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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)

ENTERING INTO A NEW HEAD OF AGREEMENT

This announcement is made by Honghua Group Limited (the “**Company**”) 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 Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

References are made to the announcement of the Company dated 28 October 2016 in relation to the Entering into a HOA between the Company and ARGO and the announcement dated 14 March 2017 in relation to the Development of the HOA (the “**Announcements**”). Except defined as otherwise, terms used in this announcement shall have the same meaning as those used in the Announcements.

The Board is pleased to announce that on 10 May 2017, Huston time, U.S.A., Honghua Offshore and LNG 21 Partners, LLC (“**LNG 21**” , formerly known as ARGO) entered into a legally binding head of agreement (the “**new HOA**”). According to the terms and provisions of the new HOA, LNG 21 intends to purchase from Honghua Offshore one set of PLNG for a consideration amounted to approximately USD 2.2 billion.

The HOA entered into between Honghua Offshore and ARGO on 28 October 2016 has been terminated on 10 May 2017, Huston time, U.S.A..

The reason ARGO changes its name is that it considers that since 21st century is the golden age of natural gas as well as the golden world of LNG, ARGO decided to change its name to “LNG 21” to focus more on LNG business.

The consideration of the new HOA is increased as compared with that of the HOA is due to the collaboration between the Company, WOOD Group Mustang, Inc, and LNG 21 which achieved a better result than initially planned through the process of Pre-Feed. Through the Pre-Feed, the production capacity was optimized to the maximum limit permitted by U.S. Government and Maritime Administration (MARAD), with the liquefaction capability and LNG storage capability increased to 4,200,000 tons and 300,000 cubic meters respectively. Due to the optimized production capacity, the consideration of the new HOA is increased to USD 2.2 billion accordingly. The CAPEX investment on unit liquefaction capability decreased to approximately USD 500/ton and this will further enhance the competitiveness of the PLNG.

The new HOA was determined after arms' length negotiations between Honghua Offshore and LNG 21. The Directors take the view that the terms of the new HOA are normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Board takes the view that the transaction contemplated under the new HOA is of a revenue nature in the ordinary and usual course of business of the Company under Rule 14.04(1) (g) of the Listing Rules.

General

The transaction contemplated under the new HOA does not constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules nor any connected transaction under Chapter 14A of the Listing Rules.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

On behalf of the Board
Honghua Group Limited
Chen Yajun
Chairman

The PRC, 11 May 2017

As at the date of this announcement, the executive directors of the Company are Mr. Chen Yajun (Chairman), Mr. Zhang Mi, Mr. Ren Jie and Mr. Liu Zhi, 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 and Ms. Su Mei.