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宏华集团
HONGHUA GROUP

HONGHUA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 196)

INSIDE INFORMATION

LITIGATION

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 24 May 2018 in relation to pre-litigation property attachment (the “**Previous Announcement**”). Unless specified otherwise, capitalised terms used in this announcement shall have the same meanings as those used in the Previous Announcement.

The Company received a Notification of Proceeding served by the Court pursuant to which Shanghai Shangshi International Trade (Group) Co., Ltd.(上海上實國際貿易(集團)有限公司) (the “**Plaintiff**”) commenced a legal proceedings against Honghua Offshore as the first defendant and Honghua China as the second defendant.

Pursuant to the civil complaint, the plaintiff signed the purchase agency contract with Honghua Offshore in 2015 pursuant to which, the Plaintiff was engaged by Honghua Offshore to purchase equipment and materials. The purchase was guaranteed by Honghua China. The Plaintiff alleged that, up to now, Honghua Offshore and Honghua China should pay the Plaintiff RMB 320, 693, 436.84 for the materials and equipment procurement costs, agency fee and respective interests thereon.

On 5 August 2015, Honghua Offshore and LNG Power Shipping Co., Ltd. (“**LNG Power Shipping**”) entered into a shipbuilding contract pursuant to which Honghua Offshore shall build and sell to LNG Power Shipping 200 sets of LNG power ships. Due to the fact that the

payment by LNG Power Shipping for the ships was not paid in the progress as expected and due to the project management of LNG Power Shipping, the progress of the shipbuilding was delayed, resulting in Honghua Offshore's failure to pay the Plaintiff relevant fees on time.

The Company has sought legal advice on the litigation proceeding and will take all appropriate steps to defend. The Company will make further announcement on the development of the litigation proceeding as and when appropriate.

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
Chen Yajun
Chairman

The PRC, 2 July 2018

As at the date of this announcement, the executive directors of the Company are Mr. Chen Yajun (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. Wu Yuwu.