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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 six months ended 30 June 2018 and the information currently available to the Company, the Group's loss for the six months ended 30 June 2018 is expected to decrease by approximately 60%-80% as compared to the Group's loss for the six months ended 30 June 2017.

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 six months ended 30 June 2018 and the information currently available to the Company, the Group's loss for the six months ended 30 June 2018 is expected to decrease by approximately 60%-80% as compared to the Group's loss for the six months ended 30 June 2017.

The expected significant decrease in loss was mainly attributed to the fact that (i) Due to the recovery of the global oil and gas industry, the production and operation state of the Group was further improved, which result in a significant increase in revenue for the six months ended 30 June 2018 compared with the same period last year; (ii) The quality of the Group's assets was further stabilized and the impairment provision was significantly reduced compared with the same period last year; and (iii) The Group has taken some positive measures such as cost reduction and expense control. As the oil and gas industry was still in the early stage of recovery, although the revenue of the Group for the six months ended 30 June 2018 increased significantly compared with the same period last year, it was still at a low level in the history of the Group and couldn't cover the fixed cost. Therefore, the Group is still expected to record a loss for the six months ended 30 June 2018.

The Company is in the process of finalizing the interim results of the Group for the six months ended 30 June 2018. 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 six months ended 30 June 2018 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 interim results for the six months ended 30 June 2018 will be disclosed as and when the interim results of the Group for the six months ended 30 June 2018 is announced.

The management of the Company will make consistent and sustained efforts to improve the performance of the Company.

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

On behalf of the Board
Honghua Group Limited
Chen Yajun
Chairman

PRC, 11 July 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.