
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hong Long Holdings Limited (the “Company”), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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鴻隆控股
HONG LONG
Holdings

鴻隆控股有限公司

Hong Long Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

MAJOR TRANSACTION
DISPOSAL OF 100% EQUITY INTEREST
IN LUXEGOOD DEVELOPMENT LIMITED

Financial adviser to Hong Long Holdings Limited



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

A letter from the board of directors of the Company is set out on pages 5 to 14 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Conference Room, Room 2203, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong on Friday, 24 February 2012 at 4:00 p.m. or any adjournment thereof is set out on pages 41 to 42 of this circular. A form of proxy for use in the extraordinary general meeting is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company’s Hong Kong branch share registrar and transfer office at Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the extraordinary general meeting of the Company should you so wish.

8 February 2012

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Appendix I – Financial information of the Group	15
Appendix II – Property valuation report	17
Appendix III – General information	34
Notice of EGM	41

DEFINITIONS

In this circular, unless the context requires otherwise, capitalised terms used shall have the following meanings:

“Announcements”	the announcements of the Company dated 1 August 2011 and 30 December 2011 in relation to the Luxegood Disposal
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day(s)”	a day (not being a Saturday, Sunday or days on which a typhoon signal No. 8 or above or black rainstorm warning is hoisted in Hong Kong at 12:00 noon) on which banks are generally open for general banking business in Hong Kong
“BVI”	the British Virgin Islands
“Company”	Hong Long Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Luxegood Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HLP”	鴻隆地產集團有限公司 (Hong Long Property Group Company Limited*), a company established in the PRC with limited liability and is wholly owned by the Company

DEFINITIONS

“HLP Loan”	the loan due to the Shenzhen Branch of Hua Xia Bank by HLP, under which the properties held by Xingning HL was pledged as part of the security
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Latest Practicable Date”	6 February 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2012, or such later date as the parties to the Luxegood Agreement may agree in writing
“Luxegood”	華佳發展有限公司 (Luxegood Development Limited), a company incorporated in the BVI with limited liability and is wholly owned by the Company
“Luxegood Agreement”	the conditional equity transfer agreement in relation to the Luxegood Disposal entered into between the Company and Ning Jiang on 1 August 2011
“Luxegood Completion”	completion of the Luxegood Disposal
“Luxegood Consideration”	the consideration of HK\$294.84 million payable by Ning Jiang to the Company for the Luxegood Disposal pursuant to the Luxegood Agreement (as supplemented by the Supplemental Agreement)
“Luxegood Disposal”	the disposal by the Company to Ning Jiang of the Luxegood Interest and the Sales Loan pursuant to the Luxegood Agreement (as supplemented by the Supplemental Agreement)
“Luxegood Group”	Luxegood and Xingning HL
“Luxegood Interest”	100% equity interest in Luxegood

DEFINITIONS

“Ning Jiang”	Ning Jiang Holdings Limited, a company incorporated in the BVI with limited liability, the purchaser of Luxegood Interest and the Sales Loan under the Luxegood Agreement
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Remaining Group”	the Company and its subsidiaries immediately after the Luxegood Completion
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Loan”	the loan due to the Group by the Luxegood Group
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement entered into by the Company (as vendor) and Ning Jiang (as purchaser) on 30 December 2011 to amend certain terms of the Luxegood Agreement
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong
“Xingning HL”	興寧市鴻隆房地產實業有限公司 (Xingning Hong Long Property Development Corporation Limited*), a company established in the PRC with limited liability and is wholly owned by Luxegood
“%”	per cent.

DEFINITIONS

For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB\$1.00:HK\$1.20. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rate or any other rates at all.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

** For identification purpose only*

LETTER FROM THE BOARD



鴻隆控股
HONG LONG
Holdings

鴻隆控股有限公司

Hong Long Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

Executive Directors:

Mr. CHAU Cheok Wa (*Chairman*)
Mr. ZENG Yunshu
Mr. LEE Chi Shing Caesar
Ms. YEUNG So Mui
Ms. CHENG Mei Ching
Ms. YEUNG So Lai
Mr. LEUNG Ming Ho Vincent

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
George Town
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Dr. LI Jun
Mr. CHEUNG Ngai Lam
Mr. CHEUNG Kwok Yu

*Head office and principal place of
business in Hong Kong:*

Room 2108, 21/F.,
China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central
Hong Kong

8 February 2012

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
DISPOSAL OF 100% EQUITY INTEREST
IN LUXEGOOD DEVELOPMENT LIMITED**

INTRODUCTION

Reference is made to the Announcements regarding the Luxegood Disposal.

The purpose of this circular is to provide you with, among other things, further details of the Luxegood Disposal and a notice of EGM at which resolution(s) will be proposed to consider and, if thought fit, approve the Luxegood Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

LETTER FROM THE BOARD

THE LUXEGOOD AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

On 1 August 2011 (after trading hours), the Company (as vendor) entered into the Luxegood Agreement with Ning Jiang (as purchaser), pursuant to which Ning Jiang has conditionally agreed to acquire for and the Company has conditionally agreed to dispose of the Luxegood Interest and the Sales Loan at the Luxegood Consideration of HK\$323.17 million.

Pursuant to the Luxegood Agreement, the Long Stop Date would be 31 December 2011. Due to additional time required for the preparation of this circular, the Company and Ning Jiang expected that the Luxegood Disposal would not be completed on or before 31 December 2011 and that the property price in the PRC may decrease from the date of the Luxegood Agreement to the date of Luxegood Completion. Accordingly, on 30 December 2011 (after trading hours), the Company (as vendor) and Ning Jiang (as purchaser) further entered into the Supplemental Agreement to amend certain terms of the Luxegood Agreement.

Pursuant to the Supplemental Agreement, the Luxegood Consideration is adjusted from HK\$323.17 million to HK\$294.84 million, representing a downward adjustment of HK\$28.33 million.

Set out below are the principal terms of the Luxegood Agreement (as supplemented by the Supplemental Agreement):

Date:

1 August 2011 (as supplemented on 30 December 2011)

Parties involved:

Purchaser

Ning Jiang

Ning Jiang is an investment holding company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Ning Jiang, its ultimate beneficial owner(s) and its associates are (i) Independent Third Parties; and (ii) not a party acting in concert (as defined under the Takeovers Code) with any substantial Shareholders.

In addition, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) Ning Jiang and its associates did not hold any Shares or other convertible securities in the Company as at the date of the Luxegood Agreement; and (ii) there is no previous transaction or business relationship between the Company and Ning Jiang and/or its associates which would result in aggregation under Rule 14.22 of the Listing Rules.

LETTER FROM THE BOARD

Vendor

The Company

Assets to be disposed of:

Pursuant to the Luxegood Agreement (as supplemented by the Supplemental Agreement), Ning Jiang has conditionally agreed to acquire for and the Company has conditionally agreed to dispose of the Luxegood Interest and the Sales Loan at the Luxegood Consideration. The Luxegood Interest represents the entire equity interest in Luxegood. The Luxegood Group is principally engaged in the development and sale of residential properties in Xingning, Guangdong Province, the PRC.

The Luxegood Consideration:

The Luxegood Consideration shall be HK\$294.84 million (subject to adjustment). Out of the entire Luxegood Consideration, RMB70 million (equivalent to approximately HK\$84 million) shall be applied for settlement of part of the HLP Loan in order to release the pledge over the properties held by Xingning HL.

The Luxegood Consideration was determined between the Company and Ning Jiang after arm's length negotiations with reference to (i) the unaudited consolidated net liabilities of the Luxegood Group of approximately RMB11.25 million (equivalent to approximately HK\$13.50 million) as at 30 June 2011; (ii) the Sales Loan of approximately RMB265.82 million (equivalent to approximately HK\$318.98 million); and (iii) the expectation on the decrease in property price in the PRC from the date of the Luxegood Agreement to the date of Luxegood Completion. Such expectation was based on the macroeconomic policies of the PRC government taking effect and the trends of PRC real estate market price which has changed from steady to declining.

Pursuant to the Luxegood Agreement (as supplemented by the Supplemental Agreement), the Luxegood Consideration shall be payable in cash in two installments as follows:

- (i) a deposit of HK\$30 million shall be paid within three Business Days from the date of signing of the Luxegood Agreement (the "**Deposit**"); and
- (ii) the remaining balance of HK\$264.84 million shall be paid upon the Luxegood Completion.

Should Ning Jiang fail to pay the remaining balance of in accordance with the Luxegood Agreement (as supplemented by the Supplemental Agreement), Ning Jiang shall be liable to pay the Company a penalty being equivalent to 0.05% of the remaining balance of the Luxegood Consideration per day. Such penalty shall be deducted from the Deposit paid by Ning Jiang. Should Ning Jiang fail to pay the remaining balance within 15 days from the Luxegood Completion, the Company shall have the right to terminate the Luxegood Agreement (as supplemented by the Supplemental Agreement) and the Deposit shall be forfeited without giving any notice.

LETTER FROM THE BOARD

Under the Luxegood Agreement (as supplemented by the Supplemental Agreement), the Company warranted that all the liabilities of Xingning HL have been disclosed to Ning Jiang before the signing of the Luxegood Agreement. In the event that there is any liability other than those disclosed (the “**Undisclosed Liabilities**”), (i) the Company shall compensate Ning Jiang for the Undisclosed Liabilities by reducing the exact amount of the Undisclosed Liabilities from the Luxegood Consideration; or (ii) Ning Jiang shall have the right to request the Company for repayment after its settlement of the Undisclosed Liabilities. As at the Latest Practicable Date, Luxegood Group has no liability other than those disclosed to Ning Jiang before the signing of the Luxegood Agreement.

The Directors are of the view that the Luxegood Consideration is fair and reasonable.

Conditions precedent:

Completion of the Luxegood Agreement (as supplemented by the Supplemental Agreement) is subject to the satisfactory fulfillment or waiver (as the case may be) by the Company and Luxegood of the following conditions:

- (i) the passing of ordinary resolution(s) at the EGM in accordance with the requirements of the Listing Rules and all other applicable laws and regulations to approve the Luxegood Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder;
- (ii) the passing of a resolution by the board of directors of Luxegood to approve the transfer of the Luxegood Interest;
- (iii) all necessary internal procedures, consents and approvals in relation to the transfer of the Luxegood Interest having been completed or obtained by the Company;
- (iv) all necessary internal procedures, consents and approvals in relation to the transfer of the Luxegood Interest having been completed or obtained by Ning Jiang on or before the signing of the Luxegood Agreement; and
- (v) the completion of the due diligence investigations conducted by Ning Jiang on the Luxegood Group within 14 Business Days from the signing of the Luxegood Agreement, and the result of such due diligence investigations being satisfactory to Ning Jiang.

Both of the Company and Ning Jiang undertake to employ its reasonable endeavours to procure the fulfillment of the conditions as set out above. Ning Jiang may at any time waive any of the conditions (other than condition (i) above) in writing. If the conditions are not fulfilled or waived by Ning Jiang on or before the Long Stop Date, the Luxegood Agreement (as supplemented by the Supplemental Agreement) shall lapse and be of no further effect. Nevertheless, the Company shall refund the Deposit and all other payment made by Ning Jiang pursuant to the Luxegood Agreement (as supplemented by the Supplemental Agreement), to Ning Jiang within seven Business Days from the Long Stop Date. None of the parties to the Luxegood Agreement shall have any claim against or liability to the other party save and except for any antecedent breach.

LETTER FROM THE BOARD

As at the Latest Practicable Date, save as and except for conditions (iv) and (v) above, none of the above conditions had been satisfied or waived by Ning Jiang.

Financial cut-off date:

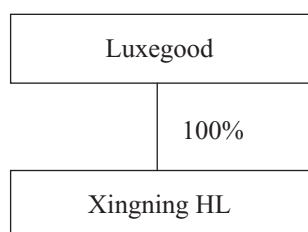
Pursuant to the Luxegood Agreement (as supplemented by the Supplemental Agreement), the financial cut-off date of the Luxegood Disposal is 30 June 2011.

Completion:

The Luxegood Completion shall take place within seven Business Days from the satisfactory fulfillment or waiver (as the case may be) of the conditions precedent to the Luxegood Agreement (as supplemented by the Supplemental Agreement) as set out above.

INFORMATION ON THE LUXEGOOD GROUP

The following charts show the shareholding structure of the Luxegood Group as at the Latest Practicable Date:



Luxegood

Luxegood is an investment holding company incorporated in the BVI with limited liability and is wholly-owned by the Company. As at the Latest Practicable Date, Luxegood holds 100% equity interest in Xingning HL.

Xingning HL

Xingning HL is established in the PRC with limited liability. Xingning HL is principally engaged in the development and sale of residential properties in Xingning, Guangdong Province, the PRC. As at the Latest Practicable Date, Xingning HL holds a property project named Ningjiang Uptown located in Xingning, Guangdong Province, the PRC, with a total gross floor area of approximately 469,000 sq.m. (subject to the final building plan). Ningjiang Uptown is a residential and commercial complex with two phases of development. Phase 1 of the project comprises nine residential blocks and retail shops with a total gross floor area of approximately 95,000 sq.m., out of which a total of approximately 39,000 sq.m. had been sold in year 2009 and 2010. Xingning HL has not delivered any area of Ningjiang Uptown during the year ended 31 December 2011. The remaining floor area of Phase I has been completed and planned to be delivered in around March 2012. Xingning HL has the rights to sell Phase I of Ningjiang Uptown. Nevertheless, the building ownership certificates for the remaining area of Phase 1 have not been obtained and it is a common practice that the building ownerships certificates would be applied by

LETTER FROM THE BOARD

the customer directly when sold. As the assets to be disposed of under the Luxegood Disposal are the Luxegood Interest and the Sales Loan instead of direct transfer of Ningjiang Uptown, Xingning XL is not required to apply the building ownership certificates for the purpose of the Luxegood Disposal and the Luxegood Disposal would not be affected by the absence of the building ownership certificates. The gross floor area of Phase 2 is approximately 374,000 sq.m. The total gross floor area and the plot ratio in Ningjiang Uptown Phase 2 has not over the stipulated total gross floor area and the maximum plot ratio in Land Use Right Grand Contract, Xingning HL is not required to legally change the plot ratio before the Luxegood Completion. The construction of the first eight residential blocks and retail shops with a total gross floor area of approximately 140,000 sq.m. has commenced in July 2011 and is expected to be completed in June 2012. The entire construction work of Phase 2 is expected to be completed in March 2017. As at the Latest Practicable Date, permits required under relevant PRC regulations for the construction of Phase 2 of Ningjiang Uptown has not been obtained. Given the commencement of the construction work of Phase 2 without obtaining permits required under relevant PRC regulations, Xingning HL may be subject to penalty charge and various administrative penalties such as rectification within a time limit, suspension of works, fine, demolition within a time limit and expropriation of assets or illegal income (the “**Penalties**”). According to the relevant PRC regulations, such penalty charge may include (i) a penalty charge of an amount equivalent to 5% to 10% of the construction cost; and (ii) other penalty charge which the relevant PRC regulations do not specify the amount of/formula or basis to determine the same. Given the above and that the construction cost of Ningjiang Uptown Phase 2 cannot be ascertained at this stage, the penalty charge cannot be estimated. If Penalties were lodged, it would be borne by Xingning HL (i.e. such potential Penalties will not be borne by the Company after Luxegood Completion). As at the Latest Practicable Date, no Penalties has been lodged. The aforesaid potential Penalties will not affect the Luxegood Completion.

According to the land use right grant contracts, the construction commencement dates of the lands for Phase 2 of Ningjiang Uptown are 28 April 2010 and 16 December 2010. As Phase 2 of Ningjiang Uptown commenced construction in July 2011, it violated the construction commencement clause as stipulated in the land use right grant contracts and is in line with the relevant provisions of being idled land. In this regard, Xingning HL shall be subject to a risk of paying a default payment, an amount equivalent to thousandth of the total land grant fee of the state-owned land use right, and a risk of paying the idle cost, an amount of 20% of the total land grant fee of the state-owned land use right if the relevant government authorities issue the idled land notice. The total of idled cost and fine is expected to be approximately RMB16,786,000 (equivalent to approximately HK\$20,143,200) and would be borne by Xingning HL (i.e. such potential penalty charge will not be borne by the Company after Luxegood Completion) if idled land notice is issued. Nevertheless, as at the Latest Practicable Date, no such idled land notice issued.

The unsold units of Blocks 1 to 5, basement car parts and hanging floor of Phase 1 are collateral and are necessary to have mortgagee’s consent when sold. The Company is not required to release the collateral in order for the Luxegood Disposal to complete as the properties pledged are for the collateral of the Xingning HL’s loan and the borrower has not changed. The lands of Phase 2 of Ningjiang Uptown have been used as collateral for the HLP Loan. According to the Luxegood Agreement (as supplemented by the Supplemental

LETTER FROM THE BOARD

Agreement), out of the entire Luxegood Consideration, RMB70 million (equivalent to approximately HK\$84 million) shall be applied for settlement of part of the HLP Loan in order to release the pledge over the properties held by Xingning HL.

Financial information of the Luxegood Group

Set out below is a summary of the unaudited financial information of the Luxegood Group for the two years ended 31 December 2010 and the six months ended 30 June 2011 prepared in accordance with the Hong Kong Financial Reporting Standards:

Statement of comprehensive income	For the year ended 31 December 2009 <i>RMB'000</i>	For the year ended 31 December 2010 <i>RMB'000</i>	For the six months ended 30 June 2011 <i>RMB'000</i>
Turnover	51,711	56,235	3
Net loss before taxation	(233)	(4,354)	(3,759)
Net loss after taxation	(202)	(5,450)	(3,759)
	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Total assets	349,399	388,898	451,776
Total liabilities	(351,445)	(396,394)	(463,030)
Net liabilities	(2,046)	(7,496)	(11,254)

The net loss before taxation and after taxation recognised by Luxegood Group for the two years ended 31 December 2010 and for the six months ended 30 June 2011 were due to Luxegood Group incurred approximately of RMB3,347,000, RMB6,895,000 and RMB3,898,000 expenses in the year ended 31 December 2009, the year ended 31 December 2010 and in the six months ended 30 June 2011 respectively, to promote Xingning HL and Ningjiang Uptown to the market.

BACKGROUND OF AND REASONS FOR THE LUXEGOOD DISPOSAL

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

After assessing the Group's internal resources and available development opportunities, as well as the existing PRC governmental regulations and policies, the Board considered that the development of Ningjiang Uptown will require higher capital outlay as compared to other existing property development projects of the Group. In addition, the proceeds from

LETTER FROM THE BOARD

the Luxegood Disposal will bring an immediate cash inflow to the Group, which will improve the working capital position of the Group and allow the Group to be better equipped to capture the future potential investment opportunities when they arise.

The Company has no intention to change its principal business as at the Latest Practicable Date.

The Directors consider that the terms of the Luxegood Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds of the Luxegood Disposal are estimated to be of approximately HK\$294.04 million. The Company intends to apply the net proceeds of the Luxegood Disposal (excluding those applied for settlement of part of the HLP Loan) for working capital of the Group and/or for opportunistic investments if suitable opportunities arise in the future.

EFFECT OF THE LUXEGOOD DISPOSAL ON ASSETS AND LIABILITIES AND EARNINGS OF THE GROUP

Upon Luxegood Completion, each member of the Luxegood Group will cease to be subsidiaries of the Company and the results of the Luxegood Group will no longer be consolidated into the accounts of the Remaining Group after the Luxegood Completion.

Effect on assets/liabilities

It is expected upon completion of the Luxegood Disposal that the total assets of the Group will be decreased by approximately RMB206,680,000 (equivalent to approximately HK\$248,016,000) which is calculated with reference to (i) total assets of Luxegood Group at 30 June 2011 of approximately RMB451,776,000 (equivalent to approximately HK\$542,131,000); (ii) the inter-group current account balance of approximately RMB62,000 (equivalent to approximately HK\$74,400) which has been eliminated in the Group level; and (iii) the net proceeds of the Luxegood Disposal approximately HK\$294,040,000 (equivalent to approximately RMB245,033,000). and the total liabilities of the Group will be decreased by approximately RMB197,152,000 (equivalent to approximately HK\$236,582,000) which is calculated with reference to (i) total liabilities of Luxegood Group at 30 June 2011 of approximately RMB463,030,000 (equivalent to approximately HK\$555,636,000); and (ii) the inter-group current account balance of approximately RMB265,878,000 (equivalent to approximately HK\$319,054,000).

Effect on earnings

Upon Luxegood Completion, the Company expects to record a loss on disposal of subsidiary of approximately RMB9.53 million (equivalent to approximately HK\$11.44 million) (subject to audit and review of the Company's auditors) in the consolidated income statement, which is calculated with reference to (i) the unaudited consolidated net liabilities

LETTER FROM THE BOARD

of the Luxegood Group of approximately RMB11.25 million (equivalent to approximately HK\$13.50 million) as at 30 June 2011; (ii) the Sales Loan of approximately RMB265.82 million (equivalent to approximately HK\$318.98 million); and (iii) the estimated net proceeds of the Luxegood Disposal of approximately HK\$294.04 million (equivalent to approximately RMB245.03 million). Moreover, each member of the Luxegood Group will cease to be subsidiaries of the Company and the results of the Luxegood Group will no longer be consolidated into the accounts of the Group after the Luxegood Completion. Pursuant to the Luxegood Agreement (as supplemented by the Supplemental Agreement), Ning Jiang will also be entitled to all the undistributed profits of Xingning HL as well as the other rights and benefits attaching to the Luxegood Interest.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the financial position of the Remaining Group will be upon the Luxegood Completion.

FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

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

Upon completion, the Group will continue its principal businesses in the development of middle to high range residential and commercial properties as well as leasing of commercial properties in the PRC.

The Group has a number of property development projects covering several cities of the PRC, such as Guangdong, Anhui and Liaoning Provinces. Except for the Luxegood Disposal, the Group proposed to dispose its project in Liaoning Province (as announced by the Company on 6 January 2012) in order to concentrate its fund to develop individual project. The remaining property development projects are currently or would be gradually put up for sale, and are expected to generate cash inflow for the Group. The Group believes that those projects will deliver attractive returns in the future, both in terms of capital gain and property sales in the long term. Given the future prospects of the economy and real estate sector in the PRC, the Group will continue to look for opportunities in acquiring quality property development projects or land banks in the PRC.

IMPLICATION UNDER THE LISTING RULES

Since the relevant percentage ratio (as defined under the Listing Rules) in respect of the Luxegood Disposal is more than 25% but less than 75%, the Luxegood Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholder has a material interest in the Luxegood Agreement (as supplemented by the Supplemental Agreement). Accordingly, no Shareholder is required to

LETTER FROM THE BOARD

abstain from voting in respect of the resolution(s) to approve the Luxegood Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder at the EGM.

EGM

A notice convening the EGM to be held at Conference Room, Room 2203, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on Friday, 24 February 2012 at 4:00 p.m. or any adjournment is set out on pages 41 to 42 of this circular.

A form of proxy for use at the EGM is enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

RECOMMENDATION

Although a loss on disposal would be incurred, taking into account that the Luxegood Disposal would enable the Group to realise its investment in the Luxegood for immediate cash inflow enhancing the liquidity of the Group, the Board considers that the terms of the Luxegood Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the resolutions to be proposed at the EGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

A. INDEBTEDNESS STATEMENT**Borrowings**

The Group's borrowings are principally applied by the Group for working capital purposes. As at 31 December 2011, being the latest practicable date for the purpose of this indebtedness statement, the Group had total outstanding borrowings of approximately RMB1,439 million, which included borrowings of 1,284 million, 12 million and 95 million denominated in RMB, US\$ and HK\$ respectively. The Group had secured or guaranteed borrowings of approximately RMB1,360 million and had unsecured and unguaranteed borrowings of approximately RMB79 million.

The secured borrowings are secured by certain investment properties and properties under development valued at RMB1,496 million and RMB936 million respectively as at 30 June 2011 by Knight Frank Petty Limited. The interest rates of banking facilities are ranging from 5.76% to 7.98% per annum. There was unutilized facilities of RMB73 million as at 31 December 2011. There was no material adverse change in the indebtedness of the Group from 31 December 2011 up to the Latest Practicable Date.

Contingent liabilities

As at close of business on 31 December 2011, the Group had total contingent liabilities of RMB1,551 million, including RMB170 million representing maximum amount of guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties, RMB1,221 million representing guarantees given to certain banks for the loan facilities provided to some disposed subsidiaries, RMB95 million representing guarantees given to a bank for the loan facilities provided to a tenant, RMB50 million representing guarantees given to a bank for the loan facilities provided to a business associate and RMB15 million representing various claims against to the Group.

Disclaimers

Save as disclosed above and apart from intra-group liabilities, at the close of business on 31 December 2011, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

B. WORKING CAPITAL STATEMENT

The Directors, after due and carefully enquiry, are of the opinion that following the Luxegood Completion, after taking into account the financial resources available to the Group, including internally generated funds and the available banking and other facilities and the estimated net proceeds of approximately HK\$294.04 million (after deducting all relevant fees and expenses) from the Luxegood Disposal, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.



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8 February 2012

The Directors
Hong Long Holdings Limited
17th Floor, Block B, Hong Long Century Plaza
Heping Road
Luohu District
Shenzhen, Guangdong Province
The PRC

Dear Sirs,

**VALUATION OF VARIOUS PORTIONS OF NINGJIANG CITY, NO. 39 FUXING
HUANGJI DISTRICT, XINGNAN AVENUE, XINGNING CITY, MEIZHOU CITY,
GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with your instructions for us to value the property interests held by Hong Long Holdings Limited (hereinafter referred to as the "Company") and/or its subsidiaries (hereinafter referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests as at 31 December 2011.

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special

considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGIES

In the course of our valuation, we have valued the property no. 1 in Group I which is held by the Group for sale in the PRC by Direct Comparison Approach with reference to market comparable transactions and assumed sale of property interests with the benefit of vacant possession.

In valuing the property no. 2 in Group II held under development and property no. 3 in Group III held for future development by the Group in the PRC, we have valued each of these property interests on the basis that these properties will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that approvals for the proposals have been obtained. In arriving at our opinion of value, we have adopted the Direct Comparison Approach with reference to market comparable sales evidences available on the market and have also taken into account the expended construction costs and the construction costs that will be expended to complete the developments to reflect the quality of the completed developments.

TITLE DOCUMENTS AND ENCUMBRANCES

We have been provided with copies of extracts of title documents relating to the properties. However, we have not inspected the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied on the information given by the Group and its PRC legal adviser, Guangdong Dongfang Xinglian Law Office, regarding the title and other legal matters relating to the properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

SOURCE OF INFORMATION

We have relied to a considerable extent on the information given by the Group. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and/or its PRC legal adviser which is material to the valuation. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, ownership, completion date of building, particulars of occupancy, development proposals, construction costs, floor and site areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the properties and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

INSPECTION AND STRUCTURAL CONDITION

We have inspected the properties. However, we have not carried out site investigations to determine the suitability of ground conditions and services, etc for any future developments. Our valuations are prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

REMARKS

In preparing our valuation report, we have complied with the requirements contained within relevant provisions of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the First Edition 2005 of The HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi.

Our summary of values and valuation report are attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Clement W M Leung
MRICS MHKIS RPS (GP)
Executive Director

Note: Clement W M Leung, MRICS, MHKIS, RPS(GP), has been a qualified valuer with Knight Frank Petty Limited since 1999 and has about 18 years' experience in the valuation of properties in Hong Kong, Macau and Asia Pacific Region and has 16 years' experience in the valuation of properties in the People's Republic of China.

SUMMARY OF VALUES

Property	Market value in existing state as at 31 December 2011 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 December 2011 RMB
Group I – Property Interests held by the Group for sale in the PRC			
1. Unsold portion of completed buildings of Phase I of Ningjiang City No. 39 Fuxing Huangji District Xingnan Avenue Xingning City Meizhou City Guangdong Province The PRC	13,300,000	100%	13,300,000
Group II – Property Interests held by the Group under development in the PRC			
2. Buildings under construction of Phase I of Ningjiang City No. 39 Fuxing Huangji District Xingnan Avenue Xingning City Meizhou City Guangdong Province The PRC	141,600,000	100%	141,600,000
Group III – Property Interests held by the Group for future development in the PRC			
3. Phase II of Ningjiang City No. 39 Fuxing Huangji District Xingnan Avenue Xingning City Meizhou City Guangdong Province The PRC	197,000,000	100%	197,000,000
Grand Total:	<u>351,900,000</u>		<u>351,900,000</u>

VALUATION REPORT

Group I – Property Interests held by the Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2011
1. Unsold portion of completed buildings of Phase I of Ningjiang City No. 39 Fuxing Huangji District Xingnan Avenue Xingning City Meizhou City Guangdong Province The PRC	<p>Ningjiang City (The “Development”) is a residential/commercial composite development planned to be developed in two phases with a total site area of approximately 225,734.85 sq m (2,429,810 sq ft).</p> <p>Phase I of the Development comprises a parcel of land with a total site area of approximately 38,826.85 sq m (417,932 sq ft) and the planned total gross floor area is approximately 95,377.28 sq m (1,026,641 sq ft) upon completion.</p> <p>The property comprises unsold residential portion of Blocks 1 and 5 of Phase I of the Development with a total gross floor area of approximately 1,946.07 sq m (20,947 sq ft) and unsold retail portion of Blocks 2 and 4 of Phase I of the Development with a total gross floor area of approximately 1,441.49 sq m (15,516 sq ft). The property was complete in 2009.</p> <p>The land use rights of the property have been granted for a term expiring on 10 and 20 September 2074 for residential use.</p>	The property is currently vacant and pending for sale.	RMB13,300,000 (100% interest attributable to the Group: RMB13,300,000)

Notes:

- Pursuant to the Business Licence No. 0558125 dated 23 July 2008, Xingning Hong Long Property Development Corporation Limited was incorporated as a wholly foreign-owned enterprise with a registered capital of RMB230,000,000 for a valid period from 28 September 2007 to 27 September 2027 and the scope of business includes development, sale and leasing of commodity housing and property management.

2. Pursuant to the Land Transfer Contract entered into between Guangdong Province Xingning City Hong Yuan Real Estate Development Company Limited (廣東省興寧市鴻源房地產開發有限公司) (“Party A”) and Hong Long Properties (Shenzhen) Company Limited (“Party B”) dated 18 August 2007, Party A agreed to transfer the land use right of a parcel of land, comprising a total site area of approximately 38,827 sq m to Party B. The contract contains, inter alia, the following salient conditions:
- (i) Use : Composite use
(ii) Land use right term : 50 years
(iii) Consideration : RMB27,178,900
(iv) Party A’s responsibility : To be responsible to change the use of land to “commercial/residential”
(v) Plot ratio : Not lower than 2.5 after the change of land use
3. Pursuant to the State-owned Land Use Right Certificate No. Xing Fu Guo Yong (2007) Di 05-3504 Hao issued by the Xingning People’s Government dated 26 December 2007, the land use right of Phase I of the Development with a total site area of approximately 38,826.85 sq m is held by Xingning Hong Long Property Development Corporation Limited for a term expiring on 20 September 2074 for residential use.

As advised by the Company, thirteen parcels of land have been carved out from the original site of Phase I and the land use rights of the thirteen parcels of land are all held by Xingning Hong Long Property Development Corporation Limited. Details of the Land Use Right Certificates are listed as follows:

Certificate No.	Site Area (sq m)	Use	Issuance Date	Land Use Right Term Expiry Date
Xing Fu Guo Yong (2009) Di 05-1831 Hao	5,632	Residential	24 July 2009	20 September 2074
Xing Fu Guo Yong (2009) Di 05-1832 Hao	1,603	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1833 Hao	351	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1834 Hao	351	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1835 Hao	1,005	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1836 Hao	801	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1837 Hao	1,153	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1838 Hao	1,279	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1840 Hao	351	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1841 Hao	811	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1843 Hao	1,189	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1844 Hao	351	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2010) Di 05-0667 Hao	949	Residential	26 January 2010	10 September 2074

As advised by the Company, the remaining portion of the original site which is registered in the Land Use Right Certificate No. Xing Fu Guo Yong (2007) Di 05-3504 Hao is therefore approximately 23,001 sq m and is held by Xingning Hong Long Property Development Corporation Limited.

4. Pursuant to Construction Land Use Planning Permit Certificate No. De Zi Di 2008 (01) dated 19 March 2008, Phase I of the Development with a site area of 38,827 sq m was permitted to be developed.
5. Pursuant to Construction Engineering Planning Permit Certificate No. Jian Zi Di 08 Gui 006 dated 31 January 2008, Phase I of the Development with a total gross floor area of 100,748 sq m was permitted to be constructed.
6. Pursuant to Construction Work Commencement Permit Certificate No. 441425200508120201 dated 12 May 2008, construction work of portion of Phase I of the Development with a total gross floor area of 3,713 sq m was permitted to be commenced.
7. Pursuant to Construction Work Commencement Permit Certificate No. 441425200806260201 dated 26 June 2008, construction work of portion of Phase I of the Development with a total gross floor area of 20,026 sq m was permitted to be commenced.
8. Pursuant to the Construction Works Qualification Permit for Completion No. 09 Jian 039 issued by Xingning City Construction Bureau dated 1 April 2009, the construction works of Block 3 of Phase I of the Development with a total gross floor area of 3,713 sq m was completed.
9. Pursuant to two Construction Works Qualification Permits for Completion Nos. 09 Jian 236 and 09 Jian 237 both issued by Xingning City Construction Bureau dated 11 December 2009, the construction works of Blocks 1 and 2 of Phase I of the Development with a total gross floor area of 18,833 sq m was completed.
10. Pursuant to the Construction Works Qualification Permit for Completion No. 09 Jian 238 issued by Xingning City Construction Bureau dated 10 December 2009, the construction works of Blocks 4 and 5 of Phase I of the Development with a total gross floor area of 22,093 sq m was completed.
11. Pursuant to the Commodity Housing Pre-sale Permit No. 08007 dated 13 August 2008, pre-sale of 20 residential units and 6 commercial units of the Phase I of the Development with a total gross floor area of approximately 2,694.04 sq m and 1,018.96 sq m respectively was permitted.
12. Pursuant to the Commodity Housing Pre-sale Permit No. 08009 dated 16 December 2008, pre-sale of 120 residential units and 10 commercial units of Phase I of the Development with a total gross floor area of approximately 10,383.75 sq m and 1,173.3 sq m respectively was permitted.
13. Pursuant to the Commodity Housing Pre-sale Permit No. 09007 dated 23 April 2009, pre-sale of 96 residential units and 11 commercial units of Phase I of the Development with a total gross floor area of approximately 16,927 sq m and 1,023 sq m respectively was permitted.
14. We have been provided with the opinion by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The Land Use Right Certificate No. Xing Fu Guo Yong (2007) Di 05-3504 Hao is legally valid and the land area of the land use right is vested in Xingning Hong Long Property Development Corporation Limited. The aforesaid land has been sub-divided into thirteen parcels of land and Xingning Hong Long Property Development Corporation Limited has owned these thirteen parcels of land and obtained the relevant land use right certificates. Xingning Hong Long Property Development Corporation Limited has legally acquired the aforesaid lands and can legally possess, use, transfer, let, mortgage or handle by other lawful means. During the mortgage period, the transfer, let or handling by other means of the land use rights is required to obtain the mortgagee's consent in advance. After the thirteen parcels of land have been

sub-divided, the land use right of the remaining portion (if any) of the original land is still belonged to Xing Fu Guo Yong (2007) Di 05-3504 Hao and is held by Xingning Hong Long Property Development Corporation Limited.

- (ii) According to the existing information, Xingning Hong Long Property Development Corporation Limited has owned the land registered in Xing Fu Guo Yong (2007) Di 05-3504 Hao and has obtained the required procedure for construction approval for Phase I of Ningjiang City. As such, Xingning Hong Long Property Development Corporation Limited has the building ownership and potential building ownership of the completed buildings and buildings under construction of Phase I of Ningjiang City, and Xingning Hong Long Property Development Corporation Limited is the legal and sole owner of the buildings on the land. However, the establishment of the ownership shall be confirmed by the building ownership certificate or confirmation of ownership certificate issued by the relevant building administration bureau*. If Xingning Hong Long Property Development Corporation Limited has legally obtained the building ownership certificates of the buildings erected thereon the land, Xingning Hong Long Property Development Corporation Limited held the building ownership of the buildings registered in the building ownership certificates, and can legally possess, use, transfer, let, mortgage or handle by other lawful means. During the mortgage period, the transfer, let or handling by other means of the building ownership and respective land use rights is required to obtain the mortgagee's consent in advance or to accord with the stipulated terms of the collateral contract.

* In response to the legal opinion, the Group has advised that Xingning Hong Long Property Development Corporation Limited has not yet obtained the building ownership certificates of the buildings erected thereon the land as at the date of valuation.

- (iii) There is neither any dispute on the title nor sealed up by the court of the land held by Xingning Hong Long Property Development Corporation Limited. Hence, there is no material impediment and impact on the sale of the shareholdings.
- (iv) According to the Mortgage Contract No. Di 2009 Fang 1748 Jing Yuan R-1 entered into between Xingning Hong Long Property Development Corporation Limited and China Construction Bank (Shenzhen Branch) dated 13 January 2010, Xingning Hong Long Property Development Company has used the unsold units of Blocks 1 to 5, basement car parks and hanging floor as collateral. If Xingning Hong Long Property Development Corporation Limited disposes of the collateral, it is required to have the mortgagee's consent or to accord with the stipulated terms of the collateral contract and other lawful means to let, transfer, possess, manage and dispose of the aforesaid relevant buildings and relevant state-owned land use rights.

Group II – Property Interests held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2011																	
2. Buildings under construction of Phase I of Ningjiang City No. 39 Fuxing Huangji District Xingnan Avenue Xingning City Meizhou City Guangdong Province The PRC	<p>Ningjiang City (The “Development”) is planned to be developed into a residential/commercial composite development in two phases with a total site area of approximately 225,734.85 sq m (2,429,810 sq ft).</p> <p>Phase I of the Development comprises a parcel of land with a total site area of approximately 38,826.85 sq m (417,932 sq ft) and the planned total gross floor area is approximately 95,377.28 sq m (1,026,641 sq ft) upon completion.</p> <p>The property comprises Blocks 6, 7, 8 and 9 of Phase I of the Development and the details of approximate gross floor area of the property are listed as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Use</th> <th colspan="2">Approximate Gross Floor Area</th> </tr> <tr> <th>sq m</th> <th>sq ft</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>42,850.60</td> <td>461,244</td> </tr> <tr> <td>Commercial</td> <td>3,325.99</td> <td>35,801</td> </tr> <tr> <td>Storage</td> <td><u>1,152.66</u></td> <td><u>12,407</u></td> </tr> <tr> <td>Total</td> <td><u>47,329.25</u></td> <td><u>509,452</u></td> </tr> </tbody> </table> <p>Approximately 268 basement car parking spaces with a total gross floor area of approximately 5,425 sq m (58,395 sq ft) will be provided upon completion.</p> <p>The land use rights of the property have been granted for a term expiring on 10 and 20 September 2074 for residential use.</p>	Use	Approximate Gross Floor Area		sq m	sq ft	Residential	42,850.60	461,244	Commercial	3,325.99	35,801	Storage	<u>1,152.66</u>	<u>12,407</u>	Total	<u>47,329.25</u>	<u>509,452</u>	<p>The property is currently under construction and is scheduled to complete in March 2012.</p>	<p>RMB141,600,000</p> <p>(100% interest attributable to the Group: RMB141,600,000)</p> <p><i>(please see note 11)</i></p>
Use	Approximate Gross Floor Area																			
	sq m	sq ft																		
Residential	42,850.60	461,244																		
Commercial	3,325.99	35,801																		
Storage	<u>1,152.66</u>	<u>12,407</u>																		
Total	<u>47,329.25</u>	<u>509,452</u>																		

Notes:

1. Pursuant to the Business Licence No. 0558125 dated 23 July 2008, Xingning Hong Long Property Development Corporation Limited was incorporated as a wholly foreign-owned enterprise with a registered capital of RMB230,000,000 for a valid period from 28 September 2007 to 27 September 2027 and the scope of business includes development, sale and leasing of commodity housing and property management.
2. Pursuant to the Land Transfer Contract entered into between Guangdong Province Xingning City Hong Yuan Real Estate Development Company Limited (廣東省興寧市鴻源房地產開發有限公司) (“Party A”) and Hong Long Properties (Shenzhen) Company Limited (“Party B”) dated 18 August 2007, Party A agreed to transfer the land use right of a parcel of land, comprising a total site area of approximately 38,827 sq m to Party B. The contract contains, inter alia, the following salient conditions:
 - (i) Use : Composite use
 - (ii) Land use right term : 50 years
 - (iii) Consideration : RMB27,178,900
 - (iv) Party A’s responsibility : To be responsible to change the use of land to “commercial/residential”
 - (v) Plot ratio : Not lower than 2.5 after the change of land use
3. Pursuant to the State-owned Land Use Right Certificate No. Xing Fu Guo Yong (2007) Di 05-3504 Hao issued by the Xingning People’s Government dated 26 December 2007, the land use right of Phase I of the Development with a total site area of approximately 38,826.85 sq m is held by Xingning Hong Long Property Development Corporation Limited for a term expiring on 20 September 2074 for residential use.

As advised by the Company, thirteen parcels of land have been carved out from the original site of Phase I and the land use rights of the thirteen parcels of land are all held by Xingning Hong Long Property Development Corporation Limited. Details of the Land Use Right Certificates are listed as follows:

Certificate No.	Site Area (sq m)	Use	Issuance Date	Land Use Right Term Expiry Date
Xing Fu Guo Yong (2009) Di 05-1831 Hao	5,632	Residential	24 July 2009	20 September 2074
Xing Fu Guo Yong (2009) Di 05-1832 Hao	1,603	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1833 Hao	351	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1834 Hao	351	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1835 Hao	1,005	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1836 Hao	801	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1837 Hao	1,153	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1838 Hao	1,279	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1840 Hao	351	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1841 Hao	811	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2009) Di 05-1843 Hao	1,189	Residential	27 July 2009	10 September 2074

Certificate No.	Site Area (sq m)	Use	Issuance Date	Land Use Right Term Expiry Date
Xing Fu Guo Yong (2009) Di 05-1844 Hao	351	Residential	27 July 2009	10 September 2074
Xing Fu Guo Yong (2010) Di 05-0667 Hao	949	Residential	26 January 2010	10 September 2074

As advised by the Company, the remaining portion of the original site which is registered in the Land Use Right Certificate No. Xing Fu Guo Yong (2007) Di 05-3504 Hao is therefore approximately 23,001 sq m and is held by Xingning Hong Long Property Development Corporation Limited.

4. Pursuant to Construction Land Use Planning Permit Certificate No. De Zi Di 2008 (01) dated 19 March 2008, Phase I of the Development with a site area of 38,827 sq m was permitted to be developed.
5. Pursuant to Construction Engineering Planning Permit Certificate No. Jian Zi Di 08 Gui 006 dated 31 January 2008, Phase I of the Development with a total gross floor area of 100,748 sq m was permitted to be constructed.
6. Pursuant to Construction Work Commencement Permit Certificate No. 441425200806260301 dated 26 June 2008, construction work of portion of Phase I of the Development with a total gross floor area of 38,860 sq m was permitted to be commenced.
7. Pursuant to Construction Work Commencement Permit Certificate No. 441425200806260401 dated 26 June 2008, construction work of portion of Phase I of the Development with a total gross floor area of 38,149 sq m was permitted to be commenced.
8. Pursuant to the Commodity Housing Pre-sale Permit No. 2010010 dated 26 May 2010, pre-sale of 120 residential units and 7 commercial units of Phase I of the Development with a total gross floor area of approximately 12,582 sq m and 893 sq m respectively was permitted.
9. Pursuant to the Commodity Housing Pre-sale Permit No. 2010015 dated 5 August 2010, pre-sale of 102 residential units and 12 commercial units of Phase I of the Development with a total gross floor area of approximately 9,570 sq m and 528 sq m respectively was permitted.
10. As advised by the Group, the budgeted outstanding construction cost of the property was approximately RMB4,200,000 as at the date of valuation. Accordingly, we have taken into account the said cost in our valuation. In our opinion, the market value of the property assuming it was completed as at the valuation date was estimated at approximately RMB160,600,000.
11. As advised by the Group, residential portion and commercial portion of the property with a total gross floor area of 35,452.61 sq m and 2,038.85 sq m respectively have been pre-sold at a total consideration of RMB110,537,617 and RMB10,638,551 respectively. According to the Group's instruction, the pre-sold portions are included in this valuation. We have also made reference to the contracted considerations in the course of our valuation.
12. We have been provided with the opinion by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The Land Use Right Certificate No. Xing Fu Guo Yong (2007) Di 05-3504 Hao is legally valid and the land area of the land use right is vested in Xingning Hong Long Property Development Corporation Limited. The aforesaid land has been sub-divided into thirteen parcels of land and Xingning Hong Long Property Development Corporation Limited has owned these thirteen parcels of land and obtained the relevant land use right certificates. Xingning Hong Long Property Development Corporation Limited has legally acquired the aforesaid lands and can legally possess, use, transfer, let, mortgage or handle by other lawful means. During the mortgage period, the transfer, let or handling by other means of the land use rights is required to obtain the mortgagee's consent in advance. After the thirteen parcels of land have been

sub-divided, the land use right of the remaining portion (if any) of the original land is still belonged to Xing Fu Guo Yong (2007) Di 05-3504 Hao and is held by Xingning Hong Long Property Development Corporation Limited.

- (ii) According to the existing information, Xingning Hong Long Property Development Corporation Limited has owned the land registered in Xing Fu Guo Yong (2007) Di 05-3504 Hao and has obtained the required procedure for construction approval for Phase I of Ningjiang City. As such, Xingning Hong Long Property Development Corporation Limited has the building ownership and potential building ownership of the completed buildings and buildings under construction of Phase I of Ningjiang City, and Xingning Hong Long Property Development Corporation Limited is the legal and sole owner of the buildings on the land. However, the establishment of the ownership shall be confirmed by the building ownership certificate or confirmation of ownership certificate issued by the relevant building administration bureau*. If Xingning Hong Long Property Development Corporation Limited has legally obtained the building ownership certificates of the buildings erected thereon the land, Xingning Hong Long Property Development Corporation Limited held the building ownership of the buildings registered in the building ownership certificates, and can legally possess, use, transfer, let, mortgage or handle by other lawful means. During the mortgage period, the transfer, let or handling by other means of the building ownership and respective land use rights is required to obtain the mortgagee's consent in advance or to accord with the stipulated terms of the collateral contract.
- * In response to the legal opinion, the Group has advised that Xingning Hong Long Property Development Corporation Limited has not yet obtained the building ownership certificates of the buildings erected thereon the land as at the date of valuation.
- (iii) There is neither any dispute on the title nor sealed up by the court of the land held by Xingning Hong Long Property Development Corporation Limited. Hence, there is no material impediment and impact on the sale of the shareholdings.

Group III – Property Interests held by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2011
3. Phase II of Ningjiang City No. 39 Fuxing Huangji District Xingnan Avenue Xingning City Meizhou City Guangdong Province The PRC	Ningjiang City (The “Development”) is planned to be developed into a residential/commercial composite development in two phases with a total site area of approximately 225,734.85 sq m (2,429,810 sq ft). The property comprises four parcels of land with a total site area of approximately 186,908 sq m (2,011,878 sq ft), to be named as Phase II of the Development and will be developed by three sub-phases. Details of approximate proposed gross floor area of Phase II of the Development are listed as follows:	The property is under construction and is scheduled to complete in March 2017.	RMB197,000,000 (100% interest attributable to the Group: RMB197,000,000) <i>(please see notes 9 and 10)</i>

Use	Approximate Gross Floor Area	
	sq m	sq ft
Residential	365,873.41	3,938,261
Commercial	7,942.03	85,488
Total	373,815.44	4,023,749

The land use rights of the property have been granted for various terms expiring on 28 April 2079 and 22 December 2079 for residential use.

Notes:

1. Pursuant to the Business Licence No. 0558125 dated 23 July 2008, Xingning Hong Long Property Development Corporation Limited was incorporated as a wholly foreign-owned enterprise with a registered capital of RMB230,000,000 for a valid period from 28 September 2007 to 27 September 2027 and the scope of business includes development, sale and leasing of commodity housing and property management.
2. Pursuant to the State-owned Construction Land Use Right Grant Contract No. 441481-2009-000377 entered into between Xingning City Land Resources Bureau ("Party A") and Xingning Hong Long Property Development Corporation Limited ("Party B") dated 21 December 2009, Party A agreed to grant the land use right of a parcel of land with a total site area of 137,613.4 sq m to Party B. The contract contains, inter alia, the following salient conditions:
 - (i) Land use : Residential
 - (ii) Land use right term : 70 years
 - (iii) Plot ratio : Not more than 2.0
 - (iv) Building density : Not more than 30%
 - (v) Green area ratio : Not less than 30%
 - (vi) Land grant fee : RMB51,722,010
 - (vii) Building Covenant : The construction work should be completed before 16 December 2013
3. Pursuant to the State-owned Construction Land Use Right Grant Contract No. 441481-2009-000378 entered into between Party A and Party B dated 21 December 2009, Party A agreed to grant the land use right of a parcel of land with a total site area of 10,036.82 sq m to Party B. The contract contains, inter alia, the following salient conditions:
 - (i) Land use : Residential
 - (ii) Land use right term : 70 years
 - (iii) Plot ratio : Not more than 2.0
 - (iv) Building density : Not more than 30%
 - (v) Green area ratio : Not less than 30%
 - (vi) Land grant fee : RMB3,772,340
 - (vii) Building Covenant : The construction work should be completed before 16 December 2013
4. Pursuant to the State-owned Construction Land Use Right Grant Contract No. 441481-2009-000379 entered into between Party A and Party B dated 21 December 2009, Party A agreed to grant the land use right of a parcel of land with a total site area of 14,888 sq m to Party B. The contract contains, inter alia, the following salient conditions:
 - (i) Land use : Residential
 - (ii) Land use right term : 70 years
 - (iii) Plot ratio : Not more than 2.0
 - (iv) Building density : Not more than 30%
 - (v) Green area ratio : Not less than 30%
 - (vi) Land grant fee : RMB5,595,656
 - (vii) Building Covenant : The construction work should be completed before 16 December 2013

5. Pursuant to the State-owned Construction Land Use Right Grant Contract No. 441481-2009-000142 entered into between Party A and Party B dated 28 April 2009, Party A agreed to grant the land use right of a parcel of land with a total site area of 24,369.5 sq m to Party B. The contract contains, inter alia, the following salient conditions:

(i)	Land use	:	Residential
(ii)	Land use right term	:	70 years
(iii)	Plot ratio	:	Not more than 2.0
(iv)	Building density	:	Not more than 30%
(v)	Green area ratio	:	Not less than 30%
(vi)	Land grant fee	:	RMB7,554,545
(vii)	Building Covenant	:	The construction work should be completed before 28 April 2012

6. Pursuant to the State-owned Land Use Right Certificate No. Xing Fu Guo Yong (2009) Di 06-365 Hao issued by the Xingning People's Government dated 25 June 2009, the land use right of a parcel of land with a site area of approximately 24,370 sq m is held by Xingning Hong Long Property Development Corporation Limited for a term expiring on 28 April 2079 for residential use.

As advised by the Company, the land has been sub-divided into two parcels of land and the land use rights of the two parcels of land are both held by Xingning Hong Long Property Development Corporation Limited. Details of the Land Use Right Certificates of these two parcels of land are listed as follows:

Certificate No.	Site Area (sq m)	Use	Issuance Date	Land Use Right Term Expiry Date
Xing Fu Guo Yong (2011) Di 05-3108 Hao	13,370	Residential	5 July 2011	28 April 2079
Xing Fu Guo Yong (2011) Di 05-3109 Hao	11,000	Residential	5 July 2011	28 April 2079

7. Pursuant to three State-owned Land Use Right Certificates Nos. Xing Fu Guo Yong (2009) Di 05-599 to 05-601 Hao all issued by the Xingning People's Government dated 30 December 2009, the land use rights of three parcels of land with a total site area of 162,538 sq m are held by Xingning Hong Long Property Development Corporation Limited for terms expiring on 22 December 2079 for residential use.
8. As advised by the Group, the budgeted construction cost incurred and outstanding construction cost of the property were approximately RMB61,400,000 and RMB555,700,000 respectively as at the date of valuation. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the market value of the property assuming it was completed as at the valuation date was estimated at approximately RMB1,173,000,000.
9. In the course of our valuation, we have taken into account the legal opinion that the lands are classified as idle lands and the relevant risk is subject to the payment of default fine and idle cost. The default fine and idle cost of the lands being idled are RMB15,275,631 and RMB1,510,909 respectively, which are advised by the Group.
10. According to the legal opinion, the construction work of the property has been commenced without obtaining the required permits, which may be subject to fine and various administrative penalties. As instructed by the Group, the fine cannot be ascertained and there is no claim on the payment of fine or administrative penalties as at the latest practicable date, and the aforesaid potential fine and administrative penalties will not affect the completion of the transaction of Luxgood Development Limited. In the course of our valuation, we have therefore not taken into account any fine or administrative penalties (if any) and assumed that the property can be freely transferable in the market.

11. We have been provided with the opinion by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) Xingning Hong Long Property Development Corporation Limited has obtained the land use right certificates of the three parcels of land as registered in Xing Fu Guo Yong (2009) Di 05-599 to 05-601 Hao. Xingning Hong Long Property Development Corporation Limited is the legal owner of the land use rights of the three parcels of land. Xingning Hong Long Property Development Corporation Limited has legally acquired the three parcels of land and can legally possess, use, transfer, let, mortgage or handle by other lawful means. During the mortgage period, the transfer, let or handling by other means of the land use rights is required to have the mortgagee's consent.
 - (ii) Xingning Hong Long Property Development Corporation Limited has obtained the land use right certificate of the land registered in Xing Fu Guo Yong (2009) Di 06-365 Hao. In addition, Xingning Hong Long Property Development Corporation Limited has obtained the land use right certificates of those two parcels of land after the sub-division. Hence, Xingning Hong Long Property Development Corporation Limited is the legal owner of the land and the two parcels of sub-divided land. Xingning Hong Long Property Development Corporation Limited has legally acquired the aforesaid lands and can legally possess, use, transfer, let, mortgage or handle by other lawful means. During the mortgage period, the transfer, let or handling by other means of the land use rights is required to obtain the mortgagee's consent in advance. After the two parcels of land have been sub-divided, the land use right of the remaining portion (if any) of the land is still belonged to Xing Fu Guo Yong (2009) Di 06-365 Hao and is held by Xingning Hong Long Property Development Corporation Limited.
 - (iii) According to Land Use Right Grant Contract No. 44181-2009-000142, the ratio of gross floor area to site area of 2.3 is higher than the stipulated maximum plot ratio of 2.0*. Pursuant to general calculation method of plot ratio and Notification Related to Standardization of Calculation Method of Gross Floor Area and Plot Ratio and its Supplementary Regulations issued by Meizhou City Urban Rural Planning Administrative Bureau, in the course of calculating the plot ratio, in certain circumstances the gross floor areas of portion of basement, semi-basement, mezzanine floor, lower floors for the public use like passage, public car parking spaces, leisure facilities for residents and landscaping which have headrooms between 2.8 to 3.6 m can be excluded from the gross floor area calculation in accordance with the plot ratio. If the aforesaid portions are excluded from plot ratio calculation, the ratio of gross floor area to site area and the stipulated plot ratio of 2.0 as in the contract are not contradictory. Moreover, once the plot ratio is confirmed, the plot ratio cannot be changed unless it is changed under legal procedure. In this regard, if the plot ratio is not legally changed, the plot ratio of the land shall not be higher than 2.0 as stipulated in Clause 13 of the contract.
 - * In response to the legal opinion, the Group has advised that their proposed development scheme has not exceeded the stipulated maximum plot ratio of 2.0 and the valuation follows the aforesaid proposed development scheme accordingly.
 - (iv) There is neither any dispute on the title nor sealed up by the court of the land held by Xingning Hong Long Property Development Corporation Limited. Hence, there is no material impediment and impact on the sale of the shareholdings.
 - (v) The lands held by Xingning Hong Long Property Development Corporation Limited have been used as collateral. In view of the purchaser will directly deduct the loan amount of the collateral from the sale of Luxegood Development Limited upon completion and the loan will be paid back by the sales income of Phase II of the Development, the collateral of the land shall not cause material legal obstacle to the fulfilment of the sale of the shareholdings.

- (vi) The construction of Phase II of the Development has been commenced without obtaining the required permits yet. This situation contravenes Clause 7 of the Construction Law, Clause 38.2 and 40.1 of the Urban Rural Planning Law. Since the required permits for the construction work has not obtained, it may be subject to administrative penalties such as rectification within a time limit, suspension of works, fine, demolition within a time limit and expropriation of assets or illegal income.

- (vii) Although the construction work on the lands had already commenced as at 30 September 2011, the actual commencement date of the construction work on the lands is later than the commencement date stipulated in the land grant contracts. If the delay of commencement of construction works has not been approved by the relevant government authorities, or the current developed site area of the lands is less than one-third of the total developable site area, according to the relevant provisions of idle land, the lands are in line with the definition and standard of idle land, and therefore are considered as idle lands.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Director	Number of issued Shares			Number of underlying Shares held under equity derivatives	Total	Approximate percentage or attributable percentage of shareholding (%)
	Personal interests	Family interests	Corporate interests			
Mr. Chau Cheok Wa	–	–	461,502,000 (Note 1)	–	461,502,000	25.00
Mr. Zeng Yunshu	5,659,535	–	–	–	5,659,535	0.31
Ms. Yeung So Mui	–	461,502,000 (Note 2)	–	–	461,502,000	25.00
Dr. Li Jun	–	–	–	1,243,243 (Note 3)	1,243,243	0.07
Mr. Cheung Ngai Lam	–	–	–	1,243,243 (Note 3)	1,243,243	0.07

Notes:

1. This represents interests held by Mr. Chau Cheok Wa through Fame Select Limited (“Fame Select”), which holds 461,502,000 Shares of the Company. Mr. Chau Cheok Wa has 50% interest in Fame Select, he is therefore deemed to be interested in 461,502,000 Shares of the Company.
2. This represents interests held by Mr. Cheng Ting Kong through Fame Select, which holds 461,502,000 Shares of the Company. Mr. Cheng Ting Kong has 50% interest in Fame Select, Ms. Yueng So Mui is the spouse of Mr. Cheng Ting Kong and she is therefore deemed to be interested in 461,502,000 Shares of the Company.
3. This represents interests in options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying Shares granted by the Company.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) where were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions/short positions in the Shares and underlying Shares of the Company

Name of Shareholder	Capacity in which Shares were held	Number of issued Shares	Number of underlying Shares held under equity derivatives	Approximate percentage or attributable percentage of shareholding %
Fame Select (Note 1)	Beneficial owner	461,502,000(L)	–	25.00
Green Auspice Limited (Note 2)	Beneficial owner	216,536,631(L)	–	11.73

Name of Shareholder	Capacity in which Shares were held	Number of issued Shares	Number of underlying Shares held under equity derivatives	Approximate percentage or attributable percentage of shareholding %
CCB International (Holdings) Limited (“CCBIL”) (Note 3)	Beneficial owner	120,000,000(L) –	– 80,000,000(S)	6.50 4.33

L: Long position
S: Short position

1. Fame Select was owned as to 50% by Mr. Chau Cheok Wa and 50% by Mr. Cheng Ting Kong. As such, Mr. Chau Cheok Wa and Mr. Cheng Ting Kong were deemed to be interest in 461,502,000 Shares held by Fame Select.
2. Green Auspice Limited was wholly owned by Ms. So Sok Ngo. As such, Ms. So Sok Ngo was deemed to be interest in 216,536,631 Shares held by Green Auspice Limited.
3. This represents interests held by Central Huijin Investment Limited (“Central Huijin”) through CCBIL. Central Huijin has 57.10% indirectly interest in CCBIL. Central Huijin therefore deemed to be interest in 120,000,000 Shares (long position) and 80,000,000 Shares (short position) of the Company, respectively.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS’ INTERESTS IN THE GROUP’S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

5. QUALIFICATION AND CONSENTS OF EXPERT

The following is the qualification of the expert who has given opinion or advice which are contained in this circular:

Name	Qualification
Knight Frank Petty Limited	Independent Property Valuer

Knight Frank Petty Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, Knight Frank Petty Limited was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Knight Frank Petty Limited did not, directly or indirectly, had any interest in any assets which had since 31 December 2010 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. SERVICE CONTRACTS

None of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the subscription agreement dated 20 January 2012 and entered into between the Company and the Magicmount Holdings Limited in relation to the subscription and issue of the 1-year 0.1% coupon convertible notes in an aggregate principal amount of HK\$30 million;
- (b) the agreement dated 6 January 2012 and entered into between HLP and 瀋陽和信恒實業有限公司 (Shenyang Hexinheng Company Limited*) in relation to the sale and purchase of the entire registered capital of 瀋陽鴻隆置業有限公司 (Shenyang Hong Long Real Estates Company Limited*);
- (c) the underwriting agreement dated 22 November 2011 entered into by SBI E2-Capital Financial Services Ltd. and the Company in relation to open offer;
- (d) the Luxegood Agreement (as supplemented by the Supplemental Agreement);
- (e) the conditional equity transfer agreement dated on 30 June 2011 and entered into between the Company as vendor and Yu Cai Investments Limited as purchaser for the disposal of the entire registered capital of Powermore Limited for an aggregate consideration of HK\$80,000,000;
- (f) the sale and purchase agreement dated 20 November 2010 and entered into between HLP as vendor and 惠州市華基投資有限公司 (Huizhou City Huaji Investment Company Limited*) as purchaser for the disposal of 82% registered capital of 惠州市銀泰達實業有限公司 (Huizhou Yintaida Industrial Company Limited*) and the repayment of shareholder's loan approximately RMB19,800,000 (equivalent to approximately HK\$23,107,000) for an aggregate consideration of RMB165,000,000 (equivalent to approximately HK\$192,555,000);
- (g) the sale and purchase agreement dated 17 November 2010 and entered into between the Company as purchaser and Timely Grace Limited, as vendor for the acquisition of the entire registered capital of Boshing Investments Limited and the shareholder's loan of approximately HK\$54,000,000 for an aggregate consideration of HK\$280,800,000);
- (h) the sale and purchase agreement dated 10 November 2010 and entered into between 深圳市鴻隆置業有限公司 (Shenzhen Hong Long Real Estate Company Limited*), an indirect wholly-owned subsidiary of the Company, as vendor and 深圳市澳宏投資有限公司 (Shenzhen Aohong Investment Company Limited*), as purchaser for the disposal of 52% registered capital of 惠州大亞灣永昊實業有限公司 (Huizhou Dayawan Yonghao Company Limited*) and the shareholder's loans

approximately RMB268,942,000 (equivalent to approximately HK\$313,855,000) for an aggregate consideration of approximately RMB388,942,000 (equivalent to approximately HK\$453,895,000);

- (i) the sale and purchase agreement dated 24 May 2010 and entered into between HLP as vendor and Ms. Liao Guomei as purchaser for the disposal of an office unit in Hong Long Century Plaza located at the intersection of Shennan Road Central and Heping Road, Luohu District, Shenzhen, PRC for a consideration of RMB2,919,661 (equivalent to approximately HK\$3,407,000); and
- (j) the sale and purchase agreement dated 23 April 2010 and entered into between HLP as purchaser and 深圳市滙豐聯投資有限公司 (Shenzhen Huifenglian Investment Company Limited*) as vendor for the acquisition of the entire registered capital of Hong Long Real Estate for a consideration of RMB2,001,343.71 (equivalent to approximately HK\$2,336,000).

9. MISCELLANEOUS

- (a) The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business in Hong Kong of the Company is situated at Room 2108, 21/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Lee Chi Shing Caesar who is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Public Accountants.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company in Hong Kong at Room 2108, 21/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and bye-law of the Company;
- (b) the Luxegood Agreement;
- (c) the Supplemental Agreement;

- (d) the annual reports of the Company for the two financial years ended 31 December 2009 and 2010 and the interim report of the Company for the six months ended 30 June 2011;
- (e) the written consents referred to in the paragraph under the heading “Qualification and consents of expert” in this appendix;
- (f) the material contracts referred to in the paragraph under the heading “Material contracts” in this appendix;
- (g) the property valuation report as set out in Appendix II to this circular; and
- (h) this circular.

NOTICE OF EGM



鴻隆控股
HONG LONG
Holdings

鴻隆控股有限公司

Hong Long Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Hong Long Holdings Limited (the “Company”) will be held at Conference Room, Room 2203, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong on Friday, 24 February 2012 at 4:00 p.m. for the following purpose:

As special business, to consider, and if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the conditional equity transfer agreement dated 1 August 2011 as supplemented by supplemental agreement dated 30 December 2011 (collectively the “Agreement (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) and entered into between the Company as vendor and Ning Jiang Holdings Limited as purchaser in relation to the disposal by the Company of 100% equity interest in 華佳發展有限公司 (Luxegood Development Limited and the Sale Loans (as defined in the circular of the Company dated 8 February 2012) for an aggregate consideration of HK\$294,840,000 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one of more directors of the Company be and are hereby authorised to do all such things and execute all such documents as they consider necessary or expedient for the purposes of giving effect to the Agreement and the implementation of all transactions contemplated thereunder.”

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

Hong Kong, 8 February 2012

NOTICE OF EGM

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
George Town
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*
Room 2108, 21/F.,
China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the extraordinary general meeting (the “EGM”) convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the Company’s articles of association. A proxy need not be a member of the Company.
2. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy thereof must be deposited at the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof, as the case may be. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish in such event, the proxy form shall be deemed to be revoked.
3. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either in person or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders are present at the EGM in person or by proxy, that one of the said persons so present whose name stands first on the register of member of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. The voting on the resolution at the EGM will be conducted by way of a poll.
5. As at the date hereof, 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.