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Hongguo International Holdings Limited

鴻國國際控股有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 1028

BUSINESS UPDATE OF THE GROUP FOR THE FOURTH QUARTER OF 2011

The Board is pleased to provide the business development update of the Group for the fourth quarter of 2011.

This announcement is made pursuant to rule 13.09(1) of the Listing Rules.

The board of directors (the “**Board**”) of Hongguo International Holdings Limited (the “**Company**”) is pleased to provide the business development update of the Company and its subsidiaries (together, the “**Group**”) for the fourth quarter of 2011. This announcement is made 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**”).

Distribution and Retail Network

As at 31 December 2011, the Group’s distribution and retail network consisted of 1,748 outlets, with an increase of 459 outlets from 1,289 outlets as at 31 December 2010, located in 31 provinces, autonomous regions and municipalities in the People’s Republic of China.

	As at 31 December 2010	As at 31 December 2011	Net addition
Proprietary outlets	972	1,311	339
Third party outlets	<u>317</u>	<u>437</u>	<u>120</u>
Total:	1,289 =====	1,748 =====	459 =====

The increase of the number of the Group’s outlets is in line with the outlets development plan of 2011. The increase of the sales growth rate of the outlets is corresponding to the estimated growth.

Period-on-period Same-store Sales Growth Rate

For the twelve months ended 31 December 2011, the Group achieved the same-store sales growth rate of approximately 14.6% from the same period in 2010, of which the Group achieved the same-store sales growth rate for the three months ended 31 December 2011 of approximately 12.2% from the same period in 2010.

	The fourth quarter of 2011	2011 Full Year
Period-on-period same-store sales growth rate	12.2%	14.6%

By order of the Board
Hongguo International Holdings Limited
Chen Yixi
Chairman

Hong Kong, 19 January 2012

As at the date of this announcement, the executive directors of the Company are CHEN Yixi, LI Wei, ZHAO Wei, HUO Li and XU Tingyu, the non-executive director of the Company is MIAO Bingwen; and the independent non-executive directors of the Company are XU Chengming, LI Xindan and KWONG Wai Sun Wilson.

** for identification purpose only*