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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)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the SFO.

The Board would like to inform the shareholders of the Company and potential investors that based on the unaudited consolidated management accounts of the Group for the year ended 31 December 2020 and the information currently available to the Company, the profit attributable to the shareholders of the Group for the year ended 31 December 2020 is expected to decrease by approximately 40%-70% as compared to that for the year ended 31 December 2019 of approximately RMB107.47 million.

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

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 Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “**SFO**”).

The board of directors of the Company (the “**Board**”) would like to inform the shareholders of the Company and potential investors that based on the unaudited consolidated management accounts of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 and the information currently available to the Company, the profit attributable to the shareholders of the Group for the year ended 31 December 2020 is expected to decrease by approximately 40%-70% as compared to that for the year ended 31 December 2019 of approximately RMB107.47 million.

The expected decrease in profit for the year ended 31 December 2020 is primarily due to (i) the continuous impact of the COVID-19 pandemic during the year, global oil demand dropped sharply, and major international oil companies made huge cuts in their capital expenditure, the exports of petroleum equipment (especially drilling rigs) of the Group which had advantages traditionally bore the brunt in terms of number of orders, and thus operating revenue still recorded a year-on-year decrease despite our proactive adjustment of the business structure during the year; (ii) the significant decline in the USD to RMB exchange rate during the year led to exchange losses; and (iii) non-recurring gains and losses such as provisions for impairment of assets and non-operating expenses increased.

The Company is in the process of finalising the annual results of the Group for the year ended 31 December 2020. At present, the Company is also conducting an annual impairment (“impairment”) assessment of the major assets of the Group. The impairment assessment is carried out with a prudent approach based on applicable accounting principles to assess the possible negative impacts of asset impairment on

pre-tax profits. However, the exact accounting impacts (such as the amount of impairment loss to be recorded (if any)) are subject to the assessment by the Company and the review by the auditors of the Group. The information contained in this announcement is only based on a preliminary assessment by the Board of the unaudited consolidated management accounts of the Group for the year ended 31 December 2020 and the information currently available to the Company, and is not based on any figures or information that have been audited or reviewed by the Company's auditors. Details of the Group's annual results for the year ended 31 December 2020 will be disclosed as and when the annual results of the Group the year ended 31 December 2020 are announced.

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By order of the Board
Honghua Group Limited
Jin Liliang
Chairman

PRC, 2 March, 2021

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. Wei Bin.