreign exchange loss/(gain), net		**765**	(1,541)
Donations		**100**	—
Research and development costs		**17,978**	19,838

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**21,179**	22,361
Interest on finance leases	**2,026**	1,064
	23,205	23,425

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	**15,533**	15,506
Deferred	**1,769**	1,545
Tax charge for the period	**17,302**	17,051

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated. Pursuant to the rules and regulations of the Cayman Islands, the Group was not subject to any income tax in the Cayman Islands.

7. INCOME TAX EXPENSE (continued)

The income tax provision of the Group in respect of its operations in Mainland China has been provided on the taxable profits for the periods, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the approval from the National Office of Leading Group for Administration of Hi-tech Enterprise Recognition, Huzhou Laohenghe Brewery Co., Limited and Huzhou Laohenghe Wine Co., Limited, both being wholly-owned subsidiaries of the Company, were granted the "New and Advanced Technology Enterprise" status and were entitled to the preferential tax rate of 15% for the three consecutive years commencing from 2016.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2017 and 2018.

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 578,750,000 (six months ended 30 June 2017: 578,750,000) in issue during the six months ended 30 June 2018.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent (RMB'000)	**92,219**	82,792
Weighted average number of ordinary shares in issue (in thousands)	**578,750**	578,750
Earnings per share attributable to ordinary equity holders of the parent — Basic and diluted (RMB cents)	**15.9**	14.3

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2018 and 2017 in respect of a dilution as the group has no potential dilutive ordinary shares in issue.

9. DIVIDEND

No interim dividend was proposed for the six months ended 30 June 2018.

The proposed 2017 final dividend of RMB6.5 cents per share, totalling RMB37,619,000, was approved by the Company's shareholders at the annual general meeting on 31 May 2018. It was recorded in "other payables and accruals" in the interim condensed consolidated statement of financial position and was subsequently distributed in July 2018.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Opening balance	**938,404**	810,088
Additions	**33,436**	166,524
Depreciation	**(21,589)**	(38,208)
Closing balance	**950,251**	938,404

11. PREPAID LAND LEASE PAYMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Carrying amount at 1 January	**54,519**	52,222
Additions during the period	**–**	3,581
Amortised during the period	**(637)**	(1,284)
Carrying amount at period end	**53,882**	54,519
Less: Current portion included in prepayments, deposits and other receivables	**(1,270)**	(1,270)
Non-current portion	**52,612**	53,249

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

12. INVENTORIES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Raw materials	**8,663**	14,079
Work in progress	**1,215,228**	1,142,158
Finished goods	**13,375**	33,694
Total inventories	**1,237,266**	1,189,931

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to six months, extending to longer periods for those long standing customers.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within 1 month	**84,525**	60,548
1 to 3 months	**85,395**	51,936
3 to 6 months	**45,876**	16,279
6 months to 1 year	**1,388**	617
Over 1 year	**571**	167
Total	**217,755**	129,547

Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Prepayments	**118,802**	49,685
Deposits and other receivables	**147,243**	141,586
	266,045	191,271

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

15. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Cash and bank balances	**226,620**	443,893
Time deposits	**77,606**	76,047
	304,226	519,940
Less:		
Pledged for bank loans	**(77,606)**	(76,047)
Cash and cash equivalents	**226,620**	443,893

Cash and cash equivalents are dominated in:

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
RMB	**225,474**	442,882
Hong Kong Dollar (HK$)	**999**	916
USD	**147**	95
Cash and cash equivalents	**226,620**	443,893

16. TRADE PAYABLES

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

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Within 3 months	**57,531**	72,567
3 to 6 months	**20,542**	56,730
Over 6 months	**62,056**	24,242
	140,129	153,539

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

17. OTHER PAYABLES AND ACCRUALS

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other payables	**77,707**	54,878
Accruals	**15,595**	13,665
Contract liabilities	**16,667**	–
Advances from customers	**–**	17,085
	109,969	85,628

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

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Bank loans — secured[(a)]	**717,310**	852,760
Finance lease payables[(a)] *(note 19)*	**57,611**	39,795
	774,921	892,555
Non-current		
Bank loans — secured[(a)]	**163,000**	—
Finance lease payables[(a)] *(note 19)*	**45,112**	62,254
	208,112	62,254
Total	**983,033**	954,809

The interest-bearing bank and other borrowings as at 30 June 2018 were all denominated in RMB, repayable within four years and bearing interests at 4.79%–5.99% per annum.

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

(a) The following assets were pledged as securities for interest-bearing bank and other borrowings:

	Carrying values	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant, and equipment	**428,412**	141,180
Leasehold land	**53,803**	34,800
Inventories	**646,326**	803,488
Pledged deposits	**77,606**	76,047
	1,206,147	1,055,515

In addition, the director of the Group, Mr. Chen Weizhong, has guaranteed certain of the Group's bank loans up to RMB470,310,000 (31 December 2017: Nil) as at 30 June 2018.

The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

19. FINANCE LEASE PAYABLES

The Group leased certain of its machinery and equipment in 2015, 2017 and 2018 and these leases are classified as finance leases with remaining lease terms from 1 year to 3 years (31 December 2017: 1 year to 3 years) as at 30 June 2018. According to the sales and lease back 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 price of RMB1, RMB100 or RMB1,000.

Below table represents the loans borrowed by way of the sale and leaseback arrangements as at 30 June 2018:

Date of incurrence	**Principal amount**	**Effective interest rate (%)**	**Maturity**	**Guarantee deposit**
2015/12/29	RMB23,650,000	5.99%	2018/12/29	RMB2,365,000
2017/07/19	RMB32,100,000	4.79%	2020/07/19	RMB7,130,000
2017/09/13	RMB43,461,000	4.79%	2020/09/13	RMB9,662,000
2017/11/06	RMB27,292,000	4.79%	2020/11/06	RMB6,062,000
2018/04/23	RMB20,000,000	5.29%	2019/04/22	Nil

As at 30 June 2018, the Group's machinery and equipment and construction in progress with a net carrying amount of RMB136,268,000 (31 December 2017: RMB117,164,000) were held under finance leases.

19. FINANCE LEASE PAYABLES (continued)

As at 30 June 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 30 June 2018 *RMB'000* **(Unaudited)**	Minimum lease payments 31 December 2017 *RMB'000* (Audited)	**Present value of minimum lease payments 30 June 2018** *RMB'000* **(Unaudited)**	Present value of minimum lease payments 31 December 2017 *RMB'000* (Audited)
Amounts payable:				
Within one year	**60,905**	43,545	**57,611**	39,795
In the second year	**35,844**	36,663	**34,296**	34,292
In the third year	**11,004**	28,718	**10,816**	27,962
Total minimum finance lease payments	**107,753**	108,926	**102,723**	102,049
Future finance charges	**(5,030)**	(6,877)		
Total net finance lease payables	**102,723**	102,049		
Portion classified as current liabilities *(note 18)*	**(57,611)**	(39,795)		
Non-current portion *(note 18)*	**45,112**	62,254		

20. OTHER LONG TERM LIABILITIES

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Other long term payables	*(a)*	**133,000**	133,000
Special payables	*(b)*	**4,106**	4,179
		137,106	137,179

20. OTHER LONG TERM LIABILITIES (continued)

(a) On 6 May 2016, two wholly-owned subsidiaries of the Company, Huzhou Chen Shi Tian Niang Management Consulting Co., Ltd (the "**Huzhou Chenshi**") and Huzhou Laohenghe Brewery Co., Limited ("**Huzhou Laohenghe**", which is also the wholly-owned subsidiary of Huzhou Chenshi) entered into an investment agreement with China Development Fund Co., Ltd ("**CD Fund**") (the "**Investment Agreement**"). Pursuant to the Investment Agreement, CD Fund agreed to subscribe for 3.5% of equity interest of Huzhou Laohenghe for a total cash consideration of RMB133 million (the "**Capital Investment**") and Huzhou Laohenghe shall pay CD Fund fix annual return equal to 1.2% of the Capital Investment from the date of the agreement. In additions, Huzhou Chenshi has contractual obligation to repurchase all the equity interest of Huzhou Laohenghe held by CD Fund within 8 years according to the repayment schedule under the Investment Agreement. Further details of the Investment Agreement have been disclosed in the announcements of the Company dated 9 May 2016 and 29 June 2016, respectively.

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 million was recorded as a financial liability.

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Amounts repayable:		
Over five years	**133,000**	133,000

(b) As at 30 June 2018, the actuarial liabilities existing in relation to the retirement benefit obligations for employees who retired prior to the acquisition of Huzhou Laohenghe Brewery Co., Limited by the controlling shareholders and the early retirement obligations for employees who early retired were RMB4,106,000 (31 December 2017: RMB4,179,000). The benefit obligations arising from the plans were unfunded.

The movements of the actuarial liabilities recognised in the statement of financial position are as follows:

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Carrying amount at the beginning of the period	**4,179**	4,333
Benefits paid	**(73)**	(154)
At the end of the period	**4,106**	4,179

21. SHARE CAPITAL

Shares

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Authorised:		
1,000,000,000 ordinary shares of US$0.0005 (RMB0.00305) each	**3,050**	3,050
Issued and fully paid:		
578,750,000 ordinary shares of US$0.0005 (RMB0.00305) each	**1,767**	1,767

22. OPERATING LEASE ARRANGEMENTS

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

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**2,099**	2,093
In the second to fifth years, inclusive	**1,992**	2,456
After five years	**1,327**	1,819
	5,418	6,368

Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22 above, the Group had capital commitments as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	**197,877**	103,583

24. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	**293**	248
Pension scheme contributions	**38**	35
Total compensation paid to key management personnel	**331**	283

(b) Transactions with related parties:

The director of the Group, Mr. Chen Weizhong, has guaranteed certain bank loans made to the Group of up to RMB470,310,000 (31 December 2017: Nil) as at the end of the reporting period, as further detailed in note 18 to the financial statement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are one of the leading manufacturers of condiment products in the People's Republic of China (the "**PRC**" or "**China**"). We offer high quality and healthy brewed cooking wine as well as other condiments, including naturally-brewed soy sauce, vinegar (white vinegar), soybean paste and fermented bean curd. In the first half of 2018, we attained the following achievements:

1. "Lao Heng He" was recognized as a well-known trademark in China by the Trademark Office of the State Administration for Industry and Commerce;

2. We signed the "Traditional Fermented Food Joint Research Center" (傳統發酵食品聯合研究中心) project agreement with the School of Biotechnology of Jiangnan University, aiming at conducting comprehensive cooperation with School of Biotechnology of Jiangnan University in research and development of our core brewing technology. Meanwhile, our technical innovation team was selected for the "Elite Project" in Nantaihu, Huzhou;

3. We hosted the "Hesong" 2018 China Condiment Industry First Cooking Wine (Taihu) Summit and released our new soy sauce product, "Brewed-twice Soy Sauce";

4. We took the initiative to formulate two distinctive standards for the production of cooking wines, namely (i) "Made in Zhejiang Standard" with brewing as the core process; and (ii) brewing standard of the China Alcoholic Drinks Association. The aforesaid standards are conducive to the development of cooking wine industry standards and national standards which will enable our "naturally-produced" cooking wine products to stand out from other non-brewed products, in turn enhancing the market competitiveness of our products.

Affected by the downturn in the industry, the scale advantage of sales channels in supermarket became less prominent. In the first half of 2018, most of the Group's marketing resources continued to be placed in distribution channel as well as catering and e-commerce channels (the "**New Sales Channels**"). Therefore, sales from the New Sales Channels increased from RMB131.8 million in the first half of 2017 to RMB178.2 million in the first half of 2018, representing an increase of 35.2%. With the development of the New Sales Channels, the total number of our clients increased from 1,220 as at 31 December 2017 to 1,358 as at 30 June 2018, representing an increase of 11.3%. Among which, clients from the distribution channel increased from 1,089 as at 31 December 2017 to 1,255 as at 30 June 2018, representing an increase of 15.2%. Other New Sales Channels also recorded growth of various degrees.

As a result of the above, as at 30 June 2018, the Group's revenue reached approximately RMB384.9 million (30 June 2017: RMB361.4 million), representing an increase of approximately 6.5% over the corresponding period in 2017. Profit attributable to the ordinary equity holders of the parent was approximately RMB92.2 million as at 30 June 2018 (30 June 2017: RMB82.8 million), representing an increase of approximately 11.4% over the corresponding period in 2017.

In the first half of 2018, cooking wine, our key product, remained a major source of revenue, representing 70% of the total revenue (corresponding period in 2017: 72%). We have a huge base wine stock and continuously made technological improvements to the production process to enhance the quality of our "naturally-brewed" cooking wine products. We believe that the future development of industry standards for "naturally-brewed" cooking wine products will further strengthen our leading position in the industry and contribute to a growing market demand for "naturally-brewed" cooking wine products.

On the other hand, in view of the growing demand from the clients of New Sales Channels and the anticipated sales growth of soy sauce, rice vinegar, fermented bean curd and other products, we continue to enhance our production capacity to diversify the portfolio of condiment products. Our new plant in Huzhou City, Zhejiang Province is near completion and will be put into operation in the second half of 2018. We believe that a diversified portfolio of condiment products can create synergies that facilitate the penetration of our products to different sales channels.

Our profitability mainly depends on product pricing and our cost of sales, marketing strategy and the product structure and mix. We are actively monitoring any potential risk factors that may have impact on our financial results, and trying to mitigate any increasing costs and expenses with more efficient operation, higher profit margins and better product mix and sales channels. The Group faces certain risks in its business development, including: (1) risk of significant increase in production cost, such as increase in the prices of subsidiary agricultural products, packaging cost or labour cost; (2) negative impact on our revenue due to declining customer flow in the sales channel; (3) the greater-than-expected increase in cost from market expansion and selling expenses; (4) the possible failure of our new products to obtain market recognition in the short run; and (5) increasing complexity of managing sales policies and credit terms due to rapid expansion of our distributors.

GOALS AND STRATEGIES

In the second half of 2018, we will continue to follow the strategy of diversifying our channels, concentrating our marketing resources on market penetration of all sales channels. We will adhere to a consumer-oriented sales strategy and focus on providing consumers with safer and healthier naturally-brewed condiment products of premium quality, so as to achieve higher customer loyalty to our brand. With the gradual optimization of distribution channels, our marketing strategy will be shifted from market development to market penetration. We will have a deeper application of our current and future core product portfolio, establishing a regional sales center through allocation of the sharable resources to multiple channels, in order to fully explore and boost the demand for our products in the existing markets.

As for implementation of our sales strategy, we will further diversify our product portfolio and customise different product portfolio according to the consumption pattern of different regions for ongoing market penetration of New Sales Channels. On the other hand, we anticipate further growth in the Group's revenue through the synergy among diversified channels upon the establishment of New Sales Channels. More resources are expected to be allocated to sales channels in supermarket in the second half of 2018.

We will always pay close attention to and actively address any risks that may come along with growth. We have formulated and optimized our standardized production system to effectively respond to the launch of "naturally-brewed" standards at the same time upgraded the information technology system to cope with the fast expansion of scale of sales. Apart from that, we will establish a regional sales center to better manage and provide training to our expanding sales team in a more efficient manner, so as to better address the possible negative impact on the sales of our Group's products brought about by the deficiency of our sales teams. We will keep improving our credit risk management system to respond to the complexity of sales policies and credit terms management as a result of the increasing number of distributors. We will also continue to build an information sharing platform to strengthen internal communications to respond to the negative impact on our sales and our distributors, which is caused by the difference in pricing policy in different geographical locations that leads to cross-sales of products to other exclusively-authorized distribution areas.

"Lao Heng He" strives to become the preferred choice of consumers.

Financial Review

Overview

The key financial indicators of the Group are as follows:

	Six months ended 30 June		Period-to-period change
	2018	2017	
	RMB'000	*RMB'000*	
Income statement items			
Sales	**384,943**	361,355	6.5%
Gross profit	**199,359**	203,930	-2.2%
Profit attributable to owners of the parent	**92,219**	82,792	11.4%
EBITDA	**154,952**	143,412	8.0%
Earnings per share (RMB cents) *(Note a)*			
— basic and diluted	**15.9**	14.3	11.2%
Selected financial ratios			
Gross profit margin (%)	**51.8%**	56.4%	-8.2%
Net profit margin attributable to owners of the parent (%)	**24.0%**	22.9%	4.8%
EBITDA margin (%)	**40.3%**	39.7%	1.5%

	30 June 2018	31 December 2017	**Period-to-period change**
	RMB'000	*RMB'000*	
Gearing Ratio *(Note b)*	**35.4%**	35.2%	0.6%

Notes:

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

(b) The Gearing Ratio is based on net debt divided by total equity and net debt as at 30 June 2018. Net debt includes total debt net of cash and cash equivalents. Total debt include trade payables, other payables and accruals, interest-bearing bank and other borrowings and other long term liabilities.

Revenue

The revenue of the Group increased by 6.5% from RMB361.4 million for the six months ended 30 June 2017 to RMB384.9 million for the corresponding period of 2018, primarily reflecting an increase in sales of cooking wine products, soy sauce and other products.

Revenue from cooking wine products increased by 3.3% from RMB261.7 million for the six months ended 30 June 2017 to RMB270.4. million for the corresponding period of 2018. The increase is mainly attributable to continuous and extensive market penetration of distribution channels.

Revenue from the Group's soy sauce products increased by 17.5% from RMB49.1 million for the six months ended 30 June 2017 to RMB57.7 million for the corresponding period of 2018, mainly due to the fact that the Group has invested more marketing resources in soy sauce products.

Revenue from the Group's rice vinegar products slightly decreased by 2.3% from RMB32.3 million for the six months ended 30 June 2017 to RMB31.5 million for the corresponding period of 2018, basically same as the corresponding period of last year.

Revenue from the Group's other products increased by 38.1% from RMB18.3 million for the six months ended 30 June 2017 to RMB25.3 million for the corresponding period of 2018, primarily reflecting the further growth in the Group's sales of other products (such as fermented bean curd) resulting from the deepened penetration of the Group's distribution channels.

Cost of Sales

The Group's cost of sales, including raw materials, manufacturing overhead and salaries and benefits, increased by 17.9% from RMB157.4 million for the six months ended 30 June 2017 to RMB185.6 million for the corresponding period of 2018, mainly due to the combined effect of an increase in revenue and an increase of cost of raw material (mainly packaging materials).

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by 2.2% from RMB203.9 million for the six months ended 30 June 2017 to RMB199.4 million for the corresponding period of 2018, and the gross profit margin decreased from 56.4% for the six months ended 30 June 2017 to 51.8% for the corresponding period of 2018. The decrease in gross profit margin is due to the combined effect of an increase of cost of raw materials (mainly packaging materials) and lower proportion of high-end products in total sales.

Other Income and Gains

Other income and gains increased by 37.8% from RMB6.3 million for the six months ended 30 June 2017 to RMB8.6 million for the corresponding period of 2018. Other income and gains primarily include government subsidies received, gains from sales of materials and interest income. The increase in other income and gains for the period was primarily due to the increase in government subsidies received.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing expenses, travelling expenses, and remuneration for our sales employees. The Group's selling and distribution expenses decreased by 25.2% from RMB49.7 million for the six months ended 30 June 2017 to RMB37.2 million for the corresponding period of 2018. The Group's selling and distribution expenses as a percentage of the Group's revenue decreased from 13.7% for the six months ended 30 June 2017 to 9.6% for the corresponding period of 2018, mainly due to a decrease in the advertising expenses relating to channel establishment upon the preliminary establishment of New Sales Channels.

Administrative Expenses

Administrative expenses decreased by 1.0% from RMB37.2 million for the six months ended 30 June 2017 to RMB36.9 million for the corresponding period of 2018, mainly due to the fact that the research and development of improving the technological contents of the manufacturing craftsmanship and quality of the cooking wine products of the Group have made initial achievements, resulting in a decrease in research and development investment. The Group's future directions of research and development will focus on the development of new products and new craftsmanship for the Group's New Sales Channels. Based on the existing budget of research and development, the Group is expected to increase its investment in research and development activities in the second half of the year.

Finance Costs

Finance costs decreased by 0.9% from RMB23.4 million for the six months ended 30 June 2017 to RMB23.2 million for the corresponding period of 2018, mainly due to a decrease in working capital requirements relating to channel establishment and production.

Profit before Tax

As a result of the foregoing, the profit before tax increased by 9.7% from RMB99.8 million for the six months ended 30 June 2017 to RMB109.5 million for the corresponding period of 2018.

Income Tax Expense

The corporate income tax of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2017: 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 (湖州老恒和釀造有限公司) and Huzhou Laohenghe Wine Co., Limited (湖州老恒和酒業有限公司), both being wholly-owned subsidiaries of the Company, were granted the "New and Advanced Technology Enterprise" status and were entitled to the preferential tax rate of 15% for the three consecutive years commencing from 2016.

Income tax expenses increased by 1.5% from RMB17.1 million for the six months ended 30 June 2017 to RMB17.3 million for the corresponding period of 2018, which was mainly due to an increase in profit before tax.

Earnings per Share Attributable to Ordinary Equity Holders of the Parent

Basic earnings per share increased from RMB14.3 cents for the six months ended 30 June 2017 to RMB15.9 cents for the corresponding period of 2018. The increase in earnings per share was attributable to the increase in profit attributable to ordinary equity holders of the parent.

Net Profit Margin

Net profit margin increase by 4.6% from 22.9% for the six months ended 30 June 2017 to 24.0% for the corresponding period of 2018. The increase in net profit margin was mainly attributable to a decrease in selling and distribution expenses as a result of the aforesaid reasons.

Financial and Liquidity Position

Working Capital Management

Prepayments for Non-current Assets

Prepayments for non-current assets of the Group primarily include the following two aspects: (1) prepayments to equipment manufacturers in respect of customizing wine storage equipment and production equipment for the Group; and (2) prepayments to major contractors of the projects before implementing the formal construction contracts. Prepayments for non-current assets were primarily used for locking up the costs of relevant capital expenditure so as to reduce the risk to the Group due to the increasing capital expenditure scale.

Prepayments for non-current assets increased by 25.7% from RMB390.8 million as at 31 December 2017 to RMB491.4 million as at 30 June 2018. The increase in prepayments for non-current assets was mainly attributable to our plan to diversify our product structure and expand production capability of soy sauce and fermented bean curd products in the future, as well as an increase in prepayment to relevant facility providers and construction units.

Trade Receivables

Trade receivables primarily represented the receivables for goods sold to the distributors. Trade receivables turnover days increased from 65 days for the year ended 31 December 2017 to 81 days for the six months ended 30 June 2018, mainly because the Group was in the channel transforming period. As such, with the aim to solidify our customer base, the Group temporarily extended the credit terms of certain customers with intention to maintain long-term cooperation based on the sales expectation of such customers.

Inventories

Inventories increased from RMB1,190.0 million as at 31 December 2017 to RMB1,237.3 million as at 30 June 2018 primarily due to an increase in work in progress. A substantial part of our inventories were work in progress, which mainly represented base wine, base soy sauce, semi-finished soybean paste and fermented bean curd and base vinegar in the brewing period.

Due to the long production cycle and short sales cycle of cooking wine products, we need to keep an abundant stock of well-aged base wine to cope with the rapid sales growth in the future. On the other hand, given the growing demand from the customer of the New Sales Channels, we have produced more base soy sauce and base vinegar accordingly during the period.

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

Borrowings

As at 30 June 2018, the Group's total borrowings amounted to RMB983.0 million (31 December 2017: RMB954.8 million), including finance lease payables with a carrying amount of RMB102.7 million (31 December 2017: RMB102.0 million) and bearing fixed interests ranging from 4.79% to 5.99% per annum.

The Group's principal sources of liquidity include cash generated from business operations, bank and other borrowings. The cash from these sources was primarily used for the Group's working capital and the expansion of production capacity. Presently, the Group does not employ any financial instruments to hedge against the interest rate exposure.

Exchange Risk

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

Liquidity and Financial Resources

As at 30 June 2018, the Group had cash and cash equivalents of RMB226.6 million (31 December 2017: RMB443.9 million). As at 30 June 2018, the Group had interest-bearing bank and other borrowings of an aggregate amount of RMB983.0 million (31 December 2017: RMB954.8 million), which were denominated in RMB, repayable within four years and bearing interests at 4.79% to 5.99% per annum. As at 30 June 2018, the gearing ratio was 35.4% (31 December 2017: 35.2%).

Capital Commitment

Capital commitment as at 30 June 2018 amounted to approximately RMB197.9 million (31 December 2017: RMB103.6 million), which was mainly related to the contracts of construction in progress relating to expansion of the condiment production plant.

Contingent Liabilities

As at 30 June 2018, the Group did not have any material contingent liability.

Pledge of Assets

Please refer to Note 18(a) of the interim condensed consolidated financial statements for details of pledge of assets of the Group.

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

FUTURE PROSPECTS

In the past five years, along with “naturally-brewed” cooking wine standards within the condiment and cooking wine industry to be announced and implemented, the Group, as a leading brand with advanced technology in “naturally-brewed” products, will continue to leverage on our own advantages in technology, production capacity and lower cost to maintain a stable and healthy development of our “naturally-brewed” cooking wine products.

On the other hand, in recent years, with the upgrading of household and catering consumption, more new products driving consumption and enhanced health awareness, the consumption expenditure of condiments per capita will increase steadily, which will promote the overall stable development of the condiment industry. Under such a general trend, our "Lao Heng He" products with outstanding brand awareness, modernized traditional craftsmanship, mature quality control mechanism and perfect product R&D system will gain more room for development.

In addition to maintaining the leading position of our cooking wine products, we will endeavor to adhere to our strategy of "Diversified" product structure and develop organic food so as to meet the diversified market demand for green, healthy and tasty condiment products. Furthermore, we will also keep expanding our production capacity, expecting to enhance our overall profitability by way of economy of scale.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or the Group after 30 June 2018.

EMPLOYEES & REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of approximately 658 employees (31 December 2017: 618). The employees' cost (excluding directors' and chief executive's remuneration) of the Group was RMB19.8 million during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB19.1 million). The remuneration policies, bonus and training programs for employees of our Group were implemented continuously according to the policies disclosed in the Group's annual report for the year ended 31 December 2017 (the "**2017 Annual Report**") and no change has been made during the six months ended 30 June 2018.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Group as at 30 June 2018 (31 December 2017: nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition and disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management structures and internal control procedures of the Company as well as preserving the interests of the shareholders as a whole.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") since the Listing Date as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time to maintain and improve the high standard of corporate governance practices.

Save for the deviations explained below, the Company has complied with the Code for the six months ended 30 June 2018.

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

During the six months ended 30 June 2018, the positions of the Chairman and the CEO of the Company are held by Mr. Chen Weizhong. Although this deviates from the practice in provision A.2.1 of the Code, where the two positions should be held by two different individuals, Mr. Chen has considerable and extensive experience in the cooking wine industry and management in general. The Board believes that it is in the best interest of the Company to have an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in discussing the strategy and long-term development of the Group.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all the Directors confirm that they have complied with the Model Code during the six months ended 30 June 2018. In addition, the Company is not aware of any noncompliance of the Model Code by the senior management of the Group during the six months ended 30 June 2018.

CHANGE IN CORPORATE POSITIONS

With effect from 29 January 2018, (i) Ms. Zhao Yaqin has resigned as the Financial Controller; and (ii) Mr. Liu Chuanli has been appointed as the Financial Controller.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") is comprised of three independent non-executive Directors and one non-executive Director, namely Mr. Ng Wing Fai (chairman), Mr. Shen Zhenchang, Mr. Sun Jiong and Ms. Qian Yinglan.

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has discussed with the management of the Company and reviewed and passed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 and recommended its adoption by the Board.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hzlaohenghe.com. The interim report of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

I would again like to express my sincere appreciation to all shareholders, diligent employees and friends from all sectors for their support to the Company.

By Order of the Board
Honworld Group Limited
Chen Weizhong
Chairman

Hong Kong, 31 August 2018

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 Ms. Qian Yinglan; and three independent non-executive Directors, namely, Mr. Shen Zhenchang, Mr. Ng Wing Fai and Mr. Sun Jiong.