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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: 0196)

CONNECTED TRANSACTIONS
SALES CONTRACTS

Equipment Sales Contract

On 30 September 2022, Honghua Electric, being a subsidiary of the Company, and DEC Academy entered into the Equipment Sales Contract, pursuant to which Honghua Electric will provide complete sets of non-standard equipment for materials preparation production line of coiled pipes to DEC Academy, the consideration of which is RMB2,564,000 (tax inclusive).

Photovoltaic Power Plant Equipment Sales Contract

On 30 September 2022, Honghua Electric, being a subsidiary of the Company, and Dongfang Autocontrol entered into the Photovoltaic Power Plant Equipment Sales Contract, pursuant to which Honghua Electric will provide equipment and related services for 6.5MW photovoltaic power plants to Dongfang Autocontrol, the consideration of which is RMB27,611,100 (tax inclusive).

Previous Sales Transactions

From 29 June 2022, the date on which Dongfang Electric became a substantial shareholder of the Company, to the date of signing the Sales Agreements, the Company has entered into seven products and equipment sales agreements with Dongfang Electric and its associates, with an aggregated amount of RMB 2,550,574.42.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Dongfang Electric indirectly holds approximately 29.98% of the Shares of the Company through its wholly-owned subsidiary, Electric Investments Company, and is therefore a substantial shareholder and connected person of the Company. Dongfang Electric holds 100% interest in DEC Academy and 99.90% interest in Dongfang Autocontrol, respectively. DEC Academy and Dongfang Autocontrol are associates of Dongfang Electric under Chapter 14A of the Listing Rules and are therefore both connected persons of the Company. Accordingly, the transactions between the Company and Dongfang Electric (including its subsidiaries and associates) constitute connected transactions of the Company.

In respect of the Equipment Sales Contract only, as one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules exceed 0.1% while the consideration is less than HK\$3 million, the transactions under the Equipment Sales Contract are therefore de minimis transaction which are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Photovoltaic Power Plant Equipment Sales Contract only, as one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules exceed 0.1% but are less than 5%, the transactions under the Photovoltaic Power Plant Equipment Sales Contract are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the Previous Sales Transactions only, as the applicable percentage ratios aggregated in accordance with Rule 14.07 of the Listing Rules exceed 0.1% and the total consideration is also less than HK\$3 million, the Previous Sales Transactions are de minimis transaction which are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, similar transactions completed within twelve months are required to be aggregated. Pursuant to Rule 14.07 of the Listing Rules, as one or more of the applicable percentage ratios calculated by aggregating (i) the Equipment Sales Contract, (ii) the Photovoltaic Power Plant Equipment Sales Contract and (iii) the Previous

Sales Transactions exceed 0.1% but are less than 5%, the Company is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Equipment Sales Contract

On 30 September 2022, Honghua Electric, being a subsidiary of the Company, and DEC Academy entered into the Equipment Sales Contract, pursuant to which Honghua Electric will provide complete sets of non-standard equipment for materials preparation production line of coiled pipes to DEC Academy, details of which are as follows.

Date: 30 September 2022

Parties:

- (1) Buyer: DEC Academy
- (2) Seller: Honghua Electric

Subject matter:

Pursuant to the Equipment Sales Contract, Honghua Electric will provide complete sets of non-standard equipment for materials preparation production line of coiled pipes to DEC Academy.

Consideration and payment:

The consideration under the Equipment Sales Contract is RMB2,564,000 (tax inclusive). The consideration was determined after arm's length negotiations between the parties with reference to the costs, reasonable profit margins and market conditions of the equipment and services.

Delivery period: the seller shall complete equipment delivery within the two months from the date of signing the contract.

Terms of payment: the buyer shall pay 30% of the total contract amount to the seller within 20 working days upon the signing of the contract and receiving a receipt of same payable amount issued by the seller. After acceptance for on-site examination carried out by the buyer before the shipment of all goods being made, the buyer shall pay 30% of the total contract amount to the seller within 20 working days upon receiving a receipt of same payable amount

issued by the seller. After acceptance from the buyer for completing equipment installation and commission being made, the buyer shall pay 30% of the total contract amount to the seller within 20 working days upon receiving a full value-added tax invoice for total contract amount from the seller. Upon the expiry of one-year warranty period, on the condition that seller meets the relevant delivery and quality conditions as verified by the buyer, the buyer shall pay 10% of the total contract amount to the seller within 20 working days.

Photovoltaic Power Plant Equipment Sales Contract

On 30 September 2022, Honghua Electric, being a subsidiary of the Company, and Dongfang Autocontrol entered into the Photovoltaic Power Plant Equipment Sales Contract, pursuant to which Honghua Electric will provide equipment and related services for 6.5MW photovoltaic power plant to Dongfang Autocontrol, details of which are as follows.

Date: 30 September 2022

Parties:

(1)Buyer: Dongfang Autocontrol

(2)Seller: Honghua Electric

Subject matter:

Pursuant to the Photovoltaic Power Plant Equipment Sales Contract, Honghua Electric will provide equipment and related services for 6.5MW photovoltaic power plant to Dongfang Autocontrol.

Consideration and payment:

The consideration under the Equipment Sales Contract is RMB27,611,100 (tax inclusive). The consideration was determined after arm's length negotiations between the parties with reference to the costs, reasonable profit margins and market conditions of the equipment and services.

Delivery period: the equipment shall be delivered to designated location within 90 calendar days upon the effectiveness of the contract.

Terms of payment: within 30 working days following signing of the contract and the seller offering performance guarantees as per agreement, the buyer shall pay 10% of the total contract amount (tax inclusive). Once the major equipment ready for delivery is delivered to the site of the buyer and is accepted by it after examination, the buyer shall pay 40% the total contract amount (tax inclusive) within 30 working days. At the point when equipment has been delivered to the site of the buyer and completed project progress has reached 50% of the whole required by the contract, the buyer shall pay 20% of the total contract amount (tax inclusive). Upon the successful commission and performance inspection of contract equipment, the buyer shall pay 20% of the total contract amount (tax inclusive). The remaining 10% of the total contract amount (tax inclusive) shall be kept as retentions.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Due to business development and project needs, DEC Academy and Dongfang Autocontrol need to purchase complete sets of non-standard equipment for materials preparation production line of coiled pipes and photovoltaic power plant equipment. Honghua Electric has the relevant products, equipment manufacturing capabilities and service resources to provide related products, equipment and services for DEC Academy and Dongfang Autocontrol. The initial cooperation between the parties will lay the foundation for more effective synergy in the energy equipment industry from various aspects such as industry, market and technology, and will achieve a mutually beneficial situation.

The Directors, including the independent non-executive Directors, are of the view that the Sales Agreements were entered into in the ordinary course of business of the Group, on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. None of the Directors is regarded as having a material interest in the Transactions, and hence none of the Directors is required to abstain from voting on the Board resolution to approve the Transactions.

PREVIOUS SALES TRANSACTIONS

From 29 June 2022, when Dongfang Electric became a substantial shareholder of the Company to the date of signing of the Sales Agreements, the Company had entered into seven sales products and equipment agreements with Dongfang Electric (including its associates) with an aggregate amount of RMB 2,550,574.42. The Previous Sales Transactions

constituted connected transactions of the Company, and the pricing principles were determined after arm's length negotiations between the parties to the contracts with reference to the cost of equipment and services, reasonable profit margins and market conditions. Both the buyer and the seller have already fulfilled their obligations and liabilities for delivery and payment in accordance with the relevant sales agreements.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Dongfang Electric indirectly holds approximately 29.98% of the Shares of the Company through its wholly-owned subsidiary, Electric Investments Company, and is therefore a substantial shareholder and connected person of the Company. Dongfang Electric holds 100% interest in DEC Academy and 99.90% interest in Dongfang Autocontrol, respectively. DEC Academy and Dongfang Autocontrol are associates of Dongfang Electric under Chapter 14A of the Listing Rules and are therefore both connected persons of the Company. Accordingly, the transactions between the Company and Dongfang Electric (including its subsidiaries and associates) constitute connected transactions of the Company.

In respect of the Equipment Sales Contract only, as one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules exceed 0.1% while the total consideration is also less than HK\$3 million, the transactions under the Equipment Sales Contract are therefore de minimis transaction which are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Photovoltaic Power Plant Equipment Sales Contract only, as one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules exceed 0.1% but are less than 5%, the transactions under the Photovoltaic Power Plant Equipment Sales Contract are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the Previous Sales Transactions only, as the applicable percentage ratios aggregated in accordance with Rule 14.07 of the Listing Rules exceed 0.1% and the total consideration is also less than HK\$3 million, the Previous Sales Transactions are de minimis

transaction which are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, similar transactions completed within twelve months are required to be aggregated. Pursuant to Rule 14.07 of the Listing Rules, as one or more of the applicable percentage ratios calculated by aggregating (i) the Equipment Sales Contract, (ii) the Photovoltaic Power Plant Equipment Sales Contract and (iii) the Previous Sales Transactions exceed 0.1% but are less than 5%, the Company is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

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

Honghua Electric is a company established in the PRC. It is principally engaged in the businesses of engineering technology services for oil and gas fields, power engineering and design and manufacture of electrification equipment. As at the date of this announcement, Honghua Electric is a 83.74% interest held subsidiary of the Company.

Dongfang Electric is a company incorporated in the PRC with limited liability. As the only state-owned enterprise headquartered in Sichuan, it is one of the largest general contracting enterprise groups for power generation equipment manufacturing and power plant engineering in the world. Its main products include wind turbines, solar power generation equipment, hydropower units, nuclear power units, thermal power units (gas turbine power generation, high-efficient clean coal power), control systems, environmental protection equipment, industrialized chemical equipment, hydrogen energy and fuel cells, energy storage equipment, new materials, etc.

DEC Academy is a company incorporated in the PRC with limited liability. It is principally engaged in information security equipment; computer software and hardware, Internet of Things, new energy technology development, technical consulting, technical services, technology promotion and technology transfer; information system integration; engineering and technical research and experimental development; water pollution control; air pollution control; industrial design services; engineering management services; intellectual property

rights services; corporate management consulting; sales of mechanical and electrical equipment, electronic appliances and computer software and hardware, etc.

Dongfang Autocontrol is a company incorporated in the PRC with limited liability. It is mainly engaged in the design, manufacture, service and system integration of the control system for the whole industry chain, including hydropower, thermal power, nuclear power, gas power, wind power, solar power.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“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 of Hong Kong Limited;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
"Dongfang Electric"	Dongfang Electric Corporation, a large state-owned company incorporated in the PRC, is one of the largest general contracting enterprise groups for power generation equipment manufacturing and power plant engineering in the world.
“Dongfang Autocontrol”	Dongfang Electric Autocontrol Engineering Co.,Ltd., a company incorporated in Hongkong, and a 99.90% interest held subsidiary of Dongfang Electric;

“DEC Academy”	DEC Academy of Science and Technology Co., Ltd., a company incorporated in China, is a wholly-owned subsidiary of Dongfang Electric;
"Electric Investment Company"	Dongfang Electric International Investment Co., Ltd., a company incorporated in Hongkong, and a wholly-owned subsidiary of Dongfang Electric;
"Equipment Sales Contract"	the contract dated 30 September 2022 entered into between Honghua Electric, a subsidiary of the Company, and DEC Academy in relation to the sale of equipment;
“Group”	the Company and its subsidiaries;
" Honghua Electric"	Sichuan Honghua Electric Co., Ltd., a company incorporated in the PRC with limited liability, and a 83.74% interest held subsidiary of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Photovoltaic Power Plant Equipment Sales Contract”	the contract dated 30 September 2022 entered into between Honghua Electric, a subsidiary of the Company, and Dongfang Autocontrol in relation to the sale of equipment;
“Previous Sales Transactions”	the seven agreements of sales of products and equipment entered into between the Company and Dongfang Electric (including its associates) from 29 June 2022 to the date of signing of the Sales Agreements;
“PRC”	the People’s Republic of China;

“RMB”	Renminbi, the lawful currency of the PRC;
“Sales Agreements”	the Equipment Sales Contract and Photovoltaic Power Plant Equipment Sales Contract;
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
"subsidiary"	has the meaning ascribed to it under the Listing Rules;
“%”	per cent.

On behalf of the Board

Honghua Group Limited

Jin Liliang

Chairman

PRC, 30 September 2022

As at the date of this announcement, the executive directors of the Company are Mr. Jin Liliang (Chairman) and Mr. Zhu Hua; the non-executive directors of the Company are Mr. Zhang Mi and Mr. Yang Yong; 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 .