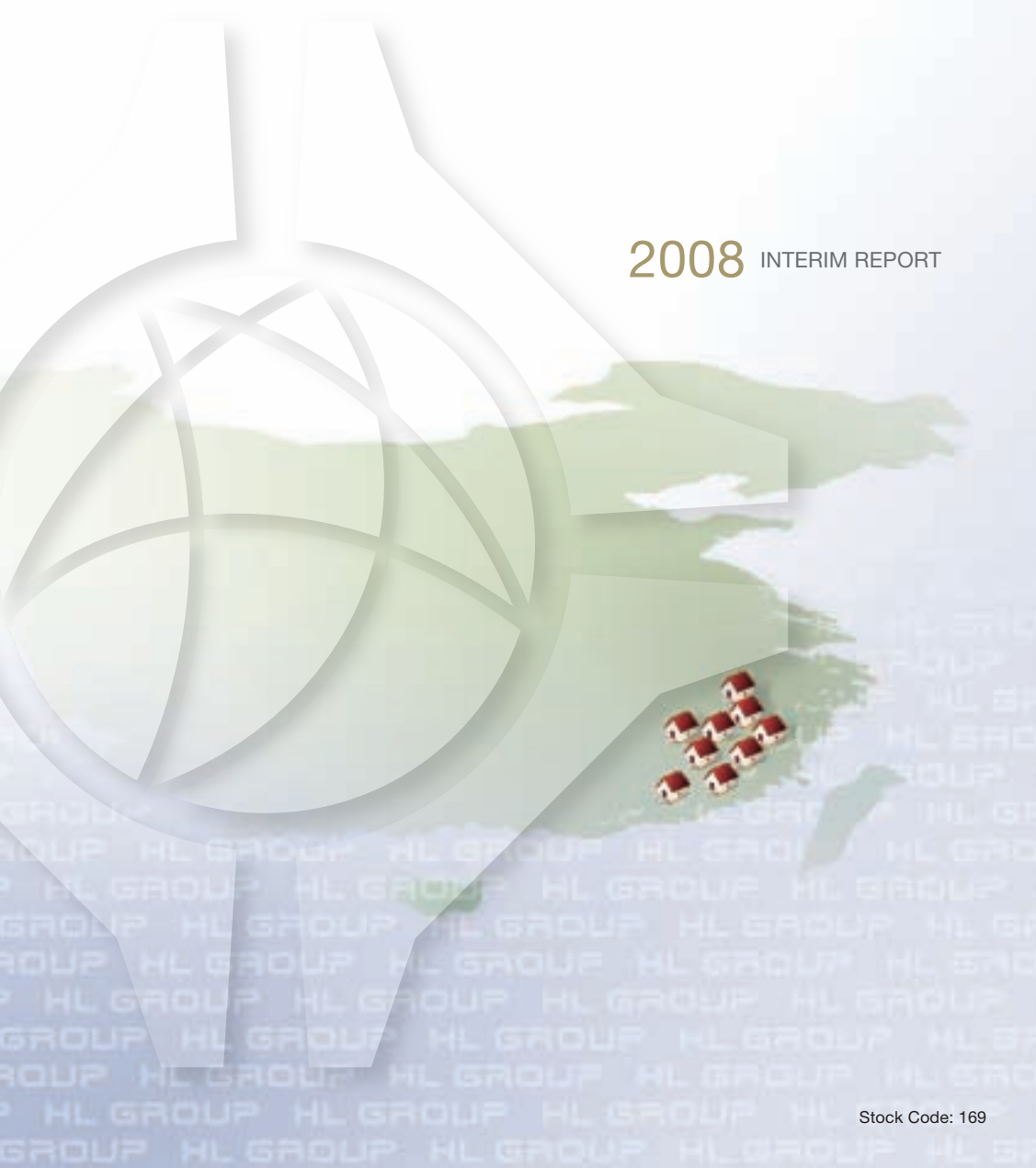




HENGLI PROPERTIES DEVELOPMENT (GROUP) LIMITED
恆力房地產發展(集團)有限公司
(Incorporated in Bermuda with limited liability)

2008 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Chen Chang Wei

Executive Director

Mr. Chim Kim Lun, Ricky
Ms. Chan Sheung Ni
Ms. Chen Dongxue
Mr. Wong Hing Ting, James

Non-executive Director

Mr. So Pang Gen

Independent Non-executive Director

Ms. Lin Wen Feng
Mr. Ma Ving Lung
Mr. Yip King Keung, Pony

AUDIT COMMITTEE

Mr. Ma Ving Lung (*Chairman*)
Mr. Yip King Keung, Pony
Ms. Lin Wen Feng

REMUNERATION COMMITTEE

Mr. Yip King Keung, Pony (*Chairman*)
Mr. Ma Ving Lung
Ms. Lin Wen Feng

NOMINATION COMMITTEE

Mr. Yip King Keung, Pony (*Chairman*)
Mr. Ma Ving Lung
Ms. Lin Wen Feng

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
Bank of China (Hong Kong) Limited
Bank of China

AUDITORS

Grant Thornton

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Unit 3401, 34th Floor
Tower Two, Lippo Centre
89 Queensway, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08 Bermuda

HONG KONG PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

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FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2008 HK\$'000	2007 HK\$'000	Change %
Revenue			
Sale of developed properties	650	13,888	(95.3)
Sale of land use rights	122,509	—	100.0
Rental income from property letting	10,059	8,943	12.5
Total revenue	133,218	22,831	483.5
Loss on change in fair value of investment properties	412	510	(19.2)
Operating profit	60,011	21,470	179.5
Profit before income tax	5,943	20,803	(71.4)
(Loss)/profit attributable to equity holders of the Company	(24,887)	2,869	(967.4)
Basic (loss)/earnings per share	(HK3.77 cents)	HK0.98 cents	(484.7)
Diluted earnings per share	N/A	HK0.97 cents	N/A

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors (the “Board”) is pleased to present to the shareholders of Hengli Properties Development (Group) Limited (the “Company”) the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2008 together with the comparative figures on pages 17 to 40. The condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s auditors, Grant Thornton, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, and by the Company’s Audit Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The investment properties in Changchun generated rental income of HK\$8.6 million (2007: HK\$7.7 million), representing an increase of 11.6%, during the period under review. The increase is mainly due to the rental adjustment based on the final construction cost of the investment properties under the lease agreement between a subsidiary of the Group and the lessee.

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

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

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

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

FINANCIAL REVIEW

Net assets and equity attributable to equity holders

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

Liquidity and financial ratios

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

Borrowings

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

The Group has aggregate net carrying amount of convertible bonds of approximately HK\$1,170 million (principal amount of approximately HK\$2,433 million) and promissory notes of approximately HK\$249 million (principal amount of approximately HK\$250 million) respectively as at 30 June 2008.

Foreign currency exposure

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

PLEDGE OF ASSETS

As at 30 June 2008, the Group pledged certain of its assets as disclosed in note 20 of the condensed consolidated financial statements.

FINANCIAL POLICY

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

MATERIAL ACQUISITION AND DISPOSAL

- 1) On 2 October 2007, the Group entered into an Acquisition Agreement with Mr. Chen Chang Wei to acquire the entire issued share capital in and certain shareholder's loans of Amazing Wise Limited for a total consideration of HK\$3,008.8 million (the "Acquisition"). Amazing Wise Limited holds 100% interest in Dalong Industrial Group Limited ("Dalong"), and Dalong whose principal assets are 95% equity interest in Fujian Zhonglu Real Estate Development Co., Limited (the "Fujian Zhonglu"). And the relevant acquisition was completed on 21 January 2008. Further information of the Acquisition was disclosed in note 23 of the condensed consolidated financial statements.
- 2) On 21 March 2008, the Group successfully bid for the land use rights from the Land Resources Bureau of Fuzhou City, Fujian Province on a piece of land at a consideration of RMB278,000,000 for property development purpose.
- 3) On 30 May 2008, the Group entered into a Disposal Agreement with International Offshore Development Limited (the "IOD") to sell the entire issued share capital of Target Company and the benefits of and interest in the Sales Loans at an aggregate Consideration of HK\$281.8 million (subject to adjustment), to be settled by the IOD in cash. IOD is a company incorporated in the British Virgin Islands, and is an indirect wholly-owned subsidiary of Future Opportunity Limited (the "FOL"), which the entire issued share capital is held by a trustee under a discretionary trust, objects of which are family members of Mr. So Pang Gen.

EMPLOYEES AND REMUNERATION POLICIES

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

OUTLOOK

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

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

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2008, 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. So Pang Gen	Beneficial owner and held by discretionary trust (1)	65,750,000	6.93%
Mr. Chim Kim Lun, Ricky	Held by controlled corporation (2)	82,000,000	8.65%
Mr. Chen Chang Wei	Beneficial owner and held by controlled corporation (3)	272,747,000	28.76%
Ms. Chan Sheung Ni	Beneficial owner (4)	300,000	0.03%
Ms. Chen Dongxue	Beneficial owner (5)	994,000	0.10%

- (1) These shares of which 280,000 are held by Mr. So Pang Gen, while the remaining of 65,470,000 are held by International Offshore Development Limited, a company incorporated in the British Virgin Islands ("BVI"). Chance Fair International Development Limited, a company incorporated in Hong Kong is the beneficial owner of the entire issued share capital of International Offshore Development Limited. Future Opportunity Limited, a company incorporated in the BVI, is the beneficial owner of the entire issued share capital of Chance Fair International Development Limited. Trustcorp Limited, a company incorporated in the Island of Jersey, Channel Islands which holds all the issued share capital of Future Opportunity Limited as trustee under a discretionary trust, the discretionary trust objects of which include the family members of Mr. So Pang Gen.
- (2) Mr. Chim Kim Lun, Ricky is the son of Mr. Chim Pui Chung, the beneficial owner of Golden Mount Limited ("Golden Mount"). Accordingly, he is deemed to be interested in the 82,000,000 shares held by Golden Mount under SFO.
- (3) Mr. Chen Chang Wei was appointed during the period under review on 22 January 2008. As at 30 June 2008, Mr. Chen was deemed to be interested in 272,747,000 shares of the Company, of which (1) 4,570,000 shares were directly held by Mr. Chen, (2) 86,000,000 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) 182,177,000 shares were beneficially owned by Ever Good Luck Limited.
- (4) Ms. Chan Sheung Ni was appointed during the period under review on 1 February 2008. As at 30 June 2008 she held 300,000 shares under her name.
- (5) Ms. Chen Dongxue was appointed during the period under review on 15 February 2008. As at 30 June 2008 she held 994,000 shares under her name.

As at 30 June 2008, Mr. Chen held convertible bonds of an aggregate principal amount of HK\$2,432,711,500 issued by the Company. Based on the conversion price of HK\$0.50 and assuming the conversion rights attached to the convertible bonds being exercised in full, the maximum number of conversion shares issued upon conversion would be 4,865,423,000 shares of the Company, representing approximately 513% of the existing issued share capital of the Company. In accordance with the terms and conditions of the convertible bonds, Mr. Chen is restricted to exercise the conversion rights attached to the convertible bonds to the extent that the total number of shares (including the existing shares and the conversion shares issued or to be issued) held by Mr. Chen as at the date of conversion would not exceed 29% of the issued share capital of the Company at the date of conversion.

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 30 June 2008.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interest required to be kept by the Company pursuant to Section 336 of SFO:

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)	182,177,000	19.21%
Glories Structure Limited	Long	Beneficial interest (2)	170,000,000	17.92%
Golden Mount	Long	Beneficial interest (3)	82,000,000	8.65%
International Offshore Development Limited	Long	Beneficial interest (4)	65,750,000	6.93%

- (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.
- (3). Mr. Chim Pui Chung is the beneficial owner of Golden Mount. The Company's executive director, Mr. Chim Kim Lun, Ricky is the son of Mr. Chim Pui Chung.
- (4). International Offshore Development Limited is ultimately held by a trust, object of which are family members of Mr. So Pang Gen.

Save as disclosed above, as at 30 June 2008, 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. During the period under review, no shares options were granted to the Directors or staffs. And there are no outstanding options as at 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE

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

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

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

By Order of the Board

Chen Chang Wei

Chairman

Hong Kong, 24 September 2008

INDEPENDENT REVIEW REPORT



Member of Grant Thornton International Ltd

To the board of directors of Hengli Properties Development (Group) Limited

(Formerly known as China Fair Land Holdings Limited)

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 17 to 40 which comprise the condensed consolidated balance sheet of Hengli Properties Development (Group) Limited as of 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial report based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

Grant Thornton

Certified Public Accountants

13th Floor Gloucester Tower

The Landmark

15 Queen's Road Central

Hong Kong

24 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2008

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

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2008

	Notes	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	10	24,025	163,745
Property, plant and equipment	10	13,147	47,070
Prepaid lease payments		27,438	5,093
Goodwill	23	394,782	—
Available-for-sale financial assets	11	2,222	2,128
Deferred tax assets		7,600	26,297
		469,214	244,333
Current assets			
Properties under development	12	3,072,634	178,747
Properties held for sale		26,716	109,358
Account receivables	13	81,759	105,761
Prepayments, deposits and other receivables		156,135	99,951
Prepaid lease payments		136	95
Due from related companies	25	21	383
Due from a minority equity holder of subsidiary	25	—	3,511
Loan to a director	14	321,478	—
Cash at banks and in hand		82,129	23,864
		3,741,008	521,670
Assets classified as held for sale	15	469,816	—
		4,210,824	521,670
Current liabilities			
Account payables	16	149,467	28,339
Deposits received, accrued expenses and other payables	17	268,257	90,255
Due to directors	25	18,435	503
Due to minority equity holders of subsidiaries	25	12,741	6,867
Due to an equity holder of the Company	25	41,822	9,591
Provision for tax	18	72,846	194,133
Promissory notes	19	249,001	—
Bank borrowings	20	33,660	466
		846,229	330,154
Liabilities associated with assets classified as held for sale	15	217,788	—
		1,064,017	330,154

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

as at 30 June 2008

	Notes	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Net current assets		3,146,807	191,516
Total assets less current liabilities		3,616,021	435,849
Non-current liabilities			
Bank borrowings	20	696,073	63,829
Deferred tax liabilities		1,002,040	14,682
Convertible bonds	21	1,169,607	—
		2,867,720	78,511
Net assets		748,301	357,338
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	22	94,851	29,633
Reserves		518,760	264,755
		613,611	294,388
Minority interests		134,690	62,950
Total equity		748,301	357,338

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2008

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserves HK\$'000	Property, plant and equipment revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2007	29,260	33,450	7,324	44,144	1,734	11,265	308	—	129,434	256,919	53,387	310,306
Surplus arising on revaluation of leasehold properties	—	—	—	—	4,690	—	—	—	—	4,690	1,834	6,524
Deferred tax effect arising on revaluation of leasehold properties	—	—	—	—	(1,171)	—	—	—	—	(1,171)	(459)	(1,630)
Effect on decrease in tax rate	—	—	—	—	13	—	—	—	—	13	(28)	(15)
Net income recognised directly in equity	—	—	—	—	3,532	—	—	—	—	3,532	1,347	4,879
Profit for the period	—	—	—	—	—	—	—	—	2,869	2,869	8,854	11,723
Total recognised income and expense for the period	—	—	—	—	3,532	—	—	—	2,869	6,401	10,201	16,602
Exercise of share options	315	1,063	—	—	—	—	(244)	—	—	1,134	—	1,134
At 30 June 2007 (Unaudited)	29,575	34,513	7,324	44,144	5,266	11,265	64	—	132,303	264,454	63,568	328,042
At 1 January 2008	29,633	34,708	7,324	44,144	7,862	22,858	—	—	147,859	294,388	62,950	357,338
Deficits arising on revaluation of leasehold properties	—	—	—	—	(3,033)	—	—	—	—	(3,033)	(4,390)	(7,423)
Deferred tax effect arising on revaluation of leasehold properties	—	—	—	—	778	—	—	—	—	778	1,098	1,876
Currency translation	—	—	—	—	—	8,427	—	—	—	8,427	2,848	11,275
Net income recognised directly in equity	—	—	—	—	(2,255)	8,427	—	—	—	6,172	(444)	5,728
Profit/(loss) for the period	—	—	—	—	—	—	—	—	(24,887)	(24,887)	4,029	(20,858)
Total recognised income and expense for the period	—	—	—	—	(2,255)	8,427	—	—	(24,887)	(18,715)	3,585	(15,130)
Issue of convertible bonds	—	—	—	—	—	—	—	157,393	—	157,393	—	157,393
Convertible bonds exercised	53,800	86,470	—	—	—	—	—	(15,671)	—	124,599	—	124,599
Issue of shares	11,418	44,528	—	—	—	—	—	—	—	55,946	—	55,946
Arising from acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	75,551	75,551
Dividends paid to minority equity holders of a subsidiary	—	—	—	—	—	—	—	—	—	—	(7,396)	(7,396)
At 30 June 2008 (Unaudited)	94,851	165,706	7,324	44,144	5,607	31,285	—	141,722	122,972	613,611	134,690	748,301

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(115,439)	14,952
Net cash (used in)/generated from investing activities	(632)	86
Net cash generated from/(used in) financing activities	162,778	(6,377)
Net increase in cash and cash equivalents	46,707	8,661
Cash and cash equivalents at 1 January	23,398	17,030
Effect of foreign exchange rate changes, net	13,280	—
Cash and cash equivalents at 30 June	83,385	25,691
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand of continuing operations	82,129	25,691
Cash at banks and in hand included in assets held for sale	1,256	—
Cash at banks and in hand	83,385	25,691

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. GENERAL INFORMATION

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

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

The condensed consolidated financial statements on pages 17 to 40 (the “Interim Financial Report”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. SIGNIFICANT ACCOUNTING POLICIES

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

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

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

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2008

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 October 2008

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

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

4. REVENUE AND OTHER REVENUE AND GAINS

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

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

5. SEGMENT INFORMATION

Primary reporting segment — business segments

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

5. SEGMENT INFORMATION (Continued)

Primary reporting segment — business segments (Continued)

For the six months ended 30 June 2008 (Unaudited)

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

5. SEGMENT INFORMATION (Continued)

Primary reporting segment – business segments (Continued)

For the six months ended 30 June 2007 (Unaudited)

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

Secondary reporting segment – geographical segments

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

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

6. PROFIT BEFORE INCOME TAX

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

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

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

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

7. INCOME TAX EXPENSE

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

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

8. DIVIDENDS

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

9. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

(b) Diluted

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

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

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

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

During the period, there was mainly addition of investment properties and property, plant and equipment of approximately HK\$2,842,000 arising from the business combinations (note 23). There was no significant disposal of investment properties and property, plant and equipment. Investment properties and property, plant and equipment were reclassified to assets held for sale of approximately HK\$146,089,000 and HK\$28,824,000 respectively (note 15).

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

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

12. PROPERTIES UNDER DEVELOPMENT

During the period, there was mainly addition of properties under development of approximately HK\$2,741,538,000 arising from the business combinations (note 23).

During the six months ended 30 June 2007, there was no significant addition of properties under development.

13. ACCOUNT RECEIVABLES

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

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

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

14. LOAN TO A DIRECTOR

The loan to Mr. Chen Chang Wei is unsecured, bear interests at 7.74% per annum (31 December 2007: Nil) and repayable within one year. Mr. Chen Chang Wei was appointed as a director of the Company on 22 January 2008. The maximum outstanding amount during the period is HK\$321,478,000.

15. ASSETS HELD FOR SALE

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

15. ASSETS HELD FOR SALE (Continued)

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

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

15. ASSETS HELD FOR SALE (Continued)

(a) Account receivables

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

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

(b) Account payables

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

	30 June 2008
	HK\$'000
	(Unaudited)
Over one year	<u>11,574</u>

16. ACCOUNT PAYABLES

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

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

17. DEPOSITS RECEIVED, ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Deposits received *	231,737	1,075
Accrued expenses	2,734	3,975
Other payables	33,786	85,205
	268,257	90,255

* Deposits received included the instalments of sales proceeds received from buyers of HK\$150,895,000 (31 December 2007: HK\$1,075,000) in connection with the Group's pre-sale of properties.

18. PROVISION FOR TAX

The balances represented the provision for PRC EIT and provision of PRC LAT as at the balance sheet date.

19. PROMISSORY NOTES

On 21 January 2008, the Company issued promissory notes with an aggregate principal amount of HK\$250,000,000 to Mr. Chen Chang Wei as part of the consideration for the acquisition of Amazing Wise Limited and its subsidiaries (note 23). The promissory notes are unsecured, interest-free and repayable within one year.

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

20. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to HK\$663,041,000 (six months ended 30 June 2007: HK\$22,000,000) of which HK\$499,823,000 arising from the business combinations (note 23) and repaid bank loans of HK\$440,000 (six months ended 30 June 2007: HK\$26,000,000). The bank loans bear interests ranging from 3.05% to 7.74% per annum as at 30 June 2008.

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

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

21. CONVERTIBLE BONDS

On 21 January 2008, the Company issued HK\$2,701,711,500 zero coupon convertible bonds at 100% of principal amount to Mr. Chen Chang Wei as part of the consideration for the acquisition of Amazing Wise Limited and its subsidiaries (note 23). The convertible bonds are secured by the share of Amazing Wise Limited held by the Group. Unless previously converted, the Company will redeem the convertible bonds on 20 January 2018.

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

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

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

22. SHARE CAPITAL

	30 June 2008		31 December 2007	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$ 0.01 each at beginning of the period/year	296,330	29,633	292,600	29,260
Share issued on acquisition (note 23)	114,177	11,418	—	—
Conversion rights exercised	538,000	53,800	—	—
Share options exercised	—	—	3,730	373
Ordinary shares of HK\$ 0.01 each at end of the period/year	948,507	94,851	296,330	29,633

23. BUSINESS COMBINATIONS

On 21 January 2008, the Group acquired the entire issued share capital of Amazing Wise Limited and its subsidiaries (together the "Amazing Group") from Mr. Chen Chang Wei. The consideration of HK\$3,008,800,000 is satisfied by the Company issuing (i) the promissory notes of HK\$250,000,000 (note 19), (ii) the convertible bonds in the principal amount of HK\$2,701,711,500 (note 21), and (iii) 114,177,000 ordinary shares for HK\$0.50 each (note 22). Amazing Group is principally engaged in property development. Please refer to the Company's circular dated on 5 December 2007 for details.

Since its acquisition, Amazing Group contributed nil revenue and net profit of HK\$872,000 to the Group for the period from 21 January 2008 to 30 June 2008.

Had the combination taken place on 1 January 2008, the revenue and the net loss of the Group for the period ended 30 June 2008 would have been HK\$133,218,000 and HK\$24,958,000 respectively. These pro forma information are for illustrative purpose only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

Details of net assets acquired and goodwill are as follows:

	HK\$'000
— Promissory notes issued, at fair value (note 19)	240,486
— Convertible bonds issued, at fair value (note 21)	1,408,808
— Shares issued, at fair value (note 22)	55,946
Total purchase consideration	1,705,240
Fair value of net assets acquired	(1,310,458)
Goodwill	394,782

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Amazing Group.

23. BUSINESS COMBINATIONS (Continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Carrying amount
	HK\$'000	HK\$'000
Property, plant and equipment	2,842	5,731
Prepaid lease payments	25,200	8,250
Properties under developments	2,741,538	332,254
Prepayments, deposits and other receivables	1,567	1,567
Loan to a director	310,497	310,497
Cash at banks and in hand	7,902	7,902
Accounts payables	(107,033)	(107,033)
Deposits received, accrued expenses and other payables	(67,103)	(67,103)
Due to a director	(29,153)	(29,153)
Due to a minority equity holder of subsidiary	(26)	(26)
Bank borrowings	(499,823)	(499,823)
Provision for tax	(1,118)	(1,118)
Deferred tax liabilities	(999,281)	—
Net assets/(liabilities)	1,386,009	(38,055)
Minority interests	(75,551)	
Net assets attributable to the Group acquired	1,310,458	
Cash at banks and in hand in subsidiaries acquired		7,902
Net inflow		7,902

24. CAPITAL COMMITMENT

In addition to those disclosed elsewhere in the Interim Financial Report, the Group had the following commitments:

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Contracted, but not provided for, in respect of		
— properties held under development	820,379	166,376

25. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the Interim Financial Report, the Group had the following material related party transactions:

	Six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Interest income received from a director (note 14)	9,870	—

25. RELATED PARTY TRANSACTIONS (Continued)

Balances with related companies, minority equity holders of subsidiaries, directors and equity holder of the Company:

The balances are unsecured, interest-free and repayable on demand.

Key management personnel compensation:

Included in staff costs are key management personnel compensation and comprises the following categories:

	Six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Short term employee benefits	<u>1,880</u>	<u>1,682</u>

26. CONTINGENT LIABILITIES

At 30 June 2008, the Group provided guarantees of approximately HK\$70,508,000 (at 31 December 2007: HK\$17,053,000) to banks in favour 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 certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. At the balance sheet date, no provision for the Group's obligation under these guarantee contracts has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

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

27. MAJOR NON-CASH TRANSACTIONS

During the period ended 30 June 2008, the consideration for the acquisition of Amazing Group was satisfied by issuance of new shares, promissory notes and convertible bonds. Further details are set out in note 23 above.