恒力商業地產(集團)有限公司

HENGLI COMMERCIAL PROPERTIES (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code : 169)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors (the "Board") of Hengli Commercial Properties (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 2012 as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012** **$'000**	2011 $'000
Continuing operations			
Turnover	3	**2,773,419**	—
Cost of sales		**(2,395,066)**	—
Gross profit		**378,353**	—
Gain on redemption/repurchase of convertible bonds	17	**14,860**	100,669
Valuation gain on investment properties		**449,846**	215,701
Other revenue	5	**10,740**	27,585
Other net loss	5	**(877)**	(4,391)
Selling, administrative and other operating expenses		**(75,957)**	(59,933)
Profit from operations		**776,965**	279,631
Finance costs	6(a)	**(163,924)**	(130,286)
Profit before taxation	6	**613,041**	149,345
Income tax	7(a)	**(369,678)**	(17,626)
Profit from continuing operations		**243,363**	131,719
Discontinued operations	8		
Results of discontinued operations		**—**	516
Net gain on disposal of subsidiaries		**—**	62,460
Profit for the year		**243,363**	194,695

	Note	2012 $'000	2011 $'000
Attributable to:			
Equity shareholders of the Company (from continuing operations: $232,335,000 (2011: $123,559,000))		**232,335**	185,411
Non-controlling interests (from continuing operations: $11,028,000 (2011: $8,160,000))		**11,028**	9,284
Profit for the year		**243,363**	194,695
Earnings per share (HK cents)	*9*		
From continuing operations and discontinued operations			
Basic		**9.9**	8.0
Diluted		**3.9**	2.0
From continuing operations			
Basic		**9.9**	5.3
Diluted		**3.9**	1.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2012 *$'000*	2011 *$'000*
Profit for the year		**243,363**	194,695
Other comprehensive income for the year (after tax and reclassification adjustments):			
Exchange differences on translation of financial statements of subsidiaries in the mainland of the People's Republic of China (the "PRC")		**107,621**	148,820
Surplus on revaluation of property, plant and equipment		**4,038**	260
Exchange reserve realised on disposal of subsidiaries		**—**	(6,027)
		111,659	143,053
Total comprehensive income for the year		**355,022**	337,748
Attributable to:			
Equity shareholders of the Company		**342,078**	324,300
Non-controlling interests		**12,944**	13,448
Total comprehensive income for the year		**355,022**	337,748

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Non-current assets			
Fixed assets	10		
— Property, plant and equipment		**18,512**	4,420
— Prepaid lease payments		**46,469**	24,940
— Investment properties		**2,361,583**	1,683,501
		2,426,564	1,712,861
Goodwill		**106,939**	105,531
Deferred tax assets		**85,510**	—
		2,619,013	1,818,392
Current assets			
Properties for sales	11	**2,107,945**	3,846,822
Deposits for land use right	12	**702,694**	695,010
Trade and other receivables	13	**132,887**	267,479
Derivative financial instruments	17	**63,430**	60,264
Prepaid taxes		**28,068**	120,007
Restricted bank deposits		**42,904**	349,423
Cash and cash equivalents		**476,641**	58,017
		3,554,569	5,397,022
Current liabilities			
Trade and other payables	14	**949,417**	873,584
Receipts in advance		**1,532,527**	2,051,717
Loans from financial institutions	15	**41,099**	781,373
Loans from related parties	22(b)	**280,284**	377,479
Advance from lessee	16	**124,360**	—
Current taxation		**550,835**	2,749
		3,478,522	4,086,902
Net current assets		**76,047**	1,310,120
Total assets less current liabilities		**2,695,060**	3,128,512

	Note	2012 $'000	2011 $'000
Non-current liabilities			
Loans from financial institutions	*15*	**10,008**	338,058
Convertible bonds	*17*	**1,220,962**	1,203,381
Advance from lessee	*16*	**—**	123,000
Deferred tax liabilities		**668,912**	999,985
		1,899,882	2,664,424
NET ASSETS		**795,178**	464,088
CAPITAL AND RESERVES	*18*		
Share capital		**235,292**	232,897
Retained profits/(Accumulated losses)		**84,144**	(297,644)
Other reserves		**348,008**	434,984
Total equity attributable to equity shareholders of the Company		**667,444**	370,237
Non-controlling interests		**127,734**	93,851
TOTAL EQUITY		**795,178**	464,088

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Operating activities			
Cash generated from operations		**1,574,162**	99,878
PRC tax paid		**(153,041)**	(76,956)
Net cash generated from operating activities		**1,421,121**	22,922
Investing activities			
Payment for the purchase of property, plant and equipment		**(822)**	(2,064)
Expenditure on investment properties		**(161,620)**	(116,509)
Disposal of discontinued operations, net of cash disposed of		**73,000**	(221,803)
Proceeds from sale of available-for-sale investment		**—**	2,368
Interest received		**10,740**	9,267
Decrease in restricted bank deposits		**306,519**	8,664
Net cash generated from/(used in) investing activities		**227,817**	(320,077)
Financing activities			
Capital injection from non-controlling interests		**37,501**	—
Interest paid		**(49,851)**	(75,721)
Loans from related parties		**27,062**	377,479
Repayment of loans from related parties		**(127,328)**	—
Proceeds from new loans from financial institutions		**—**	307,500
Repayment of loans from financial institutions		**(1,068,324)**	(546,221)
Payment for the repurchase of convertible bonds		**(50,000)**	(45,274)
Advance from lessee		**—**	123,000
Dividends paid to non-controlling equity holders of a subsidiary		**—**	(3,836)
Net cash (used in)/generated from financing activities		**(1,230,940)**	136,927
Net increase/(decrease) in cash and cash equivalents		**417,998**	(160,228)
Cash and cash equivalents at 1 January		**58,017**	209,835
Effect of foreign exchange rate changes		**626**	8,410
Cash and cash equivalents at 31 December		**476,641**	58,017

NOTES

(Expressed in Hong Kong Dollars unless otherwise indicated)

1 BASIS OF PREPARATION

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

— derivative financial instruments;

— investment property; and

— buildings held for own use.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors are of the opinion that, after careful consideration of liquidity requirement and cashflow forecasts of the Group, and taking into account of the effect of the financial support from a major shareholder, it is appropriate to prepare the consolidated financial statements on a going concern basis. The directors have concluded that the Group would have sufficient working capital to finance its operations in the next 12 months and remains as a going concern.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, Financial instruments: Disclosures — Transfers of financial assets

- Amendments to HKAS 12, Income taxes — Deferred tax: Recovery of underlying assets

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 7, Financial instruments: disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

In respect of the Group's investment properties, the Group has determined that these investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and consequently the presumption in the amended HKAS 12 is rebutted for the property. As a result, the Group continues to measure the deferred tax relating to the investment properties using the tax rate that would apply as a result of recovering their value through use.

3 TURNOVER

The principal activities of the Group are property development and investment. Turnover during the year is analysed as follows:

	2012	2011
	$'000	*$'000*
Continuing operations		
Sales of properties	**2,728,045**	—
Rental income	**43,124**	—
Property management income	**2,250**	—
	2,773,419	—

4 SEGMENT REPORTING

(a) Services from which reportable segments derive their revenue

After disposal of entire interest in Right Strong Holdings Limited and its subsidiaries (the "Disposal Group") (see note 8) on 24 May 2011, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any special service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, Operating segments.

(b) Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Fujian Province in the PRC.

(c) Information about major customers

The Group does not have a single customer with whom transactions have exceeded 10% of the Group's turnover for the years ended 31 December 2012 and 2011.

5 OTHER REVENUE AND NET LOSS

	2012	2011
	$'000	*$'000*
Continuing operations		
Other revenue		
Interest income from banks	**10,740**	9,267
Interest income from loan to a director	**—**	18,318
	10,740	27,585
Other net loss		
Gain on revaluation of convertible bonds redemption options	**3,166**	—
Net foreign exchange (loss)/gain	**(3,952)**	390
Others	**(91)**	(4,781)
	(877)	(4,391)

6 PROFIT BEFORE TAXATION

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

	2012	2011
	$'000	*$'000*
Continuing operations		
(a) Finance costs:		
Interest on loans from financial institutions	**43,712**	71,374
Interest on convertible bonds *(note 9(b))*	**95,570**	102,591
Interest on loans from related parties	**67,270**	16,739
Deemed interest on advance from lessee	**26,232**	—
	232,784	190,704
Less: Interest expenses capitalised into properties under development *	**(68,860)**	(60,418)
	163,924	130,286

* The borrowing costs have been capitalised at rates ranging from 5.85% — 18% per annum (2011: 5.4% — 6.4% per annum).

		2012	2011
		$'000	*$'000*
(b)	***Staff costs:***		
	Contributions to defined contribution retirement plan	**1,219**	253
	Salaries, wages and other benefits	**17,778**	9,541
		18,997	9,794
(c)	***Other items:***		
	Amortisation of prepaid lease payments	**138**	65
	Depreciation of property, plant and equipment	**982**	802
	Impairment losses of trade and other receivables	**—**	180
	Auditor's remuneration		
	— Audit services	**1,082**	941
	— Other services	**741**	1,207
	Operating lease charges: minimum lease payments on the hire of property, plant and equipment	**527**	379
	Loss on disposal of property, plant and equipment	**4**	45
	Revaluation surplus on property, plant and equipment *(note 10(a))*	**—**	(518)
	Cost of properties sold	**2,388,283**	—

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2012	2011
	$'000	*$'000*
Continuing operations		
Current tax		
PRC Corporate Income Tax *(iii)*	**327,485**	—
PRC Land Appreciation Tax *(iv)*	**448,140**	—
Withholding tax *(v)*	**17,441**	—
	793,066	—
Deferred tax		
Origination and reversal of temporary differences:		
— Revaluation of properties for sales	**(491,989)**	(23,746)
— Revaluation of investment properties	**118,890**	47,455
— Deductibility of LAT	**(79,405)**	—
— Effective interest	**—**	4,578
— Tax losses	**29,116**	(10,661)
	(423,388)	17,626
Total income tax	**369,678**	17,626

(i) Pursuant to the rules and regulations of the Bermuda and BVI, the Group is not subject to any income tax in the Bermuda Islands and BVI.

(ii) No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and the Group did not have assessable profits in Hong Kong for the year.

(iii) PRC Corporate Income Tax ("CIT")

The provision for CIT 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 CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (2011: 25%). No provision for CIT has been made for 2011 as the Group's subsidiaries in the PRC did not have assessable profits during that year.

(iv) PRC Land Appreciation Tax ("LAT")

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.

(v) Withholding tax

Withholding taxes are levied on the Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5% — 10%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates (for continuing and discontinued operations):

	2012	2011
	$'000	*$'000*
Profit before taxation	**613,041**	215,018
Notional tax calculated at rates applicable to profits in the tax jurisdictions concerned	**167,967**	50,113
Tax effect of non-deductible expenses	**41,158**	25,192
Tax effect of non-taxable income	**(5,173)**	(32,385)
Tax effect of unused tax losses not recognised	**1,383**	407
Temporary differences not recognised in previous years	**(3,594)**	(502)
Withholding tax	**17,441**	—
LAT and corresponding PRC CIT effect	**150,496**	(22,502)
Actual tax expense	**369,678**	20,323

8 DISCONTINUED OPERATIONS

The Company disposed of the Disposal Group to a third party, China Fair Land Properties Limited on 24 May 2011 at a consideration of $150,656,000 and resulted in a gain of $62,460,000 for the year ended 31 December 2011.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $232,335,000 (2011: $185,411,000 from continuing and discontinued operations and $123,559,000 for continuing operations) and divided by the weighted average number of 2,351,804,000 (2011: 2,321,839,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012	2011
	'000	*'000*
Issued ordinary shares at 1 January	**2,328,965**	1,118,507
Effect of rights issue	**—**	1,115,412
Effect of exercise of convertible bonds	**22,839**	87,920
	2,351,804	2,321,839

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on profit attributable to equity shareholders of the Company of $309,879,000 (2011: $187,333,000 from continuing and discontinued operations and $125,481,000 for continuing operations) and the weighted average number of 8,033,686,000 shares (2011: 9,170,879,000 shares), calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2012	**2011**	
		Continuing and discontinued operations	**Continuing operations**
	$'000	*$'000*	*$'000*
Profit attributable to equity shareholders	232,335	185,411	123,559
Interest on convertible bonds	95,570	102,591	102,591
Gain on redemption/repurchase of convertible bonds	(14,860)	(100,669)	(100,669)
Gain on revaluation of convertible bonds redemption options	(3,166)	—	—
	309,879	187,333	125,481

(ii) Weighted average number of ordinary shares (diluted)

	2012	2011
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**2,351,804**	2,321,839
Effect of conversion of convertible bonds	**5,681,882**	6,849,040
	8,033,686	9,170,879

The diluted earnings per share for 2011 excluded the gain on repurchase of convertible bonds from the measure of earnings, in order to conform with the current year calculation of the fully diluted earnings per share.

10 FIXED ASSETS

(a) Revaluation of properties held for own use

The buildings held by the Group for own use were revalued on an open market value basis at the end of each reporting period by independent firms of surveyors. The valuation of the properties as at 31 December 2012 were carried out by RHL Appraisal Limited and CBRE HK Limited, which has recent experience in the location and category of properties being valued. The revaluation surplus of $4,038,000 has been recognised in other comprehensive income of the Group, net of deferred tax (2011: $518,000 was recognised in profit or loss of the Group, net of deferred tax (note 6(c)).

Had these buildings held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been approximately $9,956,000 (2011: $1,331,000) at 31 December 2012.

As at 31 December 2012, the property, plant and equipment and the prepaid lease payments with carrying value of $2,430,000 (2011: $2,000,000) and $24,875,000 (2011: $24,940,000) respectively are pledged as collateral for the Group's borrowings (note 15).

(b) The analysis of net book value of the properties of the Group is as follows:

	2012	2011
	$'000	*$'000*
In Hong Kong — held under long lease (over 50 years)	**27,305**	26,940
In the PRC — held under medium term lease (10 to 50 years)	**35,193**	—
	62,498	26,940

	2012	2011
	$'000	*$'000*
Representing:		
— Buildings held for own use carried at fair value	**16,029**	2,000
— Prepaid lease payment carried at cost	**46,469**	24,940
	62,498	26,940

(c) Investment properties

	Completed	Under development	Total
	$'000	*$'000*	*$'000*
At 1 January 2011	101,771	—	101,771
Transfer from properties for sale	—	1,300,263	1,300,263
Addition	—	116,509	116,509
Exchange adjustments	—	51,028	51,028
Surplus on revaluation	—	215,701	215,701
Disposal of subsidiaries	(101,771)	—	(101,771)
At 31 December 2011	—	1,683,501	1,683,501
Representing:			
Valuation — 2011	—	1,683,501	1,683,501
At 1 January 2012	—	1,683,501	1,683,501
Transfer from properties for sales	48,002	—	48,002
Addition	—	161,620	161,620
Exchange adjustments	—	18,614	18,614
Surplus on revaluation	449,846	—	449,846
Transfer	1,863,735	(1,863,735)	—
At 31 December 2012	2,361,583	—	2,361,583
Representing:			
Valuation — 2012	2,361,583	—	2,361,583

(i) The Group's investment properties was revalued on an open market value basis at the end of the reporting period by an independent firm of surveyors, CBRE HK Limited, which has recent experience in the respective location and category of property being valued. As a result of the revaluation, a net gain of $449,846,000 (2011:$215,701,000) has been recognised in profit or loss for the year in respect of investment properties.

(ii) The Group's investment properties are held under medium-term leases (10 to 50 years) in the PRC.

As at 31 December 2011, the Group's investment properties with fair value of $1,446,741,000 were pledged as collateral for the Group's borrowings (note 15). None of the investment properties were pledged as at 31 December 2012.

(iii) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases for most of the properties typically run for an initial period of one to twenty years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum rental receivables under non-cancellable operating leases are as follows:

	2012	2011
	$'000	*$'000*
Within 1 year	**43,347**	4,061
After 1 year but within 5 years	**278,797**	246,615
After 5 years	**1,232,774**	1,282,530
	1,554,918	1,533,206

11 PROPERTIES FOR SALES

	2012	2011
	$'000	*$'000*
Properties under development	**700,723**	3,846,822
Completed properties for sales	**1,407,222**	—
	2,107,945	3,846,822

(a) Analysis of carrying amount of leasehold land included in properties for sales by lease terms is as follows:

	2012	2011
	$'000	*$'000*
Held under:		
— long leases (over 50 years) in the PRC	**183,112**	1,170,807
— medium-term leases (10 to 50 years) in the PRC	**1,264,982**	1,667,004
	1,448,094	2,837,811

(b) The amount of properties for sale expected to be recovered after more than one year is analysed as follows:

	2012	2011
	$'000	*$'000*
Properties under development	**700,723**	1,552,713

(c) Certain of the Group's properties for sale was pledged as securities for the Group's loans from financial institutions as at 31 December 2011 (note 15). None of the Group's properties for sale was pledged as at 31 December 2012.

12 DEPOSITS FOR LAND USE RIGHT

The amount represents deposits for land use right in respect of a piece of land in Fuzhou. The directors consider that the land use right of that piece of land will be obtained within one year.

13 TRADE AND OTHER RECEIVABLES

	2012	2011
	$'000	*$'000*
Trade receivables	**115**	1,592
Other receivables, prepayments and deposits	**132,772**	265,887
	132,887	267,479

The amount of the Group's deposits and prepayments expected to be recovered after more than one year are $98,000 (2011: $10,626,000).

For the trade receivables arising from sales of properties, the Group manages the credit risk by fully receiving cash before delivery of property. The Group has set out policies to ensure follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade receivable balance to ensure that adequate impairment losses are made for irrecoverable amounts. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

(a) Ageing analysis

The ageing analysis of trade receivables based on the invoice date is as follows:

	2012	2011
	$'000	*$'000*
Within 1 month	**115**	26
Over 1 month	**—**	1,566
	115	1,592

At 31 December 2012, no impairment allowance is necessary in respect of the Group's trade receivables as the management considers that the balance is fully recoverable. The Group does not hold any collateral over the balance.

14 TRADE AND OTHER PAYABLES

	2012	2011
	$'000	*$'000*
Trade payables *(note (a))*	**135,898**	185,174
Other creditors and accrued charges	**659,747**	671,371
Interest payable to related parties	**79,002**	17,013
Amount due to a director *(note (b))*	**58,000**	—
Amounts due to non-controlling equity holders *(note (c))*	**16,770**	26
	949,417	873,584

(a) The amount of the Group's trade payables expected to be settled after more than one year is $93,373,000 (2011: $135,152,000)

The aging analysis of trade payables based on the invoice date as of the end of reporting period is as follows:

	2012	2011
	$'000	*$'000*
Within 1 month	**11,428**	10,976
1 to 3 months	**4,840**	21,953
Over 3 months but within 6 months	**4,791**	32,929
Over 6 months but within 12 months	**9,846**	65,858
Over 12 months	**104,993**	53,458
	135,898	185,174

(b) The amount due to a director represents unsettled amount in respect of redemption of convertible bonds as at 31 December 2012 (see note 17). The amount is unsecured, interest free and repayable on demand.

(c) The amounts due to subsidiaries and non-controlling equity holders are unsecured, interest free and repayable on demand or within one year.

15 LOANS FROM FINANCIAL INSTITUTIONS

At 31 December 2012, loans from financial institutions were repayable and secured as follows:

	2012	2011
	$'000	*$'000*
Current		
Within 1 year	**41,099**	781,373
Non-current		
After 1 year but within 2 years	**2,159**	328,049
After 2 years but within 5 years	**6,851**	6,662
After 5 years	**998**	3,347
	10,008	338,058
	51,107	1,119,431

(a) Assets of the Group pledged to secure the loans from financial institutions comprise:

	2012	2011
	$'000	*$'000*
Property, plant and equipment *(note 10(a))*	**2,430**	2,000
Prepaid lease payments *(note 10(a))*	**24,875**	24,940
Investment properties *(note 10(c))*	**—**	1,446,741
Properties for sales *(note 11(c))*	**—**	1,142,230
Restricted bank deposits	**42,904**	349,423
	70,209	2,965,334

16 ADVANCE FROM LESSEE

The advance from lessee is non-interest bearing, and is secured by the Group's 30 percent interest in a subsidiary. The amount was settled subsequent to the announcement date.

17 CONVERTIBLE BONDS

On 21 January 2008, the Company issued $2,701,711,500 zero coupon convertible bond at 100% of principal amount to Mr. Chen Chang Wei ("Mr. Chen") as part of the consideration for the acquisition of Amazing Wise Limited and its subsidiaries. The convertible bond are secured by the shares of Amazing Wise Limited held by the Company.

The rights of the convertible bond holder to convert the convertible bond into ordinary shares are as follows:

— Conversion rights are exercisable at any time up to maturity at the option of convertible bond holders.

— Pursuant to the terms of the convertible bond, the exercise/conversion price and the number of shares to be issued upon exercise of the subscription rights attached to the convertible bond have been adjusted as a result of a rights issue in January 2011. The Company is required to deliver ordinary shares at a rate of $0.334 per share (originally $0.5 per share before the rights issue).

If the convertible bond holder's conversion rights have not been exercised or the convertible bond has not been repurchased or redeemed up to the maturity date, i.e. 20 January 2018, the Company will redeem at face value on 20 January 2018.

During 2011, the Company executed supplemental deeds to modify certain terms of the convertible bonds to amend the restriction to the maximum number conversion rights exercisable at any time up to maturity. In addition, the Company also inserted an early redemption provision such that the Company should have the right at any time to redeem the whole or any part of the outstanding principal amount of the convertible bonds at their face value. The option to enable the Company to redeem the convertible bonds is considered as derivative financial instrument of the Company and revalued at each reporting date. The Directors consider such option to be contributed by Mr. Chen in the capacity of the major shareholder and therefore the asset was credited to capital reserve.

At 31 December 2012, the outstanding principal amount of the convertible bond is $1,800,000,000 (2011: $1,916,000,000).

The convertible bonds recognised in the statement of financial position of the Group are analysed as follows:

	Liability component *$'000*	Equity component *$'000*
Net carrying amount at 1 January 2011	**1,368,839**	136,770
Interest expense *(i)*	**102,591**	—
Conversion rights exercised *(ii)*	**(17,970)**	(1,789)
Convertible bonds repurchased *(iii)*	**(250,079)**	(23,361)
Net carrying amount at 31 December 2011	**1,203,381**	111,620
Net carrying amount at 1 January 2012	**1,203,381**	111,620
Interest expense *(i)*	**95,570**	—
Conversion rights exercised *(ii)*	**(5,268)**	(466)
Convertible bonds redeemed *(iii)*	**(72,721)**	(6,292)
Net carrying amount at 31 December 2012	**1,220,962**	104,862

(i) Interest expense

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

(ii) Conversion rights exercised

Convertible bonds with principal amount of $8,000,000 and $30,711,000 were converted on 18 January 2012 and 17 January 2011 respectively.

(iii) Convertible bonds redeemed/repurchased

On 8 June 2011, the Company repurchased convertible bonds with principal amount of $45,000,000 held by Mr. Chen, representing approximately 1.94% of the outstanding principal amount of the convertible bond at the date of the repurchase. The consideration is equal to the face value of the convertible bonds and is settled by cash. As a result of the repurchase, the liability component of the convertible bonds was remeasured at its fair value at the date of the repurchase and compared to the carrying amount of the convertible bonds. A fair value gain of approximately $4,403,000 was recognised in the profit or loss.

In 2011, the Company entered into a sale and purchase agreement to repurchase convertible bonds with principal amount of $356,000,000 held by Mr. Chen, representing approximately 15.67% of the outstanding principal amount of the convertible bonds at the date of the repurchase. The consideration is equal to the face value of the convertible bonds repurchased and is settled by way of setting off the loan of approximately RMB289,330,000 (equivalent to approximately $355,726,000) due from Mr. Chen to the Group and the remaining balance of approximately $274,000 in cash. The repurchase was completed on 31 December 2011 and as a result of the repurchase, the liability component of the convertible bonds was remeasured at its fair value at the date of the repurchase and compared to the carrying amount of the convertible bonds. A gain of approximately $96,266,000 was recognised in the profit or loss.

On 26 November 2012, the Company early redeemed convertible bonds with principal amount of $108,000,000 held by Mr. Chen, representing approximately 5.66% of the outstanding principal amount of the convertible bonds at the date of the redemption. The consideration is to be settled by cash in instalments on or before 31 March 2013. As a result of the repurchase, the liability component of the convertible bonds was remeasured at its fair value at the date of the repurchase and compared to the carrying amount of the convertible bonds. A gain of approximately $14,860,000 was recognised in the profit or loss. As at 31 December 2012, $58,000,000 has not yet been settled by the Company to Mr. Chen (note 14(b)).

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	2012		2011	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***$'000***	*'000*	*$'000*
Authorised:				
Ordinary shares of $0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of $0.1 each				
At 1 January	**2,328,965**	**232,897**	1,118,507	111,851
Rights issue of shares	**—**	**—**	1,118,507	111,851
Exercise of convertible bonds	**23,952**	**2,395**	91,951	9,195
At 31 December	**2,352,917**	**235,292**	2,328,965	232,897

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2012, 23,952,094 ordinary shares of $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 $0.334 per share.

(b) Share premium

(i) On 18 January 2012, convertible bonds with principal amount of $8,000,000 were converted and share premium of approximately $3,339,000 arose accordingly.

(ii) On 28 June 2012, the resolution in respect of proposed reduction of the share premium account of the Company to nil was passed in the special general meeting of the Company. Accordingly, the share premium of the Company amounted to approximately $207,041,000 was reduced during the year.

(c) Dividends

The Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

19 LIQUIDITY RISK AND FAIR VALUES

(a) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The directors are of the opinion that, after taking account of the effect of the financial support from a shareholder, it is appropriate to prepare the financial statements on a going concern basis. The directors have concluded that the Company would have sufficient working capital to finance its operations in the next 12 months and remain as a going concern.

(b) Fair values

The carrying amounts of the Group's are financial instruments carried at cost or amortised cost is not materially different from their fair values as at 31 December 2012 and 2011 except as follows:

	2012		2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	***$'000***	*$'000*	*$'000*
Convertible bonds	**1,220,692**	**1,104,537**	1,203,381	685,025

The fair value of liability portion of convertible bond is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

20 COMMITMENTS

	2012	2011
	$'000	*$'000*
Contracted for	**908,033**	1,138,122
Authorised but not contracted for	**230,069**	318,061
	1,138,102	1,456,183

The above commitments include mainly the land costs and construction related costs to be incurred in respect of the Group's development of its properties for sales and investment properties in mainland China.

21 CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

	2012	2011
	$'000	*$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**587,427**	528,923

The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans in the event of default payments by the purchasers to the banks.

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and the highest paid employees is as follows:

	2012	2011
	$'000	*$'000*
Short-term employee benefits	**8,280**	6,183

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Loans from related parties

Mr. Chen is a director and major shareholder of the Group and is considered a related party of the Group. The loans from related parties are made from Mr. Chen and an entity controlled by Mr. Chen.

The loans from Mr. Chen, amounted to $24,000,000, were drawn down in 2011, interest bearing ranging from 18% to 20% per annum and were unsecured and repayable within six months after the date of the respective drawdowns. The loans were extended for a period of six months at an interest rate of 18% per annum and are extended automatically thereafter at the same terms unless they are repaid by the Group. During the year, the Company repaid the loans from Mr. Chen and the related interests of approximately $6,139,000 during the year.

The loans from an entity controlled by Mr. Chen, amounted to RMB287,381,000 (equivalent to $353,479,000), were drawn down in 2011, interest bearing ranging from 8% to 20% per annum and were unsecured and repayable within six months after the date of the respective drawdowns. The loans were extended for a period of six months at an interest rate of 18% per annual and are extended further at the same terms unless they are repaid by the Group or otherwise renegotiated. At 31 December 2012, the interest rate were reduced to 15% per annum. During the year, a loan of RMB22,000,000 (equivalent to $27,062,000) which was interest bearing at 18% per annum, unsecured and repayable within two months was further drawn down. In addition, loan principals of RMB84,000,000 (equivalent to $103,328,000) have been repaid.

(c) Convertible bonds

During the year, the Company redeemed/repurchased convertible bonds with principal amount of $108,000,000 held by Mr. Chen at the face value of the convertible bonds and the redemption is to be settled by cash in instalments on or before 31 March 2013. In 2011, convertible bonds with principal amount of $401,000,000 were repurchased by way of setting off the loan of RMB 289,330,000 due from Mr. Chen to the Group and the remaining balance in cash. Details of the convertible bonds redeemed/repurchased and payable to Mr. Chen are disclosed in note 17.

(d) Other related party transactions

Other amounts due to related parties are set out in note 14.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

There were some signs of liquidity loosening in the market in year 2012. The People's Bank of China lowered the reserve requirement ratio twice during the year and lowered the RMB benchmark deposit and loan interest rates of financial institutions twice in June 2012 and July 2012 respectively. The transaction volume of real estate market has been improved during the period as compared to the year 2011. However, controls on real estate sector have not yet been loosened. Overall liquidity remains tight and market conditions remains challenging for real estate developers.

In 2012, the Group continued to place emphasis on the company motto and brand image of "恒力築經典，品質贏天下" in implementing its corporate strategy. The Group focuses on its existing high-end property projects, namely "Hengli City" (「恒力城」), "Hengli • Financial Center" (「恒力 • 金融中心」), "Hengli • Prosperity Center" (「恒力 • 創富中心」) and "Hengli • Bona Plaza" (「恒力 • 博納廣場」).

During the year, "Hengli City", a residential, office and retail complex with a total gross floor area of approximately 241,600 square meters developed by the Group was completed and posted turnover of approximately HK$2,349.3 million for the Group. The leased commercial podium of "Hengli City" was handed over to Beijing Wangfujing Department Store (Group) Co. Ltd. (北京王府井百貨(集團)股份有限公司) upon completion of the project and posted rental income of approximately HK$43.1 million to the Group. Portion of the office units of "Hengli City" was also leased out near the year end.

"Hengli • Financial Center", a high-end commercial project developed by the Group was completed in the 2nd half of 2012 and posted turnover of approximately HK$378.7 million for the Group. Majority of the remaining areas of the property was contracted for a total consideration of approximately RMB716 million.

The other two projects of the Group, "Hengli • Prosperity Center" and "Hengli • Bona Plaza", are also located in the central business area of Fuzhou city and are under development. "Hengli • Prosperity Center" is being developed into high-end commercial properties, with estimated gross floor area of approximately 56,500 sq.m.. "Hengli • Bona Plaza" is now in the design and planning stage and will be developed into high-end commercial properties with residential building with an estimated gross floor area of approximately 270,000 sq.m..

For property management, the Group runs joint venture with a subsidiary of Savills Group, a renowned global real estate service provider, to ensure high-end property management services that keep pace with the latest international standards and to meet the increasingly diversified needs of different householders, thus enhancing the value of the properties and the Group's brand value.

Given the proximity of the aforementioned property projects in Fuzhou, the Group is expected to enjoy synergy effects and economies of scale in managing and developing those property projects.

During the year, the Group continued to focus on the quality of its properties to reflect a high-quality product offering premium brand image and continued to cooperate with solid and renowned business partners to bring high-quality, high-value products and services to its customers.

FINANCIAL REVIEW

Turnover and results

Turnover of the Group for the year ended 31 December 2012 amounted to HK$2,773.4 million. Turnover of HK$2,728.0 million, HK$43.1 million and HK$2.3 million were derived from sales of developed properties, property leasing and property management service respectively. The Group's profit attributable to equity shareholders of the Company was approximately HK$232.3 million. This was mainly due to i) recognition of gross profit of HK$378.4 million, ii) recognition of valuation gain on investment properties under development of HK$449.8 million, net of iii) finance costs and other operating expenses of HK$239.9 million, and iv) income tax expenses of HK$369.7 million.

Net assets and equity attributable to equity holders

As at 31 December 2012, the Group recorded total assets and total liabilities of approximately HK$6,173.6 million and HK$5,378.4 million respectively. The Group's net assets as at 31 December 2012 increased by approximately HK$331.1 million to approximately HK$795.2 million as compared to approximately HK$464.1 million as at 31 December 2011. As at 31 December 2012, the equity attributable to equity holders of the Company was approximately HK$667.4 million as compared to HK$370.2 million as at 31 December 2011.

Liquidity and financial ratios

The Group had total cash and bank balances of approximately HK$519.5 million as at 31 December 2012 as compared with HK$407.4 million as at 31 December 2011. As at 31 December 2012, the current ratio was 1.02 as compared with 1.3 as at 31 December 2011. The gearing ratio was 58.3% as at 31 December 2012 as compared with 83.3% as at 31 December 2011. The borrowings from financial institutions to equity attributable to equity shareholders of the Company ratio was 7.7% as at 31 December 2012 as compared to 302.4% as at 31 December 2011.

Borrowings

The Group had interest-bearing borrowings from financial institutions of approximately HK$51.1 million as at 31 December 2012 (31 December 2011: HK$1,119.4 million), representing a decrease of approximately 95.4% over the amount as at 31 December 2011. Borrowings were denominated in Renminbi ("RMB") and Hong Kong dollar ("HK$"). Approximately 80.4% of the borrowings is repayable within one year and the rest represent the loans from financial institutions of HK$10.0 million repayable after one year.

The Group had interest-bearing borrowings from related parties of approximately HK$280.3 million (31 December 2011: HK$377.5 million). All these borrowings are repayable within one year.

The Company is confident in meeting its loan repayment obligations with its cash and bank deposits and proceeds from pre-sales and sales of its projects.

The Group had aggregate net carrying amount of convertible bonds of approximately HK$1,221.0 million (principal amount of approximately HK$1,800.0 million) as at 31 December 2012.

Foreign currency exposure

Other than financing activities of borrowings denominated in HK$, the Group conducts its business almost exclusively in RMB. Thus the Group is exposed to foreign exchange risk arising from the exposure of RMB against HK$. The Directors do not anticipate any significant foreign exchange loss as a result of changes in exchange rate between RMB and HK$ in the foreseeable future. The Directors also consider that there will be sufficient cash resources denominated in both RMB and HK$ for repayment of its borrowings. During the year, the Group did not use any financial instrument to hedge foreign currency exposure and the Group did not have hedging instrument outstanding as at 31 December 2012.

Interest rate exposure

The Group obtained borrowing from financial institutions and related parties to finance the development of its projects and accordingly, the Group was exposed to changes in interest rates which affected the cost of borrowing. As at 31 December 2012, borrowings from financial institutions of the Group amounted to HK$12.1 million were on a floating rate basis while the rest of the borrowings (including borrowings from related parties) were at fixed rate. The interest rate risk exposure was considered acceptable and no hedging was considered necessary. The Group will continue to monitor the suitability and cost efficiency of hedging instrument (including interest rates swaps) and consider a mix of fixed and floating rate borrowings in order to manage interest rate risks.

PLEDGE OF ASSETS

As at 31 December 2012, the Group pledged certain of its property, plant and equipment, prepaid lease payments, and restricted bank deposits to banks in the PRC to secure the bank loans of approximately HK$51.1 million granted by these financial institutions. The aggregate carrying value of these property, plant and equipment, prepaid lease payments, and restricted bank deposits as at 31 December 2012 amounted to approximately HK$2.4 million, HK$24.9 million, and HK$42.9 million respectively.

INVESTMENTS

There were no significant investments held by the Company as at 31 December 2012.

CONTINGENT LIABILITIES

For details, please refer to note 21 above.

CAPITAL COMMITMENTS

For details, please refer to note 20 above.

MATERIAL ACQUISITION AND DISPOSAL

The Company had no material acquisition or disposal of subsidiaries and affiliated companies during 2012.

CHANGES IN SHARE CAPITAL

During the year ended 31 December 2012, 23,952,094 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$0.334 per share. As at 31 December 2012, issued and paid up share capital was 2,352,916,692 ordinary shares.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than disclosed in note 17 above, no director has right to acquire shares or debentures of the Company or its subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group employed approximately 254 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, subsidised educational and training programs.

APPROPRIATIONS

The Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: nil).

OUTLOOK

In the year of 2012, the global economy was continuously affected by the complicated impact from the threat of euro-zone sovereign debt crisis worsening and slow recovery of US economy. Despite there was slowdown in the economic growth in China, the Chinese economy still recorded gross domestic product ("GDP") growth at 7.8% for the first half of 2012. And Fuzhou city, at where the Group focuses its business, recorded GDP growth at about 13% each year for the past five years.

As the most important driver for domestic economic growth, China's real estate industry is still under the significant impact of industrial adjustment and control under which speculative activities, and investment demand might be affected. But the demand from users is still solid and strong.

The Group believes the Chinese economy will still be one of the fastest growth globally, coupled with the long-term policy of urbanization. The Group remains optimistic about the prospects of China's real estate sector. The Group will continue to strategically select and develop commercial property projects and commercial-residential composite projects that are in line with the Group's long-term development strategy to further penetrate into other second-tier and third-tier cities in the PRC. The Group is committed to offering high-quality, high yield commercial property products to its customers, contributing to the urbanization of the country, creating values for the society and providing satisfactory returns to its shareholders.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2012, the interests of the directors and their associates in the ordinary shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chen Chang Wei	Beneficial owner and held by controlled corporation *(1)*	1,582,163,507	67.24%
	Interest of spouse *(2)*	12,346,000	0.53%
		1,594,509,507	67.77%
Ms. Chen Dongxue	Beneficial owner *(3)*	43,774,000	1.86%

(1) As at 31 December 2012, Mr. Chen was deemed to be interested in 1,594,509,507 shares of the Company, of which (1) 14,894,000 shares were directly held by Mr. Chen, (2) 172,000,000 shares were held in trust for him by Ever Good Luck Limited (a company incorporated in the BVI of which the entire issued share capital is beneficially owned by Mr. Chen), and (3) 1,395,269,507 shares were beneficially owned by Ever Good Luck Limited, and (4) 12,346,000 shares were held by his spouse, Ms. Chan Sheung Ni, as beneficial owner.

(2) Ms. Chan Sheung Ni is the spouse of Mr. Chen and sister-in-law of Ms. Chen Dongxue.

(3) Ms. Chen Dongxue is the sister of Mr. Chen and sister-in-law of Ms. Chan Sheung Ni.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2012.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, the following persons or corporations (other than a Director or Chief Executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and so far as is known to any Director or Chief Executive of the Company.

Name	Long position/ Short position	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholding
Ever Good Luck Limited	Long	Beneficial interest *(1)*	1,395,269,507	59.30%
Glories Structure Limited	Long	Beneficial interest *(2)*	170,000,000	7.23%

(1) Ever Good Luck Limited is a company incorporated in the BVI, the entire issued share capital of which is ultimately held by Mr. Chen Chang Wei.

(2) Glories Structure Limited is a company incorporated in the BVI.

Save as disclosed above, as at 31 December 2012, no person, other than the director and his associated corporations stated under the paragraph headed "Directors' interests in securities" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of SFO.

SHARE OPTIONS SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 15 May 2002 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued shares of the Company from time to time. No shares options were granted to the Directors or staff during the year and there are no outstanding options as at 31 December 2012. The scheme period of the Scheme is ten years commencing on the adoption date, which is 15 May 2002. As such, the Scheme has already expired.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee 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 three independent non-executive Directors, Mr. Ma Ving Lung, Mr. Yip King Keung, Pony and Ms. Lin Wen Feng.

The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The Audit Committee has reviewed the financial statements for the year ended 31 December 2012 and discussed the financial related matters with management and external auditor.

CORPORATE GOVERNANCE

In order to attain a high standard of corporate governance, the Company is committed to continuously adopting and improving effective measures and practices to achieve a high level of transparency and accountability in the interests of its shareholders.

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 year ended 31 December 2012, except the following deviations:

(i) Code Provision A.4.1 — the independent non-executive directors of the Company are not appointed for a specific term.

(ii) 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 independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation at annual general meetings in accordance with Bye-law 99 of the Company's Bye-Laws. The Company will ensure that all directors retire at regular intervals.

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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has confirmed with the directors that they have complied with the standard set out in the Model Code during the year under review.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT IN 2012

This announcement will be published on both the websites of the Company (www.hlgroup.com.hk) and of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The final report of the Company for the year ended 31 December 2012 will be dispatched to shareholders and published on the aforesaid websites in due course.

By Order of the Board
Hengli Commercial Properties (Group) Limited
Chen Chang Wei
Chairman

Hong Kong, 6 February 2013

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