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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 DEBT DEFAULT OF 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, the circular dated 4 December 2018 and the announcement dated 21 November 2021 (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, on 19 November 2021, Honghua Investment and Honghua Holdings (each being the subsidiary of the Company) received a letter from Jiangsu Offshore and Tank Tek, respectively, informing Honghua Investment and Honghua Holdings that it is expected that they will not be able to repay the debt to Honghua Investment and Honghua Holdings due on 31 December 2021 (the “**Expected Debt Default of Offshore Segment**”). Pursuant to the Domestic Debt Repayment Agreement and the Overseas Debt Repayment Agreement, as at the date of this announcement, the remaining principal and interest of approximately RMB2,206 million of the debt of the Offshore Segment owing to Honghua Investment and Honghua Holdings are outstanding, including the principal and interest of the debt of approximately RMB685 million due on 31 December 2021 and the principal of the debt of approximately RMB1,521 million due on 31 December 2023.

The board of directors of the Company has analyzed the Expected Debt Default of Offshore Segment. Honghua Investment and Honghua Holdings, will exercise the security rights in accordance with the security agreement approved by the independent shareholders of the Company on 20 December 2018 to forfeit the security deposit of RMB40 million from Hongjieding (the guarantor) and recover 51% equity interests in Jiangsu Offshore and 51% equity interests in Shanghai Offshore (the “**Exercise of Security Rights**”). The Company will commence legal proceedings for Exercise of Security Rights. Upon the Exercise of Security Rights by the Company, the Remaining Debt of RMB2,166 million of the Offshore Segment owing to the Honghua Investment and Honghua Holdings will become internal debts of the Group, and subsequently the Company will carry out a comprehensive assessment and treatment in accordance with the Listing Rules and the operating conditions.

The Company is of the view that, based on the abovementioned solution and the information available, the financial loss before tax in an aggregate amount of approximately RMB300-400 million resulting from the Expected Debt Default of Offshore Segment and the Exercise of Security Rights of the Company will be fully recorded in the Group's financial statements for the year. In addition, the Expected Debt Default of Offshore Segment and the Exercise of Security Rights do not trigger any default provisions of the USD bonds of the Company.

Further announcement(s) will be made by the Company if there are other material developments in the Expected Debt Default of Offshore Segment.

To reduce the risk of excessive concentration of the business on traditional energy and to achieve industrial expansion towards new energy, the Company will include offshore wind power as a new energy in the "14th Five-Year Plan". The Company will give full play to the advantages in production capacity of the leading large-scale offshore wind power structures in China through initially revitalizing the production capacity of the Jiangsu Qidong Base in the offshore engineering segment, and the Company will cultivate or jointly form design capacity through optimizing manufacturing process and delivery solutions, so as to build its competitiveness in the industry. In addition, the Company will effectively grasp the golden opportunity of building the coastal wind farm, explore and rationally deploy high value-added businesses such as the operation and maintenance of offshore wind farms, wind power electrical equipment and engineering, and the design and construction of floating wind farms. Upon the Exercise of Security Rights, the Company will continue to focus on promoting the development of offshore wind power as a new energy on the basis of the offshore wind power pile foundation products that have been expanded in the offshore engineering segment, with the products of the offshore wind power pile foundation as its main line, as supplemented by the development of offshore drilling modules and bridge steel structure processing and other business.

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, 25 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.