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**宏华集团**  
HONGHUA GROUP

**HONGHUA GROUP LIMITED**

**宏華集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 196)**

**DISCLOSEABLE TRANSACTION  
FINANCE LEASE AGREEMENT**

The Board announces that on 28 June 2019, Honghua Shenzhen, a subsidiary of the Company, entered into the Finance Lease Agreement with Minsheng Financial Leasing, pursuant to which, Honghua Shenzhen will lease the electrical fracturing pump system from Minsheng Financial Leasing for a term of three years at a total lease price of RMB220,649,127.66.

As one or more applicable percentage ratios (as defined under the Listing Rules) with respect to the transaction contemplated under the Finance Lease Agreement is more than 5% but less than 25%, the transaction contemplated under the Finance Lease Agreement constitutes a discloseable transaction of the Company in accordance with Chapter 14 of the Listing Rules, and shall therefore be subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirements under the Listing Rules.

**INTRODUCTION**

The Board announces that on 28 June 2019, Honghua Shenzhen, a subsidiary of the Company, entered into the Finance Lease Agreement with Minsheng Financial Leasing, pursuant to which, Honghua Shenzhen will lease the electric fracking pump system from Minsheng Financial Leasing for a term of three years at a total lease price of RMB220,649,127.66.

## **FINANCE LEASE AGREEMENT**

### **Date:**

28 June 2019

### **Parties:**

Lessor : Minsheng Financial Leasing

Lessee : Honghua Shenzhen

Minsheng Financial Leasing is a finance lease company established in the PRC. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Minsheng Financial Leasing and its ultimate beneficial owner(s) are all Independent Third Parties.

### **Subject of the Lease:**

Electric fracking pump system

### **Ownership:**

The ownership of the electric fracking pump system will belong to Minsheng Financial Leasing during the lease term

### **Lease Term:**

The term of the finance lease is three years, starting from the 15th day of the following calendar month after the date on which Honghua Shenzhen receives the leased equipment and signs the "Acceptance of Leased Equipment" (if any).

### **Lease Price and Handling Fee:**

The total lease price for the lease term is RMB220,649,127.66, of which rental principal amounts to RMB200,000,000.00 and rental interest amounts to RMB20,649,127.66. The lease interest is calculated at the rate of 6.08%. The above rent shall be paid by Honghua Shenzhen in twelve (12) installments on an every-three-month basis. The rental principal and rental interest under the Finance Lease Agreement are determined after arm's length negotiations among the parties with reference to the average market interest rate, transactional terms, and the amount of credit facility granted by Minsheng Financial Leasing under the transaction contemplated under the Finance Lease Agreement, as well as the book value of RMB360,000,000 with respect to the subject of the lease.

Honghua Shenzhen will pay a handling fee of RMB5,400,000 to Minsheng Financial Leasing in one lump sum with effect from the lease.

### **Deposit:**

Honghua Shenzhen will pay a deposit of RMB10,000,000 in one lump sum with effect from the lease. The deposit may be used to offset the rents and any other payables of Honghua Shenzhen under the Finance Lease Agreement. After fulfilment of all obligations on the part

of Honghua Shenzhen under the Finance Lease Agreement, Minsheng Financial Leasing shall refund the deposit to Honghua Shenzhen without interest within five (5) working days after the expiration of the lease term.

## **REASONS AND BENEFITS FOR FINANCE LEASE AGREEMENT**

Pursuant to the finance lease arrangement, Honghua Shenzhen has expanded its channel to collaborate with finance lease institutions within the banking system on financing, facilitating the Company's introduction of major innovative products to the market. This has further secured the market share of the Company and consolidated its market position.

The Directors, including independent non-executive Directors, consider that the terms of the Finance Lease Agreement are made on normal commercial terms, fair and reasonable and are in the interests of the Company and the shareholders as a whole.

### **Information about the Group, Honghua Shenzhen and Minsheng Financial Leasing**

The Group is principally engaged in the business of developing, manufacturing and selling drilling rigs, rig parts and components and after-sales services.

Honghua Shenzhen is a company incorporated in the PRC with limited liability, as well as a subsidiary in which the Company indirectly holds 60% equity interest. The financial statements of Honghua Shenzhen are not consolidated in the accounts of the Group.

Minsheng Financial Leasing is a finance lease company incorporated in the PRC with a banking background, and principally engaged in finance leasing services.

## **LISTING RULES IMPLICATIONS**

As one or more applicable percentage raitos (as defined under the Listing Rules) with respect to the transaction contemplated under the Finance Lease Agreement is more than 5% but less than 25%, the transaction contemplated under the Finance Lease Agreement constitutes a discloseable transaction of the Company in accordance with Chapter 14 of the Listing Rules, and shall therefore be subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirements under the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors;
“Minsheng Financial Leasing”	Minsheng Financial Leasing Co., Ltd., a company incorporated in the PRC, and a finance lease company with a banking background;
“Company”	Honghua Group Limited, a company incorporated in the Cayman Islands with limited liability and listed on Hong Kong Stock Exchange;

“Director(s)”	director(s) of the Company;
“Finance Lease Agreement”	the finance lease agreement dated 28 June 2019 entered into by Minsheng Financial Leasing as lessor and Honghua Shenzhen as lessee in connection with the leasing of the electric fracking pump system;
“Group”	the Company and its subsidiaries;
“Honghua Shenzhen”	Honghua Financial Leasing (Shenzhen) Co., Ltd., a company incorporated in the PRC with limited liability, as well as a subsidiary in which the Company indirectly holds 60% equity interest;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third parties independent of the Group and its connected persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By order of the Board  
**Honghua Group Limited**  
**Jin Liliang**  
*Chairman*

PRC, 28 June 2019

*As at the date of this announcement, the executive directors of the Company are Mr. Jin Liliang (Chairman), Mr. Zhang Mi and Mr. Ren Jie, the non-executive directors of the Company are Mr. Han Guangrong and Mr. Chen Wenle, and the independent non-executive directors of the Company are Mr. Liu Xiaofeng, Mr. Chen Guoming, Ms. Su Mei, Mr. Poon Chiu Kwok and Mr. Chang Qing.*