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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)**

**CONTINUING CONNECTED TRANSACTIONS –  
REVISION OF THE ORIGINAL PURCHASE FRAMEWORK  
AGREEMENT  
AND  
ENTERING INTO THE STRATEGIC COOPERATION  
FRAMEWORK AGREEMENT**

**REVISION OF THE ORIGINAL PURCHASE FRAMEWORK AGREEMENT**

On 25 May 2020, Sichuan Honghua (a wholly-owned subsidiary of the Company) and Shanghai Offshore entered into a written agreement to make the following major amendments to the Original Purchase Framework Agreement: (1) to extend the validity period of the Original Purchase Framework Agreement to 31 December 2022; (2) to revise the annual cap under the Original Purchase Framework Agreement for the year ending 31 December 2020; and (3) to further determine the annual caps under the Revised Purchase Framework Agreement for the two years ending 31 December 2022.

**ENTERING INTO THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT**

On 25 May 2020, Honghua Investment (a wholly-owned subsidiary of the Company) and ASIFL entered into the Strategic Cooperation Framework Agreement, pursuant to which, ASIFL will purchase certain equipment and products from Honghua Investment and its subsidiaries for the three years ending 31 December 2022 starting from the effective date of the Strategic Cooperation Framework Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

In respect of the Revised Purchase Framework Agreement, Shanghai Offshore is owned as to 51% equity interest by Jiangsu Hongjieding. Mr. Zhang Mi, an executive Director of the Company, through his sole proprietorship, holds 53.85% of equity interests in Jiangsu Hongjieding as of the date of this announcement. Accordingly, Shanghai Offshore is a connected person of the Company, and the transactions under the Revised Purchase Framework Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios contained in the Listing Rules exceed 5%, the Revised Purchase Framework Agreement and the annual caps for transactions thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Strategic Cooperation Framework Agreement, as at the date of this announcement, CASIC indirectly holds 29.98% of the shares in the Company through its wholly-owned subsidiary, Kehua, and therefore is a substantial shareholder and a connected person of the Company. CASIC and its subsidiaries together hold a 46.5% equity interest in ASIFL, thus ASIFL is an associate of CASIC and in turn a connected person of the Company. Therefore, the transactions under the Strategic Cooperation Framework Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios contained in the Listing Rules exceed 5%, the Strategic Cooperation Framework Agreement and the annual caps for transactions thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **APPROVAL FROM THE INDEPENDENT SHAREHOLDERS**

The Company will seek approval from the Independent Shareholders in respect of the Revised Purchase Framework Agreement and the Strategic Cooperation Framework Agreement (including the respective transactions contemplated thereunder and relevant proposed caps) at the annual general meeting. A circular containing, among others, details on the Revised Purchase Framework Agreement and the Strategic Cooperation Framework Agreement, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders will be dispatched to Shareholders on or before 1 June 2020.

As Mr. Zhang Mi is interested in the Revised Purchase Framework Agreement, Mr. Zhang Mi and his associates will abstain from voting to approve the Revised Purchase Framework Agreement (including the transactions contemplated thereunder and relevant proposed caps) at the annual general meeting. In addition, as CASIC is interested in the Strategic Cooperation Framework Agreement, CASIC and its associates will abstain from voting to approve the Strategic Cooperation Framework Agreement (including the transactions contemplated thereunder and relevant proposed caps) at the annual general meeting.

## **I. REVISION OF THE ORIGINAL PURCHASE FRAMEWORK AGREEMENT**

Reference is made to the announcements of the Company dated 22 January 2020 and 11 February 2020 in relation to the Original Purchase Framework Agreement.

In view of the Company's needs for the business development, as approved by the Board of the Company, on 25 May 2020, Sichuan Honghua and Shanghai Offshore entered into a written agreement to make the following major amendments to the Original Purchase Framework Agreement: (1) to extend the validity period of the Original Purchase Framework Agreement to 31 December 2022; (2) to revise the annual cap under the Original Purchase Framework Agreement for the year ending 31 December 2020; and (3) to further determine the annual caps under the Revised Purchase Framework Agreement for the two years ending 31 December 2022.

The principal terms of the Revised Purchase Framework Agreement are as follows:

### **Parties:**

- (1) Sichuan Honghua
- (2) Shanghai Offshore

### **Subject Matter and Terms of Agreement**

Same as the Original Purchase Framework Agreement, under the Revised Purchase Framework Agreement, Shanghai Offshore and its associates (as the Sellers) will provide Sichuan Honghua and its associates (as the Purchasers) with drilling and exploiting equipment, automation systems, vessels, other ancillary equipment and related services (including but not limited to installation, commissioning and maintenance services); large-scale steel structure processing, construction, installation and commissioning services (hereinafter collectively referred to as "Products and Services").

Under the Revised Purchase Framework Agreement, the term commences on the date of the Original Purchase Framework Agreement and expires on 31 December 2022.

### **Pricing Policy**

The relevant terms for the provision of the Products and Services by the Sellers to the Purchasers will be determined based on the nature of each transaction. The details of pricing will be determined by taking into account comprehensive factors such as the quality, payment terms and transportation conditions of the Products and Services provided by the Sellers upon request, after the arm's length negotiation with reference to the prevailing market prices (including the quotation for similar products and services offered by Independent Third Parties), and on normal commercial terms and terms no less favourable than terms of the transactions with Independent Third Parties.

Furthermore, prices and terms payable by the Purchasers to the Sellers for the Products and Services shall be determined as follows: (i) Where similar Products and Services are available from Independent Third Parties, enquiry process will be conducted by making reference to at least two other transactions with unrelated Independent Third Parties with similar procurement qualifications and capabilities for provision of similar Products and Services to make the comparison and determine if the prices and terms offered by the Sellers are better, and are fair and reasonable and comparable to those offered by Independent Third Parties. The prices payable by the Purchasers to the Sellers shall not be higher than those offered by Independent Third Parties to the Purchasers, and the terms offered by the Sellers to the Purchasers shall be no less favourable than those offered by Independent Third Parties to the Purchasers. (ii) Where similar Products and Services are not available from Independent Third Parties (e.g. due to the limitations on the technical specifications for certain equipment or specific requirements for the supply of certain products), the prices shall be determined after arm's length negotiation based on the costs of the materials and services plus a charge of not more than 10%.

If the prices and terms for the Products and Services offered by the Sellers are similar to those offered by Independent Third Parties, preference will be given to the Sellers since it will enhance the value of the 49% equity interests of Shanghai Offshore currently held by the Group.

### **Amount of Historical Transactions**

The following table sets out the relevant historical amount of the purchase made by the Purchasers from the Sellers during the three years ended 31 December 2019 and the three months ended 31 March 2020:

*Unit: RMB10,000*

	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the three months ended 31 March 2020</b>
Products and Services	443.3	211.2	820.1	0

### **Annual Caps**

#### *Original annual cap and proposed annual caps*

According to the Original Purchase Framework Agreement, the original annual cap for the continuing connected transactions thereunder for the year ending 31 December 2020 was RMB100 million. The Directors monitor the transaction amount under the Original Purchase Framework Agreement on an ongoing basis. As at the date of this announcement, the transaction amount under the Original Purchase Framework Agreement did not exceed the annual cap for the year ending 31 December 2020. It is proposed to revise the annual cap for the year ending 31 December 2020, and to further determine the annual caps for the two years ending 31 December 2022 as follows:

Unit: RMB10,000

	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
Products and Services	40,000	40,000	40,000

*Basis for revision and determination of annual caps*

The annual caps under the Revised Purchase Framework Agreement are determined based on the historical transaction data between the Purchasers and the Sellers and the procurement needs of the Purchasers.

The expected procurement needs of the Purchasers are primarily based on the Purchasers' business development plan in the future, the current contracts on hand and several contracts under negotiation, and business needs arising from potential additional contracts: (i) As at the date of this announcement, Sichuan Honghua has signed construction contracts for large-scale wind power steel structures such as single piles, jackets and booster stations with the clients, including several state-owned enterprises, with a contract sum of more than RMB500 million. With regard to these contracts, the Purchasers expect to purchase Products and Services of approximately RMB296 million from the Sellers in aggregate, of which the transaction amount in the year ending 31 December 2020 is expected to be approximately RMB185 million. (ii) As at the date of this announcement, Sichuan Honghua is also negotiating for additional contracts. If Sichuan Honghua is awarded these contracts, the Purchasers will have to outsource and/or purchase the Products and Services from the Sellers and/or Independent Third Parties in order to undertake such projects. These contracts under negotiation, if materialise, will have a total contract sum over RMB550 million. With regard to these contracts, the Purchasers expect to purchase Products and Services of more than RMB400 million from the Sellers in aggregate, of which the transaction amount in the year ending 31 December 2020 is expected to be approximately RMB97 million. The annual caps have taken into account the possible transaction data of the Products and Services that may be purchased from the Sellers when Sichuan Honghua is awarded such project contracts. (iii) Aside from the aforesaid contracts on hand and under negotiation, the possible business needs arising from potential additional project contracts of Sichuan Honghua in the second half of the year ending 31 December 2020 are also taken into consideration.

Combined with the development trend of the offshore wind power industry and industry demand, it is expected that the Chinese market will have stable demand for construction projects of large-scale steel structures such as single piles and jackets for wind power projects in the future. The major developers and operators of offshore wind power are large-scale electric power state-owned enterprises. The project cooperation existing and under negotiation is conducive for the Group to establish a continuous and stable cooperative relationship with these large-scale state-owned enterprises, laying a foundation for subsequent cooperation. With the cooperation between Sichuan Honghua and its customers in the wind power industry, the Company expects that Sichuan Honghua will undertake more wind power-related large-scale steel construction projects in the future. Accordingly, the volume of connected transactions between the Purchasers and the Sellers must be increased to seize business opportunities.

As Sichuan Honghua is still in discussion with the potential parties, there is no assurance that the engagement of the projects and other contracts be finally awarded to Sichuan Honghua and, if awarded, whether the final terms of engagement for the projects and other contracts meet with the expectation of the Group.

## **Reasons for and Benefits of the Transactions**

The Group is principally engaged in the business of developing, manufacturing and selling drilling rigs, rig parts and components and after-sales services. Sichuan Honghua, a company incorporated in the PRC, is principally engaged in the research, design, manufacturing and service of drilling and exploiting equipment, the general contracting of petrochemical engineering, the general contracting of construction engineering and the contracting of steel structure engineering. As at the date of this announcement, Sichuan Honghua is a wholly-owned subsidiary of the Company.

Shanghai Offshore is a company incorporated in the PRC, and is ultimately controlled by Mr. Zhang Mi, an executive Director of the Company. Shanghai Offshore and its associates are principally engaged in offshore oil and gas engineering, and the research and development, design, manufacturing, sales and maintenance of the vessels, and large-scale steel structure construction.

In view of the fact that Shanghai Offshore and its associates have sophisticated construction capabilities, heavy-load open docks and hoisting and ro-ro shipping capabilities, with the superior advantage in transportation by virtue of its geographical location along the coast, they can accomplish traditional offshore engineering equipment and wind power single piles, the overall construction and delivery of large steel structures such as jackets and booster stations, which is conducive to reducing transportation costs and shortening lead time. In addition, Shanghai Offshore was a subsidiary of the Group before 31 December 2018, and had previous business contacts with the Group. The two parties have a good foundation for cooperation and smooth communication, which is conducive to the advancement of transactions. The purchase of the Products and Services by the Purchasers from the Sellers is determined upon comprehensive consideration of the Sellers' qualifications, experience, and transportation capabilities, which is conducive to meeting the Purchasers' needs for quality and delivery time. The Purchasers will retain the flexibility and discretion to select the Sellers and the Independent Third Parties based on fair negotiations and consideration of commercial terms and other factors.

The Directors (excluding independent non-executive Directors, who will express their views after receiving the opinions of Gram Capital) believe that the transactions under the Revised Purchase Framework Agreement are concluded in the ordinary course of business of the Group and are on normal commercial terms and thus fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **II. ENTERING INTO THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT**

On 25 May 2020, Honghua Investment and ASIFL entered into the Strategic Cooperation Framework Agreement.

### **Parties:**

- (1) Honghua Investment
- (2) ASIFL

## **Subject Matter and Terms of Agreement**

Under the Strategic Cooperation Framework Agreement, ASIFL has agreed to purchase certain equipment and products from Honghua Investment and its subsidiaries, including oil rigs and other drilling equipment (such as the new electric fracturing pump system and its auxiliary equipment, and top drive, etc.) required for the oil drilling business. Details of the equipment and products will be set out in separate purchase agreements.

The term of the Strategic Cooperation Framework Agreement commences on the effective date of the Strategic Cooperation Framework Agreement and expires on 31 December 2022.

## **Pricing Policy**

The pricing and payment terms of specific transactions under the Strategic Cooperation Framework Agreement shall be determined by arm's length negotiations between Honghua Investment and its subsidiaries and ASIFL, and be determined based on normal commercial terms with reference to: (i) the prices of the same or similar equipment and products provided by Honghua Investment and its subsidiaries to Independent Third Parties over the same period for orders with comparable quantity and quality; (ii) where there are no such comparable orders, the prevailing market prices that are fair and reasonable for the same or similar equipment and products; and (iii) where there are neither comparable orders nor prevailing market prices mentioned above, the historical prices provided by Honghua Investment and its subsidiaries to Independent Third Parties for the same or similar equipment and products in the previous year. Honghua Investment and its subsidiaries will comply with its relevant internal pricing policies in the negotiation with ASIFL.

In any event, the prices offered by Honghua Investment and its subsidiaries to ASIFL under the Strategic Cooperation Framework Agreement shall be no less favourable to the Group than the prices offered by Honghua Investment and its subsidiaries to Independent Third Parties. Honghua Investment and its subsidiaries will take the following measures to reach this end: (i) in the pre-sales quotation stage, the sales staff will refer to all relevant contracts signed by Honghua Investment and its subsidiaries with Independent Third Parties in the previous year to determine the quotations to ASIFL; (ii) during the contract review process, the finance department, technology department, legal department and related business departments will strictly review the pricing to ensure compliance with the pricing policy of the Strategic Cooperation Framework Agreement; and (iii) the prices and payment terms offered to ASIFL by Honghua Investment and its subsidiaries will be monitored on regular basis through quarterly assessments of the average prices and payment terms offered by Honghua Investment and its subsidiaries to Independent Third Parties under similar sales terms and conditions, and the market prices of the same or similar equipment and products.

## Amount of Historical Transactions

The following table sets out the relevant historical amount of the purchase made by ASIFL from Honghua Investment and its subsidiaries during the three years ended 31 December 2019 and the three months ended 31 March 2020:

*Unit: RMB10,000*

	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the three months ended 31 March 2020</b>
Equipment and products	29,922	60,000	0	0

## Annual Caps

*Proposed annual caps for the three years ending 31 December 2022*

*Unit: RMB10,000*

	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
Equipment and products	40,000	30,000	30,000

### *Basis for determining annual caps*

The annual caps under the Strategic Cooperation Framework Agreement were determined by arm's length negotiations between Honghua Investment and ASIFL based on the amount of historical transactions, and the Group's operation and business needs, analysis of market demand, and business opportunities under discussion and project progress, which, in particular, include: (i) an overall analysis of the demand for drilling and exploiting equipment in the oil and gas industry under the current international oil price trends, domestic and international economic environment and the guidance of domestic shale gas development policies; (ii) the overall planning ideas and implementation plan based on the current and future principal business development of the Group; and (iii) the business development status and opportunities under discussion of the Group and ASIFL and ASIFL's demands, etc.



In the year ended 31 December 2017, ASIFL purchased equipment and products of RMB299.22 million from Honghua Investment and its subsidiaries. In the year ended 31 December 2018, ASIFL purchased equipment and products of RMB600 million from Honghua Investment and its subsidiaries. In the year ended 31 December 2019, considering its investment in the oil and gas industry, capital planning, rhythm control and other factors, ASIFL did not launch oil and gas industry-related projects and did not purchase equipment or products from Honghua Investment and its subsidiaries. Commencing from the year ending 31 December 2020, ASIFL will resume its purchase from Honghua Investment and its subsidiaries. The proposed annual cap for the year ending 31 December 2020 is based on the equipment needs of the end users of ASIFL with which ASIFL is under current or potential negotiations, Honghua Investment's and its subsidiaries' negotiation with ASIFL, ASIFL's business plan with regard to the oil and gas industry, and the amount of intentional transactions between Honghua Investment and its subsidiaries as the sellers and ASIFL as the purchaser, being approximately RMB382.5 million.

In the two years ending 31 December 2022, taking into account the favourable national policy for shale gas development, the market demands for drilling and exploiting equipment in the oil and gas industry are expected to be relatively stable. Due to the nature of its business and to control the potential risks arising from concentration on oil and gas industry, ASIFL plans to reduce the amount of its purchase from Honghua Investment and its subsidiaries in the two years ending 31 December 2022 by approximately 25%. The proposed annual caps for the two years ending 31 December 2022 were determined accordingly.

### **Reasons for and Benefits of the Transactions**

The Group is principally engaged in the business of developing, manufacturing and selling drilling rigs, rig parts and components and after-sales services. Honghua Investment is an investment holding company established in the PRC and a wholly-owned subsidiary of the Company.

ASIFL is a company incorporated in the PRC and its principal business includes finance leasing, disposal of assets under finance lease and related consultancy service. CASIC is a company established in the PRC and also the ultimate beneficial owner of 46.5% equity interest in ASIFL. CASIC is a large state-owned enterprise in China, principally engaged in the research and development and manufacturing of high-tech products, such as aerospace and defence technology, information technology and equipment in the PRC.

The global economic situation continues to decline in 2020, and due to the continued decline in oil prices and the global spread of COVID-19, the demand for equipment purchases by major global drilling and oil service companies has declined. Leasing will remain the main mode for customers to introduce equipment. At the same time, the domestic development of shale gas continues to increase, and the rental demand for fracturing pumps and other equipment continues to increase. ASIFL intends to carry out leasing business with equipment and products purchased from Honghua Investment and its subsidiaries.

Entering into the Strategic Cooperation Framework Agreement (i) is conducive to Honghua Investment and its subsidiaries' product sales, increasing the Group's revenue; (ii) is conducive to expanding market, and providing a variety of options under the general environment of falling oil prices and economic downturn; and (iii) is conducive to achieving the business synergy among the investees of CASIC, and realising the complementarity of resources and win-win situation for all parties.

The Directors (excluding independent non-executive Directors, who will express their views after receiving the opinions of Gram Capital) believe that the transactions under the Strategic Cooperation Framework Agreement are concluded in the ordinary course of business of the Group and are on normal commercial terms and thus fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### III. INTERNAL CONTROL

The Group will, through the Group's internal control procedures and a series of risk management arrangements in accordance with the regulatory requirements, endeavour to maintain its independence in decision-making as well as the fairness of the prices and terms of each continuing connected transaction. Such arrangements shall include:

1. each continuing connected transaction contemplated under the Revised Purchase Framework Agreement and the Strategic Cooperation Framework Agreement shall be conducted on a non-exclusive basis. The Group has the flexibility to enter into arrangement with Independent Third Parties for purchasing or selling equipment, products and/or services as it deems fit;
2. the pricing mechanism is transparent and the implementation of such pricing mechanism is subject to strict scrutiny by the finance department, technical department, internal audit department and the legal department of the Company. This will ensure that the transactions are conducted in accordance with the relevant pricing policies and the quotations obtained meet the specification requirements;
3. the internal audit department of the Company will also conduct audit on the continuing connected transactions to ascertain whether such continuing connected transactions are conducted under fair and reasonable terms and accordingly whether the interest of the Company will be affected. The auditors and audit committee of the Company will also conduct annual review of the continuing connected transactions to confirm whether the continuing connected transactions have been conducted in compliance with the pricing policies or system and whether the relevant annual caps have been exceeded;
4. with regard to the Revised Purchase Framework Agreement, the Group will keep and continue to update a centralised list of eligible suppliers whom are shortlisted based on their procurement qualification, capability to procure products with specific technical requirements, and the Group's past experience in dealing with each of such suppliers. Prior to entering into the transactions by the Purchasers and the Sellers under the Revised Purchase Framework Agreement, the business department of the Purchasers shall submit an application and the procurement department of the Purchasers shall organise and select suppliers from the list, which shall also be subject to consideration and approval by the chairman's office of the Purchasers so as to ensure the fairness and reasonableness of relevant terms and pricing; and
5. with regard to the Strategic Cooperation Framework Agreement, the Group implemented detailed management procedures on sales since the year of 2017, which govern the three phases of sales, namely, pre-sales internal application and approval, contract signing and after-sales monitoring. In particular, in the pre-sales phase, once the prices of the parts or equipment are determined pursuant to the streamlined product pricing procedures, the approvals by competent senior management members are required. For each type of sales contract, the relevant procedures set forth the functional departments that are required to participate the contract review and due diligence, as well as detailed review standards. In the contract signing phase, a tiered structure of execution authority is implemented, depending on the consideration of the contracts.

#### **IV. IMPLICATIONS UNDER THE LISTING RULES**

##### **Revised Purchase Framework Agreement**

Shanghai Offshore is owned as to 51% equity interest by Jiangsu Hongjieding. Mr. Zhang Mi, an executive Director of the Company, through his sole proprietorship, holds 53.85% of equity interests in Jiangsu Hongjieding as of the date of this announcement. Accordingly, Shanghai Offshore is a connected person of the Company, and the transactions under the Revised Purchase Framework Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios contained in the Listing Rules exceed 5%, the Revised Purchase Framework Agreement and the annual caps for transactions thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

##### **Strategic Cooperation Framework Agreement**

As at the date of this announcement, CASIC indirectly holds 29.98% of the shares in the Company through its wholly-owned subsidiary, Kehua, and therefore is a substantial shareholder and a connected person of the Company. CASIC and its subsidiaries together hold 46.5% equity interest in ASIFL, thus ASIFL is an associate of CASIC and in turn a connected person of the Company. Therefore, the transactions under the Strategic Cooperation Framework Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios contained in the Listing Rules exceed 5%, the Strategic Cooperation Framework Agreement and the annual caps for transactions thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **V. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee composed of all independent non-executive Directors, namely Mr. Liu Xiaofeng, Mr. Chen Guoming, Ms. Su Mei, Mr. Poon Chiu Kwok, Mr. Chang Qing and Mr. Wei Bin, has been established to provide Independent Shareholders with opinions on the Revised Purchase Framework Agreement, the Strategic Cooperation Framework Agreement and the annual caps of transactions thereunder. After approval by the Board, Gram Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

All Directors have approved the Revised Purchase Framework Agreement and the Strategic Cooperation Framework Agreement (including the respective transactions contemplated thereunder and relevant proposed caps), except for (1) Mr. Zhang Mi, who is the controlling shareholder of Shanghai Offshore and is deemed to be interested in the Revised Purchase Framework Agreement, and had therefore abstained from voting on the Revised Purchase Framework Agreement; and (2) Mr. Jin Liliang, Mr. Han Guangrong and Mr. Chen Wenle, who are Directors appointed by CASIC and its associates and are deemed to be interested in the Strategic Cooperation Framework Agreement, and had therefore abstained from voting on the Strategic Cooperation Framework Agreement.

## VI. ANNUAL GENERAL MEETING

The Company will seek approval from the Independent Shareholders in respect of the Revised Purchase Framework Agreement and the Strategic Cooperation Framework Agreement (including the respective transactions contemplated thereunder and relevant proposed caps) at the annual general meeting. A circular containing, among others, details on the Revised Purchase Framework Agreement and the Strategic Cooperation Framework Agreement, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders will be dispatched to Shareholders on or before 1 June 2020.

As Mr. Zhang Mi is interested in the Revised Purchase Framework Agreement, Mr. Zhang Mi and his associates will abstain from voting to approve the Revised Purchase Framework Agreement (including the transactions contemplated thereunder and relevant proposed caps) at the annual general meeting. In addition, as CASIC is interested in the Strategic Cooperation Framework Agreement, CASIC and its associates will abstain from voting to approve the Strategic Cooperation Framework Agreement (including the transactions contemplated thereunder and relevant proposed caps) at the annual general meeting.

## VII. DEFINITIONS

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

“ASIFL”	Aerospace Science & Industry Financial Leasing Co., Ltd. (航天科工金融租賃有限公司), a company incorporated in the PRC, in which CASIC and its subsidiaries hold a 46.5% equity interest;
“associate(s)”	has the same meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“CASIC”	China Aerospace Science and Industry Corporation (中國航天科工集團有限公司), a company incorporated in the PRC;
“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 person(s)”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China;

“Honghua Investment”	Honghua (China) Investment Co., Ltd. (宏華(中國)投資有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company;
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, established to make recommendations to the Independent Shareholders in respect of the Transactions;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Purchase Framework Agreement and the Strategic Cooperation Framework Agreement;
“Independent Shareholder(s)”	in terms of the Revised Purchase Framework Agreement, Shareholder(s) other than Mr. Zhang Mi and his associates; in terms of the Strategic Cooperation Framework Agreement, Shareholder(s) other than CASIC and its associates;
“Independent Third Party(ies)”	person(s) or company(ies) which is/are not connected (within the meaning of the Listing Rules) with the Company;
“Jiangsu Hongjieding”	Jiangsu Hongjieding Energy Technology Co., Ltd. (江蘇宏捷鼎能源科技有限公司), a limited liability company incorporated in the PRC;
“Kehua”	Kehua Technology Co., Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of CASIC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Main Board”	the stock market operated by the Stock Exchange other than the GEM;
“Original Purchase Framework Agreement”	the purchase framework agreement dated 22 January 2020 entered into between Sichuan Honghua and Shanghai Offshore in relation to purchase of equipment and services;
“PRC”	The People’s Republic of China;
“Purchasers”	Sichuan Honghua and its associates;

“Revised Purchase Framework Agreement”	the Original Purchase Framework Agreement as amended by the written agreement entered into by Sichuan Honghua and Shanghai Offshore on 25 May 2020;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sellers ”	Shanghai Offshore and its associates;
“Shanghai Offshore”	Shanghai Honghua Offshore Oil & Gas Equipment Co., Ltd. (上海宏華海洋油氣裝備有限公司), a limited liability company incorporated in the PRC;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company;
“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.1 each in the capital of the Company;
“Sichuan Honghua”	Sichuan Honghua Petroleum Equipment Co., Ltd. (四川宏華石油設備有限公司), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Strategic Cooperation Framework Agreement”	the strategic cooperation framework agreement dated 25 May 2020 entered into between Honghua Investment and ASIFL in relation to purchase of equipment and products;
“Transactions”	the transactions contemplated under the Revised Purchase Framework Agreement and the Strategic Cooperation Framework Agreement; and
“%”	per cent.

On behalf of the Board  
**Honghua Group Limited**  
**Jin Liliang**  
*Chairman*

PRC, 25 May 2020

*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, Mr. Chang Qing and Mr. Wei Bin.*