

The estimated combined profit attributable to the equity holders of the parent for the financial year ended December 31, 2007 is set out in the section headed “Financial Information — Profit Estimate” in this Prospectus.

(A) Bases and Assumptions

The Directors have prepared the estimate of our combined profit attributable to the equity holders of the parent for the financial year ended December 31, 2007 based on our combined results based on our audited combined results for the eight months ended August 31, 2007, our unaudited results for the three months ended August 31, 2007 and an estimate of our combined results for the remaining four months ended December 31, 2007.

The profit estimate has been prepared on the basis of accounting policies consistent in all material respects with those currently adopted by us as summarized in the accountants' report, the text of which is set forth in Appendix I to this Prospectus.

The Directors have made the following principal assumptions in the preparation of the profit estimate:

- There will be no material changes in existing government policies or political, legal, including changes in legislations or rules, regulatory, fiscal, economic or market conditions in PRC.
- There will be no material changes in inflation. For exchange rate, we assume that exchange rate of US dollar to Renminbi is fixed at US\$1:RMB7.5 for the four months ended December 31, 2007. For the four months ended December 31, 2007, the estimate loan rate will be 6.318% per annum, which is based on the annual interest rates specified in the signed loan contracts; and the annual interest rates for deposits are assumed to be the prevailing deposit interest rate.
- There will be no material changes in the PRC taxation basis or policies. The applicable tax rate to the Group is partially impacted (please refer to the relevant sections below for detail information).
- There will be no government actions, or any other unforeseen circumstances beyond the control of the Group which will have material adverse effect on the operation and results of the Group.
- The Group is not materially and adversely affected by any of the risk factors set out in the section headed “Risk factors” of the Prospectus.
- The contribution of the investment in Sino-Egyptian Joint Venture will be insignificant to the profit of 2007, therefore we assume that there will be no contribution to our Group's profit by the joint venture.
- Total number of shares of the Company before IPO is 2,500,000,000 and is expected to be 3,333,360,000 after IPO. The IPO price is estimated at about HK\$4 per share. We planned 60,000,000 shares will be granted to some staff of the Group. The expiry period will be 5 years and 20% of the total share options is expected to be exercised per year since IPO.

(B) Letters

The following is the text of a letter, prepared for inclusion in this Prospectus, received by our Directors from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in connection with the estimate of our combined net profit attributable to the Shareholders for the year ended December 31, 2007.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong
February 25, 2008

The Directors
Honghua Group Limited
Credit Suisse (Hong Kong) Limited
Morgan Stanley Asia Limited

Dear Sirs,

We have reviewed the accounting policies and calculations adopted in arriving at the estimated combined profit attributable to the equity holders of Honghua Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended December 31, 2007 (the "Estimate"), for which the Directors of the Company (the "Directors") are solely responsible, as set forth under "Profit estimate for the financial year ended December 31, 2007" in the section headed "Financial Information — Profit estimate for the year ended December 31, 2007" in the Prospectus of the Company dated February 25, 2008 (the "Prospectus").

The Estimate has been prepared by the Directors based on the combined results of the Group based on the audited combined results for the eight months ended August 31, 2007, and the unaudited management accounts of the Group for the four months ended December 31, 2007.

In our opinion, so far as the accounting policies and calculations are concerned, the Estimate has been properly compiled on the bases and assumptions adopted by the Directors as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in our accountants' report dated February 25, 2008, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The following is the text of a letter, prepared for inclusion in this Prospectus, received by our Directors from the Sponsors in connection with the estimate of our combined net profit attributable to the Shareholders for the year ended December 31, 2007.

Credit Suisse (Hong Kong) Limited
45/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Morgan Stanley Asia Limited
30/F, Three Exchange Square
Central
Hong Kong

February 25, 2008

The Board of Directors
Honghua Group Limited

Dear Sirs,

We refer to the estimate of the combined net profit attributable to the shareholders of Honghua Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended December 31, 2007 (the “Estimate”) as set out in the subsection headed “Profit Estimate for the Year Ended December 31, 2007” under the section headed “Financial Information” in the Prospectus of the Company dated February 25, 2008 (the “Prospectus”).

We have discussed with you the bases and assumptions made by you as set out in Appendix III to the Prospectus upon which the Estimate has been made. We have also considered the letter dated today addressed to yourselves and ourselves from KPMG regarding the accounting policies and calculations upon which the Estimate has been made.

On the basis of the foregoing and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Estimate, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Credit Suisse (Hong Kong) Limited

Paul Su
Managing Director

For and on behalf of
Morgan Stanley Asia Limited

Terence Keyes
Managing Director