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HONGHUA GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 196)

**COMPLETION ARRANGEMENT RELATING TO THE ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATES**

Reference is made to the announcement of Honghua Group Limited (the “**Company**”) dated 19 December 2016 and the circular of the Company dated 24 January 2017 (the “**Circular**”), in relation to, among other things, the CASIC Subscription Agreement, the Jianhong Subscription Agreement and the issue of new Shares under Specific Mandates. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as defined in the Circular.

Arrangement regarding completion of the CASIC Subscription Agreement

As disclosed in the Circular, pursuant to the CASIC Subscription Agreement, in the event that the conditions are not fulfilled or waived by 31 March 2017 (or such other date as agreed by the parties in writing) (the “**Long Stop Date**”), either party may terminate the CASIC Subscription Agreement by way of written notice to the other party unless otherwise agreed in writing by the parties to the CASIC Subscription Agreement.

As the conditions to the completion of the CASIC Subscription Agreement have not been fully satisfied, on 29 March 2017 (before trading hours), the Company and Kehua Technology Co., Limited (“**Kehua**”), (a wholly owned subsidiary of CASIC and to whom CASIC has assigned its rights and obligations under the CASIC Subscription Agreement) entered into a side letter (the “**Side Letter**”) whereby the parties agreed to, among other things, extend the Long Stop Date to 18 May 2017 as additional time is required for fulfilment of the conditions set out in the CASIC Subscription Agreement.

Further, pursuant to the Side Letter, the Company and Kehua reached the following agreement regarding the completion of the CASIC Subscription Agreement:

- 1) On 29 March 2017, Kehua will pay by telegraphic transfer to the Company HK\$1,069,040,280 in cash (the “**First Payment**”), being part of the total consideration to be paid by CASIC or its nominee under the CASIC Subscription Agreement and represents the consideration for 1,388,364,000 Shares, being 29.99% of the enlarged issued share capital of the Company upon this issuance.
- 2) Upon making of the First Payment by Kehua, the Company will convene a Board meeting on the same day to approve the appointment of three Directors nominated by Kehua, one of whom will be appointed as chairman of the Board and Mr Zhang Mi will be re-designated as vice-chairman of the Board.

- 3) Upon receipt of the First Payment and subject to Kehua and the Company having complied with all applicable laws and regulations in relation to this subscription, the Company will allot and issue such 1,388,364,000 Shares to Kehua as soon as possible. On the other hand, if any requisite regulatory approval cannot be obtained by 18 May 2017, the First Payment will be refunded and Kehua will procure the resignation of the three Directors appointed by it.
- 4) For the avoidance of doubt, the total number of Shares to be subscribed by CASIC or its nominee (currently being Kehua) pursuant to the CASIC Subscription Agreement (being 1,606,000,000 Shares) remains unchanged. The Company will allot and issue the remaining Shares (being 217,636,000 Shares) to Kehua, and Kehua will pay the remainder of the total consideration under the CASIC Subscription Agreement, subject to the satisfaction (or waiver, if applicable) of the conditions under the CASIC Subscription Agreement (and in any event no later than 18 May 2017), and each party will fulfil its obligations with respect to the completion of the CASIC Subscription Agreement which remain unfulfilled at that time.

By Order of the Board
Zhang Mi
Chairman

Hong Kong, 29 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Mi (Chairman), Mr. Ren Jie and Mr. Liu Zhi, the non-executive director of the Company is Mr. Siegfried Meissner (Mr. Popin Su as his alternate) and the independent non-executive directors of the Company are Mr. Liu Xiaofeng, Mr. Qi Daqing, Mr. Chen Guoming, Mr. Shi Xingquan and Mr. Guo Yanjun.