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**HONGHUA GROUP LIMITED**

宏華集團有限公司\*

*(a company incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 196)**

## **ISSUE OF NEW SHARES UNDER GENERAL MANDATE**

### **Issue of new Shares under General Mandate**

The Board is pleased to announce that the Company has entered into the Placing Agreement with Shenwan on 11 April 2017 (after trading hours).

### **The Placing**

Pursuant to the Placing Agreement, Shenwan has agreed to place up to 508,000,000 Shares, on a best effort basis, at a price of HK\$0.77 per Share.

The Placing Shares, if fully placed, represent approximately 10.97% of the total number of issued Shares as at the date of this announcement and approximately 9.89% of the total number of the issued Shares as enlarged by the allotment and issue of the Placing Shares.

### **Proceeds and Prices**

The gross proceeds from the issue of the Placing Shares, if fully placed, will be approximately HK\$391.16 million. The net cash proceeds (after deducting all relevant costs and expenses)

from the issue of the Placing Shares, if fully placed, are estimated to be approximately HK\$377.43million. The Placing Price is HK\$0.77 per Placing Share. The net price (after deducting all relevant costs and expenses) is approximately HK\$0.74 per Placing Share.

### **The General Mandate**

The Placing Shares will be issued pursuant to the General Mandate. The issue of the Placing Shares is therefore not subject to Shareholders' approval. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

**Since the Placing is subject to the fulfilment of the conditions in this announcement, it may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in Shares.**

### **The Placing Agreement**

The Board is pleased to announce that the Company has entered into the Placing Agreement with Shenwan on 11 April 2017 (after trading hours). The major terms are set out below:

**Date:** 11 April 2017 (after trading hours)

**Parties:** (1) the Company as the issuer  
(2) Shenwan as the placing agent (the "Placing Agent")

**Placing Shares:** Shenwan has conditionally agreed to place at the Placing Price up to 508,000,000 Shares, representing (i) approximately 10.97% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 9.89% of the total number of issued Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares, if fully placed, will be HK\$50,800,000.

The Placing Shares will be issued pursuant to the General Mandate. The General Mandate has not been exercised in whole or in part as at the date of this announcement.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares. The Placing Shares, when allotted and issued, will rank *pari passu* with the then existing Shares in issue.

**Placing Price:**

The Placing Price of HK\$0.77 per Placing Share represents:

(i) an approximately 6.10% discount to the closing price of HK\$0.82 per Share as quoted on the Stock Exchange on the date of this announcement, being the date of the Placing Agreement;

(ii) an approximately 5.17 % discount to the average closing price of HK\$ 0.812 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of this announcement;

(iii) an approximately 7.12% discount to the average closing price of HK\$0.83 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of this announcement; and

(iv) an approximately 21.37% discount to the audited net asset value per Share of approximately HK\$0.98 on 31 December 2016 (based on the consolidated net asset value of the Group of HK\$ 4,533,652,000 on 31 December 2016 and 4,629,420,900 issued Shares on the date of this announcement).

The Placing Price was determined by the Company and Shenwan after arm's length negotiations with reference to (i) the current market price of the Shares and current market conditions; and (ii) the financing requirements of the Company.

**Conditions:**

The Placing Agreement is subject to the following conditions being fulfilled or waived:

(a) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares (and such approval not subsequently revoked prior to completion);

(b) none of the Placees will become a substantial shareholder and/or connected person (as defined under the Listing Rules) of the Company immediately after the Placing; and

(c) the Placees shall have delivered or procured to be delivered to the Company duly executed confirmation of

independence in relation to their respective independence (as defined in the Listing Rules) to the Company.

The above conditions cannot be waived.

If the above conditions are not fulfilled by 10 May 2017 (or such other date as agreed by both parties in writing), either party may terminate the Placing Agreement by notice to the other party.

<b>Appointment of Placing Agent</b>	The Company appoints the Placing Agent as the sole and exclusive agent in respect of the Placing and the Placing Agent agrees to act as the sole and exclusive agent of the Company until 10 May 2017 to procure on a best effort basis, not less than six Places.
<b>Placees</b>	Placees will be individual, professional or institutional investors and (if applicable with their respective ultimate beneficial owners) are independent of and not acting in concert (as defined in the Takeovers Code) with or connected with each other, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate (as defined under the Listing Rules) of any of them.
<b>Commission</b>	3% of the amount equal to the Placing Price multiplied by the number of Placing Shares which the Placing Agent has successfully placed, subject to the any agreement between the parties to the contrary.
<b>Completion:</b>	The Placing will be completed within five business day(s) upon the satisfaction of the conditions or such other date as the parties may agree.
<b>Indemnity:</b>	The Company will indemnify Shenwan, its directors and employees (the “Indemnified Parties”) against all or any claim, actions, liabilities, demands, proceedings or judgements brought or established against any of the Indemnified Parties by any purchaser of any of the Placing Shares or by any governmental agency, regulatory body or other person, directly or indirectly arising out of or in connection with the Placing and against all losses and all reasonable costs, charges and expenses (including reasonable legal fees as they are properly incurred) which any of the Indemnified Parties may suffer or incur (except for any loss, costs, charge or expenses suffered or incurred directly or

indirectly as a result of or in connection with any fraud, wilful default or gross negligence on the part of, or any breach of or non-compliance with the Placing Agreement by the Indemnified Parties).

**Termination of agreement:** The Placing Agreement may be terminated if:

(a) the change in law (or the judicial interpretation thereof) which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company; or

(b) the occurrence of any local, national or international event or significant change, or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Placing; or

(c) any significant change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs after the date of this Agreement which materially and adversely affects the success of the Placing (such success being the completion of the placing of the Placing Shares to potential investor(s)); or

(d) the Company or the Placing Agent commits any material breach of this Agreement; or

(e) the Placing Agent or the Company becomes aware of the fact that any of the representations or warranties given by the other Party contained in this Agreement was, when given, untrue or inaccurate in any material respect or would in any material respect be untrue or inaccurate.

The Directors believe that the Placing Agreement was entered into between the Company and Shenwan after arm's length negotiations and the terms (including but not limited to the Placing Price) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## Use of proceeds and reasons for the Placing

The Company intends to use 50% of the net proceeds from the Placing for repayment of its debts which are becoming due and payable and the rest of such proceeds for its general working capital. The Company believes that the Placing will strengthen the Group's cash position, provide the Company with an opportunity to widen its shareholder base and will not result in additional interest expenses.

## The shareholding structure of the Company

	As at the date of this announcement		Immediately after the allotment and issuance of the Placing Shares (on a fully placed basis and assuming no other issue of Shares)	
	Number of Shares	%	Number of Shares	%
Ally Giant Limited and Concert Group <i>(Note 1)</i>	1,510,258,620	32.62	1,510,258,620	29.40
Kehua	1,388,364,000	29.99	1,388,364,000	27.02
The Placees	—	—	508,000,000	9.89
Public (excluding the Placees)	1,730,798,280	37.39	1,730,798,280	33.69
Total	<u>4,629,420,900</u>	<u>100</u>	<u>5,137,420,900</u>	<u>100</u>

*Note 1: "Concert Group" is defined in the prospectus of the Company dated 25 February 2008.*

## Fundraising activities in the past 12 months

On 6 April 2017, the Company allotted and issued 1,388,364,000 Shares to Kehua for an aggregate consideration of HK\$1,069,040,280. The Company has not used any net proceeds raised in that transaction up to the date of this announcement. The Company intends to use 50% of the net proceeds from that transaction for repayment of its debts which are becoming due and payable and the rest of such proceeds for its general working capital.

The Company did not carry out any other equity fundraising activity in the past 12 months.

## Information on the parties

The Group is mainly engaged in the research and development, design and manufacturing of oil drilling rigs, offshore engineering and oil exploration and development equipment, manufacturing and general assembly of large-scale equipment and provision of oil drilling engineering services.

Shenwan, which is a wholly owned subsidiary of Shenwan Hongyuan (H.K.) Limited, is mainly engaged in the business of securities broking. Shenwan Hongyuan (H.K.) Limited, the Shares of which are listed on the Main Board of the Stock Exchange, is mainly engaged in the business of securities broking, futures and options broking, investment banking and corporate finance consultancy, securities research, money lending and asset management.

## Definitions

“Board”	the board of Directors of the Company;
“CASIC”	China Aerospace Science and Industry Corporation*;
“Company”	Honghua Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited;
“Director(s)”	directors of the Company;
“General Mandate”	the general mandate passed on the annual general meeting held on 24 May 2016 authorising Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital then existing (being 648,211,380 Shares);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administration Region of the PRC;
“Kehua”	Kehua Technology Co., Limited, a wholly

	owned subsidiary of CASIC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Placing”	the proposed placing of the Placing Shares on the terms and subject to the conditions set out in the Placing Agreement;
“Placing Agreement”	the agreement between the Company and Shenwan dated 11 April 2017 with respect to the Placing;
“Placing Price”	HK\$0.77 per Share;
“Placing Shares”	up to 508,000,000 Shares;
“Placees”	investors who are to subscribe for any of the Placing Shares pursuant to the Placing Agreement;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administration Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFC”	the Securities and Futures Commission of Hong Kong;
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares of the Company;
“Shenwan”	Shenwan Hongyuan Securities (H.K.) Limited, a company incorporated in Hong Kong and whose registered office is at Level 19, 28 Hennessy Road, Admiralty, Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers; and



“0%”

per cent.

By order of the Board of  
**HONGHUA GROUP LIMITED**  
**Mr. Chen Yajun**  
*Chairman*

People's Republic of China, 11 April 2017

*As at the date of this announcement, the executive directors of the Company are Mr. Chen Yajun (Chairman), Mr. Zhang Mi, Mr. Ren Jie and Mr. Liu Zhi, the non-executive directors of the Company are Mr. Han Guangrong and Mr. Chen Wenle and the independent non-executive directors of the Company are Mr. Liu Xiaofeng, Mr. Qi Daqing, Mr. Chen Guoming and Ms. Su Mei*

*\* For identification purposes only*