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 2020 and the information currently available to the Company, the profit attributable to the shareholders of the Company for the six months ended 30 June 2020 is expected to decrease by approximately 40%-60% as compared to that for the six months ended 30 June 2019.

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 2020 and the information currently available to the Company, the profit attributable to the shareholders of the Company for the six months ended 30 June 2020 is expected to decrease by approximately 40%-60% as compared to that for the six months ended 30 June 2019.

The expected decrease in profit for the six months ended 30 June 2020 is primarily attributable to a decline in the market demand of the global oil and gas services due to the COVID-19 and the significant fluctuation in the international oil price, a year-on-year decrease in the sales revenue of the Group resulting from the reduced overseas orders for rigs and the delay in some projects in terms of the international market, a year-on-year increase in the finance costs resulting from the proper increase of the Company's borrowings to strengthen the capital reserves for the special period, and the impact of non-recurring gains and losses such as asset impairment provision and non-operating expenses which are considered out of prudence.

The Company is in the process of finalising the interim results of the Group for the six months ended 30 June 2020. 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 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 interim results for the six months ended 30 June 2020 will be disclosed as and when the interim results of the Group for the six months ended 30 June 2020 are announced.

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

By order of the Board
Honghua Group Limited
Jin Liliang
Chairman

PRC,6 August 2020

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.