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## **Honworld Group Limited**

**老恒和釀造有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2226)**

### **KEY FINDINGS OF THE SUPPLEMENTAL INDEPENDENT INVESTIGATION**

This announcement is made by Honworld Group Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements (the “**Announcements**”) of the Company dated 29 March 2021, 22 June 2021, 29 June 2021, 23 July 2021, 16 August 2021, 29 September 2021, 10 November 2021, 29 December 2021, 29 March 2022, 11 May 2022, 30 May 2022, 29 June 2022, 19 July 2022, 3 August 2022 and 12 August 2022, in relation to, among other things, (i) the suspension of trading of shares of the Company; (ii) resumption guidance set forth by the Stock Exchange; (iii) the quarterly updates on resumption progress; (iv) the establishment of Independent Investigation Committee, the appointments of Independent Forensic Accountant, internal control consultant and financial adviser; and (v) updates on the Independent and Supplemental Investigation and the key findings of Independent Investigation. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

#### **BACKGROUND**

On 27 July 2022, the Company received a letter from the Stock Exchange setting out two additional resumption guidance (resumption guidance (viii) and (ix) below):

(viii) to conduct an appropriate independent forensic investigation into the Other Irregularities identified in the Investigation, including other bank discrepancies and fictitious sales and purchase transactions which happened in 2019 and 2020 and certain suspicious prepayments which happened in 2015; and

- (ix) to conduct an appropriate independent forensic investigation with a view to identifying whether there were other transactions made by the Group with material irregularities in 2021 and 2022, announce the investigation findings, assess and announce the impact on the Company's financial and operation position, and take appropriate remedial actions.

On 5 August 2022, the Independent Investigation Committee, comprising three independent non-executive Directors, namely Mr. Shen Zhenchang, Mr. Ng Wing Fai and Mr. Sun Jiong, and a non-executive Directors, namely Mr. Gu Wei, having taken into account all the relevant factors such as the key findings of the Forensic Investigation Report, the major limitations expected to be encountered by the Independent Forensic Accountant as well as the additional Resumption Guidance (viii) and (ix), made its recommendation to the Board on the scope of the Supplemental Independent Investigation.

On the same day, the Board considered and approved the scope of the Supplemental Independent Investigation as proposed and submitted by the Independent Investigation Committee and resolved to conduct the Supplemental Independent Investigation with the assistance of the Independent Forensic Accountant, FTI Consulting (China) Limited, in addressing the aforementioned Resumption Guidance accordingly.

The Company wishes to update the shareholders of the Company (the "**Shareholders**") that the Independent Forensic Accountant has completed the Supplemental Independent Investigation and issued a report (the "**Supplemental Forensic Investigation Report**") to the Independent Investigation Committee. The Independent Investigation Committee, having reviewed the findings and results of the Supplemental Independent Investigation, presented the Supplemental Forensic Investigation Report, together with the views and recommendations of the Independent Investigation Committee, to the Board for consideration and approval on 28 September 2022.

## **SCOPE OF THE SUPPLEMENTAL INDEPENDENT INVESTIGATION**

In addressing the additional Resumption Guidance as mentioned above and the other guidance from the Stock Exchange, the Independent Forensic Accountant conducted the Supplemental Independent Investigation covering the following matters:

- a. facts and circumstances surrounding several suspected improper and/or questionable transactions, in particular the purported "internal funds transfers" and the suspicious fund flows (which was part of the findings as disclosed in Issue 1 in the Company's announcement dated 30 May 2022);
- b. facts and circumstances surrounding several other potential irregularities (the "**Other Irregularities**"), including certain discrepancies in the bank account balances of other bank accounts besides the Subject Bank Account, fictitious sales and purchase transactions (as previously investigated and reported under Issue 1) and suspicious prepayments for fixed assets and material purchases (as previously investigated and reported under Issue 3) which were incidentally identified in the Independent Investigation concerning the Three Issues;
- c. identities of personnel who were involved in arrangement, approval and execution of the alleged irregularities and/or manipulation of accounting records in connection with the Three Issues and the Other Irregularities; and

- d. identification of any other transactions made by the Group with potential material irregularities, if any, during the financial year ended 31 December 2021.

Key investigation procedures performed by the Independent Forensic Accountant in the Supplemental Independent Investigation include, but not limited to, the following:

1. collated, reviewed and analysed additional records, documents and transaction data of the Company including accounting records, banking documentation, loan agreements and other relevant books and records;
2. conducted site visits to bank branches in Mainland China or gained access to the internet banking facilities with authorisation from the Company's management to independently confirm bank account balances and where necessary, retrieve bank account statements covering the period between 1 January 2015 and 31 December 2021;
3. performed tailored forensic technology procedures to collect, process, review and analyse the electronic data of selected management and staff who were suspected to have involvement in the relevant transactions, arrangements and/or events;
4. conducted fact-finding interviews and discussions with the management and relevant employees of the Group (including former and current management and employees), relevant third parties on transactions, arrangements and/or events concerned;
5. conducted business intelligence and investigative searches of publicly available information on selected third parties concerned with transactions, arrangements and events; and
6. conducted discussions and made enquiries with the Company's auditors and internal control consultant with a view to identifying whether there is sign of other irregularities where necessary.

## **SUMMARY OF KEY FINDINGS**

Key findings of the Supplemental Independent Investigation together with the views of the Independent Investigation Committee are set out below.

### **1. Supplemental findings in relation to the Three Issues**

#### ***Issue 1***

A discrepancy of approximately RMB456.5 million was noted in the bank account balance of the Subject Bank Account as at 31 December 2020 between the general accounting ledgers of Huzhou LHH Brewery and the bank confirmation received by the auditors of the Company.

The aforesaid discrepancy was identified to be attributed to (i) certain purported receipts of approximately RMB118.0 million and payments of approximately RMB48.9 million made with alleged 134 customers and 11 suppliers respectively; (ii) a total of 79 payments and 21 receipts in the sums of approximately RMB43.0 million and RMB29.8 million respectively were made with 9 purported third party entities seemingly with no commercial substance; and (iii) 32 purported "internal fund transfers" totaling of

approximately RMB374.2 million were made between the Subject Bank Account and six other bank accounts held by Huzhou LHH Brewery, Huzhou LHH Wine and Chenshi Tian Niang; and such internal fund transfers were suspected of being created to conceal certain suspicious fund flows to be described under items (a) to (e) below, during the financial year ended 31 December 2020.

In order to ascertain the nature of the alleged internal fund transfers of approximately RMB374.2 million as aforesaid, the Independent Forensic Accountant conducted further investigation in this regard. In summary, the suspicious fund flows surrounding the aforesaid the alleged internal fund transfers were identified as follows:

- (a) *Suspected misappropriation of funds in the sums of approximately RMB358.0 million, RMB2.8 million and RMB0.1 million involving Chenshi Tian Niang, Huzhou LHH Brewery and Huzhou LHH Wine respectively*

It has been identified that 14 payments in the sums of approximately RMB238.0 million (also as the subject matter as disclosed in the paragraph headed “2. Findings in relation to the Other Bank Discrepancies” below), RMB120.0 million, both from Chenshi Tian Niang, RMB2.8 million from Huzhou LHH Brewery and RMB0.1 million Huzhou LHH Wine were made to 4 purported third party recipients and such payments were suspected of misappropriation of funds.

Save for one of the 4 purported third parties who was also identified as a recipient of certain off-book payments made by Huzhou LHH Brewery and a purported vendor in relation to the alleged fictitious prepayments for material purchases during the financial year ended 31 December 2020, none of these third party recipients has any apparent connection or association with the Group and/or Mr. Chen Weizhong.

Based on the available information, it appeared that these payments were made without commercial substance and business rationale. In addition, no transaction and approval record was retained by the Group. Instead, the “internal fund transfers” transactions were likely created deliberately on false pretense to conceal the outgoing fund flows.

- (b) *Off-book receipts of funds in the sum of approximately RMB117.3 million involving Huzhou LHH Brewery*

It has been identified that 18 off-book receipts of funds in the sum of approximately RMB117.3 million, which were obfuscated as the purported “internal fund transfers” with the Subject Bank Account, were made in relation to 4 bank accounts.

Among the receipts of approximately RMB117.3 million, 15 receipts in the sum of approximately RMB4.3 million were made by Mr. Chen Jinhao, son of Mr. Chen Weizhong and 3 receipts in the sum of approximately RMB113.0 million were made by Huzhou Wuxing Nantaihu Construction Investment Co., Ltd. (“**Huzhou Wuxing Nantaihu**”).

In respect of the receipt of RMB4.3 million from Mr. Chen Jinhao, despite certain investigation procedures being carried out, the true nature and substance of receipts was not established based on the available information.

In respect of the receipt of RMB113.0 million from Huzhou Wuxing Nantaihu, they were identified as loan proceeds from three borrowing agreements executed by Mr. Chen Weizhong on behalf of Huzhou LHH Brewery for the purpose of repayment of certain pre-existing bank borrowings of Huzhou LHH Brewery. Although these borrowing agreements were executed by Mr. Chen Weizhong without proper authorization apparently, the Independent Forensic Accountants consider that the borrowings were mostly supported by documented business purposes.

Approximately RMB98.0 million of the loan proceeds were made for the repayment of pre-existing bank borrowings of Huzhou LHH Brewery as intended; approximately RMB3.9 million were used to settle operating expenses and other finance costs of the Group; and the remaining approximately RMB11.1 million were remitted to a company interested by Mr. Chen Weizhong without proper management approval or commercial substance and business rationale, which gave rise to potential misappropriation of funds.

- (c) *Off-book payments in the sums of RMB58.0 million and RMB42.0 million involving Huzhou LHH Brewery and Chenshi Tian Niang respectively*

In order to conceal certain off-book payments of RMB58.0 million and RMB42.0 million made by Huzhou LHH Brewery, 4 purported “internal fund transfers” in the equivalent sum of RMB100.0 million were recorded in the general accounting ledgers to falsely portray the inter-company fund transfers from two bank accounts held by Huzhou LHH Brewery and Chenshi Tian Niang (as the payers) to the Subject Bank Account (as the payee) during the financial year ended 31 December 2020.

The said RMB42.0 million was apparently used to repay for a short term loan advance of RMB42 million made by an alleged business acquaintance of Mr. Chen Weizhong to Chenshi Tian Niang.

For the payment of RMB58.0 million as aforesaid, it was made to Huzhou Wuxing Nantaihu for the repayment of one of the loans as mentioned in the paragraph headed “(b) Off-book receipts of funds in the sum of approximately RMB117.3 million involving Huzhou LHH Brewery” above in this announcement.

- (d) *Fictitious purchase payments of approximately RMB39.5 million involving Huzhou LHH Wine*

It has been identified that 12 alleged fictitious purchase payments in the sum of RMB39.5 million were made by Huzhou LHH Wine to 11 suppliers, which were obfuscated by the purported “internal fund transfers” with the Subject Bank Account. Given that the occurrence of the underlying fund flows for these alleged purchase could not be verified, it casts doubt as to the authenticity of these transactions.

*(e) Fictitious sales collections of approximately RMB49.8 million involving Huzhou LHH Brewery*

In a similar but opposite fashion as above, certain purported “internal funds transfers” of approximately RMB49.8 million were recorded in Huzhou LHH Brewery during the financial year ended 31 December 2020 to obfuscate 17 alleged fictitious sales collections of Huzhou LHH Brewery from 7 customers in the same amount of RMB49.8 million. These 7 alleged customers were identified to have connection with the fictitious sales records of Huzhou LHH Brewery in the sum of approximately RMB171.4 million for those specific customers for the financial year ended 31 December 2020 as disclosed in the paragraph headed “3. Findings in relation to the fictitious sales and purchase transactions” below in this announcement.

***Issue 2***

Certain unauthorised loan guarantees and borrowings as investigated under Issue 2 were arranged and executed by staff of the corporate finance department of Huzhou LHH Brewery and Huzhou LHH Wine under the instruction of Mr. Chen Weizhong.

The former corporate finance manager who was responsible for the Group’s borrowing activities categorically denied having any involvement with the specific unauthorised loan guarantee and borrowing transactions that were discovered under Issue 2. Based on information obtained by the Independent Forensic Accountant from interviews conducted with current and former employees of the Group, since the resignation of the former corporate finance manager in August 2019, Mr. Chen Weizhong directly took over the management of the Company’s corporate finance department. It appeared to suggest that Mr. Chen Weizhong was taking charge of negotiating and arranging various external borrowing of the Group including the borrowings as mentioned in paragraph headed “(c) Off-book payments in the sums of RMB58.0 million and RMB42.0 million involving Huzhou LHH Brewery and Chenshi Tian Niang respectively” in this announcement.

Subsequent to the arrest of Mr. Chen Weizhong and his resignation of Director in January 2021 and February 2021 respectively, no other members of the Company’s management was aware of the existence of the unauthorised loan guarantee and borrowing agreements under Issue 2 until the receipt of summons in relation to the relevant legal proceedings in the PRC in late February or early March 2021.

***Personnel involved in the arrangement, approval and execution of alleged irregularities and/or manipulation of accounting records***

Mr. Chen Weizhong was identified to be primarily responsible for the arrangement, approval and execution of suspected improper and/or questionable transactions that fell under the Three Issues and Other Irregularities. In particular, Mr. Chen Weizhong was identified to be:

- (a) an approver of the substantial questionable receipt and payment transactions;

- (b) a person giving instruction to staff to falsify/create questionable transaction documents;
- (c) a person connected with the recipients of funds from substantial questionable receipt and payment transactions; and
- (d) a contact person with relevant lenders and/or borrowers in the unauthorized borrowing and loan guarantee transactions (as previously reported and disclosed in Issue 2).

## 2. Findings in relation to the Other Bank Discrepancies

In addition to the findings noted in the Subject Bank Account in Issue 1 in the Independent Investigation, the Independent Forensic Accountant noted other bank balance discrepancies between the Group's accounting records and the bank statements (the "**Other Bank Discrepancies**"), namely a discrepancy of RMB238 million between the Group's accounting record and the bank statements for a bank account in Chenshi Tian Niang, a wholly owned operating subsidiary of the Company, as at 31 December 2019 which may be associated with several off-book payments.

### *Fund flow of the RMB238 million off-book payments for a bank account in Chenshi Tian Niang as at 31 December 2019*

It was noted that on 31 December 2019, an aggregate amount of funds of RMB238 million were transferred from a bank account to another bank account, both held by Chenshi Tian Niang, apparently without evidence of management approval and commercial rationale; and further transferred to a third party account, which gave rise to suspicion of possible misappropriation of funds.

As disclosed in the Company's announcement dated 30 May 2022, in order to conceal the suspected misappropriation as mentioned above, certain suspected fictitious "internal fund transfer" transactions were created to give a false appearance that the fund was withdrawn from Chenshi Tian Niang and deposited to the Subject Bank Account on four different dates between 18 May 2020 and 25 May 2020, as opposed to the actual date of the underlying fund withdrawal on 31 December 2019. To the extent that the effect of the fund withdrawal of RMB238 million on 31 December 2019 had not been properly brought into account in the general accounting ledgers for the financial year ended 31 December 2019, the timing difference in the recording of the fictitious accounting journal entries has caused the corresponding bank account balance in Chenshi Tian Niang's general accounting ledgers to be overstated by RMB238 million as at 31 December 2019.

The Independent Forensic Accountant noted that Other Bank Discrepancies (other than the one held by Chenshi Tian Niang as mentioned above) were immaterial and were likely caused by errors and omission and appeared that they did not involve any known improprieties of employees of the Group.

### *Findings from review of other bank accounts of the Group*

Save for the Subject Bank Account Discrepancy and Other Bank Discrepancies as identified in the Independent Investigation and subsequently being investigated as part of the Supplemental Independent Investigation, the Independent Forensic Accountant, after making reference and enquiries to the result of work, where relevant and appropriate, performed by the Company's auditors, have not identified other material bank account balance discrepancies as at 31 December 2019, 31 December 2020 and 31 December 2021.

### **3. Findings in relation to the fictitious sales and purchase transactions**

As noted in the findings of Issue 1 in the Forensic Investigation Report, certain alleged fictitious sales collections and purchase payments in the sum of approximately RMB118.0 million and RMB48.9 million respectively were suspected of being recorded in the books of Huzhou LHH Brewery during the financial year ended 31 December 2020 that were purportedly executed through the Subject Bank Account.

In order to ascertain whether there were other similar fictitious sales and purchase transactions in the Group, the Independent Forensic Accountant has extended investigation work covering the period from 1 January 2019 to 30 April 2021.

It has been identified that certain sales transactions totaling of approximately RMB791.0 million and RMB313.6 million (inclusive of VAT) for the two years ended 31 December 2019 and 31 December 2020 respectively appeared to be fictitious in nature. For the year ended 31 December 2019, the entire alleged fictitious sales amount of approximately RMB791.0 million was recorded in books of Huzhou LHH Brewery whilst sales amounts of approximately RMB312.2 million and RMB1.4 million were recorded in the books of Huzhou LLH Brewery and Huzhou LHH Wine respectively for the year ended 31 December 2020. In addition, alleged fictitious sales of approximately RMB7.0 million out of the RMB312.2 million in Huzhou LHH Brewery were made to a company owned as to approximately 27% indirectly by Mr. Chen Weizhong.

The fictitious sales target appeared to be set down by Mr. Chen Weizhong who further instructed senior finance staff to create corresponding fictitious transaction records.

Similarly, certain purchase transactions totaling of approximately RMB530.7 million and RMB324.8 million (inclusive of VAT) were identified to be fictitious in nature for the two years ended 31 December 2019 and 31 December 2020 respectively. For the year ended 31 December 2019, alleged fictitious purchase amounts of approximately RMB319.8 million and RMB210.9 million were recorded in the books of Huzhou LLH Brewery and Huzhou LHH Wine respectively. For the year ended 31 December 2020, alleged fictitious purchase amounts of approximately RMB201.9 million and RMB122.9 million were recorded in the books of Huzhou LLH Brewery and Huzhou LHH Wine respectively. In addition, alleged fictitious purchase of approximately RMB29.4 million out of the RMB201.9 million in Huzhou LHH Brewery were made to a company in which Mr. Chen Weizhong and his son, Mr. Chen Jinhao were its major shareholders until December 2016.



The Group's finance staff were apparently provided with alleged fictitious purchase orders and VAT invoices by Mr. Chen Weizhong and senior finance staff for preparation of fictitious purchase orders.

For the four months ended 30 April 2021, no fictitious sales and purchases transactions were identified in the accounting records of Huzhou LHH Brewery and Huzhou LHH Wine.

#### **4. Findings in relation to suspicious prepayments for fixed assets and material purchases**

It appeared that certain prepayment assets in the sum of approximately RMB501 million were recorded in the accounting records of Huzhou LHH Brewery as at 31 December 2020 for alleged purchases of fixed assets and materials and some of these alleged prepayment balances originated in transactions in the financial year ended 31 December 2015 (reported as Issue 3 in the Company's announcement dated 30 May 2022). Such prepayment balances in questions were suspected to be fictitious in nature, which may potentially amount to alleged manipulation of financial reporting of Huzhou LHH Brewery and/or misappropriation of funds.

In the Supplemental Independent Investigation, a total of 22 purported vendors were identified that appeared to be involved in Issue 3. Among these 22 purported vendors, 10 of them were previously identified in the Forensic Investigation Report and additional 12 purported vendors (the "**Newly Discovered Vendors**") were identified.

It appeared that there is no apparent connection or association between 11 of the Newly Discovered Vendors (save for one vendor who was identified to be owned as to approximately 23.5% by a relative of Mr. Chen Weizhong) and Huzhou LHH Brewery (including either past or current common business interests between shareholders, legal representatives, senior management and Mr. Chen Weizhong).

10 of the Newly Discovered Vendors were recorded in the general accounting ledgers for having received payments for supposed accounts payable settlements of approximately RMB317 million from Huzhou LHH Brewery during the financial years ended 31 December 2015 to 31 December 2020. All these payments appeared to be fictitious in nature as they were either not recorded in the bank account statements obtained independently by the Independent Forensic Accountant and/or had no documentary evidence to substantiate the veracity and occurrence of the underlying purchase transactions in the first place.

Further to the above, the Independent Forensic Accountant also identified from the accounting records purported prepayments in the sum of approximately RMB189.3 million made to the Newly Discovered Vendors and purported refunds of approximately RMB147.0 million from certain of those vendors (the "**Purported Prepayments and Refund Transactions**"), as well as other accounting adjustment/set-off transactions in the sum of approximately RMB137.8 million during the period between 1 January 2015 and 31 December 2020. However, the Independent Forensic Accountant was not able to identify documentary evidence for most of the underlying fund flows in respect of the purported prepayments and refunds, nor establish the commercial substance for the accounting adjustment/set-off these transactions. It also appeared that all of these

transactions were not supported by corresponding documentary documents such as purchase contracts and orders, invoices, debit notes, etc. for accounting adjustments. As such, the Independent Forensic Accountant is of the view that all of the Purported Prepayments and Refund Transactions were fictitious in nature.

It also appeared that the arrangement, approval and execution of these questionable prepayment transactions was likely engineered by Mr. Chen Weizhong who then instructed employees in the Group's finance and procurement department and provided them with the underlying transactional documentation, including certain bank remittance slips and the signed payment requisition forms at the material time to create these alleged fictitious accounting and transaction records.

As Mr. Chen Weizhong subsequently was arrested in January 2021 and resigned as Director in February 2021, no further suspicious prepayment transaction in Huzhou LHH Brewery was identified by the Independent Forensic Accountant subsequent to the resignation of Mr. Chen Weizhong up to 30 April 2021.

**5. Findings in relation to the financial affairs of the Group for the financial year ended 31 December 2021**

In order to ascertain whether there were any other potential material irregularities for the financial year ended 31 December 2021, the Independent Forensic Accountant conducted a targeted review of the Group's financial affairs for a review period of four months up to 30 April 2021 as instructed by the Independent Investigation Committee after duly considered the following factors:

- (a) As noted in the Forensic Investigation Report, it appeared that the arrangement and execution of the suspected improper and/or questionable transactions in relation to the Three Issues and Other Irregularities was engineered by Mr. Chen Weizhong. Based on the findings from the Forensic Investigation Report and the Supplemental Independent Investigation, he was identified to give instructions to staff and employees of the Group for the creation of the fictitious accounting transactions and related documents. The review period covered approximately two months after the arrest of Mr. Chen Weizhong and his resignation from the Board in January 2021 and February 2021 respectively; and
- (b) The Company has appointed an internal control consultant to conduct a review on the Company's internal control system. The internal control consultant has not identified any material non-compliance and/or red flags for their assessment period covering from 1 December 2020 to 30 November 2021. Furthermore, since August 2022, the Group has put in place adequate internal controls and procedures, upon the implementation of rectification recommendations from internal control consultant to reasonably mitigate risk associated with the re-occurrence of the alleged irregularities in connection with the Three Issues and Other Irregularities.

No irregularities has been identified by the Independent Forensic Accountant in the review period.

## **VIEWS OF THE INDEPENDENT INVESTIGATION COMMITTEE**

The Independent Investigation Committee has reviewed the contents of the Supplemental Forensic Investigation Report and consider that adequate investigative procedures have been carried out by the Independent Forensic Consultant to fulfil the objectives of the Supplemental Independent Investigation as set out in the section headed “Scope of the Supplemental Independent Investigation” to the extent that is practicable and that the content and the findings in the Supplemental Forensic Investigation Report are reasonable and acceptable. The Independent Investigation Committee is of view the Three Issues and Other Irregularities covered in the Independent Investigation and Supplemental Independent Investigation remain mostly stemmed from Mr. Chen Weizhong as the primary person responsible for the arrangement, approval and execution of the fictitious transactions and due to his failure to discharge his fiduciary duties.

## **RECOMMENDATIONS FROM THE INDEPENDENT INVESTIGATION COMMITTEE**

Having considered the findings and recommendations set forth in the Supplemental Forensic Investigation Report, the Independent Investigation Committee has recommended the Board to adopt the findings of the Supplemental Independent Investigation and has made the following recommendations to the Board for actions:

1. appropriate actions shall be taken against those personnel involved in the issues identified in the Independent Investigation and the Supplemental Independent Investigation:
  - (a) in relation to the personnel who are still the employees of the Group, the Board shall consider their level of participation and roles involved and take appropriate actions (for instance, provision of necessary trainings, conduct employees’ evaluation, issue of warnings and taking of disciplinary actions) against them; and
  - (b) in relation to the personnel who have resigned from the Group, the Board shall consider obtaining legal advice from the legal advisers of the Group to evaluate the feasibility and appropriateness of initiating legal actions against such individuals to recover the losses and damages made to the Group;
2. regular review in relation to the internal control system of the Group shall be conducted, in particular, the Board shall conduct regular review on all the transactions with transaction amount over an appropriate threshold as determined by the Board, and report the results and findings, if any, to the audit committee of the Company on a quarterly basis. The scope of the regular review will include financial reporting cycle and rules and regulations compliance cycle of the Company. The Company shall also improve and modify its existing procedures by adopting the recommendations from the Company’s internal control consultant in full including but not limited to measures to segregate the approval and supervision process for material contract approval and signing;

3. the Group shall set up an effective whistleblowing system that can help detect and deter misconduct or malpractice in the Group, and put in place a whistleblowing policy for employees and those who deal with the Group (e.g. customers, suppliers and services providers) to voice concerns, in confidence and anonymity, with the audit committee of the Company about possible improprieties in matter related to the Group;
4. the Group shall put in place measures to ensure that the desired culture and expected behaviours are clearly communicated to all employees (for instance, developing an appropriate set of code of conduct);
5. the Company shall appoint a compliance adviser for such period as the Board deems fit so that the Board can have timely consultation with regards to regulatory compliance assistance including but not limited to Listing Rules;
6. regular trainings shall be arranged for the Group's employees, including the Directors, the senior management, the business operation and finance departments, to strengthen their familiarity of the Listing Rules and all applicable laws and regulations and enhance their awareness of the compliance with the relevant internal control procedures relating to the Group's transactions;
7. measures shall be implemented to strengthen the Group's governance and operational control over the supervision of its financial operations;
8. legal advice shall be sought and to expend efforts on all available methods to exercise its rights in relation to the recovery of the losses and damages to the Group in relation to the relevant individuals' wrongdoing;
9. the Company shall arrange specified personnel to closely monitor the status of the custody of Mr. Chen Weizhong and collate all relevant information, updates, decisions and judgments issued by relevant authorities to assist the Company in evaluating the civil action(s) that may be initiated against Mr. Chen Weizhong to recoup losses and damages sustained by the Group;
10. the Company shall communicate with the Company's auditors to ensure that the historical financial statements (in particular, the condensed consolidated financial statements of the Company for the financial years ended 31 December 2020 and 2021) to be published by the Company would have properly taken into account the findings of the Independent Investigation/Supplemental Independent Investigation; and
11. the Company shall, having consulted its professional advisers, scrutinise its announcements, circulars, submissions published and made before to ascertain whether any further clarification(s) would be required under the Listing Rules and other applicable laws and regulations.

The Company will make further announcements to update the Shareholders and potential investors on any substantial development of the above actions as and when appropriate.

## **OVERALL RESPONSES FROM THE BOARD**

The Board has reviewed the Supplemental Forensic Investigation Report and the Recommendations made by the Independent Investigation Committee. The Board agreed with the Recommendations of the Independent Investigation Committee and has resolved that the Recommendations of the Independent Investigation Committee be implemented accordingly.

The Board is of the view that the issues identified in the Supplemental Forensic Investigation Report do not have material adverse impact on the business operations of the Group. The Group's business operations continue as usual despite the suspension of trading in the Shares since 30 March 2021.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 30 March 2021 and will remain suspended until the Company fulfils the Resumption Guidance.

By order of the Board  
**Honworld Group Limited**  
**Chen Wei**  
*Chairman*

Hong Kong, 29 September 2022

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

\* *For identification purposes only*