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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)

**FULFILLMENT OF THE RESUMPTION GUIDANCE
AND
RESUMPTION OF TRADING**

Financial adviser to the Company



The board (the “**Board**”) of directors (the “**Directors**”) of Honworld Group Limited (the “**Company**”) is pleased to inform the Company’s shareholders (the “**Shareholders**”) and potential investors that the Company has fulfilled all the Resumption Guidance provided by the Stock Exchange.

Trading in the Shares has been suspended since 9:00 a.m. on 30 March 2021 at the request of the Company. As all the Resumption Guidance have now been fulfilled, the Company has made an application for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 23 December 2022.

This announcement is made by the Company (together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) 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 (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the Company’s announcements dated 16 December 2019, 6 January 2020, 30 March 2021, 22 June 2021, 29 June 2021, 23 July 2021, 29 September 2021, 29 December 2021, 29 March 2022, 29 June 2022, 3 August 2022, 29 September 2022, 12 December 2022 and 16 December 2022 in relation to, among other things, (i) the suspension of trading in the Shares of the Company; (ii) the Resumption Guidance and the additional Resumption Guidance; (iii) quarterly updates on resumption progress of the Company; (iv) details on certain historical transactions for re-compliance with the Listing Rules and (v) the

Proposed Enforcement in relation to the Mortgaged Shares (collectively as the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

BACKGROUND

Suspension of trading

As disclosed in the Company’s announcement dated 29 March 2021, the Company was not able to publish the 2020 Annual Results on or before 31 March 2021 and despatch the 2020 Annual Report on or before 30 April 2021 as additional time was required to obtain further information requested by the Company and the former auditors of the Company, Ernst & Young, who later resigned on 26 April 2021.

Trading in the shares of the Company (the “**Shares**”) on the Stock Exchange has been suspended with effect from 9:00 a.m. on 30 March 2021 pending the publication of the 2020 Annual Results in accordance with the Listing Rules.

Change of auditors of the Company and a letter from auditors of the Company

Following the resignation of Ernst & Young as the auditors of the Company, Grant Thornton Hong Kong Limited (“**Grant Thornton**”) was appointed as the auditors of the Company with effect from 12 May 2021 to perform the audit of the Company’s consolidated financial statements for the year ended 31 December 2020.

As disclosed in the Company’s announcement dated 24 June 2021, the Board and the audit committee of the Board (the “**Audit Committee**”) received a letter from Grant Thornton dated 21 June 2021, in which Grant Thornton set out the issues encountered during the audit process and the requests for the involvement of the Audit Committee in resolving the Three Issues identified.

As further disclosed in the Company’s announcement dated 16 August 2021, the Board resolved to form an independent investigation committee comprising all independent non-executive Directors and non-executive Director of the Company, namely Mr. Gu Wei, Mr. Shen Zhenchang, Mr. Ng Wing Fai and Mr. Sun Jiong, to investigate the issues set out in the letter from Grant Thornton as mentioned above.

Resumption Guidance

In connection with the above, the Company received letters from the Stock Exchange setting out the initial resumption guidance on 18 June 2021 and the additional resumption guidance on 20 July 2021 and 27 July 2022, respectively (collectively as the “**Resumption Guidance**”). The full list of Resumption Guidance is as follows:

- (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 of the Listing Rules;
- (iii) to announce all material information for the 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;
- (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.

FULFILMENT OF ALL THE RESUMPTION GUIDANCE

The Board is pleased to announce that, as at the date of this announcement, the Company has fulfilled all the Resumption Guidance, details of which are set out as follow:

Resumption Guidance (i)

As at the date of this announcement, all of the Company's outstanding financial results have been published.

On 28 September 2022, the Company published its annual results and annual reports for the years ended 31 December 2020 and 2021 ("**FY2020**" and "**FY2021**") and its interim results and interim reports for the six months ended 30 June 2021 and 2022 ("**HY2021**" and "**HY2022**").

Grant Thornton was appointed as the auditors of the Company in May 2021 and performed the audits of the Company's financial statements for FY2020 and FY2021.

As disclosed in the annual report of the Company for FY2020 ("**2020 Annual Report**"), Grant Thornton issued a disclaimer of opinion in relation to (i) issues arising from the independent forensic investigation and scope limitation; (ii) insufficient appropriate audit

evidence as to the existence, accuracy, valuation and completeness of inventories; and (iii) opening balances and corresponding figures. For more details of the disclaimer of opinion, please refer to the 2020 Annual Report.

As disclosed in the annual report of the Company for FY2021 (“**2021 Annual Report**”), Grant Thornton issued a qualified opinion in respect of the comparability of the current year’s figures and the accuracy on the cost of sales charged for FY2021 due to the disclaimer of opinion in FY2020 in relation to the existence, accuracy, valuation, completeness, opening balances and corresponding figures of inventories of the Group as mentioned in the preceding paragraph.

As the qualified opinion in FY2021 is entirely related to corresponding figures in FY2020 and will not be carried forward to the Group’s consolidated financial statements for the year ending 31 December 2022, the audit qualifications in FY2020 and FY2021 have already been addressed.

Resumption Guidance (ii)

The Group is one of the leading manufacturers of condiment products in the PRC. The Group provides high quality and healthy brewed cooking wine as well as other condiments, including naturally-brewed soy sauce, naturally-brewed vinegar, soybean paste and fermented bean curd.

As disclosed in the 2021 Annual Report, the Group recorded revenue from its principal activities of approximately RMB252.7 million for FY2021; and maintained a total asset position of approximately RMB1.2 billion as at 31 December 2021.

As further disclosed in the Company’s interim report for HY2022 (“**2022 Interim Report**”), the Group recorded revenue from its principal activities of approximately RMB138.5 million for HY2022, representing an increase of approximately 12.8% from approximately RMB122.8 million in HY2021; and maintained a total asset position of approximately RMB1.2 billion as at 30 June 2022. The Group also recorded a 65.3% increase in gross profit from approximately RMB31.2 million in HY2021 to approximately RMB51.6 million in HY2022. The increase in gross profit was driven by increase in sales volumes and gross profit margin of the Group’s major product lines (i.e. primarily wine and condiment products). Due to the easing off of COVID-19 epidemic in HY2022, shipment schedule of the Group’s products in the PRC was improved, resulting in an increase in overall sales volume of the Group’s products by approximately 9.4%. In addition, the Group increased the average unit selling prices of its major product lines by approximately 5.3% and reduced the cost of sales by 5.2% due to a decrease in major raw material costs and manufacturing overhead. The combined effect improved the Group’s gross profit margin from approximately 25.4% for HY2021 to 37.3% for HY2022. For further details of the Group’s business performance in HY2022, please refer the 2022 Interim Report.

As at the date of this announcement, the business operations of the Group are continuing as usual in all material respects. Accordingly, the Board is of the view that the Group is at all times in full compliance with Rule 13.24 of the Listing Rules and warrants the continued listing of the Shares on the Stock Exchange.

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 results announcements and financial reports as referred to in the paragraph headed "Resumption Guidance (i)" above, and announcements in connection with the Resumption Guidance such as key findings of the Independent Investigation and the Supplemental Independent Investigations, completion of the Internal Control Review and details on certain historical transactions for re-compliance with the Listing Rules.

The Board is of the view that the Company has published all material information it considers necessary and appropriate for the Shareholders and investors to appraise the Company's position and that this Resumption Guidance has been fulfilled.

Resumption Guidance (iv), (viii) and (ix)

In August 2021, the Independent Investigation Committee was established for the purpose of, among other things, investigating into the matter as required under Resumption Guidance (iv), reporting and making recommendations to the Board on appropriate actions to be taken. Based on the recommendation of the Independent Investigation Committee, the Board appointed the Independent Forensic Accountant to conduct an appropriate independent investigation into the Three Issues as set out in the letter from Grant Thornton as mentioned above:

- (i) the discrepancy of RMB456,464,986 between the bank account balance of Huzhou LHH Brewery (as recorded in its management accounts and the bank confirmation received by the auditors of the Company), which was attributed to fictitious transactions, improper and/or questionable receipts and payments and fictitious internal funds transfers ("**Issue 1**");
- (ii) the five unauthorised guarantees and the loan proceeds of RMB25,000,000 from two borrowings provided to connected persons of the Company by Huzhou LHH Brewery and/or Huzhou LHH Wine, which were executed without proper authorisation and approval ("**Issue 2**"); and
- (iii) certain prepayments for fixed assets and material purchases in the sums of RMB333,286,032 and RMB168,000,000, respectively, which were purportedly prepaid by Huzhou LHH Brewery to purported third party vendors ("**Issue 3**") and relevant tax matters.

Based on the Independent Investigation, it is identified that the fictitious and unauthorised transactions were conducted during Mr. Chen Weizhong's tenure as a Director and stemmed primarily from Mr. Chen Weizhong's failure to discharge his fiduciary duties.

The Independent Investigation was completed on 30 May 2022. The Independent Investigation Committee reviewed and presented the Forensic Investigation Report to the Board.

Having reviewed and considered the Forensic Investigation Report, the Board accepted the contents and findings in the Forensic Investigation Report and the Forensic Investigation Report has adequately addressed the Three Issues.

Moreover, the Supplemental Independent Investigation was conducted in response to Resumption Guidance (viii) and (ix). The scope of the Supplemental Independent Investigation covered the following matters:

- (i) facts and circumstances surrounding several suspected improper and/or questionable transactions associated with the bank discrepancy of RMB456,464,986 as investigated in Issue 1 in the Independent Investigation, in particular the purported “internal funds transfers” and the suspicious fund flows;
- (ii) 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;
- (iii) identities of personnel who were involved in the 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
- (iv) identification of any other transactions made by the Group with potential material irregularities, if any, during the financial year ended 31 December 2021.

Based on the findings of the Supplemental Independent Investigation, the Independent Investigation Committee is of view the Three Issues and Other Irregularities covered in the Independent Investigation and Supplemental Independent Investigation also 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.

As Mr. Chen Weizhong was subsequently arrested in January 2021 and resigned as Director in February 2021, no irregularities were identified by the Independent Forensic Accountant subsequent to the resignation of Mr. Chen Weizhong up to a review period ended 30 April 2021.

Following the completion of the Supplemental Independent Investigation, the Independent Investigation Committee reviewed and presented the Supplemental Forensic Investigation Report, together with their opinion containing their recommendations to the Board on 28 September 2022.

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 dated 29 September 2022. Details of the recommendations and the Company’s responses are summarised below.

| No. | Recommendations of the Independent Investigation Committee | Company's responses |
|------------|---|--|
| 1 | To take appropriate actions against those personnel involved in the issues identified in the Independent Investigation and the Supplemental Independent Investigation; | <p>The Board has conducted assessment on the relevant personnel who are still employees of the Group and taken appropriate disciplinary actions against them (including demotion and reassignment to new positions that do not involve management function and are mainly administrative in nature. The relevant personnel are required to participate in necessary trainings and are subject to an observation period determined by the Board).</p> <p>Based on facts and circumstances, the Company will also seek legal advice on appropriate civil actions to be taken against personnel who have resigned from the Group, if appropriate.</p> |
| 2 | To conduct regular review in relation to the internal control system of the Group, in particular, 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; and to 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; | <p>The Group has adopted formal written policies and procedures (including but not limited to corporate governance policy, connected transaction management policy and approval authority management policy) to perform regular review of internal control system.</p> <p>The Group has implemented all the remedial measures in relation to the internal control system with effect from August 2022.</p> <p>Taking into account the recommendations from the Independent Investigation Committee, the Group has also engaged an external internal control consultant on an on-going basis to review the effectiveness of its enhanced internal control system and to report the review results to the Audit Committee and the Board quarterly.</p> |

| No. | Recommendations of the Independent Investigation Committee | Company's responses |
|-----|--|---|
| 3 | To set up an effective whistleblowing system that can help detect and deter misconduct or malpractice in the Group; | The Group has adopted a whistleblowing policy to encourage employees to report any violations and misconduct to the Audit Committee. |
| 4 | To put in place measures to ensure that the desired culture and expected behaviours are clearly communicated to all employees; | The Group has adopted the employees' code of conduct to ensure that the desired culture and expected behaviours are clearly communicated to all employees. |
| 5 | To 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; | The Company has appointed Asian Capital Limited as its compliance adviser for the provision of advisory services on compliance matters of the Company. |
| 6 | To arrange regular trainings 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; | The Company has arranged an external consultant to provide regular company-wide trainings to the Group's employees, including Directors, senior management, and personnel from business operation and finance departments, covering various topics (including but not limited to Listing Rules, the Group's internal control policies, in particular, the sections relating to the procedures for reviewing and monitoring the Groups' transactions and other compliance policies). |
| | | A training session on update of Listing Rules was provided to the Group's management and staff in November 2022 by such external internal control consultant. Further refreshment training(s) will be conducted on a half-yearly basis. |

| No. | Recommendations of the Independent Investigation Committee | Company's responses |
|-----|---|---|
| 7 | To implement measures to strengthen the Group's governance and operational control over the supervision of its financial operations; | The Group's corporate governance has been enhanced through the implementation of recommendations made by the IC Consultant in the Internal Control Review. For further details, please refer to the announcement of the Company dated 27 September 2022 headed "Completion of Internal Control Review". |
| 8 | To seek legal advice 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; | Depending on the facts and circumstances, the Company will seek legal advice on the civil actions to be taken against the individual wrongdoers, if appropriate. |
| 9 | To 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; | The Company has designated Mr. Liu Jianbin, one of its executive Directors, to monitor the status of the custody of Mr. Chen Weizhong and collate relevant information, updates, decisions and judgements issued by the relevant authorities. |
| 10 | To 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 | The financial impact caused by the Three Issues and other irregularities associated with Mr. Chen Weizhong and his associates has been properly dealt with in the Company's consolidated financial statements for FY2020 and FY2021. For further details, please refer to the 2020 Annual Report and 2021 Annual Report published on 28 September 2022. |

| No. | Recommendations of the Independent Investigation Committee | Company's responses |
|------------|---|---|
| 11 | To consult the professional advisers, scrutinise the 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. | <p>The Company has scrutinized all announcements, circulars, submissions previously published and made all clarification announcements for re-compliance of the Listing Rules and other applicable laws and regulations where appropriate.</p> <p>For further details of historical transactions for re-compliance with the Listing Rules, please refer to the announcement of the Company dated 12 December 2022 headed “Re-compliance Of Chapters 14 and 14A Requirements For Unauthorised Guarantees To A Connected Person”.</p> |

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 mostly stemmed from the conducts of 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.

Since 19 January 2021, Mr. Chen Weizhong has been held in criminal custody by a PRC local public safety agency in relation to a suspected charge of illegal economic activities. In February 2021, Mr. Chen Weizhong resigned as Director and the chief executive officer of the Company. In light of above, the Directors are of the view that Mr. Chen Weizhong has had no influence over the Company's management and operations since then.

The Supplemental Independent Investigation also revealed no further suspicious transaction in the Group for the period from the date of resignation of Mr. Chen Weizhong to 30 April 2022.

In addition, the Group has also ceased all the business dealings with the counterparties associated with Mr. Chen Weizhong since October 2022.

As at the date of this announcement, all staff with managerial role who were identified as wrongdoers have either resigned or been removed. In addition, the Board is of the view that none of the existing senior management team of the Group was involved in the wrongdoings. To prevent occurrence of similar incidents in the future and enhance the corporate governance of the Group, the Board has resolved to adopt all the recommendations of the Independent Investigation Committee.

As at the date of this announcement, Key Shine, a company wholly and beneficially owned by Mr. Chen Weizhong, is interested in 283,018,750 Shares, representing approximately 48.9% of the issued Shares. In addition, Mr. Chen Weizhong is directly interested in 2,682,000 Shares, representing approximately 0.46% of the issued Shares. Pursuant to a share mortgage deed dated 2 April 2019 (the “**Wuxing Share Mortgage**”), Key Shine charged 229,424,000 Shares (the “**Mortgaged Shares**”), representing approximately 39.64% of the Shares as at the date of this announcement in favour of Wuxing HK.

Restrictions against Key Shine from exercising its voting rights

As at the date of this announcement, an interim injunction order made by the High Court of Hong Kong against 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**”), remains in force.

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.

In addition to the Order, on 1 August 2022, Wuxing HK issued a written notice to the Custodian as a result of events of default under the Wuxing Share Mortgage, requesting the Custodian not to take or act according to any instructions given by Key Shine and/or Mr. Chen Weizhong in relation to the exercise of voting rights of the Mortgaged Shares without Wuxing HK’s prior written consent (the “**Notice**”). By a written confirmation, the Custodian acknowledged the receipt of the Notice and agreed to act according to the Notice.

In view of the Order and the arrangement with the Custodian, Key Shine and Mr. Chen Weizhong are practically unable to exercise any of their voting rights of the Mortgaged Shares (including the period between the date of this announcement and the completion of the Proposed Enforcement), and have no influence over the Company’s management and operations in substance.

The Company was recently 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, and that Wuxing HK is planning to proceed with the Proposed Enforcement of the Mortgaged Shares, which, if materialized, is expected to 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.

The Proposed Enforcement is subject to, *inter alia*, (i) the discharge of the Order by the High Court of Hong Kong; and (ii) Wuxing HK obtaining all required approvals from relevant PRC competent authorities for the Proposed Enforcement. Based on the Proposed Enforcement, assuming that there will be no change in the total number of issued Shares and that Wuxing HK enforces its rights in relation to the Mortgaged Shares in full under the Proposed Enforcement, the shareholding registered in the name of Mr. Chen Weizhong/Key Shine will decrease to approximately 9.73% of the total issued Shares immediately after the completion of the Proposed Enforcement.

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 | |
|--------------------------------------|--|------------------------|---|------------------------|
| | <i>No. of Shares</i> | <i>Approximately %</i> | <i>No. of Shares</i> | <i>Approximately %</i> |
| 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 | 11.1 | 64,276,750 | 11.1 |
| Wuxing HK/the Potential Purchaser(s) | — | — | 229,424,000 | 39.64 |
| Other shareholders | <u>156,147,500</u> | <u>26.98</u> | <u>156,147,500</u> | <u>26.98</u> |
| | <u><u>578,750,000</u></u> | <u><u>100.00</u></u> | <u><u>578,750,000</u></u> | <u><u>100.00</u></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.

Please refer to the announcement of the Company dated 16 December 2022 for further details.

In light of the above, the Company is of the view that (i) since the Directors and the senior management team of the Company have attained the required management integrity and level of competence commensurate with their positions in managing the Company's business and operations, the Board has no concern about the integrity of the Company's senior management team; and (ii) Mr. Chen Weizhong, despite being a controlling shareholder of the Company as at the date of this announcement, can no longer exert any significant influence over the Company by virtue of his shareholding.

The Company will publish monthly update announcements to keep the Shareholders informed of the latest developments of the Proposed Enforcement and the Application.

Resumption Guidance (vii)

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

The IC Consultant completed the Internal Control Review and issued the Internal Control Review Report after the Group had fully implemented the recommendations made by the IC Consultant. Based on the follow-up assessment on remediation results for enhancement of the Group's internal control system, the IC Consultant has not identified any further internal control weaknesses and deficiencies nor made any further recommendations on the Group's internal control system. Key findings of the Internal Control Review and remedial measures implemented by the management have been published in the Company's announcements dated 27 September 2022.

Having considered the Internal Control Review Report and the remedial measures taken by the Group, the Audit Committee and the Board are of the view that the remedial measures implemented by the Group are adequate and sufficient to address the key findings of the Internal Control Review and the enhanced internal control system can facilitate the Group to manage the related risks at a reasonable level.

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

RESUMPTION OF TRADING

Trading in the Shares has been suspended since 9:00 a.m. on 30 March 2021 at the request of the Company. As all the Resumption Guidance have now been fulfilled, the Company has made an application for the resumption of trading in the Shares with effect from 9:00 a.m. on the Stock Exchange on 23 December 2022.

By order of the Board
Honworld Group Limited
Chen Wei
Chairman

Hong Kong, 22 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*