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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)

INSIDE INFORMATION

EXPECTED DEFAULT OF DEBT IN OFFSHORE SEGMENT

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 and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 28 October 2018 and the circular dated 4 December 2018 (the “**Announcements**”). Unless specified otherwise, capitalised terms used in this announcement shall have the same meanings as those used in the Announcements.

As stated in the Announcements, Honghua Investment, a wholly-owned subsidiary of the Company, entered into the Domestic Debt Repayment Agreement with Jiangsu Offshore and Shanghai Offshore on 28 October 2018, pursuant to which Jiangsu Offshore shall repay not less than RMB802 million to Honghua Investment by 31 December 2021. As Jiangsu Offshore has repaid RMB167.47 million by 31 December 2020 pursuant to the Domestic Debt Repayment Agreement, it is currently required to repay not less than RMB634.53 million to Honghua Investment by 31 December 2021 pursuant to the Domestic Debt Repayment Agreement.

Honghua Holdings, a wholly-owned subsidiary of the Company, entered into the Overseas Debt Repayment Agreement with Tank Tek on 28 October 2018, pursuant to which Tank Tek shall repay not less than US\$9.0404 million (approximately RMB58 million) to Honghua Holdings by 31 December 2021. As Tank Tek has repaid US\$1.8576 million (approximately RMB12 million) by 31 December 2020 pursuant to the Overseas Debt Repayment Agreement, it is currently required to repay not less than US\$7.1828 million (approximately RMB46 million) to Honghua Holdings by 31 December 2021 pursuant to the Overseas Debt Repayment Agreement.

The Company would like to inform that on 19 November 2021, Honghua Investment and Honghua Holdings received letters from Jiangsu Offshore and Tank Tek, respectively, in which each of Jiangsu Offshore and Tank Tek informed Honghua Investment and Honghua Holdings that, based on their current operating and financial conditions, it is expected that they will not be able to repay the debts to Honghua Investment and Honghua Holdings due on 31 December 2021 (the “**Expected Default of Debt in Offshore Segment**”).

According to the applicable laws to the debt repayment agreements, as a result of Jiangsu Offshore and Tank Tek's confirmation on their expected failure to repay the debts on schedule, Honghua Investment and Honghua Holdings are entitled to exercise the security rights in accordance with the requirements under the relevant laws and regulations and the security agreement, including but not limited to the forfeiture of the security deposits, exercise of the equity pledge rights and other relevant legal actions to protect the creditor's rights of Honghua Investment and Honghua Holdings.

For the year ended 31 December 2020, profit attributable to shareholders of the Company was approximately RMB50 million. For the six months ended 30 June 2021, the loss attributable to shareholders of the Company was approximately RMB73 million. As at 30 June 2021, the total assets of the Company amounted to approximately RMB12,660 million. Jiangsu Offshore and Tank Tek are expected to be unable to repay the Company's debt in the total amount of approximately RMB680 million. The Company is of the view that the Expected Default of Debt in Offshore Segment will have material adverse impact on the financial position of the Group.

The Company is currently discussing and studying the implementation plan and assessing the specific impact of the Expected Default of Debt in Offshore Segment on the financial position of the Company. The Company will disclose the significant progress of the above matters as and when appropriate.

Shareholders and potential investors of the Company 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, 21 November 2021

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. Chen Wenle and Mr. Wang Xiuchang; and the independent non-executive directors of the Company are Mr. Chen Guoming, Ms. Su Mei, Mr. Poon Chiu Kwok, Mr. Chang Qing and Mr. Wei Bin.