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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)

(1) ENTERING INTO A SALE AND PURCHASE AGREEMENT
AND
(2) RESUMPTION OF TRADING

This announcement is made pursuant to Rule 13.09(1) of the Rules on Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The board (the “**Board**”) of Honghua Group Limited (the “**Company**”) is pleased to announce that to develop and expand the drilling rig market of the Company and its subsidiaries (the “**Group**”) in Russia, on 6 August 2008, Sichuan Honghua Petroleum Equipment Co. Ltd. (“**Sichuan Honghua**”), an indirect wholly-owned subsidiary of the Company and Well Drilling Company Ltd. (“**Well Drilling**”) entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) pursuant to which Sichuan Honghua shall sell to Well Drilling and Well Drilling shall purchase from Sichuan Honghua the drill rigs.

The total consideration under the Sale and Purchase Agreement exceeds US Dollars two hundred million, representing an approximately 40% of the Company’s total assets as at 31 December 2007 and 50% of the Company’s total revenue for the year ended 31 December 2007 respectively. The Board is of the view that the sale proceeds from the transaction contemplated under the Sale and Purchase Agreement is of a revenue in nature in the ordinary and usual course of business of the Company under Rule 14.04(1)(g) of the Listing Rules.

To the best of the Company’s directors’ knowledge, information and belief, and having made all reasonable enquiries, Well Drilling is a third party independent of the Group and its connected persons (as defined in the Listing Rules).

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 8 August 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares of the Company on the Stock Exchange with effect from 9:30 a.m. on 11 August 2008.

By order of the Board of
Honghua Group Limited
Zhang Mi
Chairman

PRC, 10 August 2008

As at the date of this announcement, our directors are Mr. Zhang Mi (Chairman), Mr. Ren Jie and Mr. Liu Zhi as executive directors, Mr. He Sean Xing, Mr. Xiang Qingsheng and Mr. Siegfried Meissner as non-executive directors, and Mr. Chen Guoming, Mr. Tai Kwok Leung, Alexander, Mr. Liu Xiaofeng, Mr. Liu Yinchun, Mr. Qi Daqing, Mr. Wang Chunlin and Mr. Wang Li as independent non-executive directors.