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宏华集团
HONGHUA GROUP

HONGHUA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 196)

INSIDE INFORMATION

SALE AND PURCHASE AGREEMENT

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

The board (the “**Board**”) of the directors (the “**Directors**”) of the Company is pleased to announce that on 9 January 2018, Sichuan Honghua International Co., Ltd. (“**Honghua International**”), an indirect subsidiary of the Company and Arabian Drilling Company (“**ADC**”) entered into a sale and purchase agreement (the “**Agreement**”) pursuant to which Honghua International shall sell to ADC and ADC shall purchase from Honghua International certain units of land drilling rigs with certain specifications (the “**Drilling Rigs**”) in accordance with the terms and conditions of the Agreement for a consideration of approximate US\$120 million, representing around 33% of the annual revenue of the Company for the year ended 31 December 2016.

The Agreement was determined after arms’ length negotiation between Honghua International and ADC. The Directors are of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Board takes the view that the transaction contemplated under the Agreement 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.

The Agreement has officially marked the in-depth cooperation between the Company and ADC, which not only enhance the Company’s market share in the Middle East market, will also further propel the continued development of the Company’s business in Saudi Arabia, which represents strategic meanings to the Company.

To the best of the knowledge, information and belief of the Directors and after having made all reasonable enquiries, ADC and its ultimate beneficial owner(s) are independent third parties not connected with the Company and its connected persons (as defined in the Listing Rules).

By order of the Board
Honghua Group Limited
Chen Yajun
Chairman

PRC, 9 January 2018

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. Chen Guoming, Ms. Su Mei, Mr. Poon Chiu Kwok and Mr. Chang Qing and Mr. Wu Yuwu.