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## **HONGHUA GROUP LIMITED**

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

**(Stock Code: 196)**

### **INSIDE INFORMATION**

### **POTENTIAL DISPOSAL OF EQUITY INTEREST THROUGH PUBLIC TENDER**

This announcement is made by Honghua Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

### **POTENTIAL DISPOSAL THROUGH PUBLIC TENDER**

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that the Company intends to dispose of (the “**Potential Disposal**”), (i) through the public tender (the “**Public Tender**”) to be conducted on the Shanghai United Assets and Equity Exchange (the “**SUAEx**”), its 100% indirect equity interest in Honghua Offshore oil & gas equipment (Jiangsu) Co., Ltd., (“**Jiangsu Offshore**”), a wholly-owned subsidiary of the Company and (ii) through contracts based on arm’s-length negotiation with the ultimate buyer, (a) its entire 30% indirect equity interest in Prime FSP, LLC (“**Prime**”); (b) its entire 25% indirect equity interest in FSP LNG B.V. (“**FSP**”) and (c) its entire 70% indirect equity interest in Hong Kong Tank Tek Limited (“**Tank Tek**”, together with Jiangsu Offshore, Prime and FSP, the “**Offshore Segment**”).

It is expected that the base price for Public Tender for the Jiangsu Offshore will be determined based on the asset appraisal on the Offshore Segment to be conducted by a qualified appraisal institution.

According to the requirements under the relevant PRC laws and regulations, preliminary disclosure of information relating to the disposal of Jiangsu Offshore is required to be made to the public for not less than 20 working days prior to the commencement of the formal disclosure of the Public Tender. In compliance with such requirements, the said pre-listing disclosure is expected to be made on the website of SUAEEx on 19 October 2017.

## **INFORMATION OF THE OFFSHORE SEGMENT**

Jiangsu Offshore is a limited liability company established in the People's Republic of China and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the construction of the offshore oil engineering equipment.

FSP is a limited liability company incorporated in the Holland, its main business activities include the management of FSP (Flat-panel, Semi-membrane, Prismatic design containment system technology) related intellectual properties.

Prime is a limited liability company incorporated in the United States of America, its main business activities include the promotion and sales of LNG tank.

Tank Tek is a limited liability company incorporated in Hong Kong, its main business activities include technical research and development, manufacturing and sales of LNG tank.

## **REASONS FOR THE POTENTIAL DISPOSAL**

The Offshore Segment mainly focuses on the manufacturing of offshore drilling equipment and developing related technologies. The Company believes offshore drilling business was adversely impacted by the significant uncertainties and price fluctuation of the global oil market in recent years. The Company held positive opinion towards the future development of LNG industry, but turning the business to LNG industry for Offshore Segment requires strategic partners, capital investment and other related resources. The Company will focus on equipment manufacturing and oil & gas resources development and engineering services in the future to improve The Company's profitability. In light of such market conditions, the Board is of the view that the Potential Disposal, if consummated, would help balance the short-term and long-term interest of the Company and its shareholders and improve the Group's capital structure, resource allocation and financial performance.

## **GENERAL**

The Potential Disposal, if materialized, may constitute a major transaction of disposal of the Company and is therefore subject to reporting, announcement, and shareholders' approval requirements at general meeting under Chapter 14 of the Listing Rules. The Company intends to seek independent shareholders' approval of the Potential Disposal when appropriate or required.

A further announcement in relation to the results of the Public Tender will be made by the Company as soon as practicable after the Public Tender is completed.

A director of the Company has indicated preliminary interest in participating in the Public Tender as a bidder in associate with other parties and an independent non-executive director of

the Company has indicated preliminary interest in providing agent services in relation to the Potential Disposal and/or participating in the Public Tender as a bidder. As the date of this announcement, no tentative bid had been submitted to the Company by such Director and the Company had not entered into any definitive agreement or memorandum of understanding with such Director. Such Director abstained from the voting of the Board resolution in respect of the Potential Disposal.

The Board wishes to emphasize that as at the date of this announcement, the Company is not under any obligation to proceed with the Public Tender and the Public Tender may or may not proceed. No binding agreement with respect to the Potential Disposal has been entered into by the Company as at the date of this announcement and there is no assurance that any definitive transaction will materialize.

**As the Company may or may not proceed with the Public Tender and it may or may not enter into a binding agreement with respect to the Potential Disposal, and even if it decides to do so, the Potential Disposal may or may not proceed to completion for various reasons and accordingly, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

*In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “\*” is for identification purpose only.*

By order of the Board  
**Honghua Group Limited**  
**Chen Yajun**  
Chairman

PRC, 19 October 2017

*As at the date of this announcement, the executive directors of the Company are Mr. Chen Yajun (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. Qi Daqing, Mr. Chen Guoming, Ms. Su Mei, Mr. POON Chiu Kwok and Mr. Chang Qing.*