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HONG HUA

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(1) of the Listing Rules.

The Board wishes to inform the shareholders of the Company and potential investors that it is expected that the profit of the Group for the six months ended 30 June 2009 may decline significantly as compared with those for the corresponding period in 2008.

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(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that it is expected the profit of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2009 may decline significantly as compared with those for the corresponding period in 2008. Based on information currently available to the Company, the Board believes that the negative impact on the profit of the Group for the six months ended 30 June 2009 is mainly attributable to the contraction of global land rig market and significantly drop in customer demand of land drilling rig and rig parts and components caused by drastic fluctuation in oil price since mid-2008 and the global economic crisis.

The Company is in the process of finalizing the interim results of the Group for the six months ended 30 June 2009. The information contained in this announcement is only a preliminary assessment of the management accounts of the Group as at 30 June 2009 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 results will be disclosed as and when the interim results for the six months ended 30 June 2009 is announced.

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

China, 5 August 2009

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 directors of the Company are Mr. He Sean Xing, Mr. Siegfried Meissner and Mr. Xiang Qingsheng and the independent non-executive directors of the Company are Mr. Chen Guoming, Mr. Liu Xiaofeng, Mr. Liu Yinchun, Mr. Qi Daqing, Mr. Tai Kwok Leung, Alexander, Mr. Wang Li and Mr. Shi Xingquan.