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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)**

**Financial Advisor to the Company**



## **QUARTERLY UPDATE ON RESUMPTION PROGRESS**

References are made to (i) the Company's announcements dated 30 March 2021, 22 June 2021, 23 July 2021 and 3 August 2022 in relation to the suspension of trading in the shares of the Company, the Resumption Guidance and the additional Resumption Guidance; and (ii) the quarterly update announcements dated 29 June 2021, 29 September 2021, 10 November 2021, 29 December 2021, 29 March 2022 and 29 June 2022 (together, the "Announcements"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

### **THE PROGRESS OF FULFILMENTS OF RESUMPTION GUIDANCE**

As set out in the announcements of the Company dated 22 June 2021, 23 July 2021 and 3 August 2022, the Stock Exchange has set out the following Resumption Guidance for the Company:

- (i) to publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (ii) to demonstrate the Company's compliance with Rule 13.24;
- (iii) to announce all material information for the Company's shareholders and investors to appraise the Company's position;
- (iv) to conduct an independent investigation into the matters set out in the Letter, announce the investigation findings, assess and announce the impact on the Company's operation and financial position, and take appropriate remedial actions;

\* For identification purposes only

- (v) to demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;
- (vi) to demonstrate that the directors of the Company meet a standard of competence commensurate with their position as directors of a listed issuer to fulfil duties of skill, care and diligence as required under Rule 3.09 of the Listing Rules;
- (vii) to conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules;
- (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.

#### **Resumption Guidance (i)**

The Company has published its annual results for the years ended 31 December 2020 and 2021 and its interim results for the six months ended 30 June 2021 and 2022. As at the date of this announcement, there is no outstanding financial results required to be published under the Listing Rules.

Following the resignation of the former auditor of the Company in April 2021, Grant Thornton Hong Kong Limited was appointed as the auditor of the Company in May 2021 and audited the Company's financial statements for the years ended 31 December 2020 and 2021. Save for the comparability of the current year's figures and corresponding figures, there were no audit qualifications in the auditor's report for the year ended 31 December 2021.

#### **Resumption Guidance (ii)**

The Group is one of the leading manufacturers of condiment products in the PRC. As at the date of this announcement, the Company continues to offer high quality and healthy brewed cooking wine as well as other condiments, including naturally-brewed soy sauce, naturally brewed vinegar, soybean paste, fermented bean curd and sesame oil in the PRC.

Based on the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2022, the Group's revenue for the period amounted to approximately RMB138.5 million and the Group maintained total assets of approximately RMB1,156.1 million as at 30 June 2022.

As at the date of this announcement, the business operations of the Group are continuing as usual in all material respects.

### **Resumption Guidance (iii)**

The Company has published announcements from time to time in compliance with the Listing Rules, the disclosure of inside information under Part XIVA of the SFO and on a voluntary basis in order to keep the Shareholders and the market informed of the Group's status and latest development, including but not limited to the progress in fulfilling the Resumption Guidance, the key findings of the Independent Investigation and Supplemental Independent Investigation, the key findings of Internal Control Review and the Group's business development and affairs since the suspension of trading in the Shares on 30 March 2021.

In light of above, the Board believes that the Company has published all material information it considers necessary and appropriate for the Shareholders and investors to appraise the Company's position.

### **Resumption Guidance (iv)**

As disclosed in the announcement of the Company dated 30 May 2022 regarding the key findings of the Independent Investigation (the "**Investigation Findings Announcement**"), the Independent Investigation has been completed and the Independent Forensic Accountant issued the Forensic Investigation Report to the Independent Investigation Committee on 30 May 2022. The key findings of the Independent Investigation, the views of the Independent Investigation Committee and the Board, and the impact on the business operation and financial operation of the Group were set out in the Investigation Findings Announcement.

### **Resumption Guidance (v) & (vi)**

As disclosed in the Investigation Findings Announcement and the Company's announcement dated 29 September 2022 in respect of the key findings of the Supplemental Independent Investigation (the "**Supplemental Investigation Findings Announcement**"), the arrangement and execution of the suspected improper and/or questionable transactions in relation to the Three Issues and Other Irregularities remain mostly stemmed from Mr. Chen Weizhong, who was the primary person responsible for the arrangement, approval and execution of the fictitious transactions, and due to his failure to discharge his fiduciary duties.

As Mr. Chen Weizhong subsequently was arrested in January 2021 and resigned as Director in February 2021, no further suspicious transaction in the Group was identified by the Independent Forensic Accountant subsequent to the resignation of Mr. Chen Weizhong up to 30 April 2022.

To prevent occurrence of similar incidents in the future and enhance the corporate governance of the Group, the Board has resolved to adopt the recommendations of the Independent Investigation Committee in connection with the Independent Investigation and the Supplemental Independent Investigation.

In light of the above, the Company is of the view that the Directors and the senior management team of the Company have attained the required management integrity and level of competence commensurate with their position in managing the Company's business and operations.

### **Resumption Guidance (vii)**

As disclosed in the Company's announcement dated 16 August 2021, the Company has engaged the IC Consultant to perform the Internal Control Review on the internal control system of the Group.

The IC Consultant has completed the Internal Control Review and issued the Internal Control Review Report. Key findings of the Internal Control Review and remedial measures implemented by the management were published in the Company's announcements dated 27 September 2022.

In light of above, the Board is of the view that the Company has now in place adequate internal control systems to meet its obligations under the Listing Rules.

### **Resumption Guidance (viii) & (ix)**

The Independent Forensic Accountant has completed the Supplemental Independent Investigation and the Independent Investigation Committee reviewed and presented the Supplemental Forensic Investigation Report, together with their opinion containing their recommendations to the Board.

The Board has resolved to adopt and implement all the recommendations of the Independent Investigation Committee. The key findings of the Supplemental Independent Investigation were disclosed in the Supplemental Investigation Findings Announcement.

### **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 30 March 2021, the Shares will remain suspended until the Stock Exchange is satisfied that the Company has fulfilled 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.*

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