HL GROUP 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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The Board of Directors of Hengli Properties Development (Group) Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 as follows:—

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Turnover	*3*	**426,086**	149,029
Cost of sales		**(294,902)**	(75,750)
Gross profit		**131,184**	73,279
Other revenue and net income	*3*	**29,256**	21,490
Valuation gain/(loss) on investment properties		**44,497**	(22,099)
Selling expenses		**(24,278)**	(3,283)
Administrative expenses		**(29,738)**	(40,467)
Gain on disposal of subsidiaries		**—**	30,061
Impairment loss on goodwill		**—**	(299,000)
Reversal of write down/(write down) of properties under development		**125,000**	(125,000)
Other operating expenses		**—**	(88,005)
Profit/(loss) from operations		**275,921**	(453,024)
Finance costs	*5(a)*	**(129,375)**	(102,122)
Profit/(loss) before taxation	*5*	**146,546**	(555,146)
Income tax (expense)/credit	*6*	**(63,070)**	25,009
Profit/(loss) for the year		**83,476**	(530,137)
Attributable to:			
Equity shareholders of the Company		**11,217**	(503,523)
Minority interests		**72,259**	(26,614)
Profit/(loss) for the year		**83,476**	(530,137)
Earnings/(loss) per share	*8*		
Basic		**$0.01**	$(0.57)
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties		**88,105**	23,794
Property, plant and equipment		**18,255**	12,731
Prepaid lease payments		**28,509**	27,548
Goodwill		**95,782**	95,782
Available-for-sale investment		**2,272**	2,265
Loan to a shareholder		**295,129**	—
Deferred tax assets		**8,838**	9,358
		536,890	171,478
Current assets			
Properties under development		**3,571,790**	3,166,058
Properties held for sales		**167,440**	21,232
Trade and other receivables	*9*	**31,420**	210,101
Loan to a shareholder		**—**	327,667
Current tax recoverable		**4,549**	11,763
Restricted bank deposits		**198,508**	—
Cash and cash equivalents		**137,977**	88,915
		4,111,684	3,825,736
Current liabilities			
Trade and other payables	*10*	**383,938**	340,577
Receipts in advance		**394,353**	216,761
Promissory notes		**60,000**	108,691
Bank loans		**207,313**	168,473
Current tax payable		**87,322**	84,228
		1,132,926	918,730
Net current assets		**2,978,758**	2,907,006
Total assets less current liabilities		**3,515,648**	3,078,484

CONSOLIDATED BALANCE SHEET *(Continued)*
At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Bank loans		**994,705**	725,005
Convertible bonds		**1,267,706**	1,178,409
Deferred tax liabilities		**977,037**	950,278
		3,239,448	2,853,692
NET ASSETS		**276,200**	224,792
CAPITAL AND RESERVES			
Share capital		**111,851**	109,251
Reserves		**5,057**	26,691
Total equity attributable to equity shareholders of the Company		**116,908**	135,942
Minority interests		**159,292**	88,850
TOTAL EQUITY		**276,200**	224,792

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") are property development and investment.

The financial statements have been prepared in accordance with all applicable 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. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment — vesting conditions and cancellations*
- HK(IFRIC) 15, *Agreements for the construction of real estate*
- HK(IFRIC) 16, *Hedges of a net investment in a foreign operation*

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

The amendments to HKAS 23, HKFRS 2 and HKFRS 7 and Interpretations HK(IFRIC) 15 and HK(IFRIC) 16 have had no material impact on the Group's financial statements as the amendments and interpretations are consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented. Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any of the period presented.

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, as a result of amendments to HKAS 40, "Investment property", investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. This change in policy has no impact on net assets or profit or loss for any of the period presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods.

3. TURNOVER AND OTHER REVENUE AND NET INCOME

Turnover and other revenue and net income recognised during the year are as follows:

	2009	2008
	HK$'000	*HK$'000*
Turnover		
Sales of properties	**423,838**	1,389
Sales of land use rights	**—**	128,957
Rental income from investment properties	**2,248**	18,683
	426,086	149,029
Other revenue and net income		
Interest income from loan to a shareholder	**20,093**	9,870
Other interest income	**833**	999
Net foreign exchange gain	**702**	7,824
Dividend income	**610**	—
Others	**7,018**	2,797
	29,256	21,490

4. SEGMENT REPORTING

The Group manages its businesses by projects in different region within the PRC. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Projects in Fujian Province: this segment engages in the development of residential and commercial properties for sales in Fujian Province.
- Projects in Zhejiang Province: this segment engages in the development of residential and commercial properties for sales as well as leasing of properties to earn rental income in Zhejiang Province.
- Projects in Jilin Province: this segment engaged in property development in Jilin Province. This segment was disposed of in 2008.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and other corporate assets. Segment liabilities include current liabilities, bank borrowings managed directly by the segments and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "Profit before tax".

4. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	Projects in Fujian Province *HK$'000*	Projects in Zhejiang Province *HK$'000*	Total *HK$'000*
For the year ended 31 December 2009			
Revenue from external customers	**—**	**426,086**	**426,086**
Reportable segment profit	**101,551**	**144,863**	**246,414**
At 31 December 2009			
Reportable segment assets	**4,328,106**	**461,967**	**4,790,073**
Reportable segment liabilities	**2,984,493**	**323,960**	**3,308,453**

	Projects in Fujian Province *HK$'000*	Projects in Zhejiang Province *HK$'000*	Projects in Jilin Province *HK$'000*	Total *HK$'000*
For the year ended 31 December 2008				
Revenue from external customers	—	3,545	145,484	149,029
Reportable segment profit/(loss)	(127,787)	(11,945)	67,185	(72,547)
At 31 December 2008				
Reportable segment assets	3,254,288	617,668	—	3,871,956
Reportable segment liabilities	1,943,845	591,188	—	2,535,033

4. **SEGMENT REPORTING** *(Continued)*

(b) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

Revenue	**2009** ***HK$'000***	2008 *HK$'000*
Reportable segment and consolidated revenue	**426,086**	149,029

Profit/(loss)	**2009** ***HK$'000***	2008 *HK$'000*
Reportable segment profit/(loss)	**246,414**	(72,547)
Unallocated head office and corporate results	**(99,868)**	(482,599)
Consolidated profit/(loss)	**146,546**	(555,146)

Assets	**2009** ***HK$'000***	2008 *HK$'000*
Reportable segment assets	**4,790,073**	3,871,956
Elimination of inter-segment receivables	**(557,725)**	(143,946)
Unallocated head office and corporate assets	**416,226**	269,204
Consolidated total assets	**4,648,574**	3,997,214

Liabilities	**2009** ***HK$'000***	2008 *HK$'000*
Reportable segment liabilities	**3,308,453**	2,535,033
Elimination of inter-segment payables	**(557,725)**	(143,946)
Unallocated head office and corporate liabilities	**1,621,646**	1,381,335
Consolidated total liabilities	**4,372,374**	3,772,422

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2009	2008
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank loans	**57,580**	53,491
Interest on convertible bonds	**95,874**	88,323
Interest on promissory notes	**1,309**	8,205
Interest expense on other borrowing wholly repayable on demand	**772**	1,163
Total interest expense on financial liabilities not at fair value through profit or loss	**155,535**	151,182
Less: Interest expense capitalised into properties under development*	**(26,160)**	(49,060)
	129,375	102,122

* The borrowing costs have been capitalised at a rate of 5.4% — 7.56% per annum (2008: 7.02% — 7.74% per annum).

	2009	2008
	HK$'000	*HK$'000*
(b) Staff costs:		
Contributions to defined contribution retirement plan	**681**	682
Salaries, wages and other benefits	**14,113**	16,773
	14,794	17,455
(c) Other items:		
Depreciation of property, plant and equipment	**1,191**	4,381
Amortisation of prepaid lease payments	**154**	160
Impairment losses of trade and other receivables	**—**	81,603
Auditors' remuneration	**715**	900
Operating lease charges: minimum lease payments — property, plant and equipment	**174**	393
(Gain)/loss on disposal of property, plant and equipment	**(681)**	56
Revaluation (surplus)/deficit on property, plant and equipment	**(78)**	6,346
Rentals receivable from investment properties less direct outgoings HK$173,000 (2008: HK$286,000)	**(2,075)**	(18,683)
Cost of properties sold	**294,902**	75,750

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009	2008
	HK$'000	*HK$'000*
Current tax		
PRC Corporate Income Tax *(note (ii))*	**28,261**	16,658
PRC Land Appreciation Tax ("LAT") *(note (iii))*	**19,915**	20,611
Over provision of LAT in respect of prior year	**(20,248)**	—
	27,928	37,269
Deferred tax		
Origination and reversal of temporary differences	**35,142**	(62,278)
	63,070	(25,009)

(i) No provision for Hong Kong profits tax has been made in the financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year.

(ii) PRC corporate income tax

The provision for corporate income tax has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The corporate income tax rate applicable to the Group's subsidiaries located in the PRC is 25% (2008: 25%).

(iii) PRC land appreciation tax

All income from sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including costs of land use rights, borrowing costs and relevant development expenditure.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

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

	2009	2008
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**146,546**	(555,146)
Notional tax calculated at rate applicable to profits in the countries concerned	**45,385**	(132,498)
Tax effect of non-deductible expenses	**19,694**	95,081
Tax effect of non-taxable income	**(8,862)**	(10,405)
Tax effect of unused tax losses not recognised	**7,186**	2,202
PRC LAT deductible for PRC corporate income tax purpose	**(333)**	20,611
Actual tax expense/(credit)	**63,070**	(25,009)

7. DIVIDENDS

No dividend was declared, proposed or paid during the year (2008: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit/(loss) attributable to ordinary equity shareholders of the Company of HK$11,217,000 (2008: loss HK$503,523,000) and the weighted average number ordinary shares of 1,111,047,000 (2008: 880,168,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2009	2008
	'000	*'000*
Issued ordinary shares at 1 January	**1,092,507**	296,330
Effect of shares issue	**—**	107,921
Effect of exercise of convertible bonds	**18,540**	475,917
	1,111,047	880,168

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share for the years ended 2008 and 2009 are not presented as the potential ordinary shares had anti-dilution effect on earnings/loss per share.

9. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**1,579**	1,611
Prepayments, other receivables and deposits	**29,715**	172,210
Prepaid lease payments (current portion)	**126**	78
Amounts due from an equity holder	**—**	36,202
	31,420	210,101

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$14,109,000 (2008: HK$24,096,000).

Included in prepayments, other receivables and deposits of the Group as at 31 December 2009, is the estimated amount indemnified by certain beneficial owners of the Group in relation to the LAT attributable to sales of properties before the listing of the Company in the SEHK amounted to HK$3,038,000 (2008: HK$3,038,000). The balance as at 31 December 2008 also included a prepayment for a land use right of HK$126,382,000 used for a property development projects in Fujian Province which has been transferred to property under development after the Group acquired the land use right certificate in 2009.

(a) Aging analysis

The aging analysis of trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
Current	**1,579**	1,577
More than 12 months past due	**—**	34
	1,579	1,611

At 31 December 2009, no impairment allowance is necessary in respect of the Group's trade receivables as the management considers that the balances are fully recoverable. The Group does not hold any collateral over these balances.

9. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly.

The movement in the allowance for doubtful debts during the year is as follows:

	2009	2008
	HK$'000	*HK$'000*
At 1 January	**—**	6,756
Impairment loss recognised	**—**	81,603
Release upon disposals of subsidiaries	**—**	(88,359)
At 31 December	**—**	—

At 31 December 2009, no impairment allowance is necessary in respect of the Group's trade receivables as the management considers that the balances are still fully recoverable. No specific allowances for doubtful debts (2008: HK$81,603,000) was recognised during the year. The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**191,814**	187,796
Other creditors and accrued charges	**150,750**	111,642
Amounts due to shareholders	**24,963**	18,889
Amounts due to minority shareholders	**16,411**	18,852
Amount due to a related company	**—**	3,398
	383,938	340,577

Except for the amounts due to a related company which is interest bearing at 1.2 times of the 6 months borrowing rate of the People's Bank of China and repayable within 3 months, the amounts due to other related parties are interest free and repayable on demand or within one year.

The following is the aging analysis of trade payables as of the balance sheet date:

	2009	2008
	HK$'000	*HK$'000*
Due within 3 months or on demand	**89,460**	84,927
Due after 3 months but within 12 months	**—**	68
Due over 12 months	**102,354**	102,801
	191,814	187,796

The balance due over 12 months mainly represents retention money for the construction projects. All of other creditors and accrued charges are expected to be settled within one year or are repayable on demand.

BUSINESS REVIEW

Turnover of the Group for 2009 amounted to HK$426.1 million, representing an increase of 185.9% as compared to HK$149.0 million for 2008. Included in turnover for 2009 were sales of developed properties and rental income from property letting. Sales of developed properties amounted to approximately HK$423.8 million (2008: HK$1.4 million). The rental income from investment properties amounted to approximately HK$2.3 million (2008: HK$18.6 million). There was no income from sales of land use right for 2009 (2008: HK$129.0 million). Gross profit of the Group amounted to approximately HK$131.2 million, an increase of 79.0% as compared to HK$73.3 million for 2008. The Group's gross profit ratio for the year is 30.8%, a decrease of 18.4% as compared to 49.2% for 2008. The decrease of gross profit ratio was caused by the drop on proportion of sales of land use rights. Profit attributable to equity holders amounted HK$11.2 million compared to the loss of HK$503.5 million for 2008. The increase is mainly attributable to i) increase in gross profit of HK$57.9 million, ii) reversal of impairment loss on properties under development of HK$125.0 million due to recovery of market condition, iii) gain on changes in fair value of investment properties of HK$44.5 million, iv) decrease in provision for impairment of receivables of subsidiaries disposed in 2008 of HK$81.6 million, v) no further impairment loss on goodwill, which was written down by HK$299 million in 2008.

During the year, the Group sold residential and commercial properties with a total gross floor area of 70,828 sq.m. (2008: 234 sq.m.), representing an increase of more than 300 times over last year. The rental income form investment properties was derived from the developed properties in Ningbo. The development of a residential property project named 盛世嘉苑一期, with total gross floor area of 70,615 sq.m., located in Zhong Xing Road, Jiangbei District, Ningbo was completed in March 2009. The development of a commercial property project named 姚江新都大廈, with total gross floor area of 35,809 sq.m., located in Hongtang Zhong Road, Jiangbei District, Ningbo, was completed in July 2009. Turnover for the year was mainly generated from saleable properties of these two projects as well as properties held for sales developed in previous years such as Fortune Garden and 盛世桃源 in Ningbo. In February of this year, the Group successfully won the bid for a land of approximately 33,136 sq.m. located in 創業投資中心 in Jiangbei district, Ningbo City, Zhejiang Province, for development of the residential project 盛世嘉苑二期.

The property named 中旅城二期, also known as 恒力城, 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 241,600 sq.m. Under the current plan, which has been approved by the building authorities, the property will have upon completion one block of 40-storey office building and three blocks of 46-storey residential buildings, commonly erected on top of 8-storey commercial podium accommodating clubhouse facilities and retail spaces and 3 levels of basement car parking spaces. The project was launched for pre-sales in September 2009. The development of these properties is 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 in March 2008. This land would be used to develop high-end commercial properties and the construction was commenced in December 2009. The project is near to the location of 恒力城 and creates a synergy effect, which would enhance the strategic advantage of the Group in the central commercial district of Fuzhou, Fujian Province.

FINANCIAL REVIEW

Net assets

As at 31 December 2009, the Group recorded total assets and total liabilities of approximately HK$4,648.6 million and HK$4,372.4 million respectively. The Group's net assets value per consolidated balance sheet as at 31 December 2009 increased by approximately HK$51.4 million to approximately HK$276.2 million as compared to approximately HK$224.8 million as at 31 December 2008.

Liquidity and financial ratios

The Group had total cash and bank balances of approximately HK$336.5 million as at 31 December 2009 as compared with HK$88.9 million as at 31 December 2008. As at 31 December 2009, the current ratio was 3.6 as compared with 4.2 as at 31 December 2008. The gearing ratio was 88.8% as at 31 December 2009 as compared with 90.3% as at 31 December 2008. The bank borrowings to equity attributable to equity shareholders of the Company ratio was 1,028.2% as at 31 December 2009 as compared to 657.4% as at 31 December 2008.

Borrowings

The Group had interest bearing borrowings of approximately HK$1,202.0 million as at 31 December 2009 (31 December 2008: HK$893.5 million), representing an increase of approximately 34.5% over the amount as at 31 December 2008. Borrowings were denominated in Renminbi ("RMB") and Hong Kong dollar ("HK$"). Approximately 17.2% of the borrowings is repayable within one year and the rest representing the bank loans repayable after one year of HK$994.7 million.

The Group had aggregate net carrying amount of convertible bonds of approximately HK$1,267.7 million (principal amount of approximately HK$2,347.7 million) and promissory note of HK$60.0 million respectively as at 31 December 2009.

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 2009.

PLEDGE OF ASSETS

As at 31 December 2009, the Group pledged certain of its investment properties, property, plant and equipment, prepaid lease payments, properties under developments and restricted bank deposits to banks in the PRC to secure the bank loans of approximately HK$1,128.1 million (2008: HK$800.5 million) granted by these banks. The aggregate carrying value of the investment properties, property, plant and equipment, prepaid lease payments, properties under development and restricted bank deposits as at 31 December 2009 amounted to approximately HK$Nil, HK$1.5 million HK$8.2 million, HK$3,130.4 million and HK$198.5 million (31 December 2008: HK$23.8 million, HK$1.5 million, HK$8.2 million, HK$2,686.4 million and HK$Nil) respectively.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group provided guarantees of approximately HK$105.2 million (2008: HK$72.2 million) 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 loan granted. At the balance 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 these loans would be in default.

The directors consider that in case of default in payments, the net realizable 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

For the year ended 31 December 2009, the Company had no material acquisition or disposal of subsidiaries and affiliated companies.

CAPITAL STRUCTURE

During the year ended 31 December 2009, 26 million 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 HK$0.50 per share.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group employed approximately 89 full time staffs in the 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.

OUTLOOK

During 2009, the economy in the PRC showed signs of stabilization and steady growth with the Chinese Government's timely introduction of appropriate relaxation of its austerity measures. The Central Government has committed to a moderately loose monetary policy, easy bank credit and revitalization of the pillar industries to sustain growth and facilitate development. The real estate market showed signs of recovery both in terms of sales price and transaction volume. With the launch of a series of home-ownership incentives by the Central Government and the efforts made by the local governments through introducing various subsidized home ownership schemes, home buyers began to resume their buying interest. The series of preferential policies have helped restore market confidence.

Coming through the global financial crisis, further balancing of Chinese regional economies and urbanization will inevitably be the trend of the next few years. Speeding up of urbanization throughout the country will provide great prospect for the real estate industry. Urbanization brings demands not only for residential properties, but also for the office and the retail properties. Such urbanization also requests a comprehensive mix of property products to meet the needs for housing, employment and leisure.

In order to control residential prices and asset bubble, the Chinese Government has imposed some policies such as tightened credit for property from the beginning of 2010. Government policy has great impact on market volatility. The Company will remain cautious on acquisitions. The Group has developed and acquired land for projects with a prudent attitude since its listing. The Group will stay flexible and adjust its property development strategies and strengthen its development business over time. The Group will continue to grasp desirable opportunities in the future to increase its landbank to provide satisfactory return to the shareholders. At the end of 2009, the Group is equipped with approximately HK$3.5 billion worth of property under construction in Fujian Province to be sold for the next few years and to generate considerable rental income over the long run. The Group will apply different sales and marketing strategies according to stages of development and characteristics of different projects with an aim to achieve better sales performance. 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.

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 2009 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 Rules Governing the Listing of Securities of the Stock Exchange (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 Rules Governing the Listing Securities on the Stock Exchange. 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 2009 final results before they were tabled for the Board’s review and approval.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2010

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