

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Honghua Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

**PROPOSED RE-ELECTION OF DIRECTORS AND  
GRANTING OF GENERAL MANDATES TO BUY BACK SHARES AND  
TO ISSUE NEW SHARES OF THE COMPANY AND  
NOTICE OF THE ANNUAL GENERAL MEETING**

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A notice convening the annual general meeting of Honghua Group Limited to be held at Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Tuesday, 24 May 2016 at 9:30 a.m. is set out on pages 16 to 18 of this circular. A form of proxy for use at the annual general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

If you do not propose to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Branch Share Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting should they so wish.

20 April 2016

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Annual General Meeting”	an annual general meeting of the Company to be held at Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Tuesday, 24 May 2016 at 9:30 a.m. to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 16 to 18 of this circular or any adjournment thereof;
“Board”	the board of Directors;
“Buy-back Mandate”	as defined in paragraph 3(a) of the Letter from the Board;
“Company”	Honghua Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“Current Articles of Association”	the current articles of association of the Company;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Issuance Mandate”	as defined in paragraph 3(b) of the Letter from the Board;
“Latest Practicable Date”	13 April 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);

## DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by the Securities and Future Commission in Hong Kong;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong.

LETTER FROM THE BOARD



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)**

*Executive Directors:*

Mr. Zhang Mi (*Chairman*)  
Mr. Ren Jie  
Mr. Liu Zhi

*Non-executive Director:*

Mr. Siegfried Meissner (Mr. Popin Su as his alternate)

*Independent Non-executive Directors:*

Mr. Liu Xiaofeng  
Mr. Qi Daqing  
Mr. Chen Guoming  
Mr. Shi Xingquan  
Mr. Guo Yanjun

*Head Office:*

99 East Road, Information Park  
Jinniu District, Chengdu  
Sichuan  
People's Republic of China  
Post code: 610036

*Principal Place of Business  
in Hong Kong:*

Room 2508, Harcourt House  
39 Gloucester Road  
Wan Chai, Hong Kong

*Registered Office:*

Clifton House, 75 Fort Street  
PO Box 1350, Grand Cayman  
KY1-1108, Cayman Islands

20 April 2016

*To Shareholders*

Dear Sir/Madam,

**PROPOSED RE-ELECTION OF DIRECTORS AND  
GRANTING OF GENERAL MANDATES TO BUY BACK SHARES AND  
TO ISSUE NEW SHARES OF THE COMPANY AND  
NOTICE OF THE ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to provide you with information in respect of, amongst others, the resolutions to be proposed at the Annual General Meeting for (i) the re-election of Directors retiring at the Annual General Meeting; (ii) the granting of the Buy-back Mandate to the Directors; (iii) the granting of the Issuance Mandate to the Directors; and (iv) the extension of the Issuance Mandate by adding to it the aggregate number of the issued Shares bought back by the Company under the Buy-back Mandate; and to give you notice of the Annual General Meeting.

## LETTER FROM THE BOARD

### 2. RE-ELECTION OF DIRECTORS

Pursuant to article 108(a) and (b) of the Current Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the 3 years preceding the annual general meeting shall retire by rotation at such Annual General Meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Pursuant to article 112 of the Current Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Pursuant to articles 108(a), 108(b) and 112 of the Current Articles of Association, Mr. Liu Zhi, Mr. Liu Xiaofeng and Mr. Chen Guoming shall retire at the Annual General Meeting. All the retiring Directors, being eligible to offer themselves for re-election.

Brief biographical details of the retiring Directors are set out in Appendix II of this circular.

### 3. BUY-BACK AND ISSUANCE MANDATES

Ordinary resolutions will be proposed at the Annual General Meeting to approve the grant of new general mandates to the Directors:

- (a) to buy back Shares on the Stock Exchange up to ten percent of the total number of issued Shares of the Company on the date of passing such resolution (i.e. a total of 324,105,690 Shares on the basis that the issued share capital of the Company remains unchanged on the date of Annual General Meeting) (“Buy-back Mandate”);

## LETTER FROM THE BOARD

- (b) to issue, allot and deal with Shares up to twenty percent of the total number of Shares of the Company in issue on the date of passing such resolution (i.e. a total of 648,211,380 Shares on the basis that the issued share capital of the Company remains unchanged on the date of Annual General Meeting) (“Issuance Mandate”); and
- (c) to extend the Issuance Mandate by an amount representing the number of Shares bought back by the Company pursuant to and in accordance with the Buy-back Mandate.

The Buy-back Mandate and the Issuance Mandate will continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in resolutions numbered 4 and 5 set out in the notice of the Annual General Meeting.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the grant of the Buy-back Mandate. An explanatory statement as required by the Listing Rules in connection with the Buy-back Mandate is set out in Appendix I to this circular.

#### **4. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT**

The notice of the Annual General Meeting is set out on pages 16 to 18 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the re-election of Directors, the granting of the Buy-back Mandate and the Issuance Mandate, the extension of the Issuance Mandate by the addition thereto of the number of Shares bought back pursuant to the Buy-back Mandate and the proposed change of auditors.

A form of proxy for use at the Annual General Meeting is also enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, at the Company’s Branch Share Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the Annual General Meeting if they so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the Annual General Meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

## LETTER FROM THE BOARD

### 5. RECOMMENDATION

The Directors consider that the proposed re-election of Directors, the granting of the Buy-back Mandate and the granting/extension of the Issuance Mandate are in the interests of the Company, the Group and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

### 6. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix I (Explanatory statement on the Buy-back Mandate) and Appendix II (Details of Directors proposed to be re-elected at the Annual General Meeting) to this circular.

Yours faithfully,  
**Zhang Mi**  
*Chairman of the Board*

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Buy-back Mandate.

### **1. REASONS FOR SHARE BUY-BACK**

The Directors believe that the proposed granting of the Buy-back Mandate is in the interests of the Company and the Shareholders.

Share buy-back may, depending on market conditions and funding arrangements at the time, result in an enhancement of the net assets and/or earnings per Share. The Directors are seeking the granting of the Buy-back Mandate to give the Company the flexibility to do so if and when appropriate. The number of Shares to be bought back on any occasion and the price and other terms upon which the same are bought back will be decided by the Directors at the relevant time, having regard to the circumstances then pertaining.

### **2. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,241,056,900 Shares.

Subject to the passing of the ordinary resolution numbered 4 set out in the notice of the Annual General Meeting in respect of the granting of the Buy-back Mandate and on the basis that no Shares are issued or bought back by the Company prior to the Annual General Meeting, the Company would be allowed under the Buy-back Mandate to buy back a maximum of 324,105,690 Shares (representing 10 percent of the total number of Shares in issue as at the date of the Annual General Meeting) during the period in which the Buy-back Mandate remains in force.

### **3. FUNDING OF SHARE BUY-BACK**

In buying back Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the laws of the Cayman Islands and other applicable laws.

The Company is empowered by its memorandum and articles of association to buy back its Shares. The laws of the Cayman Islands provide that the amount of capital paid in connection with a share buy-back may only be paid out of either the profits of the Company or out of the proceeds of a fresh issue of Shares made for such purpose or, if so authorised by its articles of association and subject to the provisions of the Cayman Islands laws, out of capital. The amount of premium payable on buy-back may be paid out of profits of the Company or out of the share premium account of the Company, or, if so authorised by its articles of association and subject to the provisions of the Cayman Islands laws, out of capital before the Shares are bought back.

#### 4. IMPACT OF SHARE BUY-BACK

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 December 2015) in the event that the Buy-back Mandate was to be carried out in full at any time during the proposed buy-back period. However, the Directors do not intend to exercise the Buy-back Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

#### 5. TAKEOVERS CODE

If, on the exercise of the power to buy back Shares pursuant to the Buy-back Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all the Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors and as recorded in the register required to be kept by the Company under Section 336 of the SFO, Mr. Zhang Mi, Mr. Ren Jie, Mr. Liu Zhi (the directors of the Company) and the controlling shareholders (as defined under the Listing Rules) of the Company, together with parties acting in concert with them (collectively the "Parties") were beneficially interested in 1,558,542,620 (including share options to be exercised) Shares, representing approximately 48.08% of the total issued share capital of the Company. On the basis that no Shares are issued or bought back prior to the date of the Annual General Meeting, in the event that the Directors exercise in full the power to buy back Shares in accordance with the terms of the relevant ordinary resolution to be proposed at the Annual General Meeting, the interests of the Parties in the issued Shares would be increased to approximately 53.43% of the total issued share capital of the Company and such an increase may give rise to an obligation to make a mandatory offer under the Takeovers Code. The Directors have no intention to make buy-back of Shares to an extent that an obligation to make a mandatory offer under the Takeovers Code will be triggered.

#### 6. GENERAL

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company in the event that the granting of the Buy-back Mandate is approved by the Shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company in the event that the granting of the Buy-back Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make buy-back of Shares pursuant to the Buy-back Mandate in accordance with the Listing Rules and the laws of the Cayman Islands.

## 7. MARKET PRICES OF SHARES

The highest and lowest prices per Share at which the Shares have traded on the Stock Exchange during the period from 1 April 2015 and up to the Latest Practicable Date were as follows:

<b>Month</b>	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2015</b>		
April	1.30	0.85
May	1.10	0.95
June	1.01	0.80
July	0.84	0.48
August	0.76	0.49
September	0.65	0.50
October	0.69	0.58
November	0.63	0.52
December	0.55	0.465
<b>2016</b>		
January	0.49	0.335
February	0.425	0.345
March	0.46	0.38
April (up to the Latest Practicable Date)	0.42	0.375

## 8. SHARE BUY-BACK MADE BY THE COMPANY

No buy-back of Shares has been made by the Company during the previous six months (whether on the Stock Exchange or otherwise).

*Pursuant to the Listing Rules, the details of the Directors who will retire at the Annual General Meeting according to the Current Articles of Association and will be proposed to be re-elected at the Annual General Meeting are provided below.*

Mr. Liu Zhi (劉智先生), aged 52, has been an Executive Director of the Company since 26 May 2008. He is also a Vice-president of the Company.

#### *Experience*

Mr. Liu graduated from Southwest Petroleum University in 2003, with a Master degree in oil and gas storage and transportation. He was an engineer and a head of workshop of South-Sichuan Mining Area of Sichuan Petroleum Bureau since 1981 to 1994. Mr. Liu was the factory director of Guanghan Petroleum Machinery Main Factory of Sichuan Petroleum Administration from 1994 to 2000. Mr. Liu has contributed to the expansion of the Group's markets inside and outside of China.

Positions held by Mr. Liu in the Company's subsidiaries are set forth in the table below.

<b>Subsidiary</b>	<b>Position</b>	<b>Term of Office</b>
Honghua Holdings Limited	director	Since 26 May 2008
Honghua Offshore Oil & Gas Equipment (Jiangsu) Co., Ltd.	director	Since 8 June 2009
Honghua Oil & Gas Engineering Services Co., Ltd.	director	Since 14 April 2009
Bazhou Honghua Petroleum Applied Chemistry Co., Ltd.	chairman	Since 21 July 2009
Honghua (China) Investment Co., Ltd.	chairman	Since 1 April 2013
Honghua Oil & Gas Engineering and Technology Services (Sichuan) Co., Ltd.	director	Since 14 January 2010
	chairman	Since 30 December 2010

Save as disclosed, Mr. Liu did not hold any directorship in any other listed public companies in the last three years.

#### *Length of service and emoluments*

Mr. Liu has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2014 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according to the terms and conditions of the service contract.

According to the service contract, the remuneration of Mr. Liu is based on his management positions in the Company. The emolument will be paid in equal installments of 12 months, and the emolument is payable in accordance with the emolument payment arrangement of the Company. In case the term of office of the executive director at that month is less than one month, the emolument of the executive director shall be adjusted on pro-rata basis. The executive director appointed according to the terms of the service contract as director (whether executive director or non-executive director) of any other subsidiaries will not receive additional remuneration.

In addition to the above emolument, the executive director is entitled to a discretionary bonus to be determined by the Board and approved by the remuneration committee during each financial year, provided that the total amount of bonus to be paid to the executive director shall not exceed six percent (6%) of the net profit (net of tax, minority interest and such bonus payment, and excluding extraordinary items) as per the audited consolidated accounts of the Group for that financial year. Besides, the executive director will be invited by the Board at its discretion to participate the share award scheme adopted by the Company from time to time, including but not limited to the restricted share award scheme, the participating criterion will be determined by the Board at its discretion. The Board will award Shares to the executive director in accordance with the share award scheme (including but not limited to the restricted shares awarded under the restricted share award scheme), and the awarded Shares will be contributed as part of the remuneration of the executive director.

All reasonable traveling, hotel and other expenses incurred in the course of performing contractual duties and actually paid by the executive director may be reimbursed (subject to producing of formal voucher or document as required by the Company for reimbursement), provided however that such expenses should be within the budgeted amount approved by the Board.

During the term of employment, the executive director is entitled by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) to join the mandatory provident fund designated by the Company from time to time; and to enjoy all allowances and benefits provided by the Company to all other staffs, including the medical insurance plan selected by the Company from time to time.

Notwithstanding any provisions set out in the service contract, the executive director should avoid attending the meeting without the right to vote in respect of the board meeting to determine his remuneration, annual salary, allowances, bonus and any other benefits, such that he shall not be counted into the quorum required by the Board to approve such resolution(s).

#### *Relationships*

Other than the relationship arising from his being the Company's executive director, vice-president, member of the strategic investment and risk control committee, controlling shareholder (as defined in the Listing Rules) in the Group and holding the positions in the Company's subsidiaries set forth in the table above, Mr. Liu does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

*Interests in Shares*

As at the Latest Practicable Date, Mr. Liu was interested in 1,558,542,620 Shares representing 48.08% of the Company's total issued Shares under Part XV of the SFO.

*Matters that need to be brought to the attention of the Shareholders*

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Mr. Liu that need to be brought to the attention of the Shareholders.

*Mr. Liu Xiaofeng* (劉曉峰先生), aged 53, has been an Independent Non-executive Director of the Company since 18 January 2008.

*Experience*

Mr. Liu was a managing director of China Resources Capital Holdings Company Limited, and he is currently an independent non-executive director of Kun Lun Energy Company Limited. He has years of experience in corporate finance and has worked with various international financial institutions since 1993, including NM Rothschild & Sons, JP Morgan, and DBS. Mr. Liu obtained a Master's degree and a Ph.D. from the Faculty of Economics, University of Cambridge in 1988 and 1993 respectively, a Master of Science degree in Development Studies from the University of Bath, England, in 1987, and a Bachelor of Economics degree from Southwest University of Finance and Economics, China in 1983.

Save as disclosed, Mr. Liu neither holds any position with the Company and other members of the Group nor any directorships in any other listed public companies in the last three years.

*Length of service and emoluments*

Mr. Liu has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2014 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according to the provisions concerning termination of employment of the service contract. The afore-said term of office may be renewed according to the articles of association of the Company effective from time to time or as agreed by the parties in writing in advance.

According to the service contract, Mr. Liu will, based on his position and duties in the Group, be entitled to a fixed emolument of HK\$200,000 per year. The emolument will be paid in equal installments of 12 months and released quarterly, and the emolument payable quarterly shall be paid on or before the last working day of the quarter. The emolument of the independent non-executive director is subject to approval and review of the Board. Besides, the independent non-executive director will be invited by the Board at its discretion to participate the share award scheme adopted by the Company from time to time, including but not limited to the restricted share award scheme, the participating criterion will be determined by the Board at its discretion. The Board will award shares to the independent non-executive director

in accordance with the share award scheme, (including but not limited to the restricted shares awarded under the restricted share award scheme), and the awarded shares will be contributed as part of the remuneration of the independent non-executive director.

According to the service contract, all reasonable and necessary expenses (such as business trip expenses) incurred in the course of providing services to the Company under the service contract by the independent non-executive director may be reimbursed after producing relevant receipt(s) or effective voucher(s) by the independent non-executive director. The Company may advance an amount to the independent non-executive director for payment of all afore-said necessary expenses, provided however that the independent non-executive director must produce regularly effective expense voucher to the Company as soon as possible or as requested by the Company after payment of the said amount to have them eliminated.

#### *Relationships*

Other than the relationship arising from his being the Company's independent non-executive director, chairman of the Company's remuneration committee and the member of the audit committee and the strategic investment and risk control committee, Mr. Liu does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

#### *Interests in Shares*

As at the Latest Practicable Date, Mr. Liu was interested in 2,750,000 share options, representing 0.08% of the Company's total issued Shares under Part XV of the SFO.

#### *Matters that need to be brought to the attention of the Shareholders*

There is no information that needs to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Mr. Liu that need to be brought to the attention of the Shareholders.

*Mr. Chen Guoming* (陳國明先生), aged 53, has been an Independent Non-executive Director of the Company since 18 January 2008.

#### *Experience*

Mr. Chen is now a Professor, a Ph.D. candidate supervisor, a member of the Academic Committee, the Chief officer of Research Centre of Security technique of the Offshore Oil & Gas Equipment, the Chief officer of Professor Committee in the Department of Mechanical and Electrical Engineering of China University of Petroleum. Currently, Mr. Chen is the Chief officer of Shandong Key Laboratory of Petroleum Mechanical Engineering; a member of the Quality & Reliability Committee of the China Petroleum Society, the Offshore Engineering Committee of China Naval Architects and Marine Engineers' Society and China Mechanical Engineering Society; and a member of the Editorial Committee of the Journal of Petroleum

Science, the Journal of Oil Mining Field Machinery and the Journal of China University of Petroleum (Natural Science Edition). He has been receiving special subsidies granted by the State Council of the PRC government (政府特殊津貼) since August 2005, for his significant contribution to the development of higher education in China, and was awarded the National Labor Day Medal in 2007. In 1982, Mr. Chen graduated from the Mechanical Department of the East China Petroleum Institute with a Bachelor's Degree, and then worked as an assistant engineer in the Lanzhou General Machinery Plant from 1982 to 1983. He earned his Master's degree in 1986, from the Beijing Graduate School of East China Petroleum Institute. He then worked as a teacher in this Institute and was promoted to Associate Professor and then Professor in 1992 and 1995, respectively. He was a visiting scholar at the University of California, Berkeley, from 1996 to 1997. He obtained his Ph.D. degree in 1999, and was promoted to Ph.D. candidate supervisor in 2000.

Save as disclosed, Mr. Chen neither holds any position with the Company and other members of the Group nor any directorships in any other listed public companies in the last three years.

*Length of service and emoluments*

Mr. Chen has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2014 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according to the provisions concerning termination of employment of the service contract. The afore-said term of office may be renewed according to the article of associations of the Company effective from time to time or as agreed by the parties in writing in advance.

According to the service contract, Mr. Chen will, based on his position and duties in the Group, be entitled to a fixed emolument of HK\$100,000 per year. The emolument will be paid in equal installments of 12 months and released quarterly, and the emolument payable quarterly shall be paid on or before the last working day of the quarter. The emolument of the independent non-executive director is subject to approval of the Board. Besides, the independent non-executive director will be invited by the Board at its discretion to participate the share award scheme adopted by the Company from time to time, including but not limited to the restricted share award scheme, the participating criterion will be determined by the Board at its discretion. The Board will award shares to the independent non-executive director in accordance with the share award scheme, (including but not limited to the restricted shares awarded under the restricted share award scheme), and the awarded shares will be contributed as part of the remuneration of the independent non-executive director.

According to the service contract, all reasonable and necessary expenses (such as business trip expenses) incurred in the course of providing services to the Company under the service contract by the independent non-executive director may be reimbursed after producing relevant receipt(s) or effective voucher(s) by the independent non-executive director. The Company may advance an amount to the independent non-executive director for payment of all afore-said

necessary expenses, provided however that the independent non-executive director must produce regularly effective expense voucher to the Company as soon as possible or as requested by the Company after payment of the said amount to have them eliminated.

*Relationships*

Other than the relationship arising from his being the Company's independent non-executive director and the member of the audit committee, Mr. Chen does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

*Interests in Shares*

As at the Latest Practicable Date, Mr. Chen was interested in 2,050,000 share options representing 0.06% of the Company's total issued shares under Part XV of the SFO.

*Matters that need to be brought to the attention of the Shareholders*

There is no information that needs to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Mr. Chen that need to be brought to the attention of the Shareholders.

# NOTICE OF THE ANNUAL GENERAL MEETING



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)**

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting (the “Meeting”) of Honghua Group Limited (the “Company”) will be held at Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Tuesday, 24 May 2016 at 9:30 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and of the auditors of the Company (the “Auditors”) for the year ended 31 December 2015;
2. To re-elect Directors and authorise the Board of Directors to fix Directors’ remuneration;
3. To re-appoint PricewaterhouseCoopers as Auditors for the year ending 31 December 2016 and authorise the Board of Directors to fix their remuneration;
4. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**“THAT**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to buy back its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total number of shares of the Company to be bought back pursuant to the approval in paragraph (a) above shall not exceed 10% of the total number of shares of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meetings; or

## NOTICE OF THE ANNUAL GENERAL MEETING

(iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held.”;

5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**“THAT**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional shares of the Company and to make or grant offers, agreements and options which would or might require shares to be allotted, issued or dealt with during or after the end of the Relevant Period (as defined below), be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong), or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible grantee pursuant to the scheme of shares or rights to acquire shares of the Company, or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company, the total number of shares to be issued, allotted, dealt with or agreed conditionally or unconditionally to be issued, allotted or dealt with shall not in total exceed 20% of the total number of shares of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and
- (b) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meetings; or
  - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held.”; and

## NOTICE OF THE ANNUAL GENERAL MEETING

6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** the general mandate granted to the Directors of the Company pursuant to resolution numbered 5 above and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the number of shares of the Company bought back by the Company pursuant to the exercise by the Directors of the Company of the powers of the Company to buy back such shares since the granting of such general mandate referred to in the above resolution numbered 4 provided that such amount shall not exceed 10% of the total number of shares of the Company in issue as at the date of passing of this resolution.”

On behalf of the Board  
**Zhang Mi**  
Chairman

PRC, 20 April 2016

*Notes:*

1. A member of the Company who is entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company but must attend in person to represent the member. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a certified copy of such power of attorney or authority, must be deposited with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting, or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. For determining the entitlement to attend and vote at the above Meeting, the Register of Members of the Company will be closed from Wednesday, 18 May 2016 to Tuesday, 24 May 2016, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 May 2016.
4. In relation to the ordinary resolutions numbered 4 to 6 set out in the above notice, the Directors wish to state that they have no immediate plan to issue any new shares or buy back any existing shares of the Company.

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