恒力房地產集團

恒力房地產發展（集團）有限公司
HENGLI PROPERTIES DEVELOPMENT (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 169)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

The Board of Directors of Hengli Properties Development (Group) Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 as follows:—

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		For the six months ended 30 June	
	Notes	**2008** *HK$'000* **(Unaudited)**	2007 *HK$'000* (Unaudited)
Revenue	*4*	**133,218**	22,831
Cost of sales		**(61,695)**	(8,713)
Gross profit		**71,523**	14,118
Other revenue and gains	*4*	**17,037**	20,971
Loss on change in fair value of investment properties		**(412)**	(510)
Selling expenses		**(289)**	(60)
Administrative and other operating expenses		**(27,848)**	(13,049)
Operating profit		**60,011**	21,470
Finance costs		**(54,068)**	(667)
Profit before income tax	*6*	**5,943**	20,803
Income tax expense	*7*	**(26,801)**	(9,080)
(Loss)/profit for the period		**(20,858)**	11,723
Attributable to:			
Equity holders of the Company		**(24,887)**	2,869
Minority interests		**4,029**	8,854
(Loss)/profit for the period		**(20,858)**	11,723
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period	*9*		
— Basic		**HK(3.77) cents**	HK0.98 cents
— Diluted		**N/A**	HK0.97 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	30 June 2008 HK$'000 (Unaudited)	31 December 2007 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	10	**24,025**	163,745
Property, plant and equipment	10	**13,147**	47,070
Prepaid lease payments		**27,438**	5,093
Goodwill		**394,782**	—
Available-for-sale financial assets	11	**2,222**	2,128
Deferred tax assets		**7,600**	26,297
		469,214	244,333
Current assets			
Properties under development		**3,072,634**	178,747
Properties held for sale		**26,716**	109,358
Account receivables	12	**81,759**	105,761
Prepayments, deposits and other receivables		**156,135**	99,951
Prepaid lease payments		**136**	95
Due from related companies		**21**	383
Due from a minority equity holder of subsidiary		**—**	3,511
Loan to a director		**321,478**	—
Cash at banks and in hand		**82,129**	23,864
		3,741,008	521,670
Assets classified as held for sale	13	**469,816**	—
		4,210,824	521,670
Current liabilities			
Account payables	14	**149,467**	28,339
Deposits received, accrued expenses and other payables		**268,257**	90,255
Due to directors		**18,435**	503
Due to minority equity holders of subsidiaries		**12,741**	6,867
Due to an equity holder of the Company		**41,822**	9,591
Provision for tax		**72,846**	194,133
Promissory notes	15	**249,001**	—
Bank borrowings	16	**33,660**	466
		846,229	330,154
Liabilities associated with assets classified as held for sale	13	**217,788**	—
		1,064,017	330,154
Net current assets		**3,146,807**	191,516
Total assets less current liabilities		**3,616,021**	435,849
Non-current liabilities			
Bank borrowings	16	**696,073**	63,829
Deferred tax liabilities		**1,002,040**	14,682
Convertible bonds	17	**1,169,607**	—
		2,867,720	78,511
Net assets		**748,301**	357,338
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**94,851**	29,633
Reserves		**518,760**	264,755
		613,611	294,388
Minority interests		**134,690**	62,950
Total equity		**748,301**	357,338

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Hengli Properties Development (Group) Limited (the "Company") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda, and its principal place of business is in the People's Republic of China (the "PRC"). The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK").

On 21 July 2008, the Company announced that the name of the Company has been changed from "China Fair Land Holdings Limited 正輝中國集團有限公司" to "Hengli Properties Development (Group) Limited" with effect from 9 June 2008 and "Hengli Properties Development (Group) Limited 恆力房地產發展(集團)有限公司" with effect from 10 June 2008.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention except for investment properties and leasehold properties which are measured at fair values. From 1 January 2008, the Group has adopted all the new and amended standards and interpretations ("New HKFRSs") issued by the HKICPA which are first effective on 1 January 2008 and relevant to the Group. The adoption of the New HKFRSs did not result in significant changes in the Group's accounting policies. Save as the above, the principal accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2007.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early adopted the following new and amended standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these standards or interpretations will have no material impact on the results and financial position of the Group:

HKAS 1 (Revised)	Presentation of Financial Statements [1]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 32 (Amendment)	Financial Instruments: Presentation — Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurements — Puttable Financial Instruments and Obligations Arising on Liquidition [1]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combination — Comprehensive Revision on Applying the Acquisition Method [3]
HKFRS 7 (Amendment)	Financial Instruments: Disclosure — Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) — INT 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments [1]
HK(IFRIC) — INT 13	Customer Loyalty Programmes [2]
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation [4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2008
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 October 2008

Among these new or amended HKFRSs, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements. This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

The directors of the Company is currently assessing the impact of the other new or amended HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

4. REVENUE AND OTHER REVENUE AND GAINS

Revenue, which is also the Group's turnover, and other revenue and gains recognised during the period are as follows:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Property letting	**10,059**	8,943
Sale of developed properties	**650**	13,888
Sale of land use rights	**122,509**	—
	133,218	22,831
Other revenue and gains		
Bank interest income	**404**	86
Compensation received on return (net of costs incurred) of land use rights	**—**	20,884
Loan interest income from a director	**9,870**	—
Exchange gains, net	**6,420**	—
Others	**343**	1
	17,037	20,971

5. SEGMENT INFORMATION

Primary reporting segment — business segments

The Group's principal activities are property letting, sale of land use rights and sale of developed properties. These three business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

For the six months ended 30 June 2008 (Unaudited)

	Property letting *HK$'000*	**Sale of land use rights** *HK$'000*	**Sale of developed properties** *HK$'000*	**Group** *HK$'000*
Revenue	**10,059**	**122,509**	**650**	**133,218**
Segment results	**9,946**	**61,162**	**93**	**71,201**
Unallocated income				**17,037**
Unallocated expenses				**(28,227)**
Operating profit				**60,011**
Finance costs				**(54,068)**
Profit before income tax				**5,943**
Income tax expense				**(26,801)**
Loss for the period				**(20,858)**

For the six months ended 30 June 2007 (Unaudited)

	Property letting *HK$'000*	Sale of land use rights *HK$'000*	Sale of developed properties *HK$'000*	Group *HK$'000*
Revenue	8,943	—	13,888	22,831
Segment results	8,857	—	26,085	34,942
Unallocated income				87
Unallocated expenses				(13,559)
Operating profit				21,470
Finance costs				(667)
Profit before income tax				20,803
Income tax expense				(9,080)
Profit for the period				11,723

Secondary reporting segment — geographical segments

All of the Group's revenue for both periods was generated in the PRC and over 90% (six months ended 30 June 2007: over 90%) of the Group's segment assets were located in the PRC. Accordingly, no geographical segment information is presented.

During the period, over 90% (six months ended 30 June 2007: over 90%) of the Group's capital expenditure took place in the PRC.

6. PROFIT BEFORE INCOME TAX

During the period, depreciation of HK$2,744,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: HK$2,485,000) was charged to the condensed consolidated income statement in respect of the Group's property, plant and equipment.

During the period, amortisation of HK$142,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: HK$45,000) was charged to the condensed consolidated income statement in respect of the Group's prepaid lease payments.

During the period, interest on convertible bonds of HK$42,791,000 and interest on promissory notes of HK$8,515,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil) was charged to the condensed consolidated income statement.

During the period, provision for impairment on account receivables of HK$8,870,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil) was charged to the condensed consolidated income statement.

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising from or derived in Hong Kong for both periods. The PRC Enterprise Income Tax ("EIT") and PRC Land Appreciation Tax ("LAT") are calculated at rates applicable to respective subsidiaries.

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax — PRC		
— EIT	**17,578**	6,355
— LAT	**12,436**	1,435
	30,014	7,790
Deferred tax		
— Current period	**(3,213)**	(147)
— Attributable to change in tax rate	**—**	1,437
	(3,213)	1,290
Total income tax expense	**26,801**	9,080

8. DIVIDENDS

The directors do not recommend the payment of any interim dividend for the period (six months ended 30 June 2007: Nil).

9. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$24,887,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: profit of HK$2,869,000) and on the weighted average of 659,993,044 (six months ended 30 June 2007: 293,472,044) ordinary shares in issue during the period.

(b) Diluted

The diluted earnings per share for the six months ended 30 June 2008 are not presented as the potential ordinary shares had anti-dilutive effect on loss per share.

The calculation of diluted earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity holders of the Company of HK$2,869,000. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 293,472,044 ordinary shares in issue during the period plus the weighted average of 3,107,956 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised.

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The fair value of the Group's investment properties and leasehold properties were determined by Savills Valuation and Professional Services Limited, a firm of independent qualified professional surveyors, at 30 June 2008. The decrease in fair value of investment properties of approximately HK$412,000 (six months ended 30 June 2007: HK$510,000) has been charged to the condensed consolidated income statement. The Group's share of revaluation deficits on leasehold properties of approximately HK$3,033,000 (six months ended 30 June 2007: surplus of HK$4,690,000) has been debited (six months ended 30 June 2007: credited) to the property, plant and equipment revaluation reserve.

During the period, there was mainly addition of approximately HK$2,842,000 arising from the business combinations of investment properties and property, plant and equipment. There was no significant disposal of investment properties and property, plant and equipment. Investment properties and property, plant and equipment were reclassified to assets held for sale of approximately HK$146,089,000 and HK$28,824,000 respectively (note 13).

During the six months ended 30 June 2007, there was no significant acquisition and disposal of investment properties and property, plant and equipment.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2008 *HK$'000* **(Unaudited)**	31 December 2007 *HK$'000* (Audited)
Unlisted investment, at cost		
Opening carrying amount	**2,128**	2,000
Currency realignment	**94**	128
Closing carrying amount	**2,222**	2,128

12. ACCOUNT RECEIVABLES

An aged analysis of account receivables after impairment provision is as follows:

	30 June 2008 *HK$'000* **(Unaudited)**	31 December 2007 *HK$'000* (Audited)
Within three months	**80,957**	84,555
Four months to one year	**—**	11,460
Over two years	**802**	9,746
	81,759	105,761

There is no concentration of credit risk with respect to account receivables, as the Group has a large number of customers.

13. ASSETS HELD FOR SALE

On 30 May 2008, the Company entered into a conditional sale and purchase agreement (the "Agreement") with International Offshore Development Limited ("International Offshore"), an indirectly wholly-owned subsidiary of Future Opportunity Limited, of which the entire issued share capital is held by trustee under a discretionary trust, objects of which are family members of a director, Mr. So Pang Gen. Pursuant to the Agreement, the Company has agreed to sell the entire issued share capital of China Fair Land Properties Limited and its subsidiaries (together "CFL Properties Group"), a wholly owned subsidiary of the Company, at a consideration of HK$281,789,000 (subject to adjustment). CFL Properties Group is principally engaged in property development. Please refer to the Company's circular dated on 30 June 2008 for details.

The classes of assets and liabilities of CFL Properties Group at 30 June 2008 which are classified as assets held for sale are as follows:

	30 June 2008
	HK$'000
	(unaudited)
Assets	
Investment properties *(note 10)*	146,089
Properties, plant and equipment *(note 10)*	28,824
Prepaid lease payments	2,903
Deferred tax assets	22,976
Properties held for sale	87,235
Account receivables *(note (a))*	106,508
Prepayments, deposits and other receivables	27,167
Due from related companies	522
Due from minority equity holder of subsidiaries	377
Due from an equity holder	45,959
Cash at banks and in hand	1,256
Assets classified as held for sale	**469,816**
Liabilities	
Account payables *(note (b))*	(11,574)
Deposits received, accrued expenses and other payables	(38,728)
Provision for tax	(156,994)
Deferred tax liabilities	(10,492)
Liabilities associated with assets classified as held for sale	**(217,788)**
Net assets classified as held for sale	**252,028**

(a) Account receivables

An aged analysis of account receivables after impairment provision is as follows:

	30 June 2008
	HK$'000
	(Unaudited)
Within three months	**4,291**
Four months to one year	**96,761**
Between one to two years	**5,456**
	106,508

(b) Account payables

The aging analysis of account payables as at 30 June 2008 is as follows:

	30 June 2008
	HK$'000
	(Unaudited)
Over one year	**11,574**

14. ACCOUNT PAYABLES

The aging analysis of account payables as at 30 June 2008 is as follows:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within three months	**31,043**	—
Four months to one year	**10,637**	—
Over one year	**107,787**	28,339
	149,467	28,339

15. PROMISSORY NOTES

On 21 January 2008, the Company issued promissory notes with an aggregate principal amount of HK$250,000,000 to a director, Mr. Chen Chang Wei as part of the consideration for the acquisition of Amazing Wise Limited and its subsidiaries. Mr. Chen Chang Wei was appointed as a director of the Company on 22 January 2008. The promissory notes are unsecured, interest-free and repayable within one year.

	HK$'000
Net carrying amounts at fair value on initial recognition	**240,486**
Interest expenses	**8,515**
Net carrying amount at 30 June 2008	**249,001**

16. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to HK$663,041,000 (six months ended 30 June 2007: HK$22,000,000) of which HK$499,823,000 arising from the business combinations and repaid bank loans of HK$440,000 (six months ended 30 June 2007: HK$26,000,000). The bank loans bear interests ranging from 3.05% to 7.74% per annum as at 30 June 2008.

Bank loans are guaranteed by the director, Mr. Chen Chang Wei and his close member of the family. Bank loans are secured by the pledge of certain assets as follows:

	30 June 2008 *HK$'000* **(Unaudited)**	31 December 2007 *HK$'000* (Audited)
Investment properties	**22,256**	—
Properties under development	**2,758,322**	73,365
Leasehold properties	**1,800**	—
Prepaid lease payments	**25,108**	—
	2,807,486	73,365

17. CONVERTIBLE BONDS

On 21 January 2008, the Company issued HK$2,701,711,500 zero coupon convertible bonds at 100% of principal amount to a director, Mr. Chen Chang Wei as part of the consideration for the acquisition of Amazing Wise Limited and its subsidiaries. Mr. Chen Chang Wei was appointed as a director of the Company on 22 January 2008. The convertible bonds are secured by the share of Amazing Wise Limited held by the Group. Unless previously converted, the Company will redeem the convertible bonds on 20 January 2018.

The convertible bonds recognised in the balance sheet are calculated as follows:

	Liability component *HK$'000*	**Equity component** *HK$'000*
Net carrying amounts at fair value on initial recognition	1,251,415	157,393
Interest expenses	42,791	—
Arising from exercise of conversion rights	(124,599)	(15,671)
Net carrying amounts at 30 June 2008	**1,169,607**	**141,722**

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 8% to the adjusted liability component.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2008, the Group's turnover amounted to HK$133,218,000 representing an increase of 483.5% as compared to the corresponding period in 2007. Included in the turnover were sales of developed properties, land use right and rental income from property letting, which were mainly derived from the sales of Wenjing Gardens in Ningbo, Land in Chungchun and the investment properties in Ningbo and Changchun respectively. Loss attributable to equity holders of the Company for the period ended 30 June 2008 was approximately HK$24,887,000, representing a decrease of 967.4% as compared to the corresponding period in 2007. The decrease is mainly due to finance cost on convertible bonds of HK$42,791,000 and promissory notes of HK$8,515,000 respectively.

The investment properties in Changchun generated rental income of HK8.6 million (2007: HK$7.7 million), representing an increase of 11.6%, during the period under review. The increase is mainly due to the rental adjustment based on the final construction cost of the investment properties under the lease agreement between a subsidiary of the Group and the lessee.

The development of residential property named 盛世嘉苑, located in Jiangbei, Ningbo is still under development. The total gross area of the project approximates 81,000 sq.m are launched for pre-sales in February 2008. Also the construction of a commercial property project, temporarily named as 姚江新都 in Hongtang Zhong Road, Jiangbei District, Ningbo is currently in progress. The project involves the development of a commercial property with a total gross floor area of approximately 46,000 sq.m. and is expected to be completed in mid of 2009 and launched for pre-sale by the end of 2008.

The property named as 中旅城二期, located in the financial district of Fuzhou, Fujian Province, is still under development. The property is being developed into a residential, office and retail development with a total gross floor area of around 225,784 sq.m. Under the current plan, which has been approved by the building authorities, the property will have upon completion one block of 32-storey office building and three blocks of 36 to 37 storey residential buildings, commonly erected on top of a 7-storey commercial podium accommodating clubhouse facilities, retail spaces and 3 levels of basement car parking spaces. The development of these properties will be expected to provide the growth engine for the Group in the next few years.

In addition, a piece of land located at Gulou District, Fuzhou City, with an area of around 6,035.4 sq.m was acquired by Fujian Zhonglu Real Estate Development Co., Limited (a subsidiary of the Company) during March 2008. This land would be used to develop high-end commercial properties in the future. For risk management purpose, the land is being transferred to another wholly-owned subsidiary of the Company. The location of the land is near the location of 中旅城二期 and create a synergy effect, which would enhance the strategic advantage of the Group in the central commercial district of Fuzhou, Fujian Province.

In view of the change in the political atmosphere of Taiwan and the positioning of Fujian Province by the PRC government as Strait West Coast Economic Zone, the Board believes that the real estate industry in Fuzhou would be further developed in the long run.

FINANCIAL REVIEW

Net assets and equity attributable to equity holders

As at 30 June 2008, the Group recorded total assets and total liabilities of approximately HK$4,680,038,000 and HK$3,931,737,000 respectively. The Group had net assets as at 30 June 2008 approximately HK$748,301,000 as compared to approximately HK$357,338,000 as at 31 December 2007. As at 30 June 2008, the equity attributable to equity holders of the Company was approximately HK$613,611,000 as compared with HK$294,388,000 as at 31 December 2007.

Liquidity and financial ratios

The Group had total bank and cash balances of approximately HK$82,129,000 as at 30 June 2008 as compared with HK$23,864,000 as at 31 December 2007. As at 30 June 2008, the current ratio was 4.0 as compared with 1.6 as at 31 December 2007. The gearing ratio was 84.0% as at 30 June 2008 as compared with 53.4% as at 31 December 2007. The bank borrowings to equity attributable to the Company's equity holders was recorded at 118.9% as at 30 June 2008 as compared with 21.8% as at 31 December 2007.

Borrowings

The Group had interest bearing borrowings of approximately HK$730 million as at 30 June 2008 (31 December 2007: HK$64 million), representing an increase of approximately 1,040.6% over the amount as at 31 December 2007. Borrowings were denominated in both Renminbi ("RMB") and Hong Kong Dollar ("HK$"). Approximately 4.6% of the borrowings is repayable within one year and the rest representing the bank loans of HK$696 million.

The Group has aggregate net carrying amounts of convertible bonds of approximately HK$1,170 million and promissory notes of approximately of HK$249 million respectively as at 30 June 2008.

Foreign currency exposure

Although significant portions of the Group's borrowings, turnover and construction costs are primarily denominated in RMB, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the RMB. The Directors also consider that there will be sufficient cash resources denominated in both HK$ and RMB for the repayment of its borrowings. During the period under review, the Group did not use any financial instrument for hedging purposes and the Group did not have hedging instrument outstanding as at 30 June 2008.

PLEDGE OF ASSETS

As at 30 June 2008, the Group pledged certain of its assets as disclosed in Note 16.

FINANCIAL POLICY

The Group continued to handle financial risks in a prudent manner and is actively adopting corporate management standards at international level in order to ensure maximum protection for the interests of shareholders.

MATERIAL ACQUISITION AND DISPOSAL

1) On 2 October, 2007, the Group entered into an Acquisition Agreement with Mr. Chen Chang Wai to acquire the entire issued share capital in and certain shareholder's loans of Amazing Wise Limited for a total consideration of HK$3,008.8 million (the "Acquisition"). Amazing Wise Limited holds 100% interest in Dalong Industrial Group Limited ("Dalong"), and Dalong whose principal assets are 95% equity interest in Fujian Zhonglu Real Estate Development Co., Limited (the "Fujian Zhonglu"). And the relevant acquisition was completed on 21 January 2008.

2) On 21 March 2008, the Group successfully bid for the land use rights from the Land Resources Bureau of Fuzhou City, Fujian Province on a piece of land at a consideration of RMB 278,000,000 for property development purpose.

3) On 30 May 2008, the Group entered into a Disposal Agreement with International Offshore Development Limited (the "IOD") to sell the entire issued share capital of Target Company and the benefits of and interest in the Sales Loans at an aggregate Consideration of HK$281.8 million (subject to adjustment), to be settled by the IOD in cash. IOD is a company incorporated in the British Virigin Islands, and is an indirect wholly-owned subsidiary of Future Opportunity Limited (the "FOL"), which the entire issued share capital is held by a trustee under a discretionary trust, objects of which are family members of Mr. So Pang Gen.

CONTINGENT LIABILITIES

As at 30 June 2008, the Group provided guarantees of approximately HK$70,508,000 (as at 31 December 2007: HK$17,053,000) to banks in favor of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group employed approximately 80 full time staffs in PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market price while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidized educational and training programs as well as share option scheme.

OUTLOOK

As a result of the implementation by the PRC government of series of macro-economic control policies, the growth of property investment has slowed down in the past 6 months. The Group will focus its property development and investment in the areas that are less affected by the current macro-economic conditions and represent better growth potential, such as Fujian province, benefiting from the change of political atmosphere of Taiwan.

Despite the slowdown during the first half of 2008, the Group is positive about the future of the PRC property industry on back of strong economic fundamentals China presents. In the coming years, China will remain as one of the world's most attractive destinations for investment as it is foreseen that its economy will continue to prosper, and its currency will continue to appreciate. The Group will gradually consolidate its existing property portfolio with a strategic focus to position itself as a high quality boutique property developer.

REPURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of the Company's shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2008, except the following deviation:

Code Provision A.2.1 — this Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The position of the Chairman of the Board is currently held by Mr. Chen Chang Wei, and the Company does not have any chief executive officer. As such, the roles of chairman and chief executive officer are performed by the same person. The Board considers that this structure is beneficial to the Company as it enables the Company to make prompt and efficient decisions. The Board comprises of experienced and high calibre individuals who meet regularly to discuss issues and make decisions on transactions that are material in nature to the Company. Hence, the operations of the Board ensure the balance of power and authority. The corporate governance principles of the Company emphasize a quality Board and accountability to all shareholders.

Code Provision A.4.1 stipulates that Non-Executive Directors should be appointed for a specific term, subject for re-election. None of the existing Non-Executive Directors are appointed for a specific term. However, all the Non-Executive Directors shall be subject to retirement by rotation under "Appointment and Re-election of Directors" in accordance with the Company's Bye-Laws mentioned as below paragraph. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The committee reviewed the Group's 2008 interim results before they were tabled for the Board's review and approval.

The Group's 2008 interim results have not been audited, but have been reviewed by the Company's auditors, Grant Thronton in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLISHMENT OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

By order of the board
Hengli Properties Development (Group) Limited
Chen Chang Wei
Chairman

Hong Kong, 24 September 2008

As at the date of this announcement, Mr. Chen Chang Wei, Mr. Chim Kim Lun, Ricky, Ms. Chan Sheung Ni, Ms. Chen Dongxue and Mr. Wong Hing Ting, James are the Executive Directors. Mr. So Pang Gen is the Non-executive Director, and Ms. Lin Wen Feng, Mr. Ma Ving Lung and Mr. Yip King Keung, Pony are the Independent Non-executive Directors.