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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)**

**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 year ended 31 December 2021 and the information currently available to the Company, the Group is expected to record a loss attributable to the shareholders of the Company ranging from RMB700.00 million to RMB800.00 million for the year ended 31 December 2021, as compared to the profit attributable to the shareholders of RMB 49.66 million for the year ended 31 December 2020.

**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 year ended 31 December 2021 and the information currently available to the Company, the Group is expected to record a loss attributable to the shareholders of the Company ranging from RMB700.00 million to RMB800.00 million for the year ended 31 December 2021, as compared to the profit attributable to the shareholders of RMB 49.66 million for the year ended 31 December 2020.

The expected loss for the year ended 31 December 2021 is primarily due to (1) the financial losses caused by the debt default of the Offshore Segment; (2) the continual spread of the COVID-19 pandemic leading to significant decline in international drilling equipment business while the new orders which were mainly signed in the fourth quarter which failing to make up the shortfall of the revenue for the period; (3) the decline of service prices and gross profit margins of our projects resulting from the customers’ prudent measures on capital expenditures; and (4) the effects of impairment of other assets and reversal of deferred income tax assets.

The Company is in the process of finalising the annual results of the Group for the year ended 31 December 2021. 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 2021 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 annual results for the year ended 31 December 2021 will be disclosed as and when the annual results of the Group the year ended 31 December 2021 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, 28 January 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Jin Liliang (Chairman) and Mr. Ren Jie; the non-executive directors of the Company are Mr. Zhang Mi, Mr. Chen Wenle and Mr. Wang Xiuchang; and the independent non-executive directors of the Company are Mr. Chen Guoming, Ms. Su Mei , Mr. Chang Qing and Mr. Wei Bin.*