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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 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 2019 and the information currently available to the Company, the Group is expected to record a profit for the six months ended 30 June 2019 as compared to a loss for the six months ended 30 June 2018.

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 2019 and the information currently available to the Company, the Group is expected to record a profit for the six months ended 30 June 2019 as compared to a loss for the six months ended 30 June 2018.

The expected profit was mainly attributed to the fact that (i) the Group’s production and operation conditions improved significantly compared with the same period of last year and sales revenue increased significantly year-on-year for the six months ended 30 June 2019. Thanks to the PRC’s ongoing growth in shale gas and natural gas exploration activities at present, the businesses, such as the Group’s oil and gas engineering services, 6,000

horsepower electric fracturing equipment and pumping services, maintained a gratifying growth trend, while the business in the traditional drilling rigs and parts also steadily increased; (ii) the Group continued to play a synergistic effect with the largest shareholder of the Company and obtained more preferential loan and credit lines during the period to help the Group's business growth; and (iii) the Company's operating standards continued to increase as a result of the impact on the Group's positive measures, such as cost reduction and control fees.

The Company is in the process of finalizing the interim results of the Group for the six months ended 30 June 2019. 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 2019 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 2019 will be disclosed as and when the interim results of the Group for the six months ended 30 June 2019 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

PRC, 8 July 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 and Mr. Chang Qing.