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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 results of the Group may record a loss for the six months ended 30 June 2010 as compared to a consolidated profit for the corresponding period in 2009.

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 directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that it is expected that the results of the Company and its subsidiaries (collectively the “**Group**”) may record a loss for the six months ended 30 June 2010 as compared to a consolidated profit for the corresponding period in 2009. Based on information currently available to the Company, the Board believes that the expected loss was mainly attributable to the on-going negative influence of the global financial crisis which had a substantial impact on the revenue of the Group.

The Company is in the process of finalizing the interim results of the Group for the six months ended 30 June 2010. The information contained in this announcement is only a preliminary assessment of the management accounts of the Group as at 30 June 2010 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 in the interim results for the six months ended 30 June 2010 which is expected to be published in August 2010.

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, 6 July 2010

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. Siegfried Meissner and Mr. Huang Dongyang and the independent non-executive directors of the Company are Mr. Chen Guoming, Mr. Liu Xiaofeng, Mr. Qi Daqing, Mr. Tai Kwok Leung, Alexander, Mr. Wang Li and Mr. Shi Xingquan.