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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)

**INSIDE INFORMATION
PROPOSED ENFORCEMENT OF SHARE MORTGAGE AGAINST
THE SHAREHOLDING OF A CONTROLLING SHAREHOLDER**

Financial adviser to the Company



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

Reference is made to the announcements of the Company dated 16 December 2019 and 6 January 2020 in respect of an interim injunction order made by the High Court of Hong Kong against Key Shine Global Holdings Limited (“**Key Shine**”), prohibiting Key Shine from the selling, trading, transferring, assigning, conveying or otherwise disposing of any of the shareholding in the Company registered in the name of Key Shine (the “**Order**”).

THE PROPOSED ENFORCEMENT

Pursuant to a share mortgage deed dated 2 April 2019 (the “**Wuxing Share Mortgage**”) entered into between Key Shine (as the mortgagor) and Wuxing City Investment HK Company Limited (“**Wuxing HK**”) (as the mortgagee), Key Shine charged 229,424,000 shares in the Company (the “**Mortgaged Shares**”), representing approximately 39.64% of the issued shares of the Company, in favour of Wuxing HK. The board (the “**Board**”) of

directors (the “**Directors**”) of the Company has been recently informed that Wuxing HK is planning to enforce its rights in relation to the Mortgaged Shares (the “**Proposed Enforcement**”), which is subject to, *inter alia*, the discharge of the Order.

Key Shine is wholly owned by Chen Weizhong, a former director of the Company and the controlling shareholder of the Company as at the date of this announcement. As certain event(s) of default as defined in the Wuxing Share Mortgage occurred, Wuxing HK has the right to enforce its rights over the Mortgaged Shares by instructing the custodian of the Mortgaged Shares (the “**Custodian**”) to transfer or deliver all or part of the Mortgaged Shares in Key Shine’s securities account (the “**Securities Account**”) maintained with the Custodian in accordance with the instructions given by Wuxing HK. The Company was given to understand that Wuxing HK is planning to proceed with the Proposed Enforcement which will result in all or part of the Mortgaged Shares being taken up by (i) Wuxing HK (or its parent company or fellow subsidiaries); or (ii) third party buyer(s) (the “**Potential Purchaser(s)**”).

The Company was given to understand that the Order was obtained by Natural Seasoning International (HK) Limited (“**Natural Seasoning**”), a substantial shareholder of the Company, against, amongst others, Key Shine on the ground that Key Shine and Mr. Chen Weizhong had been in breach of certain agreements in relation to, amongst others, the operation of the Company and restrictions on disposal of shares in the Company (the “**Shares**”), which were allegedly entered into by Natural Seasoning and Key Shine/Mr. Chen Weizhong in 2016. So far as the Company is aware of, the next substantive hearing for the Order has been adjourned to a date to be fixed by consent.

The Company was informed that Wuxing HK and Natural Seasoning signed a legally binding written memorandum on 4 November 2022, pursuant to which, among others, (i) Natural Seasoning agrees to apply to the High Court of Hong Kong to discharge the Order (the “**Application**”) on the date of resumption of trading of the Company; and (ii) Wuxing HK, in return, agrees to pay certain compensation to Natural Seasoning for the discharge of the Order. The Company was further informed that Wuxing HK expects that the Order will be discharged within two months from the date of the Application, subject to the final decision of the court. The Proposed Enforcement, if materialised, will take approximately seven months from the date of the Application to complete.

The below indicates the timeline of the milestone events regarding the Proposed Enforcement as provided by Wuxing HK:

Event	Indicative Expected Time
Filing the Application with the High Court of Hong Kong by Natural Seasoning	By the end of December 2022
Commencement of the preparation work for obtaining the necessary approvals from the relevant PRC competent authorities for the Proposed Enforcement by Wuxing HK <i>(Note)</i>	By the end of December 2022
Hearing of the Application by the High Court of Hong Kong and discharging the Order by the High Court of Hong Kong	By the end of February 2023
Obtaining all required approvals from relevant PRC competent authorities for the Proposed Enforcement by Wuxing HK	By the end of May 2023
Commencement of administrative procedures for the Proposed Enforcement by Wuxing HK	By the beginning of June 2023
Completion of the Proposed Enforcement	By the end of July 2023

Note:

As Wuxing HK is indirectly wholly-owned by Huzhoushi Wuxingqu State-owned Assets Supervision and Administration Services Centre* (湖州市吳興區國有資本監督管理服務中心), the Proposed Enforcement is subject to the approval from State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province of the PRC and from PRC competent authorities overseeing direct investment (ODI), provincial level Commerce Department and Development and Reform Commission as well as the local branch of the State Administration of Foreign Exchange.

As at the date of this announcement, (i) the Order remains in force and the Proposed Enforcement is subject to, *inter alia*, the discharge of the Order; and (ii) no Potential Purchaser(s) for the Mortgaged Shares have been identified by Wuxing HK. As such, the indicative timeline above is for reference only and may differ from the actual circumstances. Further announcement(s) will be made by the Company as and when appropriate.

INFORMATION OF THE PARTIES TO THE PROPOSED ENFORCEMENT

Wuxing HK

Wuxing City Investment HK Company Limited is an affiliated company of Wuxing South Taihu Lake Construction Investment Co., Ltd *(湖州吳興南太湖建設投資集團有限公司), which is wholly-owned by Huzhoushi Wuxingqu State-owned Assets Supervision and Administration Services Centre* (湖州市吳興區國有資本監督管理服務中心).

Key Shine

Key Shine Global Holdings Limited is a company wholly and beneficially owned by Mr. Chen Weizhong, a former executive Director of the Company.

POSSIBLE TAKEOVERS CODE IMPLICATIONS

The Proposed Enforcement may result in Wuxing HK (and parties acting in concert) or any Potential Purchaser(s) (together with parties acting in concert with any of them) (the “**Offeror**”) holding in aggregate 30% or more of the issued Shares, and the Offeror would be required to make a mandatory general offer to acquire all the issued Shares (other than those acquired or agreed to be acquired by the Offeror) pursuant to Rule 26.1 of the Code on Takeovers and Mergers (the “**Takeovers Code**”).

The table below illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the completion of the Proposed Enforcement.

	As at the date of this announcement		Immediately after the completion of the Proposed Enforcement	
	No. of Shares	Approximately %	No. of Shares	Approximately %
Chen Weizhong	285,700,750	49.37	56,276,750	9.73
Hwabao Trust Co., Ltd	72,625,000	12.55	72,625,000	12.55
Natural Seasoning	64,276,750	11.10	64,276,750	11.10
Wuxing HK/the Potential Purchaser(s)	—	—	229,424,000	39.64
Other shareholders	156,147,500	26.98	156,147,500	26.98
	<u>578,750,000</u>	<u>100.00</u>	<u>578,750,000</u>	<u>100.00</u>

Notes:

1. The information above is based on the disclosure of interest forms filed by the relevant parties and disclosed on the website of the Stock Exchange.
2. This is assumed that (i) there will be no change to the number of issued Shares before the completion of the Proposed Enforcement; and (ii) Wuxing HK will have enforced its rights in relation to the Mortgaged Shares in full under the Proposed Enforcement.

Further announcement(s) as may be required under the Takeovers Code will be made as and when appropriate.

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.

WARNINGS: Shareholders of the Company and/or potential investors should be aware that the Proposed Enforcement may or may not materialise. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares, as there is no certainty that the Proposed Enforcement will proceed, and, even if the Proposed Enforcement proceeds, there is no certainty that the Proposed Enforcement will result in a change of control and lead to a general offer under Rule 26.1 of Takeovers Code. Shareholders and the potential investors of the Company are urged to exercise extreme caution when dealing in the Shares and/or other securities of the Company. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

By order of the Board
Honworld Group Limited
Chen Wei
Chairman

Hong Kong, 16 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*