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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)

RE-COMPLIANCE OF CHAPTERS 14 AND 14A REQUIREMENTS FOR UNAUTHORISED GUARANTEES TO A CONNECTED PERSON

References are made to the announcements of Honworld Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 May 2022 and 29 September 2022, in relation to, among other things, the key findings of the Independent Investigation (the “**Independent Investigation Announcement**”) and the key findings of the Supplemental Independent Investigation (the “**Supplemental Independent Investigation Announcement**”, together with the Independent Investigation Announcement, the “**Announcements**”) and the Company’s annual reports for the year ended 31 December 2020 (the “**2020 Annual Report**”) and 2021 (the “**2021 Annual Report**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements, the 2020 Annual Report and the 2021 Annual Report.

Based on the recommendation from the Independent Investigation Committee, the Board has scrutinised the announcements, circulars, financial reports previously published and noted that there were several certain unauthorised transactions of the Group which should have been disclosed pursuant to the Listing Rules. This announcement is made to provide supplemental information to re-comply with the disclosure requirements under Chapters 14 and 14A of the Listing Rules for these unauthorised transactions.

CONNECTED TRANSACTIONS

Background

As disclosed under Issue 2 in the Independent Investigation Announcement, certain unauthorised loan guarantees and borrowings as investigated under Issue 2 were executed under the instruction of Mr. Chen Weizhong. As detailed in the 2020 Annual Report and the 2021 Annual Report, there were four guarantees (the “**Guarantees**”) provided by Huzhou LHH Brewery in favour of Zhejiang Zhongwei Brewery Co., Limited* (浙江中味釀造有限公司) (“**Zhejiang Zhongwei**”).

The Guarantees were made without proper authorisation, as the Company was unable to locate any corroborating documents to substantiate the commercial substance and business rationale, if any, of the provision of the Guarantees.

Nevertheless, the Guarantees would have been discloseable and connected transactions of the Company under Chapters 14 and 14A of the Listing Rules. This announcement is made to inform the Shareholders of further information for re-compliance with the Listing Rules.

Provision of guarantees

Based on the information available to the Company, the Group as the guarantor provided unauthorised guarantees in favour of Zhejiang Zhongwei in respect of four loans obtained by Zhejiang Zhongwei from third party lenders in the amount of RMB30,000,000 (the “**Guarantee A**”), RMB40,000,000 (the “**Guarantee B**”), RMB15,000,000 (the “**Guarantee E**”) and RMB10,000,000 (the “**Guarantee G**”). As further disclosed in the 2020 Annual Report, the Guarantees were not approved by the Shareholders or the Directors. The Directors are doubtful about the enforceability of the Guarantees. The following table sets out a summary of the Guarantees:

	Guarantee A	Guarantee B	Guarantee E	Guarantee G
Lender	Ye Mingfeng* (葉明豐), an independent third party	Changxing Private Financing Service Centre Co., Ltd* (長興民間融資服務中心有限公司), an independent third party	Shen Sanlin* (沈三林), an independent third party	Bank of Communications Huzhou Branch* (交通銀行湖州分(支)行), an independent third party
Borrower	Zhejiang Zhongwei, a company owned by Mr. Chen Jinhao, son of Mr. Chen Weizhong, as to 90% and Mr. Xing Limin* (刑利民), brother-in-law of Mr. Chen Weizhong, as to 10% at all material times.			
Guarantor	Huzhou LHH Brewery was one of the guarantors for each of the Guarantees			
Date of the agreement	5 February 2018	10 September 2019	20 September 2018	5 August 2020
Unauthorised guarantee amount provided	RMB30 million	RMB40 million	RMB15 million	RMB10 million

	Guarantee A	Guarantee B	Guarantee E	Guarantee G
Current status	<p>Whilst there were certain legal proceedings against Zhejiang Zhongwei as the borrower and the Group as one of the guarantors, the court hearing was dismissed.</p> <p>Provision of RMB15 million has been made by the Company in view of the uncertainty in further potential claim in relation to Guarantee A.</p>	<p>As the enforcement of the legal case has been completed, all obligations of the Group under the legal claim for Guarantee B have been discharged.</p>	<p>The legal claim for Guarantee E has been withdrawn.</p>	<p>The underlying loan of RMB10 million has been fully repaid and accordingly Guarantee G has been discharged.</p>

As Zhejiang Zhongwei is a connected person of the Company under the Listing Rules, when aggregate as if it were one single transaction pursuant to Rules 14.22, 14.23, 14A.81 and 14A.82 of the Listing Rules, the provision of the Guarantees (if authorised) would have constituted discloseable and connected transactions under Chapters 14 and 14A of the Listing Rules.

Reasons for the delay in publication of announcement

The Board would like to stress that the delay in disclosure of the Guarantees was caused by Mr. Chen Weizhong's wrongdoing in concealing the provision of the Guarantees from the Board. Accordingly, the Directors consider that the Guarantees were not provided on normal commercial terms, that their terms were not fair and reasonable, and that they were not provided in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

As all of the Guarantees were provided to Zhejiang Zhongwei without proper authorisation as mentioned above, when aggregate as if it were one single transaction pursuant to Rules 14.22, 14.23, 14A.81 and 14A.82 of the Listing Rules, one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Guarantees is more than 5% but less than 25%. Therefore, the provision of the Guarantees (if authorised) would have constituted discloseable and non-exempt connected transactions of the Company, and would have been subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

In light of the fact that (i) the Group has been fully discharged from the legal claims arising from the provision of the Guarantees, or has made sufficient provision for potential claim in relation to Guarantee A; (ii) all material information relating to the Guarantees made available to the Company has been set forth in this announcement; and (iii) the Guarantees had already been provided by the Company and therefore shareholders' consideration of the approval of the Guarantees no longer serves its purpose, no circular will be issued by the Company to its shareholders and no special general meeting of the Company will be convened for the purposes of considering and approving the provision of the Guarantees. Therefore, the Company is not in full compliance with Rules 14.34, 14A.35, 14A.36, 14A.39, 14A.44 and 14A.46 of the Listing Rules in this regard.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in shares of the Company was suspended from 9:00 a.m. on 30 March 2021 and will remain suspended until further notice. Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

By order of the Board
Honworld Group Limited
Chen Wei
Chairman

Hong Kong, 12 December 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*