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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)

**PROPOSED SUBSCRIPTION OF UNLISTED WARRANTS
UNDER GENERAL MANDATE**

The Directors are pleased to announce that on 1 August 2014 (after trading hours), the Warrant Subscription Agreement was entered into between the Company and the Subscriber whereby the Company has agreed to issue and the Subscriber has agreed to subscribe for 100,000,000 Warrants at the Issue Price of HK\$0.1 per Warrant. Each Warrant will entitle holders to subscribe for one Share at a subscription price of HK\$8.00 per Share, subject to adjustment, during a period of 12 months commencing from the date of Completion.

As at the date of this announcement, the Company has a total of 518,750,000 Shares in issue. Assuming there is no further issue or repurchase of the Shares, upon the full exercise of the subscription rights attaching to the Warrants, an aggregate of up to 100,000,000 Shares will be issued, which represent approximately 19.28% of the existing issued share capital of the Company and approximately 16.16% of the issued share capital as enlarged by the issue of the Shares to be issued upon exercise in full of the subscription rights attached to the Warrants.

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Shares to be issued upon exercise of subscription rights attached to the Warrants on the Stock Exchange.

* For identification purposes only

The gross proceeds from the Warrant Subscription will be HK\$10,000,000. The net proceeds from the Warrant Subscription, after deduction of related expenses, are estimated to be approximately HK\$9,650,000, representing a net issue price of approximately HK\$0.0965 per Warrant. Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected that an additional amount of HK\$800,000,000 will be raised. The aggregate net proceeds from the Warrant Subscription and the exercise of the subscription rights attaching to the Warrants in a total amount of HK\$809,650,000 are intended to be used as general working capital of the Group, particularly for increasing in production capacity and promotional expenses for the products of the Group.

The Shares to be issued upon exercise of the subscription rights attaching to the Warrants will be issued under the General Mandate.

The Directors are pleased to announce that on 1 August 2014 (after trading hours), the Warrant Subscription Agreement was entered into between the Company and the Subscriber whereby the Company has agreed to issue and the Subscriber has agreed to subscribe for 100,000,000 Warrants at the Issue Price of HK\$0.1 per Warrant.

THE WARRANT SUBSCRIPTION AGREEMENT

Below is a summary of the principal terms of the Warrant Subscription Agreement:

Date

1 August 2014 (after trading hours).

Parties

- (a) The Company; and
- (b) The Subscriber.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save for Mr. Chan, the ultimate beneficial owner of the Subscriber, holding 118,000 Shares, the Subscriber and its ultimate beneficial owner are third parties independent of the Group and the connected persons of the Group.

Number of Warrants

Pursuant to the Warrant Subscription Agreement, the Company agreed to issue 100,000,000 Warrants. The Warrants will rank *pari passu* in all respects among themselves.

Issue Price

The Issue Price is HK\$0.1 per Warrant. The net Issue Price per Warrant, after deduction of all relevant expenses, is approximately HK\$0.0965 per Warrant.

The total Issue Price for Warrants of HK\$10,000,000 is payable in the following manner: (i) upon signing of the Warrant Subscription Agreement, the Subscriber has provided a cheque in the amount of HK\$100,000 in favour of the Company as a refundable deposit. In the event that Completion cannot take place in accordance with the terms of the Agreement, then the Company shall refund such amount to the Subscriber without interest; and (ii) the remainder of the total Issue Price shall be paid by the Issuer to the Company upon Completion.

Condition

Obligations of the Subscriber and the Company of the Warrant Subscription are conditional upon, among other matters, the fulfillment of the following conditions:

- (1) (if required) the Listing Committee of the Stock Exchange shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall object without reasonable grounds and the satisfaction of such conditions;
- (2) the Listing Committee shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall object without reasonable grounds) the listing of and permission to deal in the new Shares to be issued upon exercise of subscription rights attaching to the Warrants; and
- (3) the Company's representation and warranties made pursuant to the Subscription Agreement being true and accurate and not misleading.

In the event that the above conditions are not fulfilled by 5:00 p.m. on 31 October 2014 or such later date as may be agreed between the Subscriber and the Company, the Warrant Subscription Agreement will lapse and become null and void and the parties shall be released from all rights, obligations and liabilities thereunder and none of the parties thereto shall have any claims against each other in relation thereto save for any liabilities for any antecedent breaches thereof.

Completion

Completion shall take place no later than five Business Days following the fulfillment of the conditions above or such other date as agreed by the Company and the Subscriber.

PRINCIPAL TERMS OF THE WARRANTS

Number of Shares Issuable

As at the date of this announcement, the Company has a total of 518,750,000 Shares in issue. Assuming there is no further issue or repurchase of the Shares, upon the full exercise of the subscription rights attaching to the Warrants, an aggregate of up to 100,000,000 Shares will be issued, which represent approximately 19.28% of the existing issued share capital of the Company and approximately 16.16% of the issued share capital as enlarged by the issue of the Shares to be issued upon exercise in full of the subscription rights attached to the Warrants.

Subscription Price

Each Warrant carries the right to subscribe for one Share at the Subscription Price of HK\$8.00 per Share.

The Subscription Price represents:

- (i) a premium of approximately 24.80% to the closing price of HK\$6.41 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 26.98% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$6.30;
- (iii) a premium of approximately 25.20% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK\$6.39; and
- (iv) a premium of approximately 1,011.11% to the net asset value per Share of approximately RMB0.57 (approximately HK\$0.72) as at 31 December 2013 (based on the latest audited net assets of the Group as of 31 December 2013 published on the Stock Exchange's website and the number of issued Shares as at the date of this announcement).

The aggregate of (a) the Issue Price of HK\$0.1 per Warrant and (b) the Subscription Price of HK\$8.00 per Warrant is HK\$8.1, which represents:

- (i) a premium of approximately 26.37% to the closing price of HK\$6.41 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 28.57% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$6.30;
- (iii) a premium of approximately 26.76% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK\$6.39; and
- (iv) a premium of approximately 1,025.00% to the net asset value per Share of approximately RMB0.57 (approximately HK\$0.72) as at 31 December 2013 (based on the latest audited net assets of the Group as of 31 December 2013 published on the Stock Exchange's website and the number of issued Shares as at the date of this announcement).

The Subscription Price is subject to normal adjustments upon occurrence of the following:

- (i) alternation to the nominal amount of each of the Shares by reason of any subdivision or consolidation of Shares; or
- (ii) issue of Shares by way of capitalization of profits or reserves; or
- (iii) capital distribution to all Shareholders (including dividend payment) or grant to Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries; or
- (iv) offer to the Shareholders new Shares for subscription by way of rights; or grant of any options or warrants to all Shareholders to subscribe for new Shares, at a price which is less than 90% of the market price; or
- (v) issue for cash any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares; or
- (vi) issue for cash any Shares at a price which is less than 90% of the market price; or
- (vii) the repurchase of any Shares or securities convertible into Shares or any rights to acquire Shares by the Company.

Both the Issue Price and the Subscription Price are determined after arm's length negotiations between the Company and the Subscriber, taking into account the recent trading prices of the Shares. The Board is of the opinion that the Issue Price and the Subscription Price are fair and reasonable and in the best interest of the Company and its Shareholders.

Exercise Period

The subscription rights attaching to the Warrants can be exercised at any time during the 12-month period commencing from the date of Completion.

Form

The Warrants will be issued upon Completion in registered form. Definitive certificates will be issued to the Subscriber.

Listing

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. The Company will make application to the Stock Exchange for the listing of, and permission to deal in, the new Shares to be allotted and issued upon exercise of the subscription rights of the Warrants.

Ranking of the Shares

The Shares to be allotted and issued upon exercising of the subscription rights to the Warrants, when issued and fully paid, will rank *pari passu* in all respects with the existing issued Shares as at the date of issue.

Transferability

Subject to the prior written approval of the Company, the Warrants shall be transferable in integral multiples of 1,000,000 Warrants to any person other than a connected person of the Company. In the event of a transfer to connected person of the Company, prior approval from the Stock Exchange should also be obtained.

Voting rights of the Warrants

The holder(s) of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holder(s) of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Limitations on exercise of the subscription rights attaching to the Warrants

The subscription rights attaching to the Warrants shall only be exercisable so long as:

- (i) the exercise of the subscription rights will not result in the holders of the Warrants by itself or taken together with its associates and/or parties acting in concert with it becoming the controlling shareholder (as defined in the Listing Rules) of the Company or will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company which the holders of the Warrants would be obliged to make a general offer under the Takeovers Code in force from time to time;
- (ii) the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of the new Shares upon exercising the subscription rights of the Warrants can be maintained; and
- (iii) the exercise of the subscription rights under the Warrants would not result in the holders of the Warrants and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholding in the Company.

INFORMATION OF THE SUBSCRIBER

The Subscriber is beneficially wholly owned by Mr. Chan. Mr. Chan is the chairman and director of CCH Group Co., Limited, together with its subsidiaries, is principally engaged in (i) promotional events organizing; (ii) production of movies; (iii) talents agency; (iv) distribution of art works; and (v) distribution of registered proprietary commercial decorative products.

As at the date of this announcement, save for that Mr. Chan is beneficially interested in 118,000 Shares, the Subscriber and Mr. Chan are third parties independent of the Group and the connected persons of the Group.

GENERAL MANDATE TO ISSUE THE SHARES UNDER THE WARRANTS

The Shares to be allotted and issued upon exercising of the subscription rights of the Warrants will be allotted and issued pursuant to the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM, under which the Directors are authorized to issue Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM, which is equivalent to a maximum issue of additional 103,750,000 Shares. As the issue of the Warrants utilises the General Mandate, no further approval from Shareholders is needed.

Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the Subscription Price, upon the full exercise of the subscription rights attaching to the 100,000,000 Warrants, 100,000,000 new Shares will be issued, which represent approximately 19.28% of aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM.

REASONS FOR THE ISSUE OF WARRANTS AND USE OF PROCEEDS

The Company is an investment holding company, and its subsidiaries established in the PRC are primarily engaged in the manufacturing of cooking wine and other condiment products in China under the “Lao Heng He” brand. The Company is the largest manufacturer of cooking wine in the PRC, with a retail market share of 13.8% in value terms and 5.8% in volume terms in 2012, according to Euromonitor International, a global research organization that provides strategy research for consumer markets. The Company offers high-quality, healthy cooking wine and other condiments, including soy sauce and vinegar in the PRC.

The aggregate net proceeds from the Warrant Subscription and the exercising of the subscription rights attaching to the Warrants in a total amount of HK\$809,650,000 are intended to be used as general working capital of the Group, particularly for increasing in production capacity and promotional expenses for the products of the Group. Mr. Chan is experienced in assisting corporations to handle promotion and public relations campaign. The Company believes that by introducing the Subscriber as its strategic investor, the Company can leverage on the expertise of Mr. Chan who can assist the Group in enhancing its brand awareness and conducting promotion activities of its products.

The Warrant Subscription will provide extra funding to the Company without immediate issue of new Shares, and will provide possible funding from issue of Shares at a substantial premium to the prevailing market price of the Shares which will benefit the long-term development of the Group by strengthening its financial conditions.

In view of the above and the exercise price of the Warrant as compared to the prevailing market price of the Shares and further cash income from the Issue Price in the sum of HK\$10,000,000, the Directors (including the independent non-executive Directors) consider that the terms of the Warrant Subscription (including the Issue Price and the Subscription Price) are on normal commercial terms, fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Warrant Subscription will be HK\$10,000,000. The net proceeds from the Warrant Subscription, after deduction of related expenses, are estimated to be approximately HK\$9,650,000, representing a net issue price of approximately HK\$0.0965 per Warrant. Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected that an additional amount of HK\$800,000,000 will be raised.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 518,750,000 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the full exercise of the subscription rights attaching to the Warrants (assuming that there will be no further changes in the issued share capital of the Company prior to such exercise); and (iii) immediately after the full exercise of the subscription rights attaching to the Warrants (assuming that there will be no further changes in the issued share capital of the Company prior to such exercise and without taking into account of the limitation on exercise of the subscription rights attaching to the Warrants in relation to the public float requirement) are as follows:

Shareholder	As at the date of this announcement		Immediately after the full exercise of the subscription rights attaching to the Warrants (subject to public float requirement) ³		Immediately after the full exercise of the subscription rights attaching to the Warrants (without taking into account of the public float requirement) ⁴	
	Approximate % of issued share capital		Approximate % of issued share capital		Approximate % of issued share capital	
	No. of Shares	of the Company	No. of Shares	of the Company	No. of Shares	of the Company
Key Shine Global Holdings Limited ¹	278,169,750	53.62%	278,169,750	48.42%	278,169,750	44.96%
Foremost Star Holdings Limited ²	96,830,250	18.67%	96,830,250	16.85%	96,830,250	15.65%
Subscriber	118,000	0.02%	55,896,000	9.73%	100,118,000	16.18%
Other public shareholders	<u>143,632,000</u>	<u>27.69%</u>	<u>143,632,000</u>	<u>25.00%</u>	<u>143,632,000</u>	<u>23.21%</u>
Total	<u>518,750,000</u>	<u>100%</u>	<u>574,528,000</u>	<u>100%</u>	<u>618,750,000</u>	<u>100%</u>

Notes:

1. Key Shine Global Holdings Limited is beneficially wholly owned by Chen Weizhong, the Chairman and an executive Director.
2. Foremost Star Holdings Limited is beneficially wholly owned by Ms. Ho Ping Tanya, who is independent of and not connected persons of the Company and are third parties independent of, and not connected with, the directors, chief executive(s) or substantial shareholder(s) of the Company, any of its subsidiaries, or their respective associates.

3. The subscription rights attaching to the Warrants shall only be exercisable as long as the public float of at least 25% of the issued share capital of the Company can be maintained.
4. The shareholding structure sets out in this column is for illustration purpose only.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for the initial public offering conducted by the Company on 28 January 2014, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

The Company will provide an update in relation to the use of proceeds from the initial public offering in the interim report to be published in September 2014.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issue share capital of the Company at the time the Warrants are issued.

As at the date of this announcement, there are no equity securities of the Company with subscription rights outstanding and not yet exercised.

Assuming there is no further issue or repurchase of the Shares, upon the full exercise of the subscription rights attaching to the Warrants, 100,000,000 new Shares will be issued, which represent approximately 19.28% of the existing issued share capital of the Company and approximately 16.16% of the issued share capital as enlarged by the issue of the Shares under the Warrants. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

Completion of the Warrant Subscription is subject to fulfillment of the condition precedent in the Subscription Agreement. As the Warrant Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

“AGM”	the annual general meeting of the Company held on 28 May 2014
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays and public holidays) on which banks generally are open for business in Hong Kong throughout their normal business hours
“Company”	Honworld Group Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Warrant Subscription
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the AGM to allot, issue and deal with Shares and to make or grant offers, agreements and options which may require Shares to be issued, allotted or dealt with, which is subject to the limit of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Instrument”	the deed poll constituting the Warrants to be executed by the Company on Completion
“Last Trading Day”	1 August 2014, being the last trading day of the Shares on which the Warrant Subscription Agreement was entered into
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Mr. Chan”	Mr. Chan Chi Hung, who is the 100% beneficial owner of the Subscriber
“PRC”	The People’s Republic of China, excluding (except where the context requires) Hong Kong, Macau Special Administrative Region and Taiwan
“Issue Price”	HK\$0.1 per Warrant
“Share(s)”	ordinary share(s) of US\$0.0005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Power Success Global Investments Limited, a limited liability company incorporated in the British Virgin Islands and is wholly owned by Mr. Chan
“Subscription Price”	an initial exercise price of HK\$8.00 per Share (subject to adjustment pursuant to the terms of the Instrument) at which holder(s) of the Warrants may subscribe for the Shares
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
“Warrant(s)”	100,000,000 unlisted warrants in registered form and constituted by the Instrument, which are to be issued by the Company at the Issue Price, and each entitles the holder thereof to subscribe for one Share at the Subscription Price (subject to adjustment pursuant to the Instrument) at any time during a period of 12 months commencing from the date of Completion
“Warrant Subscription”	the subscription of the Warrants by the Subscriber pursuant to the Warrant Subscription Agreement
“Warrant Subscription Agreement”	the conditional subscription agreement dated 1 August 2014 entered into between the Company and the Subscriber in relation to the Warrant Subscription

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

By Order of the Board
Honworld Group Limited
Chen Weizhong
Chairman

Hong Kong, 3 August 2014

As at the date of this announcement, the executive Directors are CHEN Weizhong, SHENG Mingjian and WANG Chao; and the non-executive Director is ZHANG Bihong; and the independent non-executive Directors are SHEN Zhenchang, LEI Jiasu and MA Chaosong.