



鴻隆控股
HONG LONG
Holdings

Hong Long Holdings Limited
鴻隆控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1383)

MAJOR TRANSACTION
IN RESPECT OF
ACQUISITION OF PROPERTIES IN THE PRC
AND
RESUMPTION OF TRADING

Financial Adviser to the Company



兆豐資本(亞洲)有限公司
Mega Capital (Asia) Company Limited

The Board is pleased to announce that on 6 April 2007, the Buyer (an indirect wholly-owned subsidiary of the Company) successfully bidded for Properties A and Properties B and signed the respective Auction Confirmation Letter 1 and Auction Confirmation Letter 2 with the Auctioneer. Pursuant to the Auction Confirmation Letters, the Group has agreed to acquire Properties A and Properties B at an aggregate consideration of approximately RMB478.17 million (equivalent to approximately HK\$482.95 million). Out of the total consideration, the Group had already paid approximately RMB25.85 million (equivalent to approximately HK\$26.11 million) as deposit for pre-qualification at the Auction to the Auctioneer. The remaining aggregate balance of approximately RMB452.32 million (equivalent to approximately HK\$456.84 million) is required to be settled within three business days in the PRC after the date of signing of the Auction Confirmation Letters (i.e. on 11 April 2007). On 10 April 2007, the Group paid approximately RMB290.49 million (equivalent to approximately HK\$293.39 million), of which approximately RMB273.92 million (equivalent to approximately HK\$276.66 million) for Properties A and approximately RMB16.57 million (equivalent to approximately HK\$16.73 million) for Properties B, to the Auctioneer. On the even date, the Entrusting Party issued to the Buyer the Notice pursuant to which the Buyer is required to pay the remaining balance of approximately RMB161.83 million (equivalent to approximately HK\$163.45 million) to the Entrusting Party directly. It is expected that such payment of the remaining balance shall be made within 15 business days in the PRC after the date of the Notice.

Properties A comprise (i) portion of retail shop units with aggregate area of approximately 8,858.71 square meter; (ii) certain office buildings with aggregate area of approximately 46,857.27 square meter; and (iii) 38 residential units with aggregate area of approximately 4,126.68 square meter, all of which are located at 中國深圳市羅湖區和平路藝豐廣場 (Yifeng Plaza, Heping Road, Luo Hu District, Shenzhen, the PRC). Properties B are car parks located at 中國深圳市羅湖區和平路藝豐廣場 (Yifeng Plaza, Heping Road, Luo Hu District, Shenzhen, the PRC) with aggregate area of approximately 10,511.73 square meter.

The Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. Grand Prosperity is the controlling shareholder holding 670,320,000 shares of the Company (approximately 64.7% of the issued share capital of the Company) as at the date of this announcement. It is independent of the Auctioneer and the Entrusting Party and is therefore permitted to vote at the general meeting of the Company that may be convened for the purpose of approving the Acquisition. Since no shareholder of the Company is required under the Listing Rules to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition, Grand Prosperity has given its written approval for the Acquisition, which is accepted under Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company. A circular in connection with the Acquisition containing, amongst others, the valuation report of Properties A and Properties B, will be despatched to the shareholders of the Company as soon as practicable.

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:32 a.m. on 10 April 2007 pending the release of this announcement. The Company has applied for a resumption of trading in its shares with effect from 9:30 a.m. on 16 April 2007.

INTRODUCTION

The Board is pleased to announce that on 6 April 2007, the Buyer (an indirect wholly-owned subsidiary of the Company) successfully bidded for Properties A and Properties B and signed the respective Auction Confirmation Letter 1 and Auction Confirmation Letter 2 with the Auctioneer. Pursuant to the Auction Confirmation Letters, the Group has agreed to acquire Properties A and Properties B at an aggregate consideration of approximately RMB478.17 million (equivalent to approximately HK\$482.95million). Out of the total consideration, the Group had already paid approximately RMB25.85 million (equivalent to approximately HK\$26.11 million) as deposit for pre-qualification at the Auction to the Auctioneer. The remaining aggregate balance of approximately RMB452.32 million (equivalent to approximately HK\$456.84 million) is required to be settled within three business days in the PRC after the date of signing of the Auction Confirmation Letters (i.e. on 11 April 2007). On 10 April 2007, the Group paid approximately RMB290.49 million (equivalent to approximately HK\$293.39 million), of which approximately RMB273.92 million (equivalent to approximately HK\$276.66 million) for Properties A and approximately RMB16.57 million (equivalent to approximately HK\$16.73 million) for Properties B, to the Auctioneer. On the even date, the Entrusting Party issued to the Buyer the Notice pursuant to which the Buyer is required to pay the remaining balance of approximately RMB161.83 million (equivalent to approximately HK\$163.45 million) to the Entrusting Party directly. It is expected that such payment of the remaining balance will be made within 15 business days in the PRC after the date of the Notice. Details of each of Auction Confirmation Letters are set out below.

THE AUCTION CONFIRMATION LETTERS

Date of Auction Confirmation Letters:

6 April 2007

Parties:

- (a) Entrusting Party: 藝豐實業(集團)股份有限公司破產清算組 (Bankruptcy and Insolvency division of Yi Feng Industrial (Group) Company Limited*)
- (b) Auctioneer: 深圳市土地房產交易中心 (Shenzhen Municipality Land and Property Transaction Centre*)
- (c) Bidder: 鴻隆地產(深圳)有限公司 (Hong Long Properties (Shenzhen) Company Limited), that is the Buyer

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, the Entrusting Party, the Auctioneer and their respective beneficial owner(s) are third parties independent of the Company and its connected persons.

Properties:

Properties A comprise (i) portion of retail shop units with aggregate area of approximately 8,858.71 square meter; (ii) certain office buildings with aggregate area of approximately 46,857.27 square meter; and (iii) 38 residential units with aggregate area of approximately 4,126.68 square meter, all of which are located at 中國深圳市羅湖區和平路藝豐廣場 (Yifeng Plaza, Heping Road, Luo Hu District, Shenzhen, the PRC).

Properties B are car parks located at 中國深圳市羅湖區和平路藝豐廣場 (Yifeng Plaza, Heping Road, Luo Hu District, Shenzhen, the PRC) with aggregate area of approximately 10,511.73 square meter.

The original owner of the Properties A and Properties B is 藝豐實業(集團)股份有限公司 (Yi Feng Industrial (Group) Company Limited*) and is principally engaged in the property development business. The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiry, 藝豐實業(集團)股份有限公司 (Yi Feng Industrial (Group) Company Limited Company*) and its ultimate beneficial owner(s), are third parties independent of the Company and its connected persons.

As advised by the management of the Company, 藝豐實業(集團)股份有限公司 (Yi Feng Industrial (Group) Company Limited*) entered into a land use right contract with 深圳市規劃國土部門 (Shenzhen Municipality Land Use Planning Unit*) in 1993 and obtained建設工程開工許可證 (Construction Work Commencement Permit). According to 深圳市土地交易市場管理規定 (Shenzhen Municipality Administrative Regulation Governing the Market of Land Transactions*), the Auctioneer is an official organization operated by 深圳市土地房產交易中心 (Shenzhen Municipality Land and Property Transaction Centre*), which in turn is under the supervision of 深圳市規劃國土部門 (Shenzhen Municipality Land Use Planning Unit*). The Auctioneer is obliged to operate in accordance with its regulated duties and procedures and is subject to the guidance, supervision and inspection from its superior department. As advised by the PRC legal advisers of the Company, the bidding of Properties A and Properties B by the Buyer from the Auction carried out by the Auctioneer is in compliance with the relevant laws and regulations in the PRC. The Buyer can submit the formal application for the transfer of legal titles of the bidded properties to 深圳市規劃國土部門 (Shenzhen Municipality Land Use Planning Unit*) within 30 days from the date of obtaining the legal documents (including 裁定書 (the judgement letter) and 協助執行通知書 (the execution assistance notice)) from the Intermediate People's Court at Shenzhen. Accordingly, the PRC legal advisers of the Company confirm that the Buyer has complied with all relevant regulations and laws in the PRC during the course of bidding and they are not aware of any major obstacles or concerns which would hinder the chance of obtaining the legal title documents for Properties A and Properties B. It is expected that the land use right certificate will be obtained after 20 business days in the PRC from the date of filing made to 深圳市規劃國土部門 (Shenzhen Municipality Land Use Planning Unit*).

Properties A and Properties B are still under development and no profit has been recorded for the two financial years ended 31 December 2006.

Consideration:

Pursuant to the Auction Confirmation Letters, the Group has agreed to acquire Properties A and Properties B at an aggregate consideration of approximately RMB478.17 million (equivalent to approximately HK\$482.95 million). The considerations of Properties A and Properties B were determined with reference to the market price of nearby land and properties and the valuation report dated 30 December 2006 procured by the Entrusting Party, valuing Properties A and Properties B at approximately RMB481.98 million (equivalent to approximately HK\$486.80 million).

The consideration and payment method of each of Properties A and Properties B stipulated under the respective Auction Confirmation Letter 1 and Auction Confirmation Letter 2 are set out below:

Auction Confirmation Letter 1

The price for Properties A bidded by the Group and accepted by the Auctioneer is approximately RMB459.75 million (equivalent to approximately HK\$464.35 million) which would be settled in cash by the Group as to:

- (i) approximately RMB24.00 million (equivalent to approximately HK\$24.24 million) paid as the deposit for pre-qualification at the Auction on 5 April 2007; and
- (ii) approximately RMB435.75 million (equivalent to approximately HK\$440.11 million) paid within three business days in the PRC after the date of signing of the Auction Confirmation Letter 1 (i.e. on or before 11 April 2007).

The Buyer should pay a commission of approximately RMB3.30 million (equivalent to approximately HK\$3.33 million) to the Auctioneer for Properties A within three business days in the PRC after the date of signing the Auction Confirmation Letter 1 (i.e. on or before 11 April 2007). The Buyer is also obliged to pay the relevant transfer fees, tax levies and other charges (including but not limited to water, electricity, coal gas and management fees) to the local government body and tax authority.

The Buyer paid a commission of approximately RMB3.30 million (equivalent to approximately HK\$3.33 million) to the Auctioneer for Properties A on 10 April 2007. For the portion of the consideration for Properties A of approximately RMB435.75 million (which is required to be settled on or before 11 April 2007), the Group paid approximately RMB273.92 million (equivalent to approximately HK\$276.66 million) to the Auctioneer on 10 April 2007. On the even date, the Entrusting Party issued to the Buyer the Notice pursuant to which the Buyer is required to pay the remaining balance of approximately RMB161.83 million (equivalent to approximately HK\$163.45 million) to the Entrusting Party directly. It is expected that such payment of the remaining balance will be made within 15 business days in the PRC after the date of the Notice.

Auction Confirmation Letter 2

The price for Properties B bidded by the Group and accepted by the Auctioneer is approximately RMB18.42 million (equivalent to approximately HK\$18.60 million) which would be settled in cash by the Group as to:

- (i) approximately RMB1.85million (equivalent to approximately HK\$1.87 million) paid as the deposit for pre-qualification at the Auction on 5 April 2007; and
- (ii) approximately RMB16.57 million (equivalent to approximately HK\$16.73) million) paid within three business days (in the PRC) after the date of signing of the Auction Confirmation Letter 2 (i.e. on or before 11 April 2007).

On 10 April 2007, the outstanding consideration of approximately RMB16.57 million (equivalent to approximately HK\$16.73) million) for Properties B was fully settled.

The Buyer should pay a commission of approximately RMB0.37 million (equivalent to approximately HK\$0.37 million) to the Auctioneer for Properties B within three business days in the PRC after the date of signing the Auction Confirmation Letter 2 (i.e. on or before 11 April 2007). Such commission was paid by the Buyer on 10 April 2007. The Buyer is also obliged to pay the relevant transfer fees, tax levies and other charges (including but not limited to water, electricity, coal gas and management fees) to the local government body and tax authority.

The aggregate amount of the relevant transfer fees, tax levies and other charges (including but not limited to water, electricity, coal gas and management fees) to be paid by the Buyer to the local government body and tax authority is expected not to exceed RMB50 million (equivalent to approximately HK\$50.5 million).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group principally engages in the property development of mid-range residential and commercial properties in Guangdong Province, the PRC. The Group is also engaged in the property leasing of commercial properties. The Group will continue to focus on the development of mid-range properties, and intends to pursue new business opportunities and further expand its geographical coverage in Guangdong Province and other cities in southern China.

With a view to taking advantage of the continuous economic growth of Shenzhen, the Group would continue to develop its principal property development business in the region. The Directors consider that the Acquisition is an opportunity for the Group to take part in the instant available property development project. As mentioned

above, completion of Properties A and Properties B are subject to final stage of renovation works which would be carried out by the Group shortly after the gaining possession of such properties by the Group. The aggregate costs of the renovation works to be incurred for Properties A and Properties B are expected not to exceed RMB180 million (equivalent to approximately HK\$181.8 million) The Directors consider that, save for the relevant transfer fees, tax levies and other charges (including but not limited to water, electricity, coal gas and management fees) and costs of renovation works, there is no other further commitment in relation to the Acquisition. It is anticipated that the Group will take around four months to complete all necessary renovation works and obtain the pre-sale permit from the relevant government authority. Upon completion of the renovation works and obtaining the pre-sale permit from relevant government authority, Properties A and Properties B would become the properties held for sale by the Group. The Directors consider that the Acquisition is in line with the business strategies of the Group and upon completion of the Acquisition, the property portfolio of the Group will be enlarged.

The Directors are of the view that the Acquisition is beneficial to the business of the Group and the Acquisition is expected to provide the Group an instant opportunity to have a new source of income upon the time when selling Properties A and Properties B. The Acquisition is required to be funded as to approximately RMB210.00 million (equivalent to approximately HK\$212.10 million) by the proceeds from the Share Offer which has been reserved for land reserves expansion, as to approximately RMB272.95 (equivalent to approximately HK\$275.68 million) by bank borrowings and internal resources of the Group. The Directors consider that there will be no material change on the strategies, future development plans and the use of proceeds of the Group as disclosed in the Prospectus as a result of the Acquisition.

Save as disclosed above, the Directors consider that there is no material impact of the Acquisition to the financial position of the Group.

The Directors (including the independent non-executive Directors) consider that the Auction Confirmation Letters were entered into on normal commercial terms, and they are of the view that so far as the shareholders of the Company are concerned, the Auction Confirmation Letters and the terms thereof are fair and reasonable and in the best interests of the Group and the shareholders of the Company as a whole.

WRITTEN SHAREHOLDER’S APPROVAL

The Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and requires the approval of the shareholders of the Company under Rule 14.40 of the Listing Rules.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, the Entrusting Party, the Auctioneer and their respective beneficial owner(s) are third parties independent of the Company and its connected persons and therefore no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. Grand Prosperity is the controlling shareholder holding 670,320,000 shares of the Company (approximately 64.7% of the issued share capital of the Company) as at the date of this announcement. It is independent of the Auctioneer and the Entrusting Party and is therefore permitted to vote at the general meeting of the Company that may be convened for the purpose of approving the Acquisition. Since no shareholder of the Company is required under the Listing Rules to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition, Grand Prosperity has given its written approval for the Acquisition, which is accepted under Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company.

A circular in connection with the Acquisition containing, amongst others, the valuation report of Properties A and Properties B, will be despatched to the shareholders of the Company as soon as practicable.

RESUMPTION OF TRADING IN THE SHARES OF THE COMPANY

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:32 p.m. on 10 April 2007 pending the release of this announcement. The Company has applied for a resumption of trading in its shares with effect from 9:30 a.m. on 16 April 2007.

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement have the following meaning:	
“Acquisition”	the acquisition by the Buyer of the Properties A and Properties B pursuant to the Auction Confirmation Letter 1 and Auction Confirmation Letter 2, respectively
“Auction”	the public auction held by the Auctioneer in Shenzhen, the PRC on 6 April 2007 on which Properties A and Properties B were put up for sale
“Auctioneer”	深圳市土地房產交易中心 (Shenzhen Municipality Land and Property Transaction Centre*)
“Auction Confirmation Letters”	Auction Confirmation Letter 1 and Auction Confirmation Letter 2
“Auction Confirmation Letter 1”	a legally binding letter dated 6 April 2007 entered into between the Buyer and the Auctioneer which confirmed and set out the terms of the Auction in respect of Properties A
“Auction Confirmation Letter 2”	a legally binding letter dated 6 April 2007 entered into between the Buyer and the Auctioneer which confirmed and set out the terms of the Auction in respect of Properties B
“Board”	the board of Directors
“Buyer”	鴻隆地產 (深圳) 有限公司 (Hong Long Properties (Shenzhen) Company Limited), an indirect wholly-owned subsidiary of the Company
“Company”	Hong Long Holdings Limited (stock code: 1383), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Entrusting Party”	藝豐實業 (集團) 股份有限公司破產清算組 (Bankruptcy and Insolvency division of Yi Feng Industrial (Group) Company Limited
“Grand Prosperity”	Grand Prosperity Limited, a limited liability company incorporated on 17 July 2006 under the laws of BVI which is owned as to 80% by Mr. ZENG Sheng and 20% by Mr. ZENG Yunshu
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Notice”	a notice issued by 藝豐實業 (集團) 股份有限公司破產清算組 (Bankruptcy and Insolvency division of Yi Feng Industrial (Group) Company Limited, the Entrusting Party, to the Buyer on 10 April 2007
“PRC”	the People’s Republic of China
“Properties A”	it comprises (i) portion of retail shop units of approximately 8,858.71 square meter, certain office buildings of approximately 46,857.27 square meter and 38 residential units of approximately 4,126.68 square meter, all of which are located at 中國深圳市羅湖區和平路藝豐廣場 (Yifeng Plaza, Heping Road, Luo Hu District, Shenzhen, the PRC)
“Properties B”	car parks located at 中國深圳市羅湖區和平路藝豐廣場 (Yifeng Plaza, Heping Road, Luo Hu District, Shenzhen, the PRC) with a total construction area of approximately 10,511.73 square meter
“Prospectus”	the prospectus dated 8 February 2007 issued by the Company
“RMB”	Renminbi
“Share Offer”	the share offer of 286,100,000 shares of the Company with nominal value of HK\$0.01 as described in the Prospectus and the announcement of the Company dated 13 March 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
ZENG Yunshu
Chairman

Hong Kong, 13 April 2007

As at the date of this announcement, the executive directors of the Company are ZENG Yunshu, HAN Qinchun, ZENG Sheng, YE Qingdong, OUYANG Junxin, the non-executive directors of the Company are ZHANG Huaqiao, CHEN Junyu and the independent non-executive directors are LI Jun, CHEUNG Ngai Lam and LIN Weifang.

For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.01.

** The unofficial English translations are for identification purposes only.*