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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 LITIGATION PROGRESS

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 announcements of the Company dated 24 May 2018 and 2 July 2018, the note 34 to the consolidated financial statements of the annual report of the Company for 2018 and the note 23 to the consolidated financial information of the interim report of the Company for 2019 (“**Such Disclosures**”) in relation to the pre-litigation property preservation and litigation. Unless specified otherwise, capitalised terms used in this announcement shall have the same meanings as those used in Such Disclosures.

On 7 November 2019, the Company received the civil judgment ([2018] Hu 72 Minchu No.3249) (the “**Judgment**”) from Shanghai Maritime Court (the “**Court**”) and the major details are as follows: (1) Honghua Offshore Oil & Gas Equipment (Jiangsu) Co., Ltd. (“**Honghua Offshore**”) shall make the contract payment, pay the agency fee and loan interest in an aggregate amount of RMB 336,620,809.89 to Shanghai Shangshi International Trade (Group) Co., Ltd. (“**Shangshi**”) as plaintiff within 10 days from the effective date of the Judgment and the late payment penalty thereon from 15 February 2018 calculated at 1.3 times of the Renminbi benchmark loan interest rate for financial institutions of the same term published by the People’s Bank of China up to the date of actual payment; (2) Honghua (China) Investment Co, Ltd. (“**Honghua China**”) shall take joint and several liability for the payment obligations of Honghua Offshore as defendant stated under item (1) of the Judgment; (3) LNG Power Shipping Co., Ltd. (“**LNG Power Shipping**”) shall take joint and several liability for the payment obligations of Honghua Offshore as defendant stated under item (1) of the Judgment; and (4) other appeal demands of Shangshi shall be

declined. Taking into account the appeal filed by the Company, the Judgment is in support of the shortfall of more than RMB171 million of the payment made by Honghua Offshore over the claim amount filed by Shangshi.

Pursuant to the laws of the People's Republic of China (the "PRC"), the Judgment is still not effective. Honghua China and Honghua Offshore are entitled to file appeal to Shanghai Higher People's Court within 15 days from the date upon serving of the Judgment. The Company will determine the next step with respect to the Judgment after seeking advice from the legal advisors.

Based on the current conditions of the Group, the management considers that the Judgment will have not material impacts on the business and operation of the Group.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

On behalf of the Board
Honghua Group Limited
Jin Liliang
Chairman

PRC, 11 November 2019

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.