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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)

**INSIDE INFORMATION
TERMINATION OF PUBLIC TENDER
REGARDING THE POTENTIAL DISPOSAL
AND
THE DISPOSAL OF OFFSHORE SEGMENT
THROUGH NEW 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 of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

References are made to the announcements of the Company dated 19 October 2017, 27 December 2017, 26 January 2018, 28 March 2018 and 15 June 2018 (the “**Announcements**”) in relation to, among other things, (i) the disposal of Offshore Segment through the Public Tender conducted by the Company on the SUAEEx; (ii) the update on the said Disposal; (iii) extension of tender period for Potential Disposal of equity interest through Public Tender; (iv) conclusion of the Public Tender regarding the Potential Disposal; and (v) update on the Potential Disposal. Unless specified otherwise, capitalised terms used in this announcement shall have the same meanings as those used in the Announcements.

TERMINATION OF PUBLIC TENDER REGARDING THE POTENTIAL DISPOSAL

The board of directors of the Company announces that, the Public Tender conducted on the SUAEEx has been terminated on 18 September 2018 by the Company due to financing difficulties on the part of the potential buyer (i.e. Jiangsu Honghai Energy Equipment Company Limited).

THE DISPOSAL OF OFFSHORE SEGMENT THROUGH NEW PUBLIC TENDER

The board of directors of the Company announces that the Company intends to dispose of (a) its 51% indirect equity interest in Jiangsu Offshore; and (b) its 51% indirect equity interest in Shanghai Offshore through a new public tender on 19 September 2018 (the “**New Public Tender**”). In addition, after the completion of the disposal of equity interest in Shanghai Offshore and Jiangsu Offshore, the Company would dispose of (c) its 70% equity interest in Tank Tek; (d) its 30% equity interest in Prime; and (e) its 25% equity interest in FSP to Shanghai Offshore ((a) to (e) above, as the “**Disposal of Offshore Segment**”).

The New Public Tender will have a tender period of 20 working days, commencing on 19 September 2018 and ending on 22 October 2018, during which potential purchasers may apply to bid in the New Public Tender. The base bidding price for the New Public Tender in relation to the abovementioned Disposal of Offshore Segment were RMB1 for the above (a) and (b) and USD1 for the above (c) to (e) (due to their negative net assets), which were determined with reference to, among other things, the valuation of the Disposal of Offshore Segment by an independent valuer.

As of the date of this announcement, the creditor’s rights of the Group against the Offshore Segment are comprised of domestic borrowings (principal amount of approximately RMB1.810 billion and its related interest) and overseas borrowings (principal amount of approximately USD16.065 million and its related interest). Pursuant to the terms of the New Public Tender, the buyer of the Disposal of Offshore Segment shall make a payment of RMB40 million as a security deposit for the domestic borrowings upon the tender closing; after the completion of the Disposal of Offshore Segment, the buyer shall agree equity interest in Jiangsu Offshore and Shanghai Offshore will be pledged to the Group as a security for the abovementioned domestic and overseas borrowings; while the equity interest of Shanghai Offshore in three overseas companies will be pledged to the Group as a security for the abovementioned domestic and overseas borrowings; the buyer shall agree that the abovementioned domestic and overseas borrowings will also be secured by Jiangsu Offshore and Shanghai Offshore with all of their assets.

Moreover, after the conclusion of the New Public Tender, the buyer and Shanghai Offshore shall enter into a loan agreement, pursuant to which, the buyer shall pay a security deposit of RMB10 million to the Group in order to ensure that a loan of the amount of no less than RMB80 million will be extended by the buyer to Shanghai Offshore before 31 December 2018 for the operation of Shanghai Offshore.

GENERAL

The Board wishes to emphasize that as at the date of this announcement, no binding agreement with respect to the Disposal of Offshore Segment has been entered into by the Company and there is no assurance that any definitive transaction will materialize. The Company will make further announcement(s) in compliance with the Listing Rules and/or Part XIVA of the Securities and Futures Ordinance as and when appropriate or required.

As the Company may or may not enter into a binding agreement with respect to the Disposal of Offshore Segment, and even if it decides to do so, the Disposal of Offshore Segment 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.

By order of the Board
Honghua Group Limited
Jin Liliang
Chairman

PRC, 18 September 2018

As at the date of this announcement, the executive directors of the Company are Mr. Jin Liliang (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.