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)

VOLUNTARY ANNOUNCEMENT

DEVELOPMENT OF LITIGATION WITH 57 NATRUAL PERSONS

This is a voluntary announcement made by Honghua Group Limited (the **"Company"**).

Reference is made to the announcement of the Company dated 2 April 2014 in relation to development of litigation with 57 natural persons (the **"Former Announcement"**). Unless the context otherwise defined, terms used in this announcement shall have the same meaning as those used in the Former Announcement.

As stated in the Former Announcement, on 2 April 2014, the Company received an order （（2012）Chuan Min Zhong Zi No. 442）from Sichuan Higher People's Court (the **"Order"**) which ordered that Judgment ((2008) Cheng Min Chu Zi No. 53) made by Chengdu Intermediate Court was vacated and lawsuit under the Order was retried by Chengdu Intermediate Court.

On 24 December 2015, the Company received the Judgment ((2014) Cheng Min Chu Zi No. 1058 from Chengdu Intermediate Court (the "Judgment") which stated that

(1) within 30 days from the effective date of the Judgment, Honghua Company shall pay to the plaintiffs' the economic loss of RMB22,410,740 and dividend of RMB 296,125 together with their respective interests thereon; (2) within 30 days from the effective date of the Judgment, Honghua Company shall pay to the plaintiffs' other economic loss of RMB130,000; and (3) the plaintiffs' other claims were dismissed. For the court proceeding fee of RMB1,790,273.01, RMB300,000 of which shall be borne by the plaintiffs, and RMB 1,490,273.01 of which shall be borne by Honghua Company.

The Judgment also dismissed: (1) RMB 310 million is excess of the plaintiffs' claim for damages of RMB 341,949,961.58; and (2) the plaintiffs' claim against Honghua Holdings as the 2nd defendant and the 3rd to 16th defendants for jointly and severally liable for the plaintiffs' damages.

Pursuant to the laws of the People's Republic of China (the "PRC"), the Judgment has not become effective. The plaintiffs and the 1st and 3rd to 16th defendants have the right to file their respective appeals to the Sichuan Higher People's Court within 15 days from the date of service of the Judgment, whereas the 2nd defendant has the right to file its appeal to the Sichuan Higher People's Court within 30 days from the date of service date of the Judgment.

The Company takes the view that Honghua Company's repurchase of the equity interest and capital reduction were conducted in accordance with the applicable PRC law. Therefore, Honghua Company will file an appeal pursuant to the applicable law.

The Company takes the view that the Judgment will not have adverse impacts on the financial position and the operation of the Group.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

On behalf of the Board
Honghua Group Limited
Zhang Mi
Chairman

PRC, 28 December 2015

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Mi (Chairman), Mr. Ren Jie and Mr. Liu Zhi, the non-executive director of the

Company is Mr. Siegfried Meissner（Mr. PoPin Su as his alternate）and the independent non-executive directors of the Company are Mr. Liu Xiaofeng, Mr. Qi Daqing, Mr. Chen Guoming, Mr. Shi Xingquan and Mr. GuoYanjun.