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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 UPDATE ON SUCCESSFUL 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).

Reference is made to the announcement of the Company dated 18 August 2017 (the “**Former Announcement**”), inter alia, Sichuan Honghua successfully win the tender issued by UGV for sale of several 70 DBS land drilling rigs. Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Former Announcement.

The board of directors (the “**Directors**”) of the Company (the “**Board**”) is pleased to announce that on 6 February 2018, Sichuan Honghua and UGV has completed the signing of sale and purchase agreements (the “**Agreements**”) pursuant to which Sichuan Honghua shall sell to UGV and UGV shall purchase from Sichuan Honghua several units of 70 DBS land drilling rigs with certain specifications in accordance with the terms and conditions of the Agreements for a consideration of approximately US\$120 million, which represent around 32% of the annual revenue for the year ended 31 December 2016.

The Agreements were entered into after arms’ length negotiation between Sichuan Honghua and UGV. The Directors are of the view that the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

UGV is a wholly-owned subsidiary of Ukraine's National Oil and Gas Corporation, mainly engaging in the exploration and exploitation of oil and natural gas in Ukraine and is also the largest domestic natural gas producer. Ukraine possesses proved crude oil and natural gas reserves of 1.41 billion tonnes, including crude oil 0.705 billion tonnes and natural gas 0.366 billion tonnes. To realize the independent energy sources in Ukraine, Ukrainian government has set up a target of 30% natural gas output increment from 2016 to 2020. UGV is responsible for this task. Rely on its best integrated strengths, the Company successfully win the UGV’s tender in its global bidding process, and signed the Agreements eventually. The drilling rigs will be served in Kharkov district in Ukraine. The signing of the Agreements not only mark the sales breakthrough of high-end largest land drilling rig manufactured by Chinese company in Ukrainian market, but also brings opportunity to the Company to continuously

develop the oversea markets in “One Belt One Road” countries in the future.

To the best of the knowledge, information and belief of the Directors and after having made all reasonable enquiries, UGV 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).

The Board is of the view that transaction contemplated under the Agreement 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.

By order of the Board
Honghua Group Limited
Chen Yajun
Chairman

PRC, 7 February 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, Mr. Chang Qing and Mr. Wu Yuwu.