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HONWORLD GROUP LTD:
BEWARE !
THERE COULD BE MORE CALL TO ALMS IN THE WORKS

Prospective investors in Honworld Group Ltd () have been duly warned that the Global Offering of 125 million, $US0.0005 Shares at the Indicative Price Range Per Share of between $HK4.95 and $HK7.15 is quite likely to be the first of number of fund-raising exercises by Management.

This not-so-veiled warning is contained in the Global Offering Prospectus, published on January 16, 2014, in which, at Page 32, it is stated:

> *'We may require additional capital to finance our operations and to support our expansion plans, and to that end, we may need to issue additional equity or debt securities or obtain credit facilities. The sale of additional equity securities may have a dilution effect to the percentage of ownership of our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and we may be required to agree to operating and financing covenants that may restrict our operations. In particular, our ability to raise additional funds in the future is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities by China-based companies, as well as economic, political and other conditions in China and elsewhere, including the global financial market volatility and credit tightening in China.*
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> *'There is no assurance that we may be able to obtain the necessary capital that we require on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our product offerings to respond to market demand or competitive challenges. In these circumstances, our business, financial condition and results of operations may be materially adversely affected.'*

As at November 30, 2013, Honworld Group had a credit facility of approximately 293 million renminbi (about $HK372.70 million), of which 233 million renminbi had been utilised, with only 60 million renminbi, remaining available to the Company.

The Gearing Ratio (total debt divided by total equity) stood at about 116.50 percent, as at August 31, 2013, and that was the lowest level of the past 44 months when, as at December 31, 2011, the Gearing Ratio stood at 466.20 percent!

This Company has come to the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) in order to raise as much money as it can – because it, obviously, needs more money.

At the midpoint of the Indicative Offer Price Per Share, being $HK6.05, the Company estimates that it will net about $HK694.50 million.

That amount of money will be used for five purposes, one is told at Pages 214 and 215 of the Global Offering Prospectus:

1. Approximately, 50 percent of the net proceeds, that is about $HK347.20 million, for the purchase of

rice to be utilised in the production of base wine;

2. Approximately, 25 percent of the net proceeds, that is about $HK173.60 million, to expand production facilities for cooking wine products, with $HK57.70 million, allocated to the purchase of three million, earthenware pots, $HK51.20 million for the purchase of 100 steel, fermentation tanks, and the remaining $HK64.70 million, earmarked for construction of a warehouse, filtration workshop and sterilisation workshop as well as purchasing ancillary equipment;
3. Approximately, 10 percent of the net proceeds, that is about $HK69.50 million, for the repayment of loans to four, PRC-domiciled banks;
4. Approximately, five percent of the net proceeds, that is about $HK34.70 million, to be used to expand the Company's distribution networks; and,
5. Approximately, 10 percent of the net proceeds, that is about $HK69.50 million, to be tipped into the Working Capital Account.

The Business

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