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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)

VOLUNTARY ANNOUNCEMENT

ENTERING INTO SALE AND PURCHASE AGREEMENTS

This is a voluntary announcement made by Honghua Group Limited (the “**Company**”).

The board of directors of the Company (the “**Board**”) is pleased to announce that the Company's indirect subsidiaries, Sichuan Honghua Petroleum Equipment Company Limited and Sichuan Honghua International Company Limited, respectively, have recently entered into several sale and purchase agreements (the “**Sale and Purchase Agreements**”) with Kuwait Drilling Company (“**KDC**”). Pursuant to the Sale and Purchase Agreements, such two subsidiaries shall sell to KDC and KDC shall purchase from such two subsidiaries several units of land drilling rigs and components with certain specifications. The total consideration in relation to the transactions contemplated under the Sale and Purchase Agreements amounts to an aggregate of approximately RMB 430 million.

The Sale and Purchase Agreements were determined after arms' length negotiations between such two subsidiaries and KDC. The terms of Sale and Purchase Agreements are fair and reasonable under normal commercial terms.

The repeated cooperation with KDC reflects that the Company's products have gained the client's trust and recognition, which will benefit the Company in consolidating and expanding market shares in the Middle East. The Company will continue to expand in the Middle East market and further optimize our global business layout so as to provide strong momentum for the Company's sustained and stable development.

After having made all reasonable enquiries by the Company, KDC and their ultimate beneficial owner(s) are independent third parties not connected with the Company and its connected persons as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The transactions contemplated under the Sale and Purchase Agreements do not constitute any notifiable transaction of the Company under Chapter 14 or Chapter 14A of the Listing Rules.

On behalf of the Board
Honghua Group Limited
Jin Liliang
Chairman

PRC, 18 October 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. ChenGuoming, Ms. Su Mei, Mr. Chang Qing, Mr. Wei Bin and Mr. Zhang Shiju.