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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 consolidated results of the Group may record a continuing loss for the year ended 31 December 2010 as compared to a loss 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 consolidated results of the Company and its subsidiaries (collectively the “**Group**”) may record a continuing loss for the year ended 31 December 2010 as compared to a loss for the corresponding period in 2009. Based on information currently available to the Company, the Board believes that the expected continuing loss was mainly attributable to (i) market recovery in 2010 is not as expected, which led to a reduction in sales; (ii) Zhenhua Project (please refer to the announcement of the Company dated 28 September 2009) is suspended; (iii) the appreciation of the RMB.

The Company is in the process of finalizing the annual results of the Group for the year ended 31 December 2010. The information contained in this announcement is only a

preliminary assessment of the management accounts of the Group as at 31 December 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 as and when the annual results for the year ended 31 December 2010 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, 7 January 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.*