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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)

POSITIVE PROFIT ALERT

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of 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 2018 and the information currently available to the Company, the Group is expected to record a profit for the year ended 31 December 2018 as compared to a significant loss for the year ended 31 December 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) (“**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 2018 and the information currently available to the Company, the Group is expected to record a profit for the year ended 31 December 2018 as compared to a significant loss for the year ended 31 December 2017.

The expected profit was mainly attributed to the fact that (1) Due to the recovery of the global oil and gas industry, Group recorded a significant year-on-year growth in the sales revenue, which benefited from the recovery of global natural gas exploration and development and China’s expediting the shale gas exploration activity; as the central enterprises became the largest shareholder of the Group, the domestic sales revenue in sales

revenue of the Group increased significantly during the year, almost remaining at the same level as international sales revenue; the high-tech and high value-added series innovative products of the Group, including the 6,000 HHP electrical power pressure equipment and pumping service, new-generation direct-drive top drive, and flexible water tanks, recorded an encouraging growth. They have been highly recognized by domestic and foreign oil and gas companies and oil service companies, and have achieved good market-oriented applications. The sales revenue from them accounted for approximately 20% of total sales revenue of the Group; (2) The Group has actively implemented cost reduction and efficiency enhancement measures and has improved the operating standards; (3) The strategic adjustment and the completion of the disposal of equity interests in offshore segment by the Group have also improved the profitability of the Group.

The Company is in the process of finalizing the annual results of the Group for the year ended 31 December 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 year ended 31 December 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 auditors of the Company. Details of the annual results of the Group for the year ended 31 December 2018 will be disclosed as and when the annual results of the Group for the year ended 31 December 2018 is announced.

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
Jin Liliang
Chairman

The PRC, 3 January 2019

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.