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)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF AN INDIRECT WHOLLY-OWNED SUBSIDIARY (2) CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.60(1) OF THE LISTING RULES

I. THE DISPOSAL

About the Transaction

On 12 December 2023, the Vendor, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor agreed to sell the Sale Shares, representing the entire registered capital of the Target Company, to the Purchaser for an aggregate consideration of RMB199,049,669.51. Upon completion of the Disposal, the Group will cease to have any interest in the Target Company.

Implication under the Listing Rules

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and therefore is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Dongfang Electric indirectly holds approximately 58.52% of the total issued share capital of the Company through its wholly-owned subsidiary, and therefore is a controlling shareholder and a connected person of the Company. Dongfang Electric holds 100% equity interests in the DEC Investment, thus the DEC Investment is an associate of Dongfang Electric and in turn a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The Company has established the Independent Board Committee and appointed VBG Capital as the Independent Financial Adviser. Independent Shareholders' approval for the Disposal and the transaction contemplated thereunder will be sought at the EGM.

A circular containing, among other things, details of the Disposal, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders on or before 5 January 2024. Since Dongfang Electric is a connected person of the Company, Dongfang Electric (including its subsidiaries and associates) will abstain from voting on the resolution(s) for approving the Disposal at the EGM.

II. CONTINUING CONNECTED TRANSACTIONS ARISING FROM THE COMPLETION OF THE DISPOSAL

About the Transaction

The financial leasing business of the Target Company involves the provision of relevant services to members of the Group from time to time. Members of the Group and the Target Company (as a wholly-owned subsidiary of the Company) have entered into several contracts that are and will remain subsisting, with an aggregate transaction amount of approximately RMB174,775,200. As the Target Company will cease to be a subsidiary of the Group upon completion of the Disposal and become wholly owned by DEC Investment, its existing continuing transactions with members of the Group will become continuing connected transactions of the Group.

Implication under the Listing Rules

According to Rule 14A.60(1) of the Listing Rules, if the Group continues existing continuing transactions with the Target Company under the existing contracts after the completion of the Disposal, the Company is subject to the annual review and disclosure requirements but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of such transactions.

I. THE DISPOSAL

1. Introduction

The Board hereby announces that, on 12 December 2023, the Vendor, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser in relation to the Disposal, pursuant to which the Vendor agreed to transfer the Sale Shares, representing the entire registered capital of the Target Company, to the Purchaser.

2. The Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date:

12 December 2023

Parties:

(1) the Purchaser: DEC Investment

(2) the Vendor: Honghua Holdings

Subject of contract:

100% equity interests in the Target Company

Consideration:

The total consideration of the equity transfer was determined to be RMB199,049,669.51 by the Parties after arm's length negotiation with reference to the appraised value of net assets (i.e. RMB199,049,669.51) of the Target Company as of the Valuation Reference Date arrived at by the Valuer using the asset-based approach.

The Valuer is of the view that the appraisal results of the asset-based approach can reflect the fair value of the Target Company. The Target Company is primarily engaged in financial leasing business which is a rather special business sector. Although income approach could, to a certain extent, reflect the Target Company's prospective value, it cannot factor in the uncertainties, financial policies, the impact of the industry-specific national policies on financial leasing business sector in which the Target Company operates. The result is, to a large extent, subject to the profitability, asset quality, operational performance and operational risks of the Target Company in the future. The Target Company has kept well-documented financial records and asset management records. Data and source of information in connection with cost of re-acquisition of assets are extensive and the replacement cost and prevailing market value of assets are intrinsically linked to and supersede the present value of income. Therefore, the Valuer adopted the asset-based approach for the appraisal results.

If, prior to the transfer of powers of administration, the Vendor declares undistributed profits accumulated before the Valuation Reference Date after obtaining consent from the Purchaser, the above consideration of the equity transfer shall be deducted by the same distribution amount.

Payment of Consideration:

The specific arrangements regarding the payment of consideration under the Equity Transfer Agreement are as follows:

(a) First installment: RMB100 million shall be paid by the Purchaser in a lump sum and deposited into a bank account designated by the Vendor or entities of the Vendor's choice within 5 business days of the time that Parties entered into the Equity Transfer Agreement after the Vendor having obtained the approval of the Board of the Company in connection with the Equity Transfer Agreement and the transaction contemplated thereunder.

    After the payment of the first installment has been made by the Purchaser, the Vendor shall make reasonable best effort to obtain shareholders' approval as soon as practicable. The Parties agree to terminate the Equity Transfer Agreement and have the Vendor or other entities of the Vendor's choice refund the amount received with accrued interest calculated based on the base rate for one-year time deposit quoted by banks and the number of days for which the Vendor possess the fund within 5 business days after the termination, if, for whatever reasons other than objective ones agreed by the Parties, the transaction under the Equity Transfer Agreement cannot obtain the Vendor's internal and shareholders' approval or the Vendor cannot submit the transaction under the Equity Transfer Agreement to a general meeting for consideration within 3 months after the payment of the first installment has been made by the Purchaser;

(b) Second installment: RMB50 million shall be paid by the Purchaser in a lump sum and deposited into a bank account designated by the Vendor or entities of the Vendor's choice within 5 business days of the time that the Vendor has completed the transfer of powers of administration as agreed after obtaining all necessary internal and shareholder's approval on the Equity Transfer Agreement and the transaction contemplated thereunder.

    After the payment of the second installment has been made by the Purchaser, the Vendor shall make reasonable best effort to obtain financial regulatory approval and apply for subsequent change of business registration as soon as practicable. The Parties agree to terminate the Equity Transfer Agreement and have the Vendor or other entities of the Vendor's choice refund the amount received with accrued interest calculated based on the base rate for one-year time deposit quoted by banks and the number of days for which the Vendor possess the fund within 5 business days after the termination, if, for whatever reasons other than objective ones agreed by the Parties, the Vendor cannot obtain approval from the supreme financial regulatory authority having jurisdiction over the transaction under the Equity Transfer Agreement or file for change of business registration or the Vendor cannot submit the transaction under the Equity Transfer Agreement to the supreme financial regulatory authority for approval within 3 months of the time that the payment of the second installment has been made by the Purchaser.

The Parties agree that the payment terms of the above first two installments are subject to a letter of undertaking from the Vendor to the Purchaser stating that if circumstances arise where the Vendor is required to return the amount received to the Purchaser, the Vendor shall return the amount not to exceed RMB199,049,669.51 within the timeframe appointed by the Purchaser. The specific amount to be returned by the Vendor shall be equivalent to the amount to be paid by the Purchaser as part of the consideration under the Equity Transfer Agreement; and

(c) Third installment: the remaining amount of the consideration, after deduction of amount owning to taxes pursuant to relevant tax laws, shall be paid by the Purchaser in a lump sum and deposited into a bank account designated by the Vendor or entities of the Vendor's choice within 7 business days after the completion of changes in business registration in connection with the Disposal.

Conditions precedent:

The Disposal is subject to the following conditions precedent:

(a) The Target Company has obtained the necessary approval(s) relating to the Disposal from the relevant PRC regulatory authorities;

(b) Representations and warranties made by the Vendor shall be true and accurate in all material respects as at the date of signing of the Equity Transfer Agreement, the date transferring the powers of administration and immediately prior to the closing, and the Vendor shall have, in all material respects, fulfilled all its obligations that shall be performed prior to closing under the Equity Transfer Agreement; and

(c) The Equity Transfer Agreement and the Disposal contemplated thereunder have been approved by the Independent Shareholders of the Company at a general meeting.

As of the date of the publication of this announcement, none of the above conditions precedent has been fulfilled or waived.

Closing of the Equity Transfer:

The Parties agreed to complete the closing of the equity transfer of the Target Company within six months after the Equity Transfer Agreement has come into force, that is, to complete the approvals required for the Disposal and the industrial and commercial registration of changes to transfer equity interests in the Target Company to the Purchaser. In case of insurmountable difficulties or force majeure, the Parties may agree on another time to handle the above-said matters, and in this case, the closing date under the Equity Transfer Agreement shall be separately negotiated and determined by the Parties.

3. Information about the Target Company

The Target Company was incorporated in the PRC in November 2013. Its principal business includes financial leasing (direct lease, sale and leaseback), operating lease, factoring, consulting services, etc. According to the unaudited financial statement of the Target Company, as of 30 June 2023, the total assets and net assets of the Target Company were RMB225.9904 million and RMB194.3034 million, respectively.

The following table sets forth the audited financial information for the two financial years ended 31 December 2021 and 2022 and the unaudited financial information for the six months ended 30 June 2023 of the Target Company:

	For the year ended 31 December		**For the six months ended**
	2021	**2022**	**30 June 2023**
	(Audited)	*(Audited)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Results			
Turnover	16,557.13	12,023.42	4,080.45
Net profit/(loss) before tax	7,311.66	7,075.51	5,099.65
Net profit/(loss) after tax	4,852.34	6,458.58	4,473.29

4. Use of Proceeds

Subject to the final audit, the Vendor is expected to recognize a gain of approximately RMB14.20 million from the Disposal, calculated with reference to the difference between (i) the total consideration of the Disposal; and (ii) the aggregate of (a) the unaudited book value of the Target Company as at 30 June 2023; and (b) the estimated expenses and tax to be incurred in connection with the Disposal. The actual disposal gain to be recorded by the Group is subject to the net assets of the Target Company and incidental transaction costs to be determined upon completion of the Disposal.

The proceeds from the Disposal (i.e. RMB199,049,669.51) will be used by the Group to supplement its general working capital and repay financial institution loans. Upon completion of the Disposal, the Group will cease to have any interest in the Target Company and the Target Company will cease to be accounted for as a subsidiary of the Group.

5. Reasons for and Benefits of the Disposal

The Group can liquidate the assets of the Target Company through the Disposal and increase its cash flow by approximately RMB200 million, which will accelerate its capital turnover and better support its transformation, upgrading and development. At the same time, the equity transfer can also inject liquidity for the Group as soon as possible, improve the asset structure, reduce financial expenses and improve the quality of financial statements.

The Disposal will help the Group to focus on its principal business and closely follow its future needs for sustainable operation and development and the direction of its key industries.

In addition, the development of the financial leasing industry in which the Target Company is involved is driven by a capitalization-based operation with a high leverage ratio. However, as the current investment capacity of the Vendor is limited, it is difficult for the Target Company to further expand its business scale.

Having considered the above factors, the Board is of the view that the Equity Transfer Agreement was entered into on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Board has resolved to approve the resolution on the Equity Transfer Agreement and the transaction contemplated thereunder. Except for Mr. Wang Xu, Mr. Zhu Hua and Mr. Yang Yong, who were nominated by Dongfang Electric and therefore deemed to be interested in the Disposal, no other Directors have abstained from voting on the relevant resolution approving the transaction contemplated under the Equity Transfer Agreement.

6. Implication under the Listing Rules

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Dongfang Electric indirectly holds approximately 58.52% of the total issued share capital of the Company through its wholly-owned subsidiaries, and is therefore a controlling Shareholder and a connected person of the Company. Dongfang Electric holds 100% interests in DEC Investment, thus DEC Investment is an associate of Dongfang Electric and in turn a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

7. General Information about the Parties Involved in the Disposal

The Group

The Group principally engages in research, design, manufacture, setting and sale of land rigs and related parts and components, design and manufacture of the offshore drilling module. Meanwhile it also provides clients with technical support services and drilling engineering services.

Dongfang Electric

Dongfang Electric is a company incorporated in the PRC with limited liability. It is one of the largest enterprises engaging in power generation equipment manufacturing 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 Investment

DEC Investment is a wholly-owned subsidiary of Dongfang Electric which was incorporated in the PRC. DEC Investment is a specialized platform for Dongfang Electric's investment and capital operation.

Honghua Holdings

Honghua Holdings, a wholly-owned subsidiary of the Company and incorporated in Hong Kong, is an investment holding company.

8. EGM

The Company has established the Independent Board Committee and appointed VBG Capital as the Independent Financial Adviser. Independent Shareholders' approval for the Disposal and the transaction contemplated thereunder will be sought at the EGM. Since Dongfang Electric has a material interest in the Disposal and the transaction contemplated thereunder, Dongfang Electric (including its subsidiaries and associates) will abstain from voting on the resolution(s) for approving the Disposal at the EGM.

9. Circular

A circular containing, among other things, details of the Disposal, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders on or before 5 January 2024.

II. CONTINUING CONNECTED TRANSACTIONS

1. Existing Continuing Transactions

The financial leasing business of the Target Company involves the provision of relevant services to members of the Group from time to time. As at the date of this announcement, Sichuan Honghua, a wholly-owned subsidiary of the Company, entered into contracts with the Target Company in respect of 3 continuing connected transactions with an aggregate transaction amount of approximately RMB174,775,200 (the "**Existing Continuing Transactions**").

2. Details of Existing Continuing Transactions and Relevant Contracts

a. Financial leasing project (direct lease) – high-pressure washers of large parts and components

The leasing arrangement of this project was structured by way of entering into the sale and purchase contract and financial leasing contracts. Ultimately, the Target Company leased the equipment by way of financial lease to Sichuan Honghua, a subsidiary of the Company. Details of the relevant sale and purchase contract and financial leasing contract were as follows:

Sale and purchase contract

Date: 28 August 2020

Parties:

(a) Lessor: Target Company

(b) Distributor: Chongqing Keben Technology Co., Ltd. (It was later renamed as Chongqing Keben Technology CP., Ltd.)

(c) Lessee: Sichuan Honghua

Equipment: High-pressure washers of large parts and components and related ancillary equipment

Purchase Price of the Equipment: RMB2,100,000.00

Subject Matter: The lessee selects the equipment (leased properties) and the distributor, and negotiates the terms of sale and purchase with the distributor. The Target Company enters into the sale and purchase contract with the distributor at the lessee's option to purchase the equipment selected by the lessee

The equipment under the above sale and purchase contract had been delivered to Sichuan Honghua and relevant financial leasing contract (details as follows) commenced.

Financial leasing contract (direct lease)

Date:	28 August 2020 (supplemented by the supplementary agreement dated 8 June 2021)
Parties:	(a) Lessor: Target Company (b) Lessee: Sichuan Honghua
Lease Term:	36 months commencing from 15 December 2020 and expiring on 15 December 2023
Estimated Total Rent:	RMB1,975,200.00 (calculated based on the interest rate of 5.95% per annum, where the interest rate was reached after arm's length negotiation between the relevant parties, and taking into consideration the then prevailing market rate)
Terms of Payment:	Payable in 6 half-yearly installments with every installment to be paid by the end of a half-year period and the last installment due 15 December 2023
Ownership of the Leased Properties:	The lessor has the full and independent ownership rights to the leased properties before the lessor issues the ownership transfer certificate to the lessee
Disposal of Leased Properties upon Expiry of Lease Term:	Upon expiry of lease term, the lessee may purchase the leased properties at the residual value (RMB100.00)
Contract Validity:	From the effective date of the contract (i.e., 28 August 2020) to the date on which the lessor issues the ownership transfer certificate and transfers the leased properties to the lessee
Subject Matter:	The lessor purchases the equipment (leased properties) at the lessee's option and leases it to the lessee. Such equipment may be purchased by the lessee upon expiry of lease term

b. Financial leasing project (sale and leaseback) – drilling rigs

The leasing arrangement of this project was structured by way of entering into the ownership transfer agreement and financial leasing contracts. Ultimately, the Target Company leased the equipment by way of financial lease to Sichuan Honghua, a subsidiary of the Company. Details of the ownership transfer agreement and financial leasing contract were as follows:

Ownership transfer agreement

Date:	6 June 2023
Parties:	(a) Lessor: Target Company (b) Lessee: Sichuan Honghua
Equipment:	7 drilling rigs
Purchase Price of the Equipment:	A total of RMB100,000,000.00
Subject Matter:	The lessee sells its equipment (leased properties) to and lease the same back from the lessor to secure finance

The equipment under the ownership transfer agreement had been delivered to Sichuan Honghua and relevant financial leasing contract (details as follows) commenced.

Financial leasing contract (sale and leaseback)

Date:	6 June 2023
Parties:	(a) Lessor: Target Company (b) Lessee: Sichuan Honghua
Lease Term:	48 months commencing from 6 June 2023 and expiring on 7 June 2027
Estimated Total Rent:	RMB115,200,000.00 (calculated based on the interest rate of 3.8% per annum, where the interest rate was reached after arm's length negotiation between the relevant parties, and taking into consideration the then prevailing market rate)
Terms of Payment:	Total interest payable in 16 quarterly installments with the last installment due 7 June 2027 and the principal due by the end of lease term
Ownership of the Leased Properties:	The lessor has full and independent ownership rights to the leased properties before the lessor issues the ownership transfer certificate to the lessee

Disposal of Leased Properties upon Expiry of Lease Term:	Upon expiry of lease term, the lessee may purchase the leased properties at the residual value (RMB1,000.00)
Contract Validity:	From the effective date of the contract (i.e, 6 June 2023) to the date on which the lessor issues the ownership transfer certificate and transfers the leased properties to the lessee
Subject Matter:	The lessee sells its equipment (leased properties) to and lease the same back from the lessor. The proceeds received by the lessee will be used only to supplement working capital

c. Financial leasing project (sale and leaseback) – drilling rigs and fracturing trucks

The leasing arrangement of this project was structured by way of entering into the ownership transfer agreement and financial leasing contracts. Ultimately, the Target Company leased the equipment by way of financial lease to Sichuan Honghua, a subsidiary of the Company. Details of the ownership transfer agreement and financial leasing contract were as follows:

Ownership transfer agreement

Date:	30 June 2023
Parties:	(a) Lessor: Target Company (b) Lessee: Sichuan Honghua
Equipment:	1 drilling rig and 4 fracturing trucks
Purchase Price of the Equipment:	A total of RMB50,000,000.00
Subject Matter:	The lessee sells its equipment (leased properties) to and lease the same back from the lessor to secure finance

The equipment under the ownership transfer agreement had been delivered to Sichuan Honghua and relevant financial leasing contract (details as follows) commenced.

Financial leasing contract (sale and leaseback)

Date:	29 June 2023
Parties:	(a) Lessor: Target Company (b) Lessee: Sichuan Honghua
Lease Term:	48 months commencing from 29 June 2023 and expiring on 30 June 2027
Estimated Total Rent:	RMB57,600,000.00 (calculated based on the interest rate of 3.8% per annum, where the interest rate was reached after arm's length negotiation between the relevant parties, and taking into consideration the then prevailing market rate)
Terms of Payment:	Total interest payable in 16 quarterly installments with the last installment due 30 June 2027 and the principal due by the end of lease term
Ownership of the Leased Properties:	The lessor has full and independent ownership rights to the leased properties before the lessor issues the ownership transfer certificate to the lessee
Disposal of Leased Properties upon Expiry of Lease Term:	Upon expiry of lease term, the lessee may purchase the leased properties at the residual value (RMB1,000.00)
Contract Validity:	From the effective date of the contract (i.e, 29 June 2023) to the date on which the lessor issues the ownership transfer certificate and transfers the leased properties to the lessee
Subject Matter:	The lessee sells its equipment (leased properties) to and lease the same back from the lessor. The proceeds received by the lessee will be used only to supplement working capital

3. Reasons for and Benefits of the Existing Continuing Transactions

Due to the fierce competition in the industry the Group is involved in, members of the Group have a certain demand for liquidity. The Target Company provides financial leasing services to members of the Group through direct lease or sale and leaseback, which not only meets the financing needs of members of the Group from time to time, but also allows members of the Group to continue to utilize the leased equipment during the lease period. Therefore, such ongoing transactions can provide certain support to the business development of members of the Group.

The Board is of the view that the relevant contracts relating to the existing continuing transactions were entered into on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole. None of the Directors is regarded as having a material interest in the existing continuing transactions.

4. Implication under the Listing Rules

As at the date of this announcement, Sichuan Honghua, a wholly-owned subsidiary of the Company, has entered into contracts with the Target Company in respect of certain continuing connected transactions. As at the date of this announcement, Dongfang Electric indirectly holds approximately 58.52% of the total issued share capital of the Company through its wholly-owned subsidiaries, and is therefore a controlling Shareholder and a connected person of the Company. Dongfang Electric holds 100% interests in DEC Investment, thus DEC Investment is an associate of Dongfang Electric and in turn a connected person of the Company under Chapter 14A of the Listing Rules. As the Target Company will cease to be a subsidiary of the Group upon completion of the Disposal and become wholly-owned by DEC Investment, its existing continuing transactions with members of the Group will become continuing connected transactions of the Group.

According to Rule 14A.60(1) of the Listing Rules, if the Group continues existing continuing transactions with the Target Company under the existing contracts after the completion of the Disposal, the Company is subject to all the applicable annual review and disclosure requirements but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of such transactions.

5. General Information about the Lessee in the Existing Continuing Transactions

Sichuan Honghua

Sichuan Honghua, incorporated in the PRC, is a wholly-owned subsidiary of the Company with principal business activities being research, design, manufacture and set-assembly of oil drilling rigs and oil exploration and development equipment.

III. DEFINITIONS

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

"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the Board of Directors of the Company;
"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 meaning ascribed to it under the Listing Rules;
"DEC Investment" or "Purchaser"	DEC Investment Management Company Limited, a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of Dongfang Electric;
"Directors"	directors of the Company;
"Disposal"	the sale of the Sale Shares by the Vendor to the purchaser pursuant to the Equity Transfer Agreement;
"Dongfang Electric"	Dongfang Electric Corporation, a large state-owned company incorporated in the PRC;
"EGM"	the extraordinary general meeting to be held by the Company, for the purpose of, considering and approving the Disposal and the transactions contemplated thereunder;
"Equity Transfer Agreement"	the equity transfer agreement dated 12 December 2023 between the Vendor and the Purchaser in relation to the Disposal;
"Group"	the Company and its subsidiaries; and a "Member of the Group" means any one of the companies;
"Honghua Holdings" or "Vendor"	Honghua Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"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 Disposal and the transactions contemplated thereunder;
"Independent Financial Adviser" or "VBG Capital"	VBG Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the transactions contemplated thereunder;
"Independent Shareholders"	shareholders other than Dongfang Electric and its associates;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Parties"	the Vendor and Purchaser of the Equity Transfer Agreement;
"PRC" or "China"	the People's Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau and Taiwan;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	the entire registered capital of the Target Company;
"Share(s)"	shares of the Company;
"Shareholder(s)"	shareholders of the Company;
"Sichuan Honghua"	Sichuan Honghua Petroleum Equipment Co., Ltd., 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;
"Target Company"	Honghua Financial Leasing (Shanghai) Co., Ltd.;
"Valuation Reference Date"	31 May 2023;

"Valuer"	China Appraisal Associates; and
"%"	per cent.

On behalf of the Board
Honghua Group Limited
Wang Xu
Chairman

PRC, 12 December 2023

As at the date of this announcement, the executive directors of the Company are Mr. Wang Xu (Chairman) and Mr. Zhu Hua, the non-executive director of the Company is 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.