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宏华集团
HONGHUA GROUP

Honghua Group Limited

宏華集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 196)

VOLUNTARY ANNOUNCEMENT STRATEGIC GUIDANCE FOR 2018

This is a voluntary announcement made by Honghua Group Limited (the “**Company**”).

The board of directors of the Company (the “**Board**”) wishes to announce the Company’s strategic guidance for 2018.

STRATEGIC GUIDANCE FOR 2018

The Company is committed to provide intelligent and eco-friendly development solutions and applications for the energy industry. The Company’s long-term goal is to become a first-class international enterprise that supplies equipment and technology for oil and gas exploration and exploitation as well as an integrated supplier of comprehensive energy-related services and solutions with comprehensive business competitive advantages.

In 2018, against the backdrop of gradual recovery of the oil and gas industry in the wake of a further rebound of international oil price, the Company recorded a significant growth in its sales order. As of 15 March 2018, the Company had land drilling equipment sales order in the amount of approximately RMB6,020 million, a 47.5% increase from the first quarter of last year, including land drilling rig set sales order in the amount of approximately RMB3,290 million, a 261.9% increase from the first quarter of last year. The Company also had oil and gas engineering service contracts in the amount of approximately RMB687 million, a 508.0% increase from the first quarter of last year.

In view of the above, **the Company’s strategic guidance for 2018 is to focus on enhancing business value and treat the exploitation and application of unconventional oil and gas resources as a new growth driver for its business while adhering to technological innovation, in order to achieve comprehensive development and healthy growth of the Company, guide the Company’s performance back on track to a steady improvement.**

In terms of enhancement of business value, the Company plans to further seek innovation in business model. The Company will cooperate with China Aerospace Science and Industry Corporation (中國航天科工集團有限公司) and its subsidiaries to continuously promote the innovative business model of increasing sales through leasing and securing bulk orders for oil and gas exploration and mining equipment and services through trading of petroleum products, so as to enhance the value of the Company's products and services for customers both domestically and abroad and cater to customers' comprehensive needs. While continuously expanding its domestic and overseas markets and securing orders, the Company will focus on capitalizing on more business opportunities arising in the markets along the "One Belt One Road" regions.

In terms of exploitation and application of unconventional oil and gas resources, the Company will treat the sales of shale gas special equipment and the implementation of Shale Gas Integrated Solution as breakthrough points. In the equipment manufacturing segment, the Company plans to focus on accelerating the monetization of new products and promoting the large-scale application of shale gas equipment with electric fracturing pump and new types of drilling rigs as core products, in order to achieve larger business scale and higher profitability. In the oil and gas service segment, relying on its advantages in equipment manufacturing, the Company will capitalize on the implementation of its first integrated development project of shale gas to enhance its integrated turnkey service capability in the oil and gas service segment and achieve economies of scale of the domestic unconventional oil and gas (shale gas) market.

In terms of technological innovation, new products and new technologies have always been the driving force of the Company's long-term development. While focusing on the development and commercialisation of its new underground tool products and the in-depth research of the new solid-state fluidization exploitation technology for natural gas hydrate (also known as combustible ice), the Company plans to develop new methods for procurement of oil and gas resources in an intelligent, efficient, economic, and eco-friendly manner as well as develop new technologies for energy reservation, so as to proactively adapt itself to the eco-friendly and intelligent industry development trends in the future, which is in line with China's 13th Five-Year Plan for Energy Development.

In terms of investment and financial management, the Company plans to exercise strict control over the amount of capital expenditures, rationally allocate unutilized resources and strengthen management of inventory and account receivables, so as to reduce liquidity pressure, minimize financial risks and optimize asset structure. Meanwhile, the Company plans to expand low-cost financing channels and capitalize on the same as a competitive advantage to seize market share of equipment and oil services both at home and abroad.

The statements above are based on the current operations of the Company and the current market conditions. Such statements do not serve as a guarantee of the Company's performance which is mainly dependent upon market and financial environments.

By order of the Board
Honghua Group Limited
Chen Yajun
Chairman

PRC, 29 March 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.