Interim Report **2011**

HLCP
恒力商業地產

HENGLI COMMERCIAL PROPERTIES (GROUP) LIMITED
恒 力 商 業 地 產 (集 團) 有 限 公 司
(Formerly known as Hengli Properties Development (Group) Limited 恒力房地產發展 (集團) 有限公司)
(Incorporated in Bermuda with limited liability)
Stock Code: 169

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Chang Wei
(Chairman & Managing Director)
Ms. Chen Dongxue
Mr. Chan Chi Wang
Ms. Wu Weilan

Independent Non-executive Directors

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

CHIEF FINANCIAL OFFICER

Ms. Wu Weilan

LEGAL ADVISOR

Angela Ho & Associates

PRINCIPAL BANKERS

China Construction Bank
Chiyu Banking Corporation Limited
The Bank of East Asia, Limited

AUDITORS

KPMG

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 Fulcrum Group (Bermuda) Limited
Rosebank Centre, 4th Floor
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

169

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2011	2010	
	$'000	$'000	Change %
Turnover	**–**	–	–
Valuation gain on investment properties under development	**458,642**	–	+100.0
Profit/(loss) from continuing operations	**294,354**	(43,521)	+776.3
Net gain on disposal of subsidiaries	**62,460**	–	+100.0
Profit/(loss) attributable to equity shareholders of the Company	**338,438**	(37,896)	+993.1
Earnings/(loss) per share (HK Cents)			
From continuing operations and discontinued operations			
Basic	**14.6**	(2.3)	+734.8
Diluted	**4.2**	N/A	N/A
From continuing operations			
Basic	**11.9**	(2.7)	+540.7
Diluted	**3.5**	N/A	N/A

INTERIM RESULTS

The board of directors (the "Board") presents to the shareholders of Hengli Commercial Properties (Group) Limited (the "Company") the interim financial report of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011 together with the comparative figures on pages 14 to 40. The interim financial report is unaudited, but has been reviewed by the Group's audit committee. It has also been reviewed by KPMG 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2011, the Chinese government continued to enforce its tightening policies and purchase restrictions on the residential properties market. The Group actively responded to the market changes and promptly adjusted its marketing strategy, and achieved pre-sale of its residential units of approximately RMB155,600,000, office units of approximately RMB395,500,000, and parking spaces of approximately RMB67,600,000 in the first half of 2011. As at 30 June 2011, the Group's accumulated pre-sales of its properties in Fujian Province amounted to approximately RMB1,640,600,000.

Given the increasing demand for high-end commercial properties in the second-tier and third-tier cities in the PRC, the long-term development strategy of the Group has been to develop high-end, high yield commercial properties and commercial and residential complex. In addition, due to the positioning of Fujian Province by the Chinese government as the Strait West Coast Economic Zone, the Board expects that the real estate market of Fuzhou, Fujian Province, the PRC would further prosper in the long run. On 3 March 2011, the Company entered into a conditional agreement to dispose of the entire equity interest in Right Strong Holdings Limited, the Company's wholly owned subsidiary, and hence projects in Zhejiang Province, which were mostly mid-end or low-end residential and commercial properties. The transaction was completed on 24 May 2011 and resulted in a gain of HK$62,460,000. Through the Disposal, the Board believes that the Company will be able to allocate its resources more effectively in order to focus on the development of its existing high-end property projects in Fujian Province and to achieve its long term strategy to further penetrate into other second-tier and third-tier cities in the PRC.

For the six months ended 30 June 2011, the Group's profit attributable to equity shareholders of the Company was approximately HK$338,438,000, representing an increase of 993.1% as compared to the corresponding period in 2010. This was mainly due to i) recognition of valuation gain on investment properties under development of HK$458,642,000 and the related income tax expenses of HK$114,661,000, ii) recognition of gain on disposal of subsidiaries of HK$62,460,000.

The Group launched one new project, namely "Hengli•Financial Center" (「恒力 • 金融中心」) for pre-sale in June 2011. All units initially launched, which were office units, were sold on the day of launch, posting a transaction amount of approximately RMB395,500,000.

On 15 March 2011, the Group acquired the land use right of a parcel of land with an area of approximately 42,125 square meters in Fuzhou. The land is located in Gulou District of Fuzhou city, at north of the Bei Er Huan Road (北二環路) and east of Fu Fei Road (福飛路). The Group is in the process to form a joint venture with Yonghui Superstores Co. Ltd (永輝超市股份有限公司), which is listed on the Shanghai Stock Exchange, to develop the land into high-end commercial properties with residential building with an estimated gross floor area of 259,190 sq.m and a tentative name of "Hengli • Bona Plaza" (「恒力 • 博納廣場」).

In the first half of 2011, the Group owned four projects in Fuzhou, 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」), which were all located in the financial district of Fuzhou. "Hengli City" (「恒力城」) is being developed into a residential, office and retail complex with a total gross floor area of approximately 241,600 square meters, involving one block of 40-storey office building and three blocks of 46-storey residential buildings, commonly erected on top of a 8-storey commercial podium accommodating clubhouse facilities and retail spaces as well as three levels of basement car parking spaces. "Hengli City" (「恒力城」) was launched for pre-sales in September 2009 and long term lease has been entered into for its commercial podium with Beijing Wangfujing Department Store (Group) Co. Ltd. (北京王府井百貨(集團)股份有限公司), a large retail department store group listed on the Shanghai Stock Exchange. "Hengli • Financial Center" (「恒力 • 金融中心」) and "Hengli • Prosperity Center" (「恒力 • 創富中心」) will be developed into high-end commercial properties, with estimated gross floor area of approximately 50,645 and 60,000 square meters respectively. "Hengli • Financial Center" (「恒力 • 金融中心」) has already commenced construction in December 2009 and "Hengli • Prosperity Center" (「恒力 • 創富中心」) is estimated to begin construction in the second half of 2011. Given the proximity of the aforementioned property projects in Fuzhou, the Company is expected to enjoy synergy effect and economies of scale in managing and developing those property projects.

With the development of its projects, the Group has paid more attention to its company motto and brand image of "恒力築經典，品質贏天下". The Group focused on the quality of its properties to reflect a high-quality product offering premium brand image. In addition, the Group cooperated with solid and renowned business partners during the first half of 2011 to bring high-quality, high-value products and services to its customers.

FINANCIAL REVIEW

Net assets and equity attributable to equity holders

As at 30 June 2011, the Group recorded total assets and total liabilities of approximately HK$6,649,202,000 and HK$5,933,226,000 respectively. The Group had net assets as at 30 June 2011 approximately HK$715,976,000 as compared to approximately HK$410,378,000 as at 31 December 2010. As at 30 June 2011, the equity attributable to equity holders of the Company was approximately HK$616,332,000 as compared to HK$222,331,000 as at 31 December 2010.

Liquidity and financial ratios

The Group had total bank and cash balances of approximately HK$382,125,000 as at 30 June 2011 as compared with HK$554,472,000 as at 31 December 2010. As at 30 June 2011, the current ratio was 1.6 as compared with 1.9 as at 31 December 2010. The gearing ratio was 77.5% as at 30 June 2011 as compared with 84.6% as at 31 December 2010. The bank borrowings to equity attributable to the Company's equity shareholders was recorded at 239.5% as at 30 June 2011 as compared with 643.9% as at 31 December 2010.

Borrowings

The Group had interest bearing borrowings of approximately HK$1,476,371,000 as at 30 June 2011 (31 December 2010: HK$1,431,666,000), representing an increase of approximately 3.1% over the amount as at 31 December 2010. Borrowings were denominated in both Renminbi ("RMB") and Hong Kong Dollar ("HK$"). Approximately 77.9% of the borrowing is repayable within one year and the rest representing the bank loans repayable after one year of HK$326,483,000. The Company is confident in meeting its loan repayment obligations with its cash and bank deposits and proceeds from pre-sales and sale of its projects.

The Group had aggregate net carrying amount of convertible bonds of approximately HK$1,372,821,000 (principal amount of approximately HK$2,272,000,000) as at 30 June 2011.

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 for hedging purposes and the Group did not have hedging instrument outstanding as at 30 June 2011.

PLEDGE OF ASSETS

As at 30 June 2011, the Group pledged certain of its property, plant and equipment, prepaid lease payments, investment properties under development, properties under development and restricted bank deposits to banks in the PRC to secure the bank loans of approximately HK$1,476,371,000 (2010: HK$1,431,666,000) granted by these banks. The aggregate carrying value of the property, plant and equipment, prepaid lease payments, investment properties under development, properties under development and restricted bank deposits as at 30 June 2011 amounted to approximately HK$2,006,000, HK$7,991,000, HK$1,444,800,000, HK$3,252,412,000, and HK$337,549,000 (31 December 2010: HK$1,599,000, HK$8,055,000, HK$ Nil, HK$3,648,859,000 and HK$334,637,000) respectively.

MATERIAL ACQUISITION AND DISPOSAL

On 3 March 2011 the Company entered into a conditional agreement to dispose of the entire equity interest in Right Strong Holdings Limited, the Company's wholly owned subsidiary. The transaction was completed on 24 May 2011 with a consideration of HK$150,656,000 and resulted in a gain of HK$62,460,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group employed approximately 76 full time staffs in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market price while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidized educational and training programs.

APPROPRIATIONS

The Directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

OUTLOOK

Looking into the second half of 2011, the world's overall economic growth might further slowdown with the worsening of the debt crisis in Europe the adverse impact from the downgrade of the US sovereign credit rating. Although China maintained a stable growth in its economy, inflationary pressures were still notable. It is expected that tightening policies will continue to be imposed on the real estate market by the Chinese government.

Under the tightening financial and monetary policy, the Group will prudently expand its funding channels and select the most appropriate and beneficial financing arrangements so as to provide strong financial resources and supports for the sustainable development of the Group.

Looking forward, the Group will continue to strategically select and develop commercial property projects that are in line with the Group's long-term development strategy. The Group is committed to offer high-quality, high yield commercial property products to its customers, contribute to the urbanization of the country, create values for the society and provide satisfactory returns for its shareholders.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2011, 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	67.93%
	Interest of spouse (2)	12,346,000	0.53%
Ms. Chen Dongxue	Beneficial owner (3)	43,774,000	1.88%

(1) As at 30 June 2011, Mr. Chen was deemed to be interested in 1,582,163,507 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.

(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 30 June 2011.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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:

Long Positions:

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	59.91%
Chen Chang Wei	Long	Beneficial interest	186,894,000	8.02%
		Interest of spouse (2)	12,346,000	0.53%
Glories Structure Limited	Long	Beneficial interest (3)	170,000,000	7.30%

(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) Ms. Chan Sheung Ni being the spouse of Mr. Chen is deemed to be interested in the shares held by Mr. Chen.

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

Save as disclosed above, as at 30 June 2011, 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 2011.

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 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 interim results of the Group for the six months ended 30 June 2011 have not been audited, but have been reviewed by the Company's auditors, KPMG. The interim results have been reviewed by Audit Committee.

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 2011, except the following deviation:

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

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

By Order of the Board
Chen Chang Wei
Chairman

Hong Kong, 23 August 2011

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011 — unaudited

(Expressed in Hong Kong Dollars)

	Note	Six months ended 30 June 2011 $'000	2010 $'000 (Note 6(b))
Continuing operations			
Turnover	3	**–**	—
Other revenue and net income		**15,638**	8,102
Selling, administrative and other operating expenses		**(26,263)**	(14,010)
Valuation gain on investment properties under development		**458,642**	—
Profit/(loss) from operations		**448,017**	(5,908)
Finance costs	4(a)	**(53,980)**	(66,050)
Profit/(loss) before taxation	4	**394,037**	(71,958)
Income tax (expense)/credit	5	**(99,683)**	28,437
Profit/(loss) for the period from continuing operations		**294,354**	(43,521)
Discontinued operations	6		
Results of discontinued operations		**516**	17,516
Net gain on disposal of subsidiaries		**62,460**	—
Profit/(loss) for the period		**357,330**	(26,005)

CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 June 2011 — unaudited

(Expressed in Hong Kong Dollars)

	Note	Six months ended 30 June 2011 $'000	Six months ended 30 June 2010 $'000 (Note 6(b))
Attributable to:			
Equity shareholders of the Company		**338,438**	(37,896)
Non-controlling interests		**18,892**	11,891
Profit/(loss) for the period		**357,330**	(26,005)
Earnings/(loss) per share (HK cents)	7		
From continuing operations and discontinued operations			
Basic		**14.6**	(2.3)
Diluted		**4.2**	N/A
From continuing operations			
Basic		**11.9**	(2.7)
Diluted		**3.5**	N/A

The notes on pages 21 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 — unaudited

(Expressed in Hong Kong Dollars)

	Note	Six months ended 30 June 2011 $'000	 2010 $'000 (Note 6(b))
Profit/(loss) for the period		**357,330**	(26,005)
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of subsidiaries in the mainland of People's Republic of China (the "PRC")		**69,618**	29,242
Surplus on revaluation of property, plant and equipment	8(a)	**260**	126
Exchange reserve realised on disposal of subsidiaries		**(6,027)**	—
		63,851	29,368
Total comprehensive income for the period		**421,181**	3,363
Attributable to:			
Equity shareholders of the Company		**401,940**	(10,828)
Non-controlling interests		**19,241**	14,191
Total comprehensive income for the period		**421,181**	3,363

The notes on pages 21 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011 — unaudited

(Expressed in Hong Kong Dollars)

	Note	30 June 2011 $'000	31 December 2010 $'000
Non-current assets			
Fixed assets			
— Property, plant and equipment	8(a)	**4,085**	18,540
— Investment properties under development	8(b)	**1,444,800**	—
— Investment properties		**—**	101,771
		1,448,885	120,311
Prepaid lease payments		**24,972**	28,492
Goodwill		**102,843**	99,861
Available-for-sale investment		**—**	2,368
Deferred tax assets		**—**	4,397
		1,576,700	255,429
Current assets			
Loan to a director	9	**339,094**	324,543
Properties under development	10	**3,252,412**	4,090,776
Properties held for sales		**—**	108,229
Deposits for land use right purchase		**803,514**	222,554
Trade and other receivables	11	**209,491**	93,216
Tax prepayments		**85,866**	54,736
Restricted bank deposits		**337,549**	344,637
Cash at bank and in hand		**44,576**	209,835
		5,072,502	5,448,526
Current liabilities			
Trade and other payables	12	**488,354**	374,261
Receipts in advance		**1,547,612**	1,082,012
Bank loans	13	**1,149,888**	1,264,082
Current taxation		**2,684**	80,082
		3,188,538	2,800,437
Net current assets		**1,883,964**	2,648,089
Total assets less current liabilities		**3,460,664**	2,903,518

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2011 — unaudited

(Expressed in Hong Kong Dollars)

	Note	30 June 2011 $'000	31 December 2010 $'000
Non-current liabilities			
Bank loans	13	**326,483**	167,584
Convertible bonds	14	**1,372,821**	1,368,839
Deferred tax liabilities		**1,045,384**	956,717
		2,744,688	2,493,140
NET ASSETS		**715,976**	410,378
CAPITAL AND RESERVES			
Share capital	15	**232,896**	111,851
Accumulated losses		**(144,616)**	(484,779)
Other reserves		**528,052**	595,259
Total equity attributable to equity shareholders of the Company		**616,332**	222,331
Non-controlling interests		**99,644**	188,047
TOTAL EQUITY		**715,976**	410,378

Approved and authorised for issue by the board of directors on 23 August 2011

Chen Chang Wei
Chairman

Wu Weilan
Executive Director

The notes on pages 21 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 — unaudited

(Expressed in Hong Kong Dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital $'000	Share premium $'000	Prepaid share reserve $'000	Capital reserve $'000	Special reserve $'000	Exchange reserve $'000	Property revaluation reserve $'000	Convertible bonds equity reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2010		111,851	196,965	–	3,038	44,144	4,537	1,471	136,770	(381,868)	116,908	159,292	276,200
Changes in equity for the six months ended 30 June 2010 (unaudited):													
Total comprehensive income for the period		–	–	–	–	–	27,021	47	–	(37,896)	(10,828)	14,191	3,363
Balance at 30 June 2010 and 1 July 2010 (unaudited)		111,851	196,965	–	3,038	44,144	31,558	1,518	136,770	(419,764)	106,080	173,483	279,563
Changes in equity for the six months ended 31 December 2010 (unaudited)													
Total comprehensive income for the period		–	–	–	–	–	73,143	98	–	(65,015)	8,226	17,485	25,711
Right issue of shares		–	(3,826)	111,851	–	–	–	–	–	–	108,025	–	108,025
Dividends approved		–	–	–	–	–	–	–	–	–	–	(2,921)	(2,921)
Balance at 31 December 2010		111,851	193,139	111,851	3,038	44,144	104,701	1,616	136,770	(484,779)	222,331	188,047	410,378
Balance at 1 January 2011		111,851	193,139	111,851	3,038	44,144	104,701	1,616	136,770	(484,779)	222,331	188,047	410,378
Changes in equity for the six months ended 30 June 2011 (unaudited):													
Total comprehensive income for the period		–	–	–	–	–	63,403	98	–	338,439	401,940	19,241	421,181
Right issue of shares		111,851	–	(111,851)	–	–	–	–	–	–	–	–	–
Convertible bonds exercised	14&15	9,194	10,563	–	–	–	–	–	(1,789)	–	17,968	–	17,968
Convertible bonds redemption	14	–	(20,247)	–	–	–	–	–	(2,622)	–	(22,869)	–	(22,869)
Arising from disposals of subsidiaries		–	–	–	(3,038)	(10)	–	(1,714)	–	1,724	(3,038)	(107,644)	(110,682)
Balance at 30 June 2011 (unaudited)		232,896	183,455	–	–	44,134	168,104	–	132,359	(144,616)	616,332	99,644	715,976

The notes on pages 21 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011 — unaudited

(Expressed in Hong Kong Dollars)

	Six months ended 30 June	
	2011	2010
	$'000	$'000
Cash generated from operations	**20,503**	97,485
Tax paid, net	**(38,508)**	(57,101)
Net cash (used in)/generated from operating activities	**(18,005)**	40,384
Net cash used in investing activities	**(211,157)**	(40,811)
Net cash generated from financing activities	**69,342**	59,223
Net (decrease)/increase in cash and cash equivalents	**(159,820)**	58,796
Cash and cash equivalents at 1 January	**209,835**	137,977
Effect of foreign exchange rate changes	**(5,439)**	397
Cash and cash equivalents at 30 June	**44,576**	197,170

The notes on pages 21 to 40 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong Dollars unless otherwise indicated)

1 Basis of preparation

(a) Basis of presentation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except the changes in accounting policies as set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Hengli Commercial Properties (Group) Limited (the "Company") (formerly known as Hengli Properties Development (Group) Limited) and its subsidiaries ("the Group") since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

1 Basis of preparation (continued)

(a) Basis of presentation (continued)

The interim financial report has been prepared on a going concern basis. In the opinion of the directors, the Group does not have any significant liquidity risk exposure. 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 long term. The directors have been reviewing projections of future cash flows and are confident that taking into account of internal financial resources and undrawn available banking facilities, the Group is not exposed to significant liquidity risk, hence it is appropriate to prepare the consolidated financial statements on a going concern basis.

The interim financial report is unaudited, but has been reviewed by the Group's audit committee. It has also been reviewed by KPMG 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. KPMG's independent review report to the Board of Directors is included on page 41 to 42.

The financial information relating to the year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office.

2 Changes in accounting policies

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

- HKAS 24 (revised 2009), Related party disclosures
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, Extinguishing financial liabilities with equity instruments

2 Changes in accounting policies (continued)

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

The amendments to HK(IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the group. HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction.

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

3 Segment reporting

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

Projects in Fujian Province: this segment engages in the development of residential and commercial properties in Fujian Province.

Projects in Zhejiang Province: this segment engages in the development of residential and commercial properties as well as leasing of properties to earn rental income in Zhejiang Province. On 24 May 2011, the Group completed a transaction to sell the entire interest in Right Strong Holdings Limited and subsidiaries and hence this segment (the "Disposal Group") (see also note 6).

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

3 Segment reporting (continued)

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

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

The measure used for reporting segment profit was “Profit before taxation”.

Upon completion of disposal of the Disposal Group, the Group has one identifiable segment only, being the Fujian province segment. The Group’s most senior executive manager no longer makes decisions of resource allocation by segment as all assets, liabilities, future revenue and profits will be generated from the Group’s projects in the Fujian province. In this connection, segment analysis of assets and liabilities at 30 June 2011 are not presented.

	Projects in Fujian Province $’000	Projects in Zhejiang Province $’000 (Refer to note 6)	Total $’000
For the six months ended 30 June 2011			
Continuing operations			
Revenue from external customers	**–**	**–**	**–**
Reportable segment profit	**444,344**	**–**	**444,344**
For the six months ended 30 June 2010 (Note 6(b))			
Continuing operations			
Revenue from external customers	–	–	–
Reportable segment loss	(17,762)	–	(17,762)

3 Segment reporting (continued)

	Six months ended 30 June	
	2011	2010
	$'000	$'000
		(Note 6(b))
Continuing operations		
Profit/(loss)		
Reportable segment profit/(loss)	**444,344**	(17,762)
Unallocated head office and corporate results	**(50,307)**	(54,196)
Profit/(loss) before taxation	**394,037**	(71,958)

4 Profit/(loss) before taxation

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

	Six months ended 30 June	
	2011	2010
	$'000	$'000
		(Note 6(b))
Continuing operations		
(a) Finance costs:		
Interest on bank loans	**35,862**	32,216
Interest on convertible bonds (note 14)	**48,484**	50,151
	84,346	82,367
Less: Interest expenses capitalised into properties under development	**(30,366)**	(16,317)
	53,980	66,050

4 Profit/(loss) before taxation (continued)

	Six months ended 30 June	
	2011	2010
	$'000	$'000
		(Note 6(b))
(b) Other items:		
Amortisation and depreciation	**398**	371
Operating lease charges: minimum lease payments on properties	**237**	236
Gain on disposal of property, plant and equipment	**–**	(107)
Revaluation surplus on property, plant and equipment	**(465)**	(6)
Gain on early redemption of convertible bonds	**(4,402)**	–

5 Income tax (expense)/credit

	Six months ended 30 June	
	2011	2010
	$'000	$'000
		(Note 6(b))
Continuing operations		
Deferred tax		
Origination and reversal of temporary differences	**(99,683)**	28,437
Total income tax (expense)/credit	**(99,683)**	28,437

6 Discontinued operations

On 3 March 2011, the Company entered into a conditional agreement to dispose of the Disposal Group to a third party, China Fair Land Properties Limited. The transaction was completed on 24 May 2011 and resulted in a gain of $62,460,000.

As a result, the financial information for the six months ended 30 June 2010 has been restated to separate the discontinued operations from the continuing operations.

6 Discontinued operations (continued)

The consolidated results of the discontinued operations in the six months ended 30 June 2011 (up to 24 May 2011, being date of disposal) and 2010 are set out below:

(a) The results of discontinued operations

		Period from 1 January to 24 May 2011 $'000	Six months ended 30 June 2010 $'000
Turnover		**15,620**	65,602
Cost of sales	6(d)(ii)	**(6,792)**	(33,179)
Gross profit		**8,828**	32,423
Other revenue and net (losses)		**(997)**	772
Selling, administrative and other operating expenses		**(4,618)**	(7,025)
Valuation gain on investment properties		**–**	4,435
Profit from operations		**3,213**	30,605
Finance costs	6(d)(i)	**–**	–
Profit before taxation	6(d)	**3,213**	30,605
Income tax expense	6(e)	**(2,697)**	(13,089)
Profit for the period		**516**	17,516
Gain on disposal of subsidiaries	6(a)	**62,460**	–
Total profit for the period		**62,976**	17,516
Attributable to:			
Equity shareholders of the Company		**61,852**	6,497
Non-controlling interests		**1,124**	11,019
Profit for the period		**62,976**	17,516
Earnings per share (HK cents)	7		
Basic		**2.7**	0.4
Diluted		**0.7**	0.1

6 Discontinued operations (continued)

(a) The results of discontinued operations (continued)

The net assets of the Disposal Group at 24 May 2011 and the effect of disposal are as below:

Net assets disposed of:

	$'000
Investment properties	103,508
Property, plant and equipment	16,085
Prepaid lease payments	3,538
Deferred tax assets	3,713
Properties under development	173,940
Properties held for sales	104,777
Trade and other receivables	93,702
Tax prepayments	10,804
Cash at bank and in hand	266,769
Trade and other payables	(224,496)
Receipts in advance	(185,821)
Current taxation	(83,533)
Bank loans	(96,320)
Deferred tax liabilities	(10,584)
Non-controlling interests	(107,644)
Net assets disposed of	68,438
Total consideration	150,656
Net assets disposed	(68,438)
Sale loans (i)	(25,785)
Reclassification adjustment of the exchange reserve related to the Disposal Group	6,027
Gain on disposal of subsidiaries	62,460
Consideration satisfied by:	
Cash	44,966
Other receivables (ii)	105,690
	150,656
Net cash outflow in respect of the disposal of subsidiaries:	
Cash consideration received as of 30 June 2011	44,966
Cash of subsidiaries disposed	(266,769)
	(221,803)

6 Discontinued operations (continued)

(a) The results of discontinued operations (continued)

(i) Sale loans represented amounts due from the Disposal Group of approximately $33,942,000 less amounts due to the Disposal Group of approximately $8,157,000. The amounts were added back upon disposal.

(ii) Pursuant to the purchase agreement, the consideration shall be payable in cash in three installment as follows:

a. as to $44,966,000 on the completion date;

b. as to $44,966,000 within 90 days after completion date; and

c. as to $60,724,000, being the remaining balance of the consideration within 180 days after completion date.

(b) Segment reporting

Refer to note 3.

(c) An analysis of cash flows of the discontinued operations is as follows:

	Period from 1 January to 24 May 2011 $'000	Six months ended 30 June 2010 $'000
Net cash inflow from operating activities	**98,330**	31,229
Net cash inflow from investing activities	**2,361**	317
Net cash inflow from financing activities	**9,618**	19,497
Net cash inflow attributable to the discontinued operations	**110,309**	51,043

6 Discontinued operations (continued)

(d) Profit before taxation

	Six months ended 30 June	
	2011	2010
	$'000	$'000
(i) Finance costs:		
Interest on bank loans	**4,346**	98
	4,346	98
Less: Interest expenses capitalised into properties under development	**(4,346)**	(98)
	–	–
(ii) Other items:		
Amortisation and depreciation	**467**	463
Rentals receivable from investment properties less direct outgoings: $239,000 (six months ended 30 June 2010: $76,000)	**(1,647)**	(1,553)
Cost of properties sold	**6,792**	33,179

6 Discontinued operations (continued)

(e) Taxation

	Six months ended 30 June	
	2011	2010
	$'000	$'000
Current tax		
PRC Corporate Income Tax (ii)	**916**	6,585
PRC Land Appreciation Tax (iii)	**1,331**	5,593
	2,247	12,178
Deferred tax		
Origination and reversal of temporary differences	**450**	911
Total income tax expense	**2,697**	13,089

(i) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit in Hong Kong for the year.

(ii) 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% (six months ended 30 June 2010: 25%).

(iii) 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.

7 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2011	2010
	$'000	$'000
Weighted average number of ordinary shares (i):		
Issued ordinary shares at 1 January	**1,118,507**	1,118,507
Effect of right issue	**1,118,507**	553,604
Effect of exercise of convertible bonds	**83,822**	—
	2,320,836	1,672,111

(i) The weighted average number of ordinary shares has been adjusted for rights issues in 2010.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 June 2011, the Company has only one category of potential ordinary shares: convertible bonds (six months ended 30 June 2010: one).

8 Fixed assets

(a) Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment with a cost of $1,328,000 (six months ended 30 June 2010: $32,000). In addition, property, plant and equipment with net book value of $16,085,000 and investment properties with net book value of $103,508,000 were disposed (six months ended 30 June 2010: $148,000).

In addition, a net gain of $465,000 (six months ended 30 June 2010: gain of $6,000) and a net-of-tax surplus amount of $260,000 (six months ended 30 June 2010: surplus of $126,000) has been recognised in profit or loss and other comprehensive income respectively for the period in respect of land and buildings held for own use. The net-of-tax surplus of $1,714,000 previously recognised in other comprehensive income was transferred to retained earnings upon disposal of the Disposal Group.

(b) Investment properties under development

Investment properties under development and land and buildings held for own use carried at fair value were revalued on an open market value at 30 June 2011 by independent firms of surveyors, Savills Valuation and Professional Service Limited and RHL Appraisal Limited, both of which have recent experience in the respective location and category of property being valued. As a result of the revaluation, a net gain of $458,642,000 (six months ended 30 June 2010: nil) has been recognised in profit or loss for the period in respect of investment properties under development.

9 Loan to a director

On 19 June 2009, Fujian Zhonglu Real Estate Development Co., Ltd. ("Fujian Zhonglu") and Mr. Chen Chang Wei ("Mr. Chen"), a shareholder and director of the Group, entered into an agreement pursuant to which Fujian Zhonglu agreed to extend the repayment date of a loan to Mr. Chen to 31 December 2011 from 20 June 2009. The loan is non-interest bearing and repayable on 31 December 2011. On initial recognition, the fair value of the loan at 19 June 2009 was estimated and the difference of the fair value and the face value of the loan was accounted for as a deemed distribution. The loan was initially recognised based on a discount rate of 5.4% per annum.

10 Properties under development

As at 30 June 2011, certain properties under development amounting to $3,252,412,000 (at 31 December 2010: $3,648,859,000) were pledged as collateral for the Group's borrowings (note 13).

11 Trade and other receivables

	30 June 2011 $'000	31 December 2010 $'000
Trade receivables	**1,566**	2,370
Prepayments, other receivables and deposits	**207,925**	90,846
	209,491	93,216

The trade receivables are current or less than one month past due.

In respect of trade receivables of mortgage sales, no credit terms are granted to the purchasers. The Group normally arranges bank financing for purchasers of the Group's property units and provides guarantees to secure obligations of such purchasers for repayments as set out in note 18.

12 Trade and other payables

	30 June 2011 $'000	31 December 2010 $'000
Trade payables	**150,447**	220,514
Other creditors and accrued charges	**313,884**	134,861
Amount due to a director (i)	**24,000**	—
Amounts due to non-controlling shareholders	**23**	18,886
	488,354	374,261

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

	30 June 2011 $'000	31 December 2010 $'000
Due within 3 months or on demand	**16,471**	108,727
Due over 12 months	**133,976**	111,787
	150,447	220,514

(i) The amount due to a director (Mr. Chen) is unsecured, interest free and repayable within twelve months.

13 Bank loans

At 30 June 2011, bank loans were repayable and secured as follows:

	30 June 2011 $'000	31 December 2010 $'000
Within 1 year	**1,149,888**	1,264,082
After 1 year but within 2 years	**14,418**	155,477
After 2 year but within 5 years	**307,569**	6,478
After 5 years	**4,496**	5,629
	1,476,371	1,431,666

The assets of the Group pledged to secure bank loans comprise the following assets:

	30 June 2011 $'000	31 December 2010 $'000
Property, plant and equipment	**2,006**	1,599
Prepaid lease payments	**7,991**	8,055
Investment properties under development	**1,444,800**	—
Properties under development	**3,252,412**	3,648,859
Restricted bank deposits	**337,549**	344,637
	5,044,758	4,003,150

14 Convertible bonds

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

14 Convertible bonds (continued)

The rights of the convertible bond holders to convert the convertible bonds 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 bonds, the exercise/conversion price and the number of shares to be issued upon exercise of the subscription rights attached to the convertible bonds 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 right issue).

In respect of the convertible bonds' conversion rights that have not been exercised up to the maturity date, i.e. on 20 January 2018, the Company will redeem at face value on 20 January 2018.

At 30 June 2011, the outstanding principal amount of the convertible bonds is $2,272,000,000 (31 December 2010: $2,347,712,000).

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

	Liability component $'000	**Equity component** $'000
Net carrying amount at 31 December 2010	1,368,839	136,770
Interest expenses (i)	48,484	—
Convertible bonds exercised (ii)	(17,969)	(1,789)
Convertible bonds redeemed (iii)	(26,533)	(2,622)
Net carrying amounts at 30 June 2011	1,372,821	132,359

14 Convertible bonds (continued)

(i) 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) On 17 January 2011, convertible bonds with principal amount of $30,711,500 was converted.

(iii) On 8 June 2011, the Company redeemed convertible bonds with principal amount of $45,000,000 held by Mr. Chen.

15 Share capital

	30 June 2011		31 December 2010	
	No. of shares ’000	**Amount $’000**	No. of shares ’000	Amount $’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	**1,118,507**	**111,851**	1,118,507	111,851
Right issue of shares	**1,118,507**	**111,851**	—	—
Exercise of convertible bonds	**91,951**	**9,194**	—	—
At 30 June 2011/ 31 December 2010	**2,328,965**	**232,896**	1,118,507	111,851

The Directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

16 Liquidity risk

In the opinion of the directors, the Group does not have any significant liquidity risk exposure. 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 long term. The directors have been reviewing projections of future cash flows and are confident that taking into account of internal financial resources and undrawn available banking facilities, the Group is not exposed to significant liquidity risk.

17 Commitments outstanding not provided for in the interim financial report

	30 June 2011 $'000	31 December 2010 $'000
Contracted for land and development costs in respect of property development activities	**1,599,021**	839,382

18 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.

18 Contingent liabilities (continued)

The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the balance sheet date is as follows:

	30 June 2011 $'000	31 December 2010 $'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**463,286**	392,732

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.

19 Material related party transactions

During the six months ended 30 June 2011, there have been no changes to the definition of related parties.

(a) Transactions with key management personnel

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

	Six months ended 30 June 2011 $'000	2010 $'000
Short-term employee benefits	**2,975**	2,568

(b) Other related party transactions

Mr. Chen is a shareholder and a director of the Group. In respect of the loan advanced to him, please refer to note 9 for details. In respect of redemption of convertible bonds, please refer to note 14 for details. In respect of the advance from Mr. Chen, please refer to note 12 for details.

Review report to the board of directors of
Hengli Commercial Properties (Group) Limited
(formerly known as Hengli Properties Development (Group) Limited)
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 14 to 40 which comprises the consolidated statement of financial position of Hengli Commercial Properties (Group) Limited ("the Company") (formerly known as Hengli Properties Development (Group) Limited) as of 30 June 2011 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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 as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting".

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 August 2011