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## **HONG LONG HOLDINGS LIMITED**

**鴻隆控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1383)**

### **MAJOR TRANSACTION IN RESPECT OF THE DISPOSAL OF THE ENTIRE REGISTERED SHARE CAPITAL OF SHENYANG HONG LONG REAL ESTATES COMPANY LIMITED**

#### **THE AGREEMENT**

On 6 January 2012 (after trading hours), Hong Long Property, an indirect wholly-owned subsidiary of the Company entered into the Agreement pursuant to which Hong Long Property has agreed to sell and Shenyang Hexinheng has agreed to purchase the Sale Capital for the Consideration of RMB82,000,000 (equivalent to approximately HK\$100,860,000).

#### **LISTING RULES IMPLICATIONS**

The Disposal constitutes a major transaction on the part of the Company under the Listing Rules and thus the Agreement and the transactions contemplated thereunder require the approval of the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting to approve the ordinary resolution in respect of the Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other matters, further details of the Disposal, a valuation report on the Project held by Shenyang Hong Long and a notice to convene the EGM will be despatched to the Shareholders in compliance with the Listing Rules on or before 1 February 2012.

## **THE AGREEMENT**

**Date:** 6 January 2012 (after trading hours)

**Parties:** (1) Hong Long Property (as vendor)

(2) Shenyang Hexinheng (as purchaser)

Hong Long Property is an indirect wholly-owned subsidiary of the Company established in the PRC and is principally engaged in investment holding and property development. It holds the entire registered share capital of Shenyang Hong Long.

Shenyang Hexinheng is a company established in the PRC and is principally engaged in battery components production, electronic equipment spare parts processing and property development. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenyang Hexinheng and its ultimate beneficial owners are Independent Third Parties.

### **Assets to be disposed**

Pursuant to the terms of the Agreement, Hong Long Property has agreed to sell and Shenyang Hexinheng has agreed to purchase the Sale Capital. The Sale Capital represents the entire registered share capital of Shenyang Hong Long.

### **Consideration**

The Consideration for the Sale Capital is RMB82,000,000 (equivalent to approximately HK\$100,860,000).

The Consideration shall be paid in cash by Shenyang Hexinheng in the following manner:

- (a) RMB50,000,000 (equivalent to approximately HK\$61,500,000) as the first installment of the Consideration shall be paid in cash to the escrow account held by the Consideration escrow agent jointly appointed by the parties to the Agreement within 5 business days after the date of the Agreement. The RMB50,000,000 shall be released to Hong Long Property in accordance with the procedures as set out in the section headed "Completion" in this announcement; and
- (b) the balance of the consideration of RMB32,000,000 (equivalent to approximately HK\$39,360,000) shall be paid in cash to Hong Long Property within 30 days after the Administration for Industry and Commerce has issued the Approval Notice.

The Consideration was arrived at after arm's length negotiations between the parties to the Agreement with reference to the estimated value of the Project.

## **Custody of corporate documents and contracts of Shenyang Hong Long**

Within five business days after the date of the Agreement, Hong Long Property shall hand over the company seals, corporate documents, books and records and contracts of Shenyang Hong Long to the articles escrow agent jointly appointed by the parties to the Agreement for custody. All use of the aforementioned documents and materials shall be under the supervision of the articles escrow agent.

Upon production by Shenyang Hexinheng of the payment voucher issued by the Consideration escrow agent for the payment of the RMB50,000,000 to Hong Long Property, the articles escrow agent shall hand over the aforementioned documents and materials to Shenyang Hexinheng within three business days.

### **Conditions**

Completion of the Agreement shall be conditional upon:

- (a) the passing of the relevant resolution(s) by the Shareholders at the EGM approving the Agreement and the transactions contemplated thereunder (if necessary);
- (b) Shenyang Hexinheng having completed the due diligence review on Shenyang Hong Long and being generally satisfied with the results of the due diligence review;
- (c) the valuation of the Project being not less than RMB82,000,000 (equivalent to approximately HK\$100,860,000) under the valuation report prepared by an independent valuer agreed to be appointed by the parties to the Agreement;
- (d) the warranties provided by Hong Long Property under the Agreement remaining true and accurate and not being misleading in all respects from the date of the Agreement to the date of completion of the Agreement;
- (e) the warranties provided by Shenyang Hexinheng under the Agreement remaining true and accurate and not being misleading in all respects from the date of the Agreement to the date of completion of the Agreement; and
- (f) the compliance of the provisions under the Listing Rules, other regulations of the Stock Exchange or other regulatory authorities or all applicable laws and regulations which shall be complied with by the Company in respect of the transactions contemplated under the Agreement.

In the event that the Conditions cannot be fulfilled, which causes the Agreement not to be completed, Hong Long Property shall be responsible for all the losses incurred by Shenyang Hexinheng as a result of non-completion of the Agreement.

## **Completion**

After all the Conditions have been fulfilled, Hong Long Property shall cooperate with Shenyang Hexinheng to attend to the procedures for the registration of the transfer of the Sale Capital with the Administration for Industry and Commerce. The Approval Notice shall be obtained by the parties to the Agreement within seven business days after all the Conditions have been fulfilled.

Upon production of the Approval Notice to the Consideration escrow agent, the Consideration escrow agent shall release the RMB50,000,000 in the escrow account to Hong Long Property within three business days.

The balance of the consideration of RMB32,000,000 (equivalent to approximately HK\$39,360,000) shall be paid in cash by Shenyang Hexinheng to Hong Long Property within 30 days after the Administration for Industry and Commerce has issued the Approval Notice.

Upon completion of the Disposal, Shenyang Hong Long will cease to be a subsidiary of the Company.

## **Employees of Shenyang Hong Long**

Hong Long Property shall procure the termination of the labour contracts between Shenyang Hong Long and all of its employees within one month after all the Conditions have been fulfilled (or waived, as the case may be) and payment of all the compensation in accordance with the relevant labour laws of the PRC.

All the costs incurred by Shenyang Hong Long in relation to the employment of the employees employed by Shenyang Hong Long before the Record Date prior to the termination of such employment shall be borne by Hong Long Property.

## **Liabilities of Shenyang Hong Long**

After the transfer of the Sale Capital, Hong Long Property and Shenyang Hexinheng shall confirm in writing the liabilities and indebtedness of Shenyang Hong Long. All the liabilities and indebtedness as recorded in such written confirmation and the obligations derived from such liabilities and indebtedness shall continue to be borne by Shenyang Hong Long.

The liabilities and indebtedness incurred before the Record Date and not recorded in the written confirmation shall be borne by Hong Long Property.

All new liabilities and indebtedness incurred by Shenyang Hong Long after the Record Date shall be borne by Shenyang Hong Long.

## **Guarantee**

Pursuant to the terms of the Agreement, 深圳鴻隆商業管理有限公司 (Shenzhen Hong Long Commercial Management Company Limited<sup>#</sup>) (“**Shenzhen Hong Long**”) and 遼寧明和產業有限公司 (Liaoning Minghe Properties Company Limited<sup>#</sup>) (“**Liaoning Minghe**”) have respectively provided guarantee for the performance of the obligations of Hong Long Property and Shenyang Hexinheng under the Agreement.

Shenzhen Hong Long is an indirect wholly-owned subsidiary of the Company. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Liaoning Minghe and its ultimate beneficial owners are Independent Third Parties.

## **INFORMATION ON SHENYANG HONG LONG**

Shenyang Hong Long, a direct wholly owned subsidiary of Hong Long Property, is a company established in the PRC at 12 November 2010 with limited liability and is principally engaged in property development. Shenyang Hong Long is the owner of the Project.

The site area of the Project is approximately 55,435 square metres and with planned total gross floor area of approximately 194,000 square metres. The Project planned to be built a hotel with gross floor area of approximately 66,000 square metres, 2 blocks of complex which contain office units and retail shops with gross floor area of approximately of 128,000 square metres. The Project is under construction and planned to be completed in 2013.

According to the unaudited financial statements of Shenyang Hong Long for the period from 12 November 2010 to 31 December 2010, which is prepared in accordance with generally accepted accounting principles in the PRC, Shenyang Hong Long has a turnover of RMB Nil (equivalent to HK\$ Nil) and the net loss before and after tax and extraordinary items were approximately RMB33,000 (equivalent to approximately HK\$40,590). The unaudited net asset value of Shenyang Hong Long was approximately RMB1,966,000 (equivalent to approximately HK\$2,418,000) as at 31 December 2010.

According to the unaudited financial statements of Shenyang Hong Long for the 6 months ended 30 June 2011, which is prepared in accordance with generally accepted accounting principles in the PRC, Shenyang Hong Long has a turnover of RMB Nil (equivalent to HK\$ Nil) and the net loss before and after tax and extraordinary items were approximately RMB665,000 (equivalent to approximately HK\$817,950). The unaudited net asset value of Shenyang Hong Long was approximately RMB56,301,000 (equivalent to approximately HK\$69,250,230) as at 30 June 2011.

## **REASON FOR THE DISPOSAL**

The Group is principally engaged in property development and leasing of middle to high range residential and commercial properties in Guangdong, Anhui and Liaoning Provinces, the PRC.

The Directors consider that the Disposal represents a good opportunity for the Group to realize its investment in the Project at a fair and reasonable price. In addition, the Group will no longer be required to provide additional resources for the Project, so that the Group may reallocate its resources to other investments in the Group which may generate higher returns for the Group. In addition, the proceeds from the Disposal will bring an immediate cash inflow to the Group, which will improve the working capital position of the Group.

As the result of the Disposal, the Directors expect that the Group would record an unaudited gain on the Disposal of approximately HK\$31,316,000, being the difference between the estimated net proceeds from the Disposal of approximately HK\$99,630,000 (after deducting all relevant fees and expenses) and the net assets value of Shenyang Hong Long of approximately HK\$68,314,000 as at 30 November 2011 in the accounts of the Group. The net proceeds from the Disposal will be used as general working capital of the Group.

Based on the above, the Directors consider that the terms and conditions of the Disposal are fair and reasonable and on normal commercial terms and are in the interests of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Disposal constitutes a major transaction on the part of the Company under the Listing Rules and thus the Agreement and the transactions contemplated thereunder require the approval of the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting to approve the ordinary resolution in respect of the Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other matters, further details of the Disposal, a valuation report on the Project held by Shenyang Hong Long and a notice to convene the EGM will be despatched to the Shareholders in compliance with the Listing Rules on or before 1 February 2012.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

<b>“Agreement”</b>	the agreement dated 6 January 2012 and entered into between Hong Long Property and Shenyang Hexinheng in relation to the sale and purchase of the Sale Capital
<b>“Approval Notice”</b>	the approval notice issued by the Administration for Industry and Commerce with respect to the approval of the registration of the transfer of the Sale Capital
<b>“Board”</b>	the board of Directors

<b>“Company”</b>	Hong Long Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
<b>“connected person”</b>	has the meaning ascribed to this term under the Listing Rules
<b>“Conditions”</b>	the conditions precedent to the completion of the Agreement
<b>“Consideration”</b>	the consideration of RMB82,000,000 (equivalent to approximately HK\$100,860,000) to be satisfied by Shenyang Hexinheng for the acquisition of the Sale Capital
<b>“Directors”</b>	directors of the Company
<b>“Disposal”</b>	the disposal by Hong Long Property of the Sale Capital subject to and upon the terms and conditions of the Agreement
<b>“EGM”</b>	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Hong Long Property”</b>	鴻隆地產集團有限公司 (Hong Long Property Group Limited <sup>#</sup> ), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
<b>“Independent Third Party”</b>	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“PRC”</b>	the People’s Republic of China but excluding, for the purposes of this Announcement, Hong Kong, the Macau Special Administrative Region and Taiwan

<b>“Project”</b>	the project for developing a complex comprising commercial units with planned total gross floor area of about 194,000 square metres on the land with a total site area of approximately 55,435 square metres, the land use right to which is vested to Shenyang Hong Long under the State-owned Land Use Right Certificate No. Shen Kai Guo Yong (2011) Di 117 Hao.
<b>“Record Date”</b>	the date of the Administration for Industry and Commerce has issued the Approval Notice
<b>“Sale Capital”</b>	the entire registered capital of Shenyang Hong Long in the sum of RMB57,000,000 (equivalent to approximately HK\$70,110,000)
<b>“Shareholders”</b>	holders of the issued Shares
<b>“Shares”</b>	ordinary shares of HK\$0.01 each in the issued share capital of the Company
<b>“Shenyang Hexinheng”</b>	瀋陽和信恒實業有限公司 (Shenyang Hexinheng Company Limited <sup>#</sup> ), a company established in the PRC and an Independent Third Party
<b>“Shenyang Hong Long”</b>	瀋陽鴻隆置業有限公司 (Shenyang Hong Long Real Estates Company Limited <sup>#</sup> ), a company established in the PRC and a direct wholly-owned subsidiary of Hong Long Property
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC

By order of the Board  
**Hong Long Holdings Limited**  
**Chau Cheok Wa**  
*Chairman*

Hong Kong, 6 January 2012

*For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.23. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.*

*<sup>#</sup> The English transliteration of the Chinese names in the announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

*As at the date of this announcement, the executive Directors are Mr. CHAU Cheok Wa, Mr. ZENG Yunshu, Mr. LEE Chi Shing Caesar, Ms. YEUNG So Mui, Ms. CHENG Mei Ching, Ms. YEUNG So Lai and Mr. LEUNG Ming Ho Vincent; and the independent non-executive Directors are Dr. LI Jun, Mr. CHEUNG Ngai Lam and Mr. CHEUNG Kwok Yu.*