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宏华集团
HONGHUA GROUP

HONGHUA GROUP LIMITED

宏華集團有限公司

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

(Stock code: 196)

- (1) SUBSCRIPTION OF SHARES BY DONGFANG INVESTMENT AND
ISSUE OF SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE**
**(2) SUBSCRIPTION OF SHARES BY CHENGTONG AND ISSUE OF
SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE**
(3) APPLICATION FOR WHITEWASH WAIVER
(4) SPECIAL DEAL
AND
(5) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

**Independent Financial Adviser to the Independent
Board Committees and the Independent Shareholders**



Gram Capital Limited
嘉林資本有限公司

**SUBSCRIPTION OF SHARES BY DONGFANG INVESTMENT AND ISSUE OF
SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE**

On 18 January 2023, after trading hours, the Company entered into the Dongfang Subscription Agreement with Dongfang Investment.

Pursuant to the Dongfang Subscription Agreement, Dongfang Investment has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 4,000,000,000 Dongfang Subscription Shares at the Dongfang Subscription Price of HK\$0.2418 per Share, which will be settled by payment in cash of HK\$967,200,000.

The completion of the Dongfang Subscription will be conditional upon, among others, the approval of Dongfang Independent Shareholders and the obtaining of the Whitewash Waiver.

The 4,000,000,000 Dongfang Subscription Shares to be issued pursuant to the Dongfang Subscription Agreement represent (1) approximately 74.68% of the total number of issued Shares as at the date of this announcement; (2) approximately 42.75% of the total number of issued Shares as increased by the issue of the Dongfang Subscription Shares; and (3) approximately 41.76% of the total number of issued Shares as increased by the issue of the Dongfang Subscription Shares and the Chengtong Subscription Shares.

SUBSCRIPTION OF SHARES BY CHENGTONG AND ISSUE OF SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE

On 18 January 2023, after trading hours, the Company entered into the Chengtong Subscription Agreement with Chengtong.

Pursuant to the Chengtong Subscription Agreement, Chengtong has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 223,000,000 Chengtong Subscription Shares at the Chengtong Subscription Price of HK\$0.2418 per Share, which will be settled by payment in cash of HK\$53,921,400.

The completion of the Chengtong Subscription will be conditional upon, among others, the completion of the Dongfang Subscription and the approval of Chengtong Independent Shareholders.

The 223,000,000 Chengtong Subscription Shares to be issued pursuant to the Chengtong Subscription Agreement represent (1) approximately 4.16% of the total number of issued Shares as at the date of this announcement and (2) approximately 2.33% of the total number of issued Shares as increased by the issue of the Dongfang Subscription Shares and the Chengtong Subscription Shares.

DONGFANG SPECIFIC MANDATE

The Dongfang Subscription Shares to be issued pursuant to the Dongfang Subscription Agreement will be issued under the Dongfang Specific Mandate to be obtained from the Dongfang Independent Shareholders at the EGM.

CHENGTONG SPECIFIC MANDATE

The Chengtong Subscription Shares to be issued pursuant to the Chengtong Subscription Agreement will be issued under the Chengtong Specific Mandate to be obtained from the Chengtong Independent Shareholders at the EGM.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Dongfang Investment holds 1,606,000,000 Shares, representing approximately 29.99% of the total number of issued Shares. As Dongfang Investment is a substantial Shareholder of the Company and therefore a connected person of the Company, the Dongfang Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the date of this announcement, Dongfang Investment holds in aggregate 1,606,000,000 Shares, representing approximately 29.99% of the total number of issued Shares. Upon completion of the Dongfang Subscription, Dongfang Investment will hold 5,606,000,000 Shares, representing approximately 59.92% of the total number of the issued Shares as increased by the issue of the Dongfang Subscription Shares and approximately 58.52% of the total number of issued Shares as increased by the issue of the Dongfang Subscription Shares and the Chengtong Subscription Shares (assuming there is no other change in the issued share capital of the Company).

As such, under Rule 26.1 of the Takeovers Code, the Dongfang Subscription will give rise to an obligation on the part of Dongfang Investment to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. Dongfang Investment will make an application to the Executive for the Whitewash Waiver in respect of the Dongfang Subscription pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver. The Dongfang Subscription will not proceed if the Whitewash Waiver is not granted or approved. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the condition that the respective resolution(s) relating to the Whitewash Waiver on one hand, and the Dongfang Subscription Agreement on the other hand, being separately approved by at least 75% and more than 50%, respectively, of the votes cast by the Dongfang Independent Shareholders at the EGM by way of poll.

Given that the shareholding of all other Shareholders will be diluted after the Dongfang Subscription and only Chengtong (being in the same group of companies as Galactic Investment Limited, a shareholder of the Company) is given the opportunity to subscribe for new Shares to counteract or reduce the dilutive effect that the Dongfang Subscription would have on the CCHG group's shareholding in the Company, and that Chengtong intends to nominate a candidate for the Company's consideration for appointment as a non-executive Director after completion of the Chengtong Subscription, the Chengtong Subscription constitutes a special deal in relation to the Dongfang Subscription under Rule 25 of the Takeovers Code. The Company will make an application to the Executive for consent to proceed with the Special Deal. Such consent, if granted, is expected to be subject to (i) the opinion of Gram Capital that the terms of the Special Deal are fair and reasonable; and (ii) the approval of the Special Deal by the Chengtong Independent Shareholders at the EGM.

Reference is made to the Estimated Loss Announcement dated 9 January 2023. With the publication of this announcement, the information that the loss attributable to the Shareholders is expected to be in the range of RMB550.00 million to RMB650.00 million for the year ended 31 December 2022 (“**FY22 Unaudited and Estimated Range of Loss**”) based on the Group's unaudited consolidated management accounts for the year ended 31 December 2022, as contained in the Estimated Loss Announcement, constitutes a profit forecast under Rule 10 of the Takeovers Codes. As such, the Company is required to comply with the requirements under Rule 10 of the Takeovers Code with respect to the FY22 Unaudited and Estimated Range of Loss which has to be reported on by the Company's auditors or accountants and Gram Capital (“**Profit Forecast Reports**”).

Taking into account (i) the practical difficulties to include the Profit Forecast Reports in this announcement in terms of the additional time required for the preparation of the Profit Forecast Reports; and (ii) the requirements for timely disclosures of inside information under Rule 13.09 of the Listing Rules and Part XIVA of the SFO, the Profit Forecast Reports have not been prepared as required under Rule 10 of the Takeovers Code. The Profit Forecast Reports, if applicable, will be contained in the circular.

The FY22 Unaudited and Estimated Range of Loss does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code. Accordingly, Shareholders and potential investors should exercise caution in placing reliance on the above information in assessing the merits and demerits of the Dongfang Subscription, the Dongfang Specific Mandate, the Whitewash Waiver, the Chengtong Specific Mandate and the Special Deal, and when dealing in Shares.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEES AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors who do not have a material interest in the Dongfang Subscription, namely Mr. Chen Guoming, Ms. Su Mei, Mr. Chang Qing, Mr. Wei Bin and Mr. Zhang Shiju) has been formed to advise the Dongfang Independent Shareholders on the Dongfang Subscription.

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC (comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Dongfang Subscription, the Whitewash Waiver and the Special Deal, namely Mr. Zhang Mi, a non-executive Director, and all of the independent non-executive Directors, being Mr. Chen Guoming, Ms. Su Mei, Mr. Chang Qing, Mr. Wei Bin and Mr. Zhang Shiju, but excluding Mr. Yang Yong, a non-executive Director nominated by Dongfang Investment) has also been formed to advise the Independent Shareholders on the Dongfang Subscription, the Whitewash Waiver and the Special Deal.

Gram Capital Limited has been appointed by the Company as the Independent Financial Adviser with the approval of the Independent Board Committees to advise such committees and the Independent Shareholders in relation to the Dongfang Subscription, the Whitewash Waiver and the Special Deal and to make recommendations as to voting.

EGM

An EGM will be convened by the Company to consider and, if thought fit, approve the Dongfang Subscription (including the grant of the Dongfang Specific Mandate), the Whitewash Waiver, the grant of the Chengtong Specific Mandate and the Special Deal. The voting at the EGM will be conducted by way of poll.

CIRCULAR

A circular containing, among other things, (i) details of the Dongfang Subscription, the Dongfang Specific Mandate, the Whitewash Waiver, the Chengtong Specific Mandate and the Special Deal; (ii) a letter of advice from the Connected Transaction IBC on the Dongfang Subscription; (iii) a letter of advice from the Whitewash Waiver IBC on the Dongfang Subscription, the Whitewash Waiver and the Special Deal; (iv) a letter of advice from Gram Capital to the Independent Board Committees and the Independent Shareholders on the Dongfang Subscription, the Whitewash Waiver and the Special Deal; (v) the Estimated Loss Announcement and the reports thereon, if applicable; and (vi) the notice of EGM and proxy form, is expected to be despatched to the Shareholders within 15 business days from the date of this announcement pursuant to Rule 14A.68 of the Listing Rules or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is earlier.

The Company will seek the Executive's consent if it becomes clear that the circular may not be issued within 21 days from the date of this announcement and will apply to the Executive for an extension for the despatch of the circular. Further announcement(s) will be made by the Company as and when appropriate.

Completion of the Dongfang Subscription and completion of the Chengtong Subscription are subject to the fulfilment of the conditions precedents under the Dongfang Subscription Agreement and the Chengtong Subscription Agreement, respectively, as disclosed in this announcement. Accordingly, the Dongfang Subscription and/or the Chengtong Subscription may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in Shares, and are recommended to consult their stockbroker, company manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

SUBSCRIPTION OF SHARES BY DONGFANG INVESTMENT AND ISSUE OF SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE

On 18 January 2023, the Company entered into the Dongfang Subscription Agreement with Dongfang Investment.

The principal terms of the Dongfang Subscription Agreement are set out below:

- Date:** 18 January 2023
- Parties:**
- (1) the Company as the issuer
 - (2) Dongfang Investment as the subscriber

Dongfang Subscription Shares:

4,000,000,000 Dongfang Subscription Shares, representing (i) approximately 74.68% of the total number of issued Shares as at the date of this announcement; (ii) approximately 42.75% of the total number of issued Shares as increased by the issue of the Dongfang Subscription Shares; and (iii) approximately 41.76% of the total number of issued Shares as increased by the issue of the Dongfang Subscription Shares and the Chengtong Subscription Shares.

The Dongfang Subscription Shares will be issued pursuant to the Dongfang Specific Mandate to be approved at the EGM.

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 Dongfang Subscription Shares.

The Dongfang Subscription Shares, when issued, will rank *pari passu* with the then existing Shares in issue.

Dongfang Subscription Price:

HK\$0.2418 per Share

The Dongfang Subscription Price was determined by the Company and Dongfang Investment after arm's length negotiations with reference to (i) the market price of the Shares; (ii) current market conditions; and (iii) the equity financing needs of the Company in relation to the Dongfang Subscription.

The Dongfang Subscription Price of HK\$0.2418 per Share represents:

- (a) a discount of approximately 1.71% to the closing price of HK\$0.246 per Share as quoted on the Stock Exchange on the date of the Dongfang Subscription Agreement;
- (b) a discount of approximately 3.51% to the average closing price of HK\$0.2506 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Dongfang Subscription Agreement;
- (c) a discount of approximately 1.63% to the average closing price of HK\$0.2458 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Dongfang Subscription Agreement;
- (d) the equivalent of the average closing price of HK\$0.2418 per Share as quoted on the Stock Exchange for the twenty consecutive trading days immediately prior to the date of the Dongfang Subscription Agreement; and

- (e) a premium of approximately 4.89% over the average closing price of HK\$0.2305 per Share as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to the date of the Dongfang Subscription Agreement.

Conditions Precedents:

Completion of the Dongfang Subscription is subject to the following conditions precedent:

- (a) the passing of a resolution by the Dongfang Independent Shareholders to approve the Dongfang Subscription and the grant of the Dongfang Specific Mandate to the Board to issue the Dongfang Subscription Shares in accordance with the Listing Rules and the Takeovers Code;
- (b) the passing of a resolution by the Dongfang Independent Shareholders to approve the Whitewash Waiver in accordance with the Takeovers Code;
- (c) the SFC granting the Whitewash Waiver;
- (d) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Dongfang Subscription Shares (and such approval not being subsequently revoked prior to completion of the Dongfang Subscription); and
- (e) Dongfang Investment or its group companies having obtained in respect of the Dongfang Subscription all applicable approvals, filings, registrations, permits or authorisations of competent authorities of the PRC government in connection with the offshore investment and outbound funds transfer by PRC enterprises.

The Company will use its best endeavours, and Dongfang Investment will provide reasonable assistance, to procure the fulfilment of the conditions set out in paragraphs (a), (b) and (d) before 30 June 2023 (or such other date as agreed by both parties in writing). Dongfang Investment will use its best endeavours, and the Company will provide reasonable assistance, to procure the fulfilment of the conditions set out in paragraphs (c) and (e) before the same date.

Dongfang Investment may waive the condition set out in paragraph (e) by way of written notice to the Company at any time to the extent that the transactions thereunder are not illegal if they were to be implemented. The conditions set out in paragraphs (a), (b), (c) and (d) may not be waived by either party.

If the above conditions are not fulfilled or waived by 4pm on 30 June 2023 (or such other date as agreed by both parties in writing), then, unless otherwise agreed by the parties in writing, either party may terminate the Dongfang Subscription Agreement by way of written notice to the other party, in which case all obligations of the parties under the Dongfang Subscription Agreement will terminate, and neither party will have any claim against the other party under the Dongfang Subscription Agreement, except for any antecedent breach prior to such termination.

**Completion of the
Dongfang Subscription:**

Completion of the Dongfang Subscription will take place within five business days after the fulfilment or waiver of the conditions precedent (or such other date as the Company and Dongfang Investment may agree).

If completion of the Dongfang Subscription does not take place within five business days after the fulfilment or waiver of the conditions precedent (or such other date as the Company and Dongfang Investment may agree) due to any party's breach, the non-breaching party may elect to: (i) proceed with completion of the Dongfang Subscription to the extent possible; (ii) delay completion of the Dongfang Subscription to 30 June 2023 (or such other date as agreed by the parties in writing); or (iii) terminate the Dongfang Subscription Agreement. If the Dongfang Subscription Agreement is terminated under such circumstances, all obligations of the parties under the Dongfang Subscription Agreement will terminate, and neither party will have any claim against the other party under the Dongfang Subscription Agreement, except for any antecedent breach prior to such termination.

The aggregate nominal value of the Dongfang Subscription Shares will be HK\$400,000,000.

SUBSCRIPTION OF SHARES BY CHENGTONG AND ISSUE OF SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE

On 18 January 2023, the Company entered into the Chengtong Subscription Agreement with Chengtong.

The principal terms of the Chengtong Subscription Agreement are set out below:

- Date:** 18 January 2023
- Parties:**
- (1) the Company as the issuer
 - (2) Chengtong as the subscriber

Chengtong Subscription Shares:

223,000,000 Chengtong Subscription Shares, representing (i) approximately 4.16% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 2.33% of the total number of issued Shares as increased by the issue of the Dongfang Subscription Shares and the issue of the Chengtong Subscription Shares.

The Chengtong Subscription Shares will be issued pursuant to the Chengtong Specific Mandate to be approved at the EGM.

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 Chengtong Subscription Shares.

The Chengtong Subscription Shares, when issued, will rank *pari passu* with the then existing Shares in issue.

The aggregate of the Chengtong Subscription Shares and the number of the existing Shares held by Galactic Investment Limited shall not exceed 4.99% of the total number of issued Shares immediately after the issue of the Dongfang Subscription Shares and the issue of the Chengtong Subscription Shares on the date of such issues.

Chengtong Subscription Price:

HK\$0.2418 per Share

The Chengtong Subscription Price was determined by the Company and Chengtong after arm's length negotiations with reference to (i) the market price of the Shares; (ii) current market conditions; and (iii) the equity financing needs of the Company in relation to the Chengtong Subscription.

The Chengtong Subscription Price of HK\$0.2418 per Share represents:

- (a) a discount of approximately 1.71% to the closing price of HK\$0.246 per Share as quoted on the Stock Exchange on the date of the Chengtong Subscription Agreement;
- (b) a discount of approximately 3.51% to the average closing price of HK\$0.2506 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Chengtong Subscription Agreement;
- (c) a discount of approximately 1.63% to the average closing price of HK\$0.2458 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Chengtong Subscription Agreement;

- (d) the equivalent of the average closing price of HK\$0.2418 per Share as quoted on the Stock Exchange for the twenty consecutive trading days immediately prior to the date of the Chengtong Subscription Agreement; and
- (e) a premium of approximately 4.89% over the average closing price of HK\$0.2305 per Share as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to the date of the Chengtong Subscription Agreement.

Conditions Precedents:

Completion of the Chengtong Subscription is subject to the following conditions precedent:

- (a) completion of the Dongfang Subscription having taken place;
- (b) the passing of a resolution by the Chengtong Independent Shareholders to approve the grant of the Chengtong Specific Mandate to the Board to issue the Chengtong Subscription Shares in accordance with the Listing Rules;
- (c) the passing of a resolution by the Chengtong Independent Shareholders to approve the Chengtong Subscription as a special deal under Rule 25 of the Takeovers Code;
- (d) consent from the Executive in respect of the Chengtong Subscription as a special deal under Rule 25 of the Takeovers Code;
- (e) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Chengtong Subscription Shares, and such approval being unconditional or subject only to conditions which are customary or conditions to which Chengtong consented in writing to the Company, and such approval not being subsequently revoked prior to completion of the Chengtong Subscription;
- (f) the representations and warranties given by the Company in the Chengtong Subscription Agreement being and remaining true, accurate and complete in all material respects, and not misleading in any material respect, as of the date of the Chengtong Subscription Agreement and the date of completion of the Chengtong Subscription; and
- (g) the representations and warranties given by Chengtong in the Chengtong Subscription Agreement being and remaining true, accurate and complete in all material respects, and not misleading in any material respect, as of the date of the Chengtong Subscription Agreement and the date of completion of the Chengtong Subscription.

The Company will use its best endeavours, and Chengtong will provide reasonable assistance, to procure the fulfilment of the conditions set out in paragraphs (a), (b), (c), (d), (e) and (f) before 30 June 2023 (or such other date as agreed by both parties in writing). Chengtong will use its best endeavours to procure the fulfilment of the condition set out in paragraph (g) before the same date.

Chengtong may waive the condition set out in paragraph (f), and the Company may waive the condition set out in paragraph (g), in each case by way of written notice to the other party at any time. The conditions set out in paragraphs (a) to (e) may not be waived by either party.

If the above conditions are not fulfilled or waived by 4pm on 30 June 2023 (or such other date as agreed by both parties in writing), then, unless otherwise agreed by the parties in writing, either party may terminate the Chengtong Subscription Agreement by way of written notice to the other party, in which case all obligations of the parties under the Chengtong Subscription Agreement will terminate, and neither party will have any claim against the other party under the Chengtong Subscription Agreement, except for any antecedent breach prior to such termination.

**Completion of the
Chengtong Subscription:**

Completion of the Chengtong Subscription will take place within ten business days after the fulfilment or waiver of the conditions precedent (or such other date as the Company and Chengtong may agree).

If completion of the Chengtong Subscription does not take place within ten business days after the fulfilment or waiver of the conditions precedent (or such other date as the Company and Chengtong may agree) due to any party's breach, the non-breaching party may elect to: (i) proceed with completion of the Chengtong Subscription to the extent possible; (ii) delay completion of the Chengtong Subscription to 30 June 2023 (or such other date as agreed by the parties in writing); or (iii) terminate the Chengtong Subscription Agreement. If the Chengtong Subscription Agreement is terminated under such circumstances, all obligations of the parties under the Chengtong Subscription Agreement will terminate, and neither party will have any claim against the other party under the Chengtong Subscription Agreement, except for any antecedent breach prior to such termination.

Lock-up

Chengtong will not offer, pledge, charge, sell or otherwise dispose of by other means any of its Shares within six months after completion of the Chengtong Subscription, with exceptions in respect of: (1) intragroup transfers; (2) creation of security interest for the purpose of bona fide commercial loans; and (3) transfers pursuant to legal requirements.

Company's undertaking

The Company undertakes to Chengtong that, save for the Dongfang Subscription and any grant of share options under any existing share option scheme or any issue of Shares pursuant to the exercise of any share options granted under any existing or past share option schemes, the Company will not, prior to completion of the Chengtong Subscription: (1) issue or agree to issue any Shares, or grant or agree to grant any option or right to acquire or subscribe for any Shares; or (2) change the share capital structure of the Company or the rights attached to the Chengtong Subscription Shares, or take or agree to take any action that may result in any such change.

Nomination

The Company is aware that after completion of the Chengtong Subscription, Chengtong intends to nominate a candidate to the Company as a non-executive Director. Subject to (1) fulfilment of the requirements of the Listing Rules, the Stock Exchange, any other applicable laws and the Articles of Association, (2) the appointment being, in the reasonable opinion of the Board, in line with the interest of the Company and the Shareholders and (3) fiduciary duties of the Directors to abide by (collectively, the “**Relevant Prerequisites**”), the Company will consider taking reasonable steps to cause the candidate nominated by Chengtong to be given careful consideration by the Company's nomination committee and/or the Board for appointment as a non-executive Director.

Subject to the condition that the total shareholding of China Chengtong Hong Kong Company Limited and its subsidiaries in the Company is not less than 4.99% and the Relevant Prerequisites, if the non-executive Director nominated by Chengtong resigns, retires, dismissed or otherwise ceases to be a non-executive Director for any other reasons, the Company will consider taking reasonable steps to cause the candidate nominated by Chengtong to be given consideration by the Company's nomination committee and/or the Board for appointment as a non-executive Director, including but not limited to convening a nomination committee meeting or Board meeting to consider such appointment.

The aggregate nominal value of the Chengtong Subscription Shares will be HK\$22,300,000.

DONGFANG SPECIFIC MANDATE

The Dongfang Subscription Shares to be issued pursuant to the Dongfang Subscription Agreement will be issued under the Dongfang Specific Mandate to be obtained from the Dongfang Independent Shareholders at the EGM.

CHENGTONG SPECIFIC MANDATE

The Chengtong Subscription Shares to be issued pursuant to the Chengtong Subscription Agreement will be issued under the Chengtong Specific Mandate to be obtained from the Chengtong Independent Shareholders at the EGM.

USE OF PROCEEDS AND REASONS FOR THE DONGFANG SUBSCRIPTION AND THE CHENGTONG SUBSCRIPTION

The Dongfang Subscription and the Chengtong Subscription demonstrate Dongfang Investment's and Chengtong's respective confidence in, and commitment to, the Company's long-term development and growth prospect, and will further strengthen the Company's capital base by raising additional funds for the Group.

The gross proceeds and net proceeds (after deducting all relevant costs and expenses) from the issue of the Dongfang Subscription Shares and the Chengtong Subscription Shares are estimated to be approximately HK\$1.021 billion and HK\$1.017 billion, respectively, in aggregate. The net issue price for each of the Dongfang Subscription Shares and Chengtong Subscription Shares will be approximately HK\$0.2407.

The Company intends to apply the net proceeds from the issue of the Dongfang Subscription Shares and the Chengtong Subscription Shares towards repaying the Group's interest-bearing borrowings, investment in construction and technical transformation of production line of the Group's offshore segment and supplementing the Group's working capital for general purpose.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Dongfang Investment holds 1,606,000,000 Shares, representing approximately 29.99% of the total number of issued Shares. As Dongfang Investment is a substantial Shareholder of the Company and therefore a connected person of the Company, the Dongfang Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the date of this announcement, Dongfang Investment holds in aggregate 1,606,000,000 Shares, representing approximately 29.99% of the total number of issued Shares. Upon Completion, Dongfang Investment will hold 5,606,000,000 Shares, representing approximately 59.92% of the total number of the issued Shares as increased by the issue of the Dongfang Subscription Shares, and approximately 58.52% of the total number of issued Shares as increased by the issue of the Dongfang Subscription Shares and the Chengtong Subscription Shares (assuming there is no other change in the issued share capital of the Company).

As such, under Rule 26.1 of the Takeovers Code, the Dongfang Subscription will give rise to an obligation on the part of Dongfang Investment to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. Dongfang Investment will make an application to the Executive for the Whitewash Waiver in respect of the Dongfang Subscription pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver. The Dongfang Subscription will not proceed if the Whitewash Waiver is not granted or approved. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the condition that the respective resolution(s) relating to the Whitewash Waiver on one hand, and the Dongfang Subscription Agreement on the other hand, being separately approved by at least 75% and more than 50%, respectively, of the votes cast by the Dongfang Independent Shareholders at the EGM by way of poll.

Given that the shareholding of all other Shareholders will be diluted after the Dongfang Subscription and only Chengtong (being in the same group of companies as Galactic Investment Limited, a shareholder of the Company) is given the opportunity to subscribe for new Shares to counteract or reduce the dilutive effect that the Dongfang Subscription would have on the CCHG group's shareholding in the Company, and that Chengtong intends to nominate a candidate for the Company's consideration for appointment as a non-executive Director after completion of the Chengtong Subscription, the Chengtong Subscription constitutes a special deal in relation to the Dongfang Subscription under Rule 25 of the Takeovers Code. The Company will make an application to the Executive for consent to proceed with the Special Deal. Such consent, if granted, is expected to be subject to (i) the opinion of the Independent Financial Adviser that the terms of the Special Deal are fair and reasonable; and (ii) the approval of the Special Deal by the Chengtong Independent Shareholders by way of poll at the EGM.

Reference is made to the Estimated Loss Announcement dated 9 January 2023. With the publication of this announcement, the information that the loss attributable to the Shareholders is expected to be in the range of RMB550.00 million to RMB650.00 million for the year ended 31 December 2022 ("**FY22 Unaudited and Estimated Range of Loss**") based on the Group's unaudited consolidated management accounts for the year ended 31 December 2022, as contained in the Estimated Loss Announcement, constitutes a profit forecast under Rule 10 of the Takeovers Codes. As such, the Company is required to comply with the requirements under Rule 10 of the Takeovers Code with respect to the FY22 Unaudited and Estimated Range of Loss which has to be reported on by the Company's auditors or accountants and Gram Capital ("**Profit Forecast Reports**").

Taking into account (i) the practical difficulties to include the Profit Forecast Reports in this announcement in terms of the additional time required for the preparation of the Profit Forecast Reports; and (ii) the requirements for timely disclosures of inside information under Rule 13.09 of the Listing Rules and Part XIVA of the SFO, the Profit Forecast Reports have not been prepared as required under Rule 10 of the Takeovers Code. The Profit Forecast Reports will be contained in the circular.

The FY22 Unaudited and Estimated Range of Loss does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code. Accordingly, Shareholders and potential investors should exercise caution in placing reliance on the above information in assessing the merits and demerits of the Dongfang Subscription, the Dongfang Specific Mandate, the Whitewash Waiver, the Chengtong Specific Mandate and the Special Deal, and when dealing in Shares.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

Dongfang Investment has confirmed, in respect of itself and persons acting in concert with it, that, as at the date of this announcement:

- (i) none of them has effected any disqualifying transaction (as described in paragraph 3 of Schedule VI to the Takeovers Code);
- (ii) save for the 1,606,000,000 Shares currently held by Dongfang Investment and the Dongfang Subscription Shares to be issued to Dongfang Investment pursuant to the Dongfang Subscription Agreement, none of them owns or has control or direction over any voting rights or rights over the Shares or any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares, or has entered into any outstanding derivative in respect of securities in the Company;
- (iii) none of them has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of Dongfang Investment and which might be material to the Dongfang Subscription or the Whitewash Waiver;
- (iv) none of them has received any irrevocable commitment to vote for or against the resolutions relating to the Dongfang Subscription or the Whitewash Waiver;
- (v) save for the conditions of the Dongfang Subscription under the Dongfang Subscription Agreement, none of them is a party to any agreements or arrangements which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Dongfang Subscription or the Whitewash Waiver;
- (vi) none of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (vii) save in relation to the Dongfang Subscription and the Chengtong Subscription, none of them (other than the Group) has entered into any understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) with any Shareholder.

The Company confirms that, as at the date of this announcement, save in relation to the Dongfang Subscription and the Chengtong Subscription, no member of the Group has entered into any understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) with any Shareholder.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEES AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors who do not have a material interest in the Dongfang Subscription, namely Mr. Chen Guoming, Ms. Su Mei, Mr. Chang Qing, Mr. Wei Bin and Mr. Zhang Shiju) has been formed to advise the Dongfang Independent Shareholders on the Dongfang Subscription (including the grant of the Dongfang Specific Mandate).

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC (comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Dongfang Subscription, the Whitewash Waiver and the Special Deal, namely Mr. Zhang Mi, a non-executive Director, and all of the independent non-executive Directors, being Mr. Chen Guoming, Ms. Su Mei, Mr. Chang Qing, Mr. Wei Bin and Mr. Zhang Shiju, and excluding Mr. Yang Yong, a non-executive Director nominated by Dongfang Investment) has also been formed to advise the Independent Shareholders on the Dongfang Subscription (including the grant of the Dongfang Specific Mandate), the Whitewash Waiver and the Special Deal.

Gram Capital Limited has been appointed by the Company as the Independent Financial Adviser with the approval of the Independent Board Committees to advise such committees and the Independent Shareholders in relation to the Dongfang Subscription (including the grant of the Dongfang Specific Mandate), the Whitewash Waiver and the Special Deal and to make recommendations as to voting.

EGM

An EGM will be convened by the Company to consider and, if thought fit, approve the Dongfang Subscription, the grant of the Dongfang Specific Mandate, the Whitewash Waiver, the grant of the Chengtong Specific Mandate and the Special Deal. The voting at the EGM will be conducted by way of poll.

Dongfang Investment and parties acting in concert with, and associates of, it, Galactic Investment Limited and close associates of it, and any other Shareholder who is involved in or interested in the Dongfang Subscription, the Whitewash Waiver or the Special Deal will be required to abstain from voting in respect of the resolution(s) to approve the Dongfang Subscription, the grant of the Dongfang Specific Mandate and the Whitewash Waiver at the EGM.

Galactic Investment Limited and any other Shareholders who are involved in or interested in the Chengtong Subscription (other than solely as shareholders of the offeree company), and their respective close associates (as defined in the Listing Rules) will be required to abstain from voting in respect of the resolution(s) to approve the Chengtong Subscription, the grant of Chengtong Specific Mandate and the Special Deal at the EGM.

A circular containing, among other things, (i) details of the Dongfang Subscription, the Dongfang Specific Mandate, the Whitewash Waiver, the Chengtong Specific Mandate and the Special Deal; (ii) a letter of advice from the Connected Transaction IBC on the Dongfang Subscription; (iii) a letter of advice from the Whitewash Waiver IBC on the Dongfang Subscription, the Whitewash Waiver and the Special Deal; (iv) a letter of advice from Gram Capital to the Independent Board Committees and the Independent Shareholders on the Dongfang Subscription, the Whitewash

Waiver and the Special Deal; (v) the Estimated Loss Announcement and the reports thereon, if applicable; and (vi) the notice of EGM and proxy form, is expected to be despatched to the Shareholders within 15 business days from the date of this announcement pursuant to Rule 14A.68 of the Listing Rules or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is earlier.

The Company will seek the Executive's consent if it becomes clear that the circular may not be issued within 21 days from the date of this announcement and will apply to the Executive for an extension for the despatch of the circular. Further announcement(s) will be made by the Company as and when appropriate.

Completion of the Dongfang Subscription and completion of the Chengtong Subscription are subject to the fulfilment of the conditions precedents under the Dongfang Subscription Agreement and the Chengtong Subscription Agreement, respectively, as disclosed in this announcement. Accordingly, the Dongfang Subscription and/or the Chengtong Subscription may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in Shares, and are recommended to consult their stockbroker, company manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Dongfang Subscription (assuming there is no change in the total issued share capital of the Company since the date of this announcement and up to completion of the Dongfang Subscription save for the issue of the Dongfang Subscription Shares); and (iii) immediately after completion of the Dongfang Subscription and the Chengtong Subscription (assuming there is no change in the total issued share capital of the Company since the date of this announcement and up to completion of the Chengtong Subscription save for the issue of the Dongfang Subscription Shares and the Chengtong Subscription Shares):

	As the date of this announcement		Immediately after the completion of the Dongfang Subscription (assuming no other change in the Company's issued share capital)		Immediately after completion of the Dongfang Subscription and Chengtong Subscription (assuming no other change in the Company's issued share capital)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Dongfang Investment (<i>Note 1</i>)	1,606,000,000	29.99	5,606,000,000	59.92	5,606,000,000	58.52
CCHG group						
– Chengtong (<i>Note 2</i>)	–	–	–	–	223,000,000	2.33
– Galactic Investment Limited (<i>Note 3</i>)	254,000,000	4.74	254,000,000	2.71	254,000,000	2.65
CCHG group	254,000,000	4.74	254,000,000	2.71	477,000,000	4.98

	As the date of this announcement		Immediately after the completion of the Dongfang Subscription (assuming no other change in the Company's issued share capital)		Immediately after completion of the Dongfang Subscription and Chengtong Subscription (assuming no other change in the Company's issued share capital)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Tricor Equity Trustee Limited (Note 4)	733,545,441	13.70	733,545,441	7.84	733,545,441	7.66
Wealth Afflux Limited (Note 4)	318,202,548	5.94	318,202,548	3.40	318,202,548	3.32
Mr. Zhang Mi (Note 5)	3,050,000	0.057	3,050,000	0.033	3,050,000	0.032
Ms. Yi Langlin (Note 6)	2,156,000	0.040	2,156,000	0.023	2,156,000	0.023
Ms. Su Mei (Note 7)	150,000	0.003	150,000	0.002	150,000	0.002
Other Shareholders	2,438,890,911	45.54	2,438,890,911	26.07	2,438,890,911	25.46
Total	5,355,994,900	100.00	9,355,994,900	100.00	9,578,994,900	100.00

- (1) Dongfang Investment is wholly-owned by Dongfang Electric Corporation.
- (2) Chengtong is wholly-owned by CCHG.
- (3) Galactic Investment Limited is wholly-owned by China Chengtong Development Group Limited, which is indirectly held by CCHG as to approximately 53.14%.
- (4) Wealth Afflux Limited is held by Tricor Equity Trustee Limited (as the trustee of The ZYL Family Trust). The ZYL Family Trust is a discretionary trust established by Mr. Zhang Mi (as the settlor), with Tricor Equity Trustee Limited (as the trustee). The beneficiaries under The ZYL Family Trust are Mr. Zhang Mi and his family members. Tricor Equity Trustee Limited is the trustee of The ZYL Family Trust and the 5 other trusts.
- (5) Mr. Zhang Mi is a non-executive Director of the Company and individually owns 3,050,000 Shares and holds 1,190,000 share options. Yi Langlin, spouse of Zhang Mi owns 2,156,000 Shares. Zhang Mi is the settlor of a discretionary trust, The ZYL Family Trust, whose trustee, through Wealth Afflux Limited, holds 318,202,548 Shares.
- (6) Ms. Yi Langlin, spouse of Mr. Zhang Mi, individually owns 2,156,000 Shares and is deemed to be interested in 324,598,548 Shares in which Zhang Mi holds 1,190,000 share options.
- (7) Ms. Su Mei is an independent non-executive Director of the Company.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the 12 months preceding the date of this announcement.

INFORMATION ON THE PARTIES

The Company, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 196), and 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.

Dongfang Investment is a company incorporated in Hong Kong with limited liability, and is a wholly-owned subsidiary of Dongfang Electric Corporation (中國東方電氣集團有限公司).

Dongfang Electric Corporation (中國東方電氣集團有限公司) is one of the largest energy equipment manufacturing enterprise groups in PRC, and is mainly engaged in offshore wind power, electric motor, geothermal power generation and distributed energy application. Dongfang Electric Corporation is controlled by the State-owned Assets Supervision and Administration Committee of the State Council of the PRC.

Chengtong, a company incorporated in Hong Kong with limited liability, and is a wholly-owned subsidiary of CCHG.

CCHG and its subsidiaries are principally engaged in the business of fund investment, equity management, asset management, financial services and nurturing of emerging industries. CCHG is controlled by the State-owned Assets Supervision and Administration Committee of the State Council of the PRC.

DEFINITIONS

In this announcement, the following terms have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code;
“Articles of Association”	the articles of association of the Company;
“associate(s)”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Board”	the board of Directors;
“CCHG”	中國誠通控股集團有限公司 (China Chengtong Holdings Group Limited*), the ultimate holding company of Chengtong;
“Chengtong”	China Chengtong Investment Company Limited, a company incorporated in Hong Kong with limited liability and the subscriber of the Chengtong Subscription Shares;

“Chengtong Independent Shareholders”	the Shareholders other than (i) Chengtong and parties acting in concert with it; (ii) Dongfang Investment and parties acting in concert with it; and (iii) any other Shareholders who are involved in or interested in the Chengtong Subscription or the Dongfang Subscription (other than solely as shareholders of the Company);
“Chengtong Specific Mandate”	the specific mandate proposed to be granted by the Chengtong Independent Shareholders to the Directors at the EGM for the issue of the Chengtong Subscription Shares to Chengtong;
“Chengtong Subscription”	the subscription of the Chengtong Subscription Shares by Chengtong pursuant to the Chengtong Subscription Agreement;
“Chengtong Subscription Agreement”	the conditional subscription agreement dated 18 January 2023 entered into between the Company and Chengtong in relation to the issue and subscription of the Chengtong Subscription Shares;
“Chengtong Subscription Price”	the subscription price under the Chengtong Subscription Agreement of HK\$0.2418 per Share;
“Chengtong Subscription Share(s)”	the 223,000,000 new Shares to be subscribed by Chengtong and issued by the Company pursuant to the Chengtong Subscription Agreement;
“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;
“Connected Transaction IBC”	an independent committee of the Board comprising all the independent non-executive Directors who do not have a material interest in the Dongfang Subscription (namely Mr. Chen Guoming, Ms. Su Mei, Mr. Chang Qing, Mr. Wei Bin and Mr. Zhang Shiju) and established pursuant to the requirements of the Listing Rules to advise the Dongfang Independent Shareholders on the Dongfang Subscription (including the grant of the Dongfang Specific Mandate);
“Director(s)”	directors of the Company;
“Dongfang Independent Shareholders”	Shareholders other than (i) Dongfang Investment and parties acting in concert with, and associates of, it; (ii) Chengtong and parties acting in concert with, and close associates of, it; and (iii) any other Shareholders who are involved or interested in the Dongfang Subscription, the Chengtong Subscription, the Whitewash Waiver or the Special Deal (other than solely as shareholders of the Company);

“Dongfang Investment”	Dongfang Electric International Investment Co., Limited (東方電氣集團國際投資有限公司), a company incorporated in Hong Kong with limited liability and the subscriber of the Dongfang Subscription Shares;
“Dongfang Specific Mandate”	the specific mandate proposed to be granted by the Dongfang Independent Shareholders to the Directors at the EGM for the issue of the Dongfang Subscription Shares to Dongfang Investment;
“Dongfang Subscription”	the subscription of the Dongfang Subscription Shares by Dongfang Investment pursuant to the Dongfang Subscription Agreement;
“Dongfang Subscription Agreement”	the subscription agreement dated 18 January 2023 entered into between the Company and Dongfang Investment in relation to the Dongfang Subscription;
“Dongfang Subscription Price”	the subscription price under the Dongfang Subscription Agreement of HK\$0.2418 per Share;
“Dongfang Subscription Share(s)”	the 4,000,000,000 new Shares to be subscribed by Dongfang Investment and issued by the Company pursuant to the Dongfang Subscription Agreement;
“EGM”	an extraordinary general meeting to be convened by the Company to consider, and if thought fit, to approve the Dongfang Subscription (including the grant of the Dongfang Specific Mandate), the Whitewash Waiver, the grant of Chengtong Specific Mandate and the Special Deal;
“Estimated Loss Announcement”	the announcement of the Company dated 9 January 2023 pursuant to the Insider Information Provisions in Part XIVA of SFO and Rule 13.09 of the Hong Kong Listing Rules in relation to the unaudited estimated loss of the Company for the year ended 31 December 2022;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administration Region of the PRC;
“Independent Board Committees”	collectively, the Connected Transaction IBC and the Whitewash Waiver IBC;

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committees and the Independent Shareholders in relation to the Dongfang Subscription (including the grant of the Dongfang Specific Mandate), the Whitewash Waiver and the Special Deal and to make recommendations as to voting;
“Independent Shareholders”	the Dongfang Independent Shareholders and the Chengtong Independent Shareholders;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administration Region and Taiwan;
“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;
“Special Deal”	the proposed Chengtong Subscription which constitutes a special deal (as defined in Rule 25 of the Takeovers Code) in relation to the Dongfang Subscription;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Takeovers Code”	the Code on Takeovers and Mergers in Hong Kong;
“Whitewash Waiver”	the waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation on the part of Dongfang Investment and parties acting in concert with it to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Dongfang Investment and any parties acting in concert with it arising as a result of the Dongfang Subscription;

“Whitewash Waiver IBC” an independent committee of the Board comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Dongfang Subscription, the Whitewash Waiver and the Special Deal (namely Mr. Zhang Mi, a non-executive Director, and all of the independent non-executive Directors, being Mr. Chen Guoming, Ms. Su Mei, Mr. Chang Qing, Mr. Wei Bin and Mr. Zhang Shiju) and established pursuant to the requirements of the Takeovers Code to provide recommendations to the Independent Shareholders on the Dongfang Subscription (including the grant of the Dongfang Specific Mandate), the Whitewash Waiver and the Special Deal; and

“%” per cent.

By order of the Board of
HONGHUA GROUP LIMITED
Wang Xu
Chairman

PRC, 18 January 2023

As at the date of this announcement, the executive Directors are Mr. Wang Xu (Chairman) and Mr. Zhu Hua; the non-executive Directors are Mr. Zhang Mi and Mr. Yang Yong; and the independent non-executive Directors are Mr. Chen Guoming, Ms. Su Mei, Mr. Chang Qing, Mr. Wei Bin and Mr. Zhang Shiju.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

* *The English translation of the Chinese name of the relevant entity included in this announcement is for identification and reference only, and such translation may not be accurate and such entity may not have an official English translation/version of its Chinese name.*