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宏华集团
HONGHUA GROUP

HONGHUA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 196)

CHANGE OF USE OF PROCEEDS

Reference is made to (i) the announcement of Honghua Group Limited (the “**Company**”) dated 18 January 2023; (ii) the circular dated 23 March 2023 of the Company in relation to, among other things, the Dongfang Subscription; (iii) the announcement of the Company dated 17 April 2023 in relation to the poll results of the EGM held on 17 April 2023 and the grant of the Whitewash Waiver; and (iv) the announcement of the Company dated 30 June 2023 in relation to, among other things, the extension of time for fulfilment of conditions precedent to completion of Dongfang Subscription and update on completion of Dongfang Subscription (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

As stated in the Announcements, the Company intended to apply the net proceeds from the issue of the Dongfang Subscription Shares as to (i) approximately 57% for repaying the Group’s interest-bearing borrowings; (ii) approximately 12% for investment in construction and technical transformation of production line of the Group’s offshore segment; and (iii) approximately 31% for supplementing the Group’s working capital for general purpose.

Utilisation of Proceeds

The total amount of consideration to be paid for the Dongfang Subscription was HK\$890,910,710. After deducting the related costs and expenses, the net proceeds was approximately HK\$886,740,000. As at 29 February 2024, the utilisation of the proceeds was as follows:

Original intended use of proceeds	Original amount of proceeds to be used (HK\$ million)	Proportion of originally intended use of proceeds to the total proceeds	Actual utilised amount as at 29 February 2024 (HK\$ million)	Unutilised amount as at 29 February 2024 (HK\$ million)
Repaying the Group's interest-bearing borrowings	505.44	57%	503.08	2.36
Investment in construction and technical transformation of production line of the Group's offshore segment	106.41	12%	0	106.41
Supplementing the Group's working capital for general purpose	274.89	31%	252.97	21.92
Total	886.74	100%	756.05	130.69

Adjustment to the Use of Proceeds

As indicated in the table above, the unutilised amount as at 29 February 2024 was approximately HK\$130.69 million. Based on the operational and development needs of the Company, in order to enhance the efficiency of the utilisation of funds and reduce its finance costs, the Group intends to utilise the unused funds of approximately HK\$106.41 million which was originally intended to apply in the Group's offshore segment for repaying the interest-bearing borrowings and supplementing the working capital for general purpose. The use of unutilised funds of approximately HK\$2.36

million intended for repayment of the Group's interest-bearing borrowings and approximately HK\$21.92 million intended for supplementing the Group's working capital for general purpose will remain unchanged. All the unutilised proceeds of approximately HK\$130.69 million are expected to be fully utilised on or before 31 December 2024.

By Order of the Board
Honghua Group Limited
Wang Xu
Chairman

Hong Kong, 26 March 2024

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