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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR 2008

The Board of Directors of Hengli Properties Development (Group) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 as follows:—

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Revenue	3	**149,029**	136,321
Cost of sales		**(75,750)**	(46,687)
Gross profit		**73,279**	89,634
Other revenue and gains	3	**21,490**	33,360
(Loss)/gain on changes in fair value of investment properties		**(22,099)**	622
Selling expenses		**(3,283)**	(2,078)
Administrative expenses		**(40,467)**	(31,548)
Gain on disposals of subsidiaries		**30,061**	—
Impairment loss on goodwill		**(299,000)**	—
Write down of properties under development		**(125,000)**	—
Other operating expenses		**(88,005)**	(4,505)
Finance costs	5	**(102,122)**	(1,532)
(Loss)/profit before income tax	6	**(555,146)**	83,953
Income tax credit/(expense)	7	**25,009**	(57,982)
(Loss)/profit for the year		**(530,137)**	25,971
Attributable to :			
Equity holders of the Company		**(503,523)**	18,406
Minority interests		**(26,614)**	7,565
(Loss)/profit for the year		**(530,137)**	25,971
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year	9		
— Basic		**HK(57.21) cents**	HK6.24 cents
— Diluted		**N/A**	HK6.22 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**23,794**	163,745
Property, plant and equipment		**12,731**	47,070
Prepaid lease payments		**27,548**	5,093
Available-for-sale financial assets		**2,265**	2,128
Goodwill		**95,782**	—
Deferred tax assets		**9,358**	26,297
		171,478	244,333
Current assets			
Properties under development		**3,166,058**	178,747
Properties held for sale		**21,232**	109,358
Account receivables	*10*	**1,611**	105,761
Prepayments, deposits and other receivables		**172,189**	99,951
Prepaid lease payments		**78**	95
Due from an equity holder		**35,683**	—
Due from holding company of an equity holder		**519**	—
Due from a minority equity holder of a subsidiary		**—**	3,511
Due from related companies		**21**	383
Loan to a director		**327,667**	—
Tax recoverable		**11,763**	—
Cash and bank balances		**89,133**	23,864
		3,825,954	521,670
Current liabilities			
Account payables	*11*	**187,796**	28,339
Deposits received, accrued expenses and other payables		**334,972**	90,255
Due to holding company of an equity holder		**—**	9,591
Due to minority equity holders of subsidiaries		**12,283**	6,867
Due to a related company		**3,398**	—
Due to directors		**18,889**	503
Promissory notes		**108,691**	—
Bank borrowings		**168,691**	466
Provision for tax		**84,228**	194,133
		918,948	330,154
Net current assets		**2,907,006**	191,516
Total assets less current liabilities		**3,078,484**	435,849
Non-current liabilities			
Bank borrowings		**725,005**	63,829
Convertible bonds		**1,178,409**	—
Deferred tax liabilities		**950,278**	14,682
		2,853,692	78,511
Net assets		**224,792**	357,338

CONSOLIDATED BALANCE SHEET *(continued)*
As at 31 December 2008

	2008	2007
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	**109,251**	29,633
Reserves	**26,691**	264,755
	135,942	294,388
Minority interests	**88,850**	62,950
Total equity	**224,792**	357,338

Notes:

1. GENERAL INFORMATION

Hengli Properties Development (Group) Limited (the "Company") (formerly known as China Fair Holdings Limited), 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").

The principal activities of the Company and its subsidiaries (the "Group") include the property letting, sales of land use rights and developed properties and investment holding.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules").

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new or amended standards and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008.

HK (IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions
HKAS 39 (Amendments)	Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

2. ADOPTION OF NEW OR AMENDED HKFRSS *(continued)*

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 28	Investments in Associates — Consequential Amendments Arising From Amendments to HKFRS 3[2]
HKAS 31	Interests in Joint Ventures — Consequential Amendments Arising from Amendments to HKFRS 3[2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK(IFRIC) — Int 9 (Amendment)	Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments Recognition and Measurement — Embedded Derivatives[6]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[3]
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]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) — Int 18	Transfer of Assets from Customers[2]
Various	Annual Improvements to HKFRS 2008[5]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS
6 Effective for annual period ending on or after 30 June 2009

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

2. ADOPTION OF NEW OR AMENDED HKFRSS *(continued)*

Among these new standards and interpretations, HKAS 1 (Revised) "Presentation of Financial Statements" is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses 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 comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 "Operating Segments" may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new or amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. REVENUE AND OTHER REVENUE AND GAINS

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

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Property letting	**18,683**	18,540
Sale of land use rights	**128,957**	84,906
Sale of developed properties	**1,389**	32,875
	149,029	136,321
Other revenue and gains		
Bank interest income	**999**	1,180
Compensation received on return (net of costs incurred) of land use rights	**—**	21,755
Exchange gains, net	**7,824**	7,692
Loan interest income from a director	**9,870**	—
Others	**2,797**	2,733
	21,490	33,360

4. 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:

2008

	Property letting HK$'000	Sale of land use rights HK$'000	Sale of developed properties HK$'000	Group HK$'000
Revenue	18,683	128,957	1,389	149,029
Segment results	(9,656)	23,253	(432,964)	(419,367)
Unallocated income				21,490
Unallocated expenses				(55,147)
Finance costs				(102,122)
Loss before income tax				(555,146)
Income tax credit				25,009
Loss for the year				(530,137)
Segment assets	23,794	1,566	3,479,328	3,504,688
Unallocated assets				492,744
Total assets				3,997,432
Segment liabilities	—	—	477,226	477,226
Unallocated liabilities				3,295,414
Total liabilities				3,772,640
Capital expenditure	2,632	—	3,107	5,739
Depreciation	—	—	4,292	4,292
Unallocated portion				89
Total depreciation				4,381
Amortisation charges	—	—	160	160
Impairment loss on goodwill	—	—	299,000	299,000
Other non-cash expenses	43,431	42,481	140,882	226,794
Unallocated portion				8,310
Total other non-cash expenses				235,104

4. **SEGMENT INFORMATION** *(continued)*

Primary reporting segment – business segments *(continued)*

2007

	Property letting *HK$'000*	Sale of land use rights *HK$'000*	Sale of developed properties *HK$'000*	Group *HK$'000*
Revenue	18,540	84,906	32,875	136,321
Segment results	18,626	61,476	29,766	109,868
Unallocated income				11,605
Unallocated expenses				(35,988)
Finance costs				(1,532)
Profit before income tax				83,953
Income tax expense				(57,982)
Profit for the year				25,971
Segment assets	179,313	58,737	412,742	650,792
Unallocated assets				115,211
Total assets				766,003
Segment liabilities	—	—	118,594	118,594
Unallocated liabilities				290,071
Total liabilities				408,665
Capital expenditure (unallocated portion)				6
Depreciation	176	—	5,009	5,185
Unallocated portion				9
Total depreciation				5,194
Amortisation charges	—	—	95	95
Other non-cash expenses	—	772	3,733	4,505

Secondary reporting segment – geographical segments

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

5. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest charges on financial liabilities stated at amortised cost:		
Bank loans and overdrafts		
— wholly repayable within five years	**48,627**	2,691
— wholly repayable over five years	**4,864**	—
Amounts due to minority equity holders of subsidiaries wholly repayable within five years	**—**	615
Interest expenses on convertible bonds	**88,323**	—
Interest expenses on promissory notes	**8,205**	—
Other interest expenses	**1,163**	—
	151,182	3,306
Less: interest capitalised included in properties under development	**(49,060)**	(1,774)
	102,122	1,532

The borrowing costs have been capitalised at rates ranging from 7.02% to 7.74% per annum during the year (2007: 6.35%).

6. (LOSS)/PROFIT BEFORE INCOME TAX

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Staff costs		
— directors' remuneration	**4,216**	3,559
— retirement benefits scheme contributions	**678**	455
— staff welfare	**528**	1,747
— other staff costs	**12,031**	6,332
Total staff costs	**17,453**	12,093
Cost of development properties recognised as expense	**75,750**	46,687
Depreciation of property, plant and equipment	**4,381**	5,194
Operating lease charges in respect of		
— land and buildings	**390**	887
— office equipment	**3**	10
— prepaid lease payments	**160**	95
Auditors' remuneration		
— current year	**800**	782
— underprovision in respect of prior years	**100**	—
Property, plant and equipment written off *	**34**	—
Loss on disposals of property, plant and equipment *	**22**	—
Revaluation deficits on property, plant and equipment *	**6,346**	—
Provision for impairment on account receivables *	**73,325**	4,505
Provision for impairment on other receivables *	**8,278**	—
Outgoings in respect of investment properties	**286**	556
Rental income less outgoings	**(18,683)**	(18,004)

Depreciation of property, plant and equipment has been expensed in administrative expenses.

* These expenses are included in other operating expenses on the face of the consolidated income statement.

7. INCOME TAX (CREDIT)/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 years. The PRC Enterprise Income Tax ("EIT") and Land Appreciation Tax ("LAT") are calculated at rates applicable to respective subsidiaries of the Company.

	2008	2007
	HK$'000	*HK$'000*
Current tax — PRC		
— EIT	**16,658**	26,709
— LAT	**20,611**	33,057
— Underprovision of LAT in respect prior years	**—**	6,801
	37,269	66,567
Deferred tax		
Current year	**(62,278)**	(10,022)
Attributable to change in tax rate	**—**	1,437
	(62,278)	(8,585)
Total income tax (credit)/expense	**(25,009)**	57,982

Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(555,146)**	83,953
Tax at PRC EIT rate of 25% (2007: 33%)	**(138,787)**	27,705
Tax effect of non-deductible expenses	**151,834**	3,584
Tax effect of non-taxable revenue	**(10,405)**	(5,663)
Tax effect of unrecognised tax losses	**2,202**	1,572
Effect of different tax rates of subsidiaries operating in the other jurisdictions	**6,289**	(862)
LAT	**(48,189)**	33,057
Underprovision of LAT in respect of prior years	**—**	6,801
Tax effect of LAT	**12,047**	(9,964)
Tax effect of lower tax rate used for the recognition of deferred tax	**—**	1,437
Others	**—**	315
Income tax (credit)/expense	**(25,009)**	57,982

8. DIVIDENDS

No dividends are attributable to the previous financial year, approved and paid during the year (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$503,523,000 (2007: profit of HK$18,406,000) and on the weighted average of 880,167,742 (2007: 294,841,945) ordinary shares in issue during the year.

(b) Diluted

The diluted loss per share for the year ended 31 December 2008 is not presented as the potential ordinary shares had anti-dilutive effect on loss per share.

The calculation of diluted earnings per share for the year ended 31 December 2007 was based on the profit attributable to equity holders of the Company of HK$18,406,000. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 294,841,945 ordinary shares in issue during the year plus the weighted average of 1,070,786 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised.

10. ACCOUNT RECEIVABLES

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

	2008	2007
	HK$'000	*HK$'000*
Within three months	**11**	84,555
Four months to one year	**1,566**	11,460
Between one to two years	**—**	—
Over two years	**34**	9,746
	1,611	105,761

The movement in the provision for impairment on account receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
At 1 January	**6,756**	2,251
Provision for impairment charged to income statement	**73,325**	4,505
Release upon disposals of subsidiaries	**(80,081)**	—
At 31 December	**—**	6,756

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

10. ACCOUNT RECEIVABLES *(continued)*

The carrying amount of account receivables is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

At each balance sheet date, the Group's account receivables are individually reviewed to determine impaired. The amount of impairment loss of individually impaired receivable, if any, is recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised. During the year ended 31 December 2008, specific impairment provision of HK$73,325,000 has been made (2007: HK$6,756,000).

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

Aging analysis of account receivables that are not impaired as follows:

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**11**	84,555
Not more than 1 year past due	**1,566**	11,460
Over 1 year past due	**34**	9,746
	1,611	105,761

Account receivable that were neither past due nor impaired related to a wide range of customers from whom there was no recent history of default. The Group holds the building ownership certificates for those account receivables past due but not impaired. Management believed that no impairment allowance is necessary in respect of these balances as the Group is able to dispose of the respective properties in the open market.

11. ACCOUNT PAYABLES

The aging analysis of account payables as at 31 December 2008 is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within three months	**84,927**	—
Four months to one year	**68**	—
Over one year	**102,801**	28,339
	187,796	28,339

BUSINESS REVIEW

Turnover of the Group for 2008 amounted to HK$149.0 million, representing an increase of 9.3% as compared to HK$136.3 million for 2007. Included in turnover for 2008 were sales of developed properties and land use rights and rental income from property letting. Sales of developed properties and land use rights amounted to approximately HK$1.4 million (2007: HK$32.9) and HK$129.0 million (2007: HK$84.9) respectively. The rental income from investment properties amounted to approximately HK$18.7 million (2007: HK$18.5). Gross profit of the Group amounted to approximately HK$73.3 million, a decrease of 18.2% as compared to HK$89.6 million for 2007. The Group's gross profit ratio for the year amounted to 49.2%, a decrease of 16.6 percentage points as compared to 65.8% for 2007. The decrease of gross profit ratio was caused by the drop on proportion of sales of developed properties. Loss attributable to equity holders amounted to HK$503.5 million, a decrease of approximately HK$521.9 million as compared to the profit of HK$18.4 million for 2007. The loss mainly comprised of, i) provision for impairment on account receivables of HK$73.3 million and other receivables of HK$8.3 million due to deteriorate of market condition, ii) finance costs incurred on convertible bonds of HK$88.3 million and promissory notes of HK$8.2 million, iii) Loss on changes in fair value of investment properties of HK$22.1 million, and iv) the impairment loss on properties under development of HK$125.0 million and goodwill of HK$299.0 million.

During the year, the Group sold residential and commercial properties with a total gross floor area of 234 sq.m. (2007: 6,256 sq.m.), representing a decrease of 96.3% over last year. The rental income from investment properties was derived from the developed properties in Changchun, Nanjin and Ningbo, which the industrial property in Changchun generated rental income of HK$15.7 million during the year. As the Group did not have new property development project completed during the year, all the sales of developed properties was generated from properties held for sales developed in previous years. Turnover for the year was mainly attributable from saleable properties such as Wenjing Garden in Ningbo and sales of land in Changchun.

The development of residential property project named 盛世嘉苑, located in Chung Xing Road, Jiangbei District, Ningbo has finished in March 2009. The total gross area of the project approximated 81,000 sq.m and launched for pre-sales in February 2008. Also, the construction of a commercial property project named 姚江新都大廈 located in Hongtang Zhong Road, Jiangbei District, Ningbo, is currently in progress. The project involves the development of a commercial property with the total gross area of approximately 46,000 sq.m and is expected to be completed in July 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 242,268 sq.m. Under the current plan, which has been approved by the building authorities, the property will have upon completion one block of 46-storey office building and three blocks of 40 storey residential buildings, commonly erected on top of 7-storey commercial podium accommodating clubhouse facilities, retail spaces and 4 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 sq.m was acquired by the Group during March 2008. This land would be used to develop high-end commercial properties in the future. 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

As at 31 December 2008, the Group recorded total assets and total liabilities of approximately HK$3,997,432,000 and HK$3,772,640,000 respectively. The Group's equity per consolidated balance sheet as at 31 December 2008 decreased by approximately HK$132,546,000 to approximately HK$224,792,000 as compared to approximately HK$357,338,000 as at 31 December 2007.

Liquidity and financial ratios

The Group had total cash and bank balances of approximately HK$89,133,000 as at 31 December 2008 as compared with HK$23,864,000 as at 31 December 2007. As at 31 December 2008, the current ratio was 4.2 as compared with 1.6 as at 31 December 2007. The gearing ratio was 70.6% as at 31 December 2008 as compared with 51.3% as at 31 December 2007. The bank borrowings to equity was recorded at 657.4% as at 31 December 2008 as compared with 21.7% as at 31 December 2007.

Borrowings

The Group had interest bearing borrowings of approximately HK$893.7 million as at 31 December 2008 (31 December 2007: HK$64.3 million), representing an increase of approximately 1,289.9% over the amount as at 31 December 2007. Borrowings were denominated in Renminbi ("RMB") and Hong Kong dollar ("HK$"). Approximately 18.9% of the borrowing is repayable within one year and the rest representing the bank loans of HK$725 million.

The Group has aggregated net carrying amount of convertible bonds of approximately HK$1,178.4 million (principal amount of approximately HK$2,360.7 million) and promissory note of approximately HK$108.7 million (principal amount of approximately HK$110 million) respectively as at 31 December 2008.

Foreign currency exposure

As 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. 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 year, the Group did not use any financial instrument for hedging purposes and the Group did not have hedging instrument outstanding as at 31 December 2008.

PLEDGE OF ASSETS

At the balance sheet date, the Group pledged certain of its investment properties, leasehold properties, prepaid lease payments and properties under developments to banks in the PRC to secure the bank loans of approximately HK$893,478,000 (2007: HK$64,295,000) granted by these banks. The aggregate carrying value of the investment properties, leasehold properties, propaid lease payment and properties under developments as at 31 December 2008 was amounted to approximately HK$23,794,000, HK$1,522,000, HK$8,185,000 and HK$2,686,427,000 (2007: Nil, Nil, Nil and HK$73,365,000) respectively.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group provided guarantees of approximately HK$72,190,000 (2007: HK$17,053,000) to bank 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 loan granted. At the balance sheet date, no provision for the Group's obligation under these guarantee contracts has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

MATERIAL ACQUISITION AND DISPOSAL

1) According to the Acquisition Agreement with Mr. Chen Chang Wai, an independent third party to the Group at the date of the Acquisition Agreement and the Chairman and Managing Director of the Company at the date of this report, the Company agreed to acquire the entire issued share capital in and certain shareholder's loans of Amazing Wise Limited ("Amazing Wise") for a total consideration of HK$3,008.8 million. Amazing Wise holds 100% interest in Dalong, and Dalong in return holds 95% equity interest in Fujian Zhonglu, a sino-foreign joint venture company incorporated in the PRC. And the acquisition has been 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 RMB278,000,000 for property development purpose.

3) On 30 May 2008, the Company entered into a disposal Agreement with International Offshore Development Limited (the "IOD") to sell the entire issued share capital of China Fair Land Properties Limited, a wholly-owned subsidiary of the Company and its subsidiaries (together the "CFL Properties Group") and the benefits of and interest in the sales loans to the CFL Properties Group. IOD is a company incorporated in the British Virgin Islands, and is an indirect wholly-owned subsidiary of Future Opportunity Limited (the "FOL"), which the entire issued share capital is held by trustee under a discretionary trust, objects of which are family member of Mr. So Pang Gen. And the disposal has been completed on 2 December 2008.

CAPITAL STRUCTURE

(a) On 21 January 2008, the Company issued 114,177,000 ordinary shares of HK$0.10 each to Mr. Chen Chang Wei as part of the purchase consideration of acquiring Amazing Wise Limited. The fair value of the shares issued at the date of acquisition amount to HK$55,946,000.

(b) During the year ended 31 December 2008, 682,000,000 ordinary shares of HK$0.10 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of approximately HK$0.50 per share.

SUBSEQUENT EVENT

On 2 February 2009, according to a confirmation between the Company and Chance Fair International Development Limited ("Chance Fair Int'l"), the amount receivable by the Company from International Offshore of approximately HK$2,307,000 was settled by Chance Fair Int'l through the current account between the Company and Chance Fair Int'l.

On 2 February 2009, according to another confirmation between the Company and Mr. Chen Chang Wei, the amount receivable by the Company from International Offshore Development of approximately HK$33,377,000 was settled by Mr. Chen through the current account between the Company and Mr. Chen.

Upon completion of the above 2 transactions, the outstanding balance receivable from International Offshore Development regarding the disposals of the CFL Properties Group has been fully settled.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group employed approximately 57 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.

No shares options were issued under the Company's share option scheme as at 31 December 2008 (2007: HK$Nil) and no shares options were granted to the Directors during the year.

OUTLOOK

In near future, under the uncertainties from the sudden attack by the global financial tsunami, the real estate market in the PRC will continue to be volatile. Pressure in market demand is expected not to deteriorate in medium and short-term. As growth of sales in real estate has slowed down and the bank has tightened credit, it is expected that enormous financial pressure will be inflicted to real estate enterprises with higher borrowing ratio and thus accelerate market integration, which will provide an advantage development environment for real estate enterprises with financial strength.

The Group has developed and acquired land for projects with a prudent attitude since its listing. Despite the slowdown of global market, the Group will continue to adjust its development strategies and strengthen its development business over time. It will take advantage of the current downturn to increase its residential land bank when opportunities arise.

CORPORATE GOVERNANCE

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008, except for deviations in (i) the independent non-executive directors of the company are not appointed for a specific term and (ii) the role of chairman and chief executive officer are performed by same individual.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code/the required standard of dealing and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

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 final results before they were tabled for the Board's review and approval.

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.

PUBLISHMENT OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

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

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

Hong Kong, 28 April 2009

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