THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is for information and does not constitute an invitation or offer to acquire, purchase or subscribe for shares or other securities.

If you are in doubt as to any aspect of this circular or as to the actions to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Neo-China Group (Holdings) Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NEO-CHINA GROUP

中新集團

NEO-CHINA GROUP (HOLDINGS) LIMITED

中新集團（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 563)

PROPOSED MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION OF THE TIANJIN PROJECT WITH GROSS FLOOR AREA OF 1.087 MILLION SQUARE METRES

Financial adviser to Neo-China Group (Holdings) Limited

JPMorgan

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

第一上海 FIRST SHANGHAI GROUP

FIRST SHANGHAI CAPITAL LIMITED

A notice convening the SGM to be held on 8 August 2006 at Unit 1908-9, Office Tower, Convention Plaza, Wanchai, Hong Kong at 10:00 a.m. is set out on pages 294 to 295 of this circular. Whether or not Shareholders are able to attend the SGM, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Share Registrar of the Company in Hong Kong, Secretaries Ltd., 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM should they so wish.

A letter from the Independent Board Committee is set out on pages 29 to 30 of this circular and a letter from First Shanghai Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 31 to 44 of this circular.

20 July 2006

* *For identification only*

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In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

"Agreement"	the sale and purchase agreement dated 26 June 2006 between the Vendor, the Purchaser and the Company in respect of the sale and purchase of the entire issued share capital of the Holding Companies
"associates"	the meaning ascribed to it under the Listing Rules
"Board"	board of Directors
"Company"	Neo-China Group (Holdings) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on Stock Exchange
"Completion"	Completion of the Agreement
"Consideration"	the consideration of HK$845,263,700 for the acquisition by the Purchaser of the entire issued share capital of the Holding Companies pursuant to the Agreement
"Consideration Shares"	the new Shares to be allotted and issued by the Company to the Vendor (or his nominee) as consideration under the Agreement
"Director(s)"	director(s) of the Company
"Divo"	DIVO Success Limited, a company incorporated with limited liability in the British Virgin Islands
"Encumbrance"	mortgage (whether legal or equitable), charge, lien, lease, option, licence, covenant, condition, agreement or other third party right
"Enlarged Group"	the Group as enlarged by the acquisition of the Holding Companies
"Group"	the Company and its subsidiaries

"HKFRS"	Hong Kong Financial Reporting Standards promulgated by the Hong Kong Institute of Certified Public Accountants
"Holding Companies"	Divo and Lead Mix
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee comprising Ms. Nie Mei Sheng, Mr. Wang Shiyong and Mr. Zhen Kuan, formed to advise The Independent Shareholders on the terms of the Agreement and the proposed Acquisitions
"Independent Financial Adviser"	First Shanghai Capital Limited, the independent financial adviser to the Independent Board Committee and Independent Shareholders, a corporation licensed under the SFO to engage in type 6 regulated activity (advising on corporate finance) as defined in the SFO
"Independent Shareholders"	Shareholders other than the Vendor, Invest Gain Limited and their respective associates and parties acting in concert with them, and other Shareholders who may not be permitted to vote under the Listing Rules
"Independent Third Party (Parties)"	party (parties) independent of and not connected with the directors, chief executives or substantial shareholders of the Company or its subsidiaries or any of their respective associates
"Issue Price"	HK$0.68 per Consideration Share
"Last Trading Day"	23 June 2006, being the last day on which the Shares were traded on the Stock Exchange prior to the release of this circular
"Latest Practicable Date"	18 July 2006 being the latest practicable date for ascertaining certain information for inclusion in this circular
"Lead Mix"	Lead Mix Limited, a company incorporated with limited liability in the British Virgin Islands
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	31 October 2006
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Proposed Acquisitions"	the proposed acquisitions of the entire issued share capital of each of the Holding Companies by the Purchaser pursuant to the Agreement
"Property Interests"	seven parcels of land and property at Old Urban Area, Tianjin City Nau Kai District, Tianjin
"Property Owners"	(i) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司), (ii) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司), (iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司), (iv) Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司), (v) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司), (vi) Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. (天津中新華城房地產開發有限公司) and (vii) Tianjin Xinrun Real Estate Development Co., Ltd. (天津新潤房地產開發有限公司) each incorporated in the PRC that together hold in aggregate the Property Interests
"Purchaser"	Neo-China Property Limited, a wholly-owned subsidiary of the Company
"Restructuring"	the restructuring of the ownership of the Property Owners before Completion so that they are 100% owned by the Holding Companies
"SGM"	the special general meeting of Company to be convened to consider and, if thought fit, approve, among other things, the entering into of the Agreement
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company

"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Tianjin Project"	a residential and commercial property project which consists of land and property owned by the Property Owners
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar(s), the lawful currency of the United States of America
"Valuer"	Savills Valuation and Professional Services Limited, an independent property valuer
"Vendor"	Mr. Li Song Xiao, a Director and the chairman of the Board and the ultimate controlling shareholder of the Company, who has a 51.60% indirect shareholding interest in the Company at the date of this circular
"%"	per cent.

In this circular, unless otherwise indicated, the exchange rates of RMB1.04 = HK$1.00 has been used for currency translation, where applicable. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in HK$ or RMB have been, could have been or may be converted at such or any other rates or at all.

Certain English translations of Chinese names or words in this circular are included for information only, and are not official English translations of such Chinese names or words.

NEO-CHINA GROUP
中新集團

NEO-CHINA GROUP (HOLDINGS) LIMITED
中新集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 563)

Executive Directors:	*Registered office:*
Mr. Li Song Xiao *(Chairman)*	Clarendon House
Mr. Liu Yi	2 Church Street
Ms. Niu Xiao Rong	Hamilton HM 11
Mr. Yuan Kun	Bermuda
Independent non-executive Directors:	*Principal Place of Business:*
Ms. Nie Mei Sheng	Unit 1908-9, 19th Floor
Mr. Zhen Kuan	Office Tower, Convention Plaza
Mr. Wang Shi Yong	No. 1 Harbour Road
	Wanchai
	Hong Kong

20 July, 2006

To the shareholders of the Company

Dear Sir or Madam,

PROPOSED MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION OF THE TIANJIN PROJECT WITH GROSS FLOOR AREA OF 1.087 MILLION SQUARE METRES

INTRODUCTION

In an announcement dated 28 June 2006, the Directors announced that the Group had entered into the Agreement with the Vendor on 26 June 2006 pursuant to which inter alia, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of the Holding Companies for an aggregate consideration of HK$845,263,700.

* *For identification only*

At the date of this circular, the Vendor is the chairman of the Board and through Invest Gain Limited, a company wholly-owned by him, is beneficially interested in 2,311,616,537 Shares, representing approximately 51.60% of the existing issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company under the Listing Rules.

The entering into the Agreement thus constitutes a connected transaction for the Company under the Listing Rules and the Agreement is subject to the approval of the Independent Shareholders by way of poll at the SGM. The Agreement also constitutes a major transaction for the Company under the Listing Rules.

This circular contains details of the Proposed Acquisition as required by the Listing Rules.

THE PROPOSED ACQUISITIONS

On 26 June 2006, the Purchaser (a wholly-owned subsidiary of the Company), the Company and the Vendor entered into the Agreement.

The Agreement

Date:	26 June 2006
Parties:	
Vendor:	Mr. Li Song Xiao, the ultimate controlling Shareholder
Purchaser:	Neo-China Property Limited, a wholly-owned subsidiary of the Company
Issuer:	the Company as issuer of the Consideration Shares
Asset to be acquired:	the entire issued share capitals of each of the Holding Companies.
Consideration:	HK$845,263,700, which will be satisfied at Completion by the allotment and issue by the Company to the Vendor (or his nominee) of 1,243,034,853 Consideration Shares at the Issue Price, which was determined after arm's length negotiations between the parties with reference to recent traded prices of the Shares and future prospects of the Company.

The value of the Consideration Shares based on the closing price of the Shares on the Last Trading Day is HK$663,947,775.

The Consideration Shares represent (i) approximately 27.75% of the issued share capital of the Company at the date of this circular and (ii) approximately 21.72% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares will be issued as fully paid and will rank pari passu in all respects with the Shares then in issue. An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price represents:

(a) a premium of approximately 33.33% to the closing price per Share of HK$0.51 as quoted on the Stock Exchange on 23 June 2006, being the Last Trading Day;

(b) a premium of approximately 9.50% to the average closing price per Share of HK$0.62 as quoted on the Stock Exchange for the last 10 trading days to and including the Last Trading Day;

(c) a discount of approximately 14.68% to the average closing price per Share of HK$0.80 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and

(d) a premium of approximately 187.65% over the latest audited consolidated net tangible assets per Share of approximately HK$0.24 at 30 April 2005.

Conditions precedent: Completion is subject to the satisfaction of the following conditions:

I. the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares;

II. the Purchaser being satisfied that the Restructuring has been completed;

III. approval by way of poll of the Agreement (including the allotment and issue of the Consideration Shares);

IV. the issue of legal opinions by the PRC legal adviser to the Purchaser, in form and substance satisfactory to the Purchaser, to the effect that, among other things:

a. the Holding Companies together are the lawful owners of in aggregate 100% of the registered capital of the Property Owners free and clear of Encumbrances and that the relevant acquisitions by the Holding Companies of their interests in the Property Owners have been approved by the relevant regulatory authorities in the PRC; and

b. the owners of the Property Owners have contributed their respective shares of the Property Owners' registered capital in accordance with the relevant governmental approval, and the Property Owners are respectively the lawful owner, user, occupier and developer of the Property Interests free of all Encumbrances other than disclosed mortgages; and

V. the consent of J.P. Morgan Securities Ltd. and BOCI Asia Limited of the zero coupon convertible bonds due 2011 of the Issuer to the issue of the Consideration Shares.

VI. the issue to the Purchaser by the Valuer chosen by it of a valuation report in form and substance satisfactory to the Purchaser, valuing the Property Interests at RMB1,750,350,000 (or approximately HK$1,683,028,846) in aggregate.

If the above conditions are not fulfilled or waived by the Purchaser on or before 5:00p.m. on the Long Stop Date (or such later date as the parties may agree), then all rights and obligations of the parties to the Agreement shall cease and determine and no party thereto shall have any claim against any other, save for claims (if any) in respect of any antecedent breach of the Agreement. Conditions I and III cannot be waived by the Vendor or the Purchaser. Of the other conditions, conditions V and VI have already been satisfied.

Completion: Completion shall take place on the third business day (excluding a Saturday) after satisfaction of all the above conditions of the Agreement or such other date as the parties may agree.

Basis for determining the Consideration

As at 30 April 2006, the market value of the Property Interests is appraised at RMB1,750,350,000 (or approximately HK$1,683,028,846) by the Valuer. After adjusting for the net debt of the Property Owners, the net market value of the Property Interests is estimated at HK$1,309,251,846.

The Consideration of HK$845,263,700 represents an acquisition discount of approximately 35.44% to the net market value of the Property Interests. Such discount was determined after arm's length negotiation between the Company and the Vendor as well as by reference to the discount level of comparable PRC property companies listed in Hong Kong and the PRC at the time of negotiation and the current market condition. For the five trading days before the signing of the Agreement the average discount to the estimated net asset value of comparable PRC property companies listed in Hong Kong and the PRC was 34.72%.

Discount to estimated current net asset value (%)

	06/23/06	06/22/06	06/21/06	06/20/06	06/19/06	5-day average
Shanghai Forte Land – H	(19.94%)	(20.69%)	(20.69%)	(22.21%)	(22.96%)	(21.30%)
Shanghai Real Estate	(55.48%)	(54.05%)	(52.75%)	(52.43%)	(52.43%)	(53.43%)
Beijing Capital Land – H	(53.48%)	(55.48%)	(55.48%)	(55.48%)	(55.48%)	(55.08%)
China Resources Land	(40.60%)	(38.03%)	(40.17%)	(40.17%)	(35.04%)	(38.80%)
Hopson	(31.42%)	(30.95%)	(31.19%)	(31.65%)	(25.86%)	(30.21%)
Guangzhou R&F – H	(18.84%)	(12.01%)	(15.22%)	(15.22%)	(10.54%)	(14.36%)
Agile Properties	(43.40%)	(40.86%)	(41.94%)	(43.40%)	(40.49%)	(42.02%)
China Overseas Land	(30.07%)	(28.51%)	(31.58%)	(30.70%)	(25.88%)	(29.35%)
China Vanke – B	(27.89%)	(28.59%)	(29.99%)	(26.49%)	(26.60%)	(27.91%)
Average	**(35.68%)**	**(34.35%)**	**(35.45%)**	**(35.30%)**	**(32.81%)**	**(34.72%)**

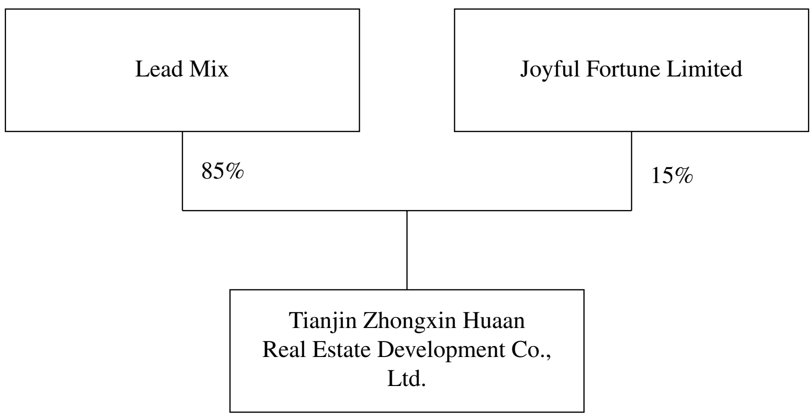
Source: Bloomberg, research estimates

The valuation report by the Valuer and the accountants' reports are included in Appendix I and Appendix III of this circular.

Information on the Holding Companies, the Property Owners and the Tianjin Project

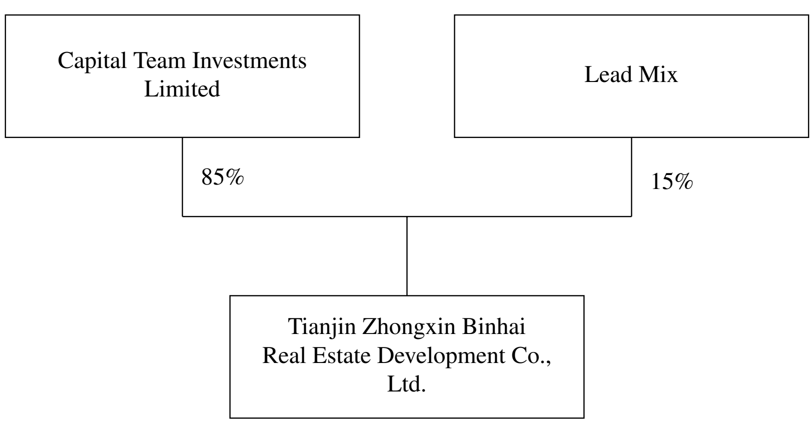
The charts below set out the ownership structure of each of the Property Owners as at the date of this circular:

(a) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd.
（天津中新華安房地產開發有限公司）



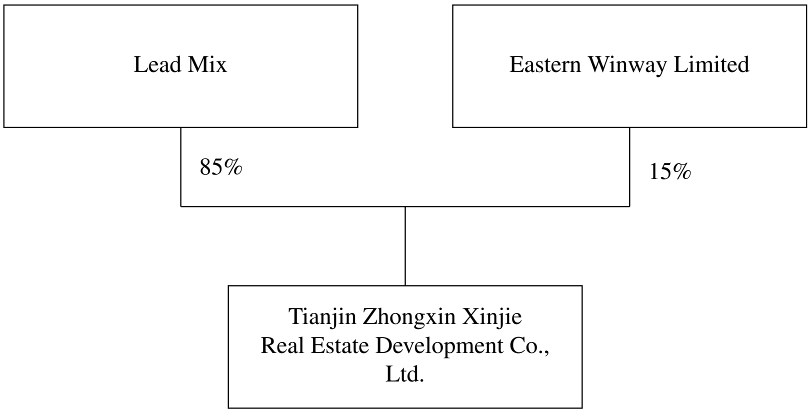
Note: Joyful Fortune Limited is an investment holding company incorporated in the British Virgin Islands on 29 March 2005. The ultimate beneficial owner of Joyful Fortune Limited is the Vendor.

(b) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.
（天津中新濱海房地產開發有限公司）



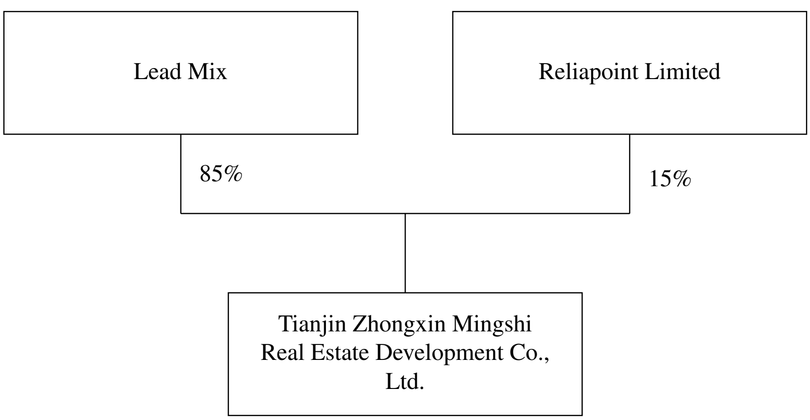
Note: Capital Team Investments Limited an investment holding company incorporated in the British Virgin Islands on 13 November 2003. The ultimate beneficial owner of Capital Team Investments Limited is the Vendor .

(c) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd.
(天津中新信捷房地產開發有限公司)



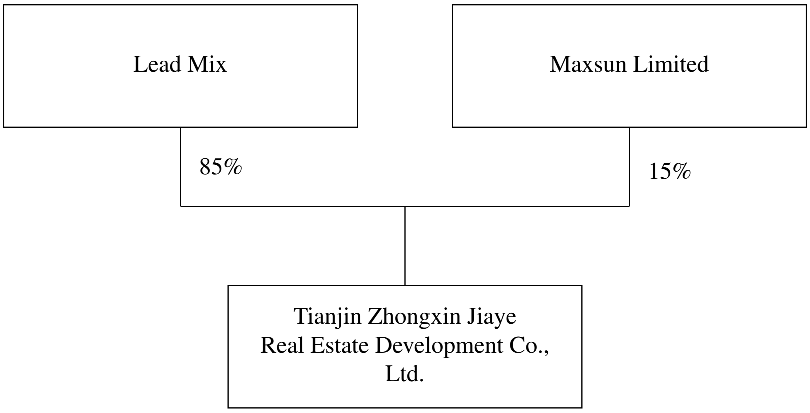
Note: Eastern Winway Limited is an investment holding company incorporated in the British Virgin Islands on 18 January 2005. The ultimate beneficial owner of Eastern Winway Limited is the Vendor.

(d) Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd.
(天津中新名仕房地產開發有限公司)



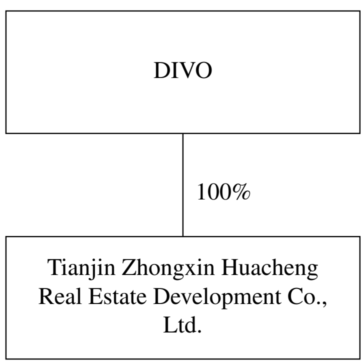
Note: Reliapoint Limited is an investment holding company incorporated in the British Virgin Islands on 1 February 2005. The ultimate beneficial owner of Reliapoint Limited is the Vendor.

(e) ***Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd.***
（天津中新嘉業房地產開發有限公司）

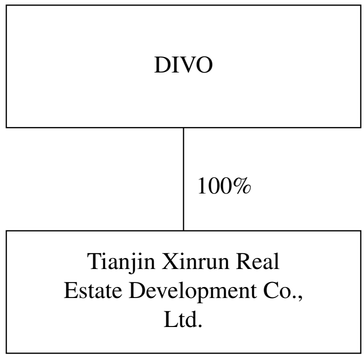


Note: Maxsun Limited is an investment holding company incorporated in the British Virgin Islands on 13 January 2005. The ultimate beneficial owner of Maxsun Limited is the Vendor.

(f) ***Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd.***
（天津中新華城房地產開發有限公司）

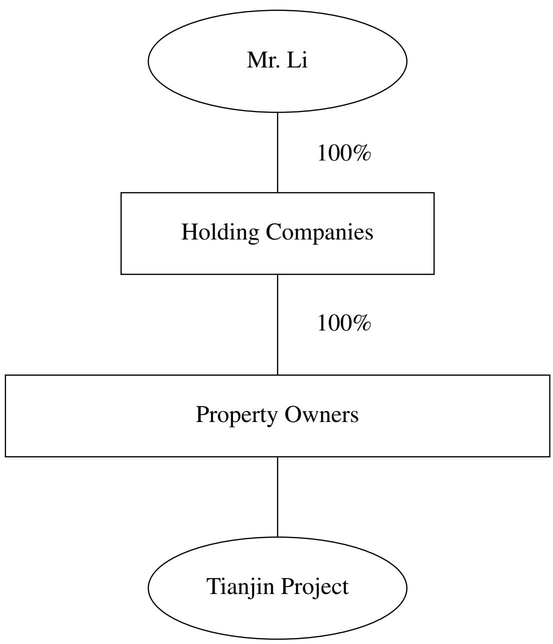


(g) Tianjin Xinrun Real Estate Development Co., Ltd. *(天津新潤房地產開發有限公司)*

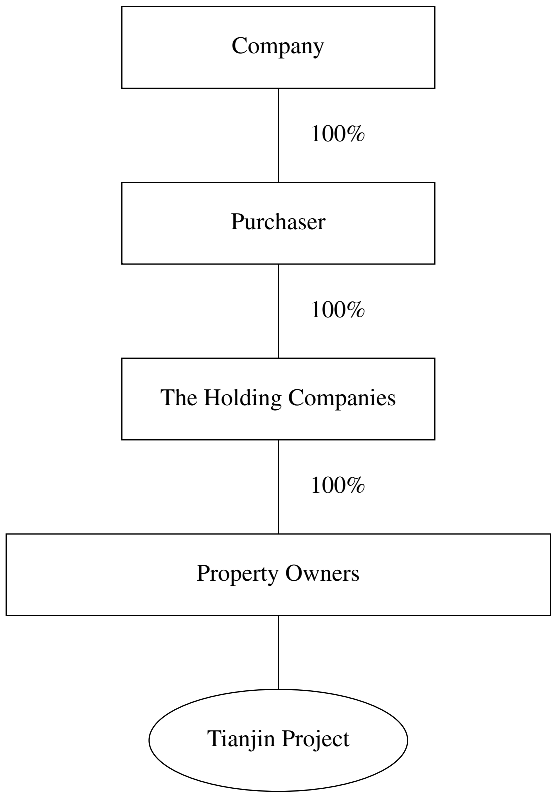


The charts below set out the ownership structure of the Tianjin Project after the Restructuring and upon the Completion:–

After Restructuring and immediately before the Completion



Upon the Completion



Among the seven Property Owners, Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. and Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. obtained the state-owned land use rights certificates for Land Lot No. 11 and Land Lot No. 15 of the Tianjin Project. The remaining five Property Owners have entered into corresponding supplementary agreements to the state-owned land use rights grant contract between Tianjin Municipal Planning, Land and Resource Bureau and Beijing Xin Song Investment Group Limited (details of the grant contract are referenced in note (1) of Property no. 1 in the property valuation report contained in Appendix I to this circular). According to the land use rights grant contract and the supplementary agreements, upon payment of outstanding land premium totalling around RMB1.75 billion (approximately HK$1.68 billion) by the relevant Property Owners, these five Property Owners are entitled to apply for the state-owned land use rights certificates of the relevant properties with the relevant Land Resource Bureau within a period of 30 days after such payment. As advised by Guantao Law firm, the PRC legal adviser to the Group, the certificates will normally be granted within a period of 60 days from the date of payment of the outstanding land premium. According to the land use rights grant contract and the supplementary agreements, these five property owners are obligated to pay for the above-said outstanding land premium on or before 30 August 2006. Guantao Law Firm, the PRC legal advisers to the Group, also concur with the above view on the amount of outstanding land premium as well as the procedures for obtaining the land use right certificates.

The Tianjin Project is a residential and commercial property project located at Old Urban Area, Tianjin City, Nankai District, Tianjin, the PRC. The Tianjin Project consists of the seven pieces of land adjacent to each other and owned by the Property Owners details of which are disclosed below under the heading "Details of Property Owners". The seven pieces of land have an aggregate site area of approximately 343,013 square metres and a gross floor area of 1.087 million square metres. The aggregate registered capital of The Property Owners is RMB150,400,000 (approximately HK$144,615,385).

While the Tianjin Project is collectively defined as a residential and commercial development, due to the large scale of the project, it is divided into different phases with their own development timing and use. The intended development plan for the various pieces of land includes office, high-rise residential, villa, serviced apartment, commercial and other public facilities such as school.

The capital amount for the development of the Tianjin Project, excluding land costs, is expected to be RMB3,261,000,000 (approximately HK$3,135,576,923) which will be funded by bank loans and internal resources of the Company including the proceeds from the pre-sale of the buildings located therein.

The Holding Companies are both limited liability companies incorporated in the British Virgin Islands on 6 April 2006 and each is an investment holding company which is to hold an interest in the Property Owners at Completion. The sole ultimate beneficial shareholder and director of the Holding Companies is the Vendor. The Holding Companies are both investment holding companies and will have no business operations or assets upon Completion apart from holding the Property Owners. Upon Completion, each of the Holding Companies and the Property Owners will become an indirect wholly-owned subsidiary of the Company, and the effective equity interest of the Company in the Tianjin Project will be 100%.

Details of the Property Owners

Set out below are the details of each of the Property Owners:

(a) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd.
（天津中新華安房地產開發有限公司）

Address	天津市南開區二馬路龍鳳市場內17-3號, Tianjin, the PRC
Registered and paid up capital	RMB20.00 million (approximately HK$19.23 million)
Term	20 years from the date of issue of its business licence on 3 June 2005
Value and net profits	For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005 , the audited net loss after taxation of Tianjin Zhongxin Huaan Real Estate Development Co., Ltd.（天津中新華安房地產開發有限公司）amounted to approximately RMB0.00 million (approximately HK$0.00 million) and approximately RMB0.09 million (approximately HK$0.09 million) respectively. For the 4 months ended 30 April 2006

	and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of the Holding Companies amounted to approximately RMB0.00 million (approximately HK$0.00 million) and approximately RMB0.09 million (approximately HK$0.09 million) respectively (no taxation expense was incurred during the financial periods). The audited net asset value of Tianjin Zhongxin Huaan Real Estate Development Co., Ltd.（天津中新華安房地產開發有限公司）as at 30 April 2006 and 31 December 2005 were RMB$19.93 million (approximately HK$19.16 million) and RMB19.93 million (approximately HK$19.16 million) respectively.
Business activities and major assets held	Developer of the piece of land located at Land Lot No. 1 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it. The piece of land is one of the parcels of land in the Property Interests, site area of which is 55,423 square metres and with gross floor area of 237,700 square metres. Construction work for this piece of land is expected to commence by the end of 2007. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(b) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.（天津中新濱海房地產開發有限公司）

Address	天津市南開區二馬路龍鳳市場內9號, Tianjin, the PRC
Registered and paid up capital	RMB10.40 million (approximately HK$10.00 million)
Term	20 years from the date of issue of its business licence on 9 December 2004

Value and net profits	For the 4 months ended 30 April 2006 and for the period from 9 December 2004 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.（天津中新濱海房地產開發有限公司）amounted to approximately RMB0.00 million (approximately HK$0.00 million) and approximately RMB0.02 million (approximately HK$0.02 million) respectively. For the 4 months ended 30 April 2006 and for the period from 9 December 2004 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders amounted to approximately RMB0.00 million (approximately HK$0.00 million) and approximately RMB0.02 million (approximately HK$0.02 million) respectively (no taxation expense was incurred during the both financial periods). The audited net asset value of Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.（天津中新濱海房地產開發有限公司）as at 30 April 2006 and 31 December 2005 was RMB10.62 million (approximately HK$10.21 million) and RMB10.62 million (approximately HK$10.21 million) respectively.
Business activities and major assets held	Developer of the piece of land located at Land Lot No. 2 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it. The piece of land is one of the parcels of land in the Property Interests, with site area of 77,156 square metres and gross floor area of 72,400 square metres. Construction work for this piece of land is expected to commence by the end of 2007. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(c) *Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd.* *(天津中新信捷房地產開發有限公司)*

Address	天津市南開區二馬路龍鳳市場內17-1號, Tianjin, the PRC
Registered and paid up capital	RMB20.00 million (approximately HK$19.23 million)
Term	20 years from the date of issue of its business licence on 3 June 2005
Value and net profits	For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) amounted to approximately RMB0.00 million (approximately HK$0.00 million) and approximately RMB0.09 million (approximately HK$0.09 million) respectively. For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of the Holding Companies amounted to approximately RMB0.00 million (approximately HK$0.00 million) and approximately RMB0.09 million (approximately HK$0.09 million) respectively (no taxation expense was incurred during the financial periods). The audited net asset value of Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) as at 30 April 2006 and 31 December 2005 were RMB19.93 million (approximately HK$19.16 million) and RMB19.93 million (approximately HK$19.16 million) respectively.

Business activities and major assets held	Developer of the piece of land located at Land Lot No. 9 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it. The piece of land is one of the parcels of land in the Property Interests, site area of which is 41,107 square metres and with gross floor area of 200,900 square metres. Construction work for this piece of land is expected to commence by the end of 2006 and be completed by early 2008. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(d) Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司)

Address	天津市南開區二馬路龍鳳市場內9-1號, Tianjin, the PRC
Registered and paid up capital	RMB20.00 million (approximately HK$19.23 million)
Term	20 years from the date of issue of its business licence on 3 June 2005
Value and net profits	For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司) amounted to approximately HK$0.00 million and approximately RMB0.09 million (approximately HK$0.09 million) respectively. For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of the Holding Companies amounted to approximately HK$0.00 million and approximately RMB0.09 million (approximately HK$0.09 million) respectively (no taxation expense was incurred during financial periods). The audited net asset value of Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司) as at 30 April 2006 and 31 December 2005 was RMB19.93 million (approximately HK$19.16 million) and RMB19.93 million (approximately HK$19.16 million) respectively.

Business activities and major assets held	Developer of the piece of land located at Land Lot No. 12 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it. The piece of land is one of the parcels of land in the Property Interests, site area of which is 25,866 square metres and with gross floor area of 153,200 square metres. Construction work for this piece of land is expected to commence by the end of 2006. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(e) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司)

Address	天津市南開區二馬路龍鳳市場內17-2號, Tianjin, the PRC
Registered and paid up capital	RMB20.00 million (approximately HK$19.23 million)
Term	20 years from the date of issue of its business licence on 3 June 2005
Value and net profits	For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd.（天津中新嘉業房地產開發有限公司）amounted to approximately RMB0.11 million (approximately HK$0.11 million) and approximately RMB0.10 million (approximately HK$0.10 million) respectively. For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of approximately RMB0.11 million (approximately HK$0.11 million) and approximately RMB0.10 million (approximately HK$0.10 million)

	respectively (no taxation expense was incurred during the financial periods). The audited net asset value of Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd.（天津中新嘉業房地產開發有限公司）as at 30 April 2006 and 31 December 2005 was RMB19.80 million (approximately HK$19.04 million) and RMB19.92 million (approximately HK$19.15 million).
Business activities and major assets held	Developer of the piece of land located at Land Lot No. 15 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it. The piece of land is one of the parcels of land in the Property Interests, site area of which is 38,295 square metres and with gross floor area of 140,100 square metres. Construction work for this piece of land has commenced in February 2006 and is expected to be completed in June 2007. Pre-sales have also commenced for the buildings located on this piece of land. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(f) Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. （天津中新華城房地產開發有限公司）

Address	天津市南開區二馬路龍鳳市場內9號, Tianjin, the PRC
Registered and paid up capital	RMB50.00 million (approximately HK$48.08 million)
Term	20 years from the date of issue of its business licence on 23 September 2004
Value and net profits	For the 4 months ended 30 April 2006, for the year ended 31 December 2005 and for the period from 23 September 2004 (date of incorporation) to 31 December 2004, the audited net profit/loss after taxation of Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd.（天津中新華城房地產開發有限公司）amounted to profit of approximately RMB0.03 million (approximately HK$0.03 million), loss of approximately RMB0.20 million

(approximately HK$0.19 million) and loss of approximately RMB0.06 million (approximately HK$0.06 million) respectively. For the 4 months ended 30 April 2006, for the year ended 31 December 2005 and for the period from 23 September 2004 (date of incorporation) to 31 December 2004, the audited net profit/loss attributable to shareholders amounted to profit of approximately RMB0.03 million (or approximately HK$0.03 million), loss of approximately RMB0.20 million (approximately HK$0.19 million) and loss of approximately RMB0.06 million (approximately HK$0.06 million) respectively (no taxation expense was incurred during the financial periods). The audited net asset value of Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd.（天津中新華城房地產開發有限公司）as at 30 April 2006, 31 December 2005 and 31 December 2004 was approximately RMB49.77 million (approximately HK$47.86 million), approximately RMB49.74 million (approximately HK$47.83 million) and approximately RMB49.94 million (approximately HK$48.02 million) respectively.

Business activities and major assets held

Developer of the piece of land located at Land Lot No. 11 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it.

The piece of land is one of the parcels of land in the Property Interests, site area of which is 62,867 square metres and with gross floor area of 53,231 square metres. Construction work for this piece of land has been completed in May 2006 and pre-sales have also commenced for the buildings located on this piece of land. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(g) ***Tianjin Xinrun Real Estate Development Co., Ltd.***
(天津新潤房地產開發有限公司)

Address	天津市南開區二馬路龍鳳市場內9號, Tianjin, the PRC
Registered and paid up capital	RMB10.00 million (approximately HK$9.62 million)
Term	20 years from the date of issue of its business licence (date of incorporation) on 5 April 2005
Value and net profits	For the 4 months ended 30 April 2006 and for the period from 5 April 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Xinrun Real Estate Development Co., Ltd. (天津新潤房地產開發有限公司) amounted to approximately RMB0.00 million (approximately HK$0.00 million) and approximately RMB0.01 million (approximately HK$0.01 million) respectively. For the 4 months ended 30 April 2006 and for the period from 5 April 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders amounted to RMB0.00 million (approximately HK$0.00 million) and approximately RMB0.01 million (approximately HK$0.01 million) respectively (no taxation expense was incurred during the financial periods). The audited net asset value of Tianjin Xinrun Real Estate Development Co., Ltd. (天津新潤房地產開發有限公司) as at 30 April 2006 and 31 December 2005 was RMB9.98 million (approximately HK$9.60 million) and approximately RMB9.98 million (approximately HK$9.60 million) respectively.
Business activities and major assets held	Developer of the piece of land located at Land Lot No. 13 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it. The piece of land is one of the parcels of land in the Property Interests, site area of which is 52,299 square metres and with gross floor area of 229,100 square metres. Construction work for this piece of land is expected to commence in October 2006 and will be completed by March 2008. Development of this piece of land will be financed by bank loans and internal resources of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company at the date of this circular and immediately after Completion:–

Shareholders	Existing shareholding structure at the date of this circular *Number of Shares held*	%	Shareholding structure immediately after completion *(Note 1)* *Number of Shares held*	%
Invest Gain Limited *(Note 2)*	2,298,986,537	51.32%	2,298,986,537	40.18%
Mr. Li Song Xiao and concert parties other than Invest Gain Limited *(Note 3)*	12,630,000	0.28%	1,255,664,853	21.94%
	2,311,616,537	51.60%	3,554,651,390	62.12%
Public Shareholders	2,167,722,950	48.40%	2,167,722,950	37.88%
Total	4,479,339,487	100.00%	5,722,374,340	100.00%

Notes:

1. Assuming that (a) no Shares will be disposed of by Invest Gain Limited, after the date of this circular until the Completion, (b) save for the Consideration Shares that fail to be issued to satisfy the Consideration under the Proposed Acquisitions.

2. Mr. Li Song Xiao is the ultimate beneficial sole shareholder of Invest Gain Limited.

3. Includes 9,630,000 shares held by Mr. Li and the remaining 3,000,000 shares in the Company pursuant to the options outstanding under the share option scheme of the Company.

REASONS FOR THE PROPOSED ACQUISITIONS

The Company was incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in property development and investment in the PRC. The Group has been appraising proactively various investment opportunities to explore high potential investments and attractive business opportunities in the major cities in the PRC, such as Beijing, Tianjin, Shanghai, Chongqing, Chengdu, Shenzhen and elsewhere. The Directors have looked into the location and valuation of the Tianjin Project. The Company is of the view that the Proposed Acquisitions represent a good opportunity for the Group to further expand its business in the property market in Tianjin. The Bohai area, with Tianjin as its centre, is one of the key economic development zones under the PRC government's eleventh five-year plan. The Directors are familiar with Tianjin market and perceive it as an attractive area to engage in real estate development and investment and the Proposed Acquisitions will strengthen the assets and income base of the Group. The Board is also confident about the demand in the PRC property market and as the Tianjin Project is located at a premier location and there is strong demand in the PRC property market, the Board is of the view that the recent tightening of control by the PRC Government on the property market does not change the rationale of the Proposed Acquisitions.

Further, by paying for the assets to be acquired in shares rather than cash the Company will increase its permanent capital and avoid depletion of cash reserves (and/or the costs and risks of borrowing to fund the Proposed Acquisitions).

The executive and the non-executive Directors consider that the Proposed Acquisition is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. The independent non-executive Directors' views are contained in the letter from the Independent Board Committee on pages 29 to 30 of this circular.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITIONS ON THE GROUP

The Proposed Acquisition will be funded by the issuance of new shares by the Company. After the Proposed Acquisition, the Property Owners will be treated as subsidiaries of the Company, the assets and equity base of the Company will be increased. As the Project is still in its very early stage of development, it is not expected to have any material positive contribution to the earnings of the Company until fiscal year 2007.

IMPLICATIONS OF THE PROPOSED ACQUISITIONS UNDER LISTING RULES AND TAKEOVERS CODE

At the date of this circular, the Vendor is the chairman of the Board and, primarily through Invest Gain Limited, a company wholly-owned by him, is beneficially interested in 2,311,616,537 Shares, representing approximately 51.60% of the existing issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company under the Listing Rules. The Agreement therefore constitutes a major transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders (being Shareholders other than the Vendor, Invest Gain Limited and their respective associates and parties acting in concert with them, and other Shareholders who may not be permitted to vote under the Listing Rules by way of poll at the SGM. At the date of this circular, the Vendor is also a connected person of the Company under the Listing Rules. The entering into of the Agreement thus constitutes a connected transaction for the Company under the Listing Rules.

Completion of the Agreement is subject to the satisfaction of a number of conditions precedent as detailed in this Circular and may or may not be completed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Upon Completion (assuming that no further Shares will be issued by the Company from the date of this circular to Completion), the ultimate beneficial shareholding interest of the Vendor in the Company and parties acting in concert with him will increase from approximately 51.60% to approximately 62.12%. There will not be a change in control of The Company as a result of the Proposed Acquisition. The Vendor will not be obliged to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with him under Rule 26.1 of the Takeovers Code.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Ms Madam Nie Mei Sheng, Mr Wang Shi Yong and Mr Zheng Kuan (all are independent non-executive Directors), has been formed to advise the Independent Shareholders on the terms of the Agreement.

INDEPENDENT FINANCIAL ADVISER

The Independent Financial Adviser, First Shanghai Capital Limited, has been appointed to advise the independent board committee and the Independent Shareholders regarding the Proposed Acquisitions (including the issue of the Consideration Shares).

SGM

A notice convening the SGM to be held at Unit 1908-09, 19/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on 8 August 2006 is set out on page 294 to 295 of this circular. Resolutions will be proposed at that meeting to approve the Agreement and the issue of Consideration Shares. They will be voted on by way of poll.

Whether or not holders of Shares are able to attend the SGM, they are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Share Registrar of the Company in Hong Kong, Secretaries Ltd., 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude holders of Shares from attending and voting in person at the meeting or any adjournment thereof should they so wish. Invest Gain, Mr Li and their respective associates together control or are entitled to exercise control over 51.60% of the voting rights in the Company will abstain from voting at the SGM on the resolution to approve the Proposed Acquisitions.

PROCEDURE BY WHICH THE SHAREHOLDERS MAY DEMAND A POLL

The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company pursuant to the Bye-laws.

Under Bye-law 66(1) of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:–

(a) the chairman of such meeting; or

(b) at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

In addition, in compliance with the Listing Rules, any vote of Shareholders at a general meeting will be taken on a poll where:

(i) the chairman of the general meeting and/or the directors individually or collectively hold proxies in respect of shares representing 5% or more of the total voting rights at the general meeting, and the meeting votes, on a show of hands, in the opposite manner to that instructed in those proxies unless it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands;

(ii) the meeting is to approve connected transactions;

(iii) the meeting is to approve transactions that are subject to independent shareholders' approval pursuant to the Listing Rules;

(iv) the meeting is to approve granting of options to a substantial shareholder or an independent non-executive director of the issuer, or any of their respective associates, as required under the Listing Rules; or

(v) the meeting is to approve any other transactions in which a shareholder has a material interest and is therefore required to abstain from voting at the general meeting.

RECOMMENDATION

Your attention is drawn to the recommendation of the Independent Board Committee (set out on pages 29 to 30 of this circular) and advice of Independent Financial Adviser (set out on pages 31 to 44 of this circular) regarding the Agreement (including the issue of the Consideration Shares).

FURTHER INFORMATION

Your attention is drawn to the information set out in elsewhere in this circular and in the appendices to it.

By Order of the Board of
Neo-China Group (Holdings) Limited
Li Song Xiao
Chairman

The following is the text of a letter received from the Independent Board Committee setting out its advice to the Independent Shareholders for the purpose of inclusion in this circular.

NEO-CHINA GROUP
中新集團

NEO-CHINA GROUP (HOLDINGS) LIMITED
中新集團（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 563)

20 July 2006

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION OF THE TIANJIN PROJECT WITH GROSS FLOOR AREA OF 1.087 MILLION SQUARE METRES

We refer to the circular of the Company dated 20 July 2006 (the "Circular"), of which this letter forms part. Terms defined herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We, being the Directors constituting the Independent Board Committee, have been appointed by the Board to advise you as to whether the Proposed Acquisitions and the Agreement are fair and reasonable insofar as the Independent Shareholders are concerned.

* *For identification only*

We wish to draw your attention to the letter from the Board, which is set out on pages 5 to 28 of the Circular, and the letter of advice from First Shanghai Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee, setting out its advice to us in respect of the Proposed Acquisitions and the Agreement, as set out on pages 31 to 44 of the Circular.

Having considered the terms of the Agreement and the advice of First Shanghai Capital Limited, we are of opinion that the terms of the Agreement are fair and reasonable insofar as the Independent Shareholders are concerned and the Proposed Acquisition and Agreement are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Agreement and the Proposed Acquisitions.

Yours faithfully,
Independent Board Committee
Nie Mei Sheng
Wang Shi Yong
Zheng Kuan

The following is the text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the proposed major and connected transaction for inclusion in this circular.

第一上海
FIRST SHANGHAI GROUP

FIRST SHANGHAI CAPITAL LIMITED
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

20 July 2006

To the Independent Board Committee and the Independent Shareholders

Neo-China Group (Holdings) Limited
Unit 1908-09 19/F
Office Tower Convention Plaza
No 1 Harbour Road
Wanchai Hong Kong

Dear Sirs or Madams,

**PROPOSED MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF THE TIANJIN PROJECT WITH GROSS FLOOR AREA OF 1.087 MILLION SQUARE METRES**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisitions, details of which are set out in the circular of the Company dated 20 July 2006 (the "**Circular**") to the Shareholders, of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

As disclosed in the announcement of Company dated 28 June 2006, on 26 June 2006, Mr. Li Song Xiao (as vendor), Neo-China Property Limited, a wholly-owned subsidiary of the Company (as purchaser) and the Company entered into the Agreement pursuant to which, inter alia, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of the Holding Companies for an aggregate consideration of HK$845,263,700.

The Consideration is to be satisfied in full by the allotment and issue of 1,243,034,853 Consideration Shares to the Vendor at the issue price of HK$0.68 each. The Consideration Shares represent approximately 27.75% of the current share capital of the Company in issue and approximately 21.72% of the share capital as enlarged by issue of the Consideration Shares.

The Holding Companies will by Completion together directly hold 100% of equity interest in the Property Owners, which are the developers of the Tianjin Project. The Tianjin Project is a residential and commercial property development project located at Old Urban Area, Tianjin City, Nankai District, Tianjin, the PRC.

At the Latest Practicable Date, the Vendor is the chairman of the Board and, through Invest Gain Limited, a company wholly-owned by him is beneficially interested in 2,311,616,537 Shares, representing approximately 51.60% of the existing issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company under the Listing Rules. The entering into of the Agreement thus constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM. Mr. Li and his associates will abstain from voting in the SGM. The Agreement also constitutes a major transaction for the Company.

The Independent Board Committee, comprising the independent non-executive Directors namely Ms. Nie Mei Sheng, Mr. Zhen Kuan and Mr. Wang Shi Yong, has been appointed to advise the Independent Shareholders in relation to the terms of the Agreement.

Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is to give an independent opinion as to whether the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In putting forth our opinion and recommendations, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors and the Company, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Directors and the Company were true at the time they were made and continued to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors nor have we conducted any form of investigation into the business, affairs or future prospects of the Group. We have taken the reasonable steps as required under Rules 13.80 of the Listing Rules in forming our opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations as to the fairness and reasonableness of the terms of the Agreement, we have taken into account the following principal factors and reasons:

1. Reasons for the Proposed Acquisitions and the property market in Tianjin

Reasons

As mentioned in the "Letter from the Board" in the Circular, the Group is principally engaged in property development and investment in the PRC. The Group has been appraising proactively various investment opportunities to explore high potential investments and attractive business opportunities in the major cities in the PRC, such as Beijing, Tianjin, Shanghai, Chongqing, Chengdu, Shenzhen and elsewhere. The Directors have looked into the location and valuation of the Tianjin Project. The Company is of the view that the Proposed Acquisitions represent a good opportunity for the Group to further expand its business in the property market in Tianjin. The Bohai area, with Tianjin as its center, is one of the key economic development zones under the PRC government's eleventh five-year plan. The Directors are familiar with Tianjin market and perceive it as an attractive area to engage in real estate development and investment and the Proposed Acquisitions will strengthen the assets and income base of the Group. As discussed with the management of the Company, we understand that the Board is confident about the demand in the PRC property market and as the Tianjin Project is located at a premier location and there is strong demand in the PRC property market, the Board is of the view that the recent tightening of control by the PRC Government on the property market does not change the rationale of the Proposed Acquisitions. However, Shareholders should note that should the PRC government adopt additional and more stringent measures or the Group not able to follow the new measures, there may be adverse impact on the Group.

Property market in Tianjin

The Tianjin Project is located in Tianjin, the PRC. Tianjin is one of the four directly administered municipalities in the PRC and is known as a major economic centre in Northern China. The table below sets out the growing rates of the gross domestic products ("GDP") and per capita GDP of Tianjin over the years 2002, 2003 and 2004: –

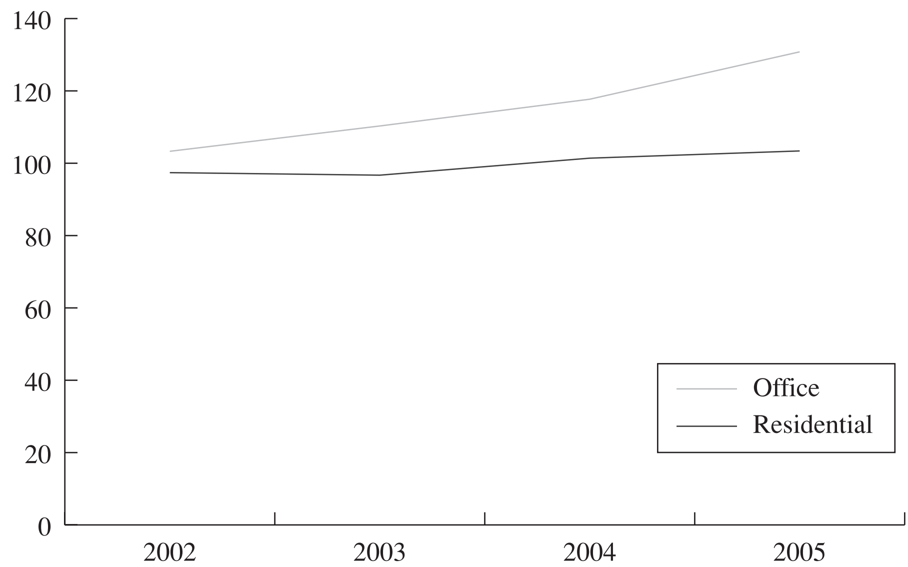
	2002	2003	2004
GDP			
Tianjin	12.5%	14.8%	15.7%
PRC	8.3%	9.5%	9.5%
Per capita GDP			
Tianjin	12.1%	14.0%	14.9%
PRC	7.6%	8.8%	8.8%

Source: National Bureau of Statistics of China; Tianjin Municipal Bureau of Statistics

We note from the above table that the growth rate of both GDP and per capital GDP of Tianjin have been higher than those of the PRC. Furthermore, based on an article published in the website of Tianjin Municipal Bureau of Statistics, the number of families in Tianjin has been growing faster than the population. The population in Tianjin has increased by approximately 5.6% from 1990 to 2005 while the number of families has increased by approximately 10.5% over the same period. We are of the view that both the improvement in GDP and per capita GDP and the increase in number of families might have positive effects to the demand of properties in Tianjin.

According to an article posted on *www.jinhouse.com*（津房網）, the growth rate of land trading price in Tianjin increased by approximately 22.7% from December 2002 to December 2004, which was lower than the growth rate of GDP over the same period, implying that the land trading price has been increasing in a steady and healthy rate over the past two years. We have also compared the sale prices of office and residential units in Tianjin over the periods from year 2002 to year 2005.

DTZ Index – Office and residential sale price in Tianjin



Source: DTZ Research;

Note: Index = 100 in 1st quarter of 2000

From the above graph, we see that the sale prices of office and residential units in Tianjin have moderate increase over the past few years. The growth rates of the sale prices of office and residential units in Tianjin from 2002 to 2004 were approximately 4.1% and 13.9% respectively, which were lower than the growth rate of the GDP over the same period and may imply that the property market in Tianjin has been under a steady development in the past few years.

Having considered the reasons of the Proposed Acquisitions and the prospects of the property market in Tianjin, we are of the view that the Proposed Acquisitions is in the benefit of the Company and the Shareholders as a whole.

2. Business and financial review of the Group

The Group is principally engaged in property investment and development in the PRC. In 2004, the Group restructured its business from providing Internet consulting to property investment and development. Since then, it has seen its financial performance improved substantially. Its turnover and profit attributable to Shareholders for the year ended 30 April 2005 were approximately HK$476.5 million and approximately HK$180.5 million respectively, as compared to those for 2004 of approximately HK$0.7 million and approximately HK$9.7 million respectively. According to the interim report of the Company for the six months ended 31 October 2005 ("Interim Report 2006"), the Group recorded a net profit of approximately HK$131.8 million, representing a drop of approximately 27.2% compared with that of the same period of the previous year, which was due to a decrease in sale of properties during the year.

Based on the Interim Report 2006, the Group's major property projects included the American Rock property project and Phoenix Tower property project. Apart from such two projects, the Group has been proactively appraising various investment opportunities to explore high potential investments and attractive business opportunities in the main cities of the PRC, such as Beijing, Shanghai, Shenzhen and Tianjin, etc.

In September 2005, the Group entered into two agreements to acquire the interests of two property projects in Beijing from Mr. Li Song Xiao, details of which have been set out in a circular of the Company dated 23 January 2006. In March 2006, the Group entered into an agreement to acquire a 30% interest in a project in Chongqing (the "Chongqing Project"), which involves in a development of a piece of land in Chongqing with a site area of 96,000 square metres in a residential and commercial complex, from an independent third party, details of which have been set out in a circular of the Company dated 28 April 2006. In May 2006, the Group entered into an agreement to acquire a 25% equity interest in a target company, which in turn has interest in a property project in Beijing. Such project involves a development of a piece of land in Beijing with a site area of 42,541 square metres into a residential/commercial complex, details of such transaction have been set out in a circular of the Company dated 15 June 2006. In June 2006, the Group further acquired the remaining 70% interest in the Chongqing Project, details of such transaction have been set out in a circular of the Company dated 26 June 2006.

Having reviewed the corporate actions taken by the Group in the past and based on our discussions with the management of the Company in respect of the future development of the Group, we are of the view that the Proposed Acquisitions is in line with the direction of the Group's business development since its restructure in 2004.

3. Business and financial review of the Holding Companies, the Property Owners and the Tianjin Project

The Holding Companies are both limited liability companies incorporated in the British Virgin Islands on 6 April 2006 and each is an investment holding company which is to hold an interest in the Property Owners at Completion. The sole ultimate beneficial shareholder and director of the Holding Companies is the Vendor. The Holding Companies are both investment holding companies and will have no business operation and assets upon Completion apart from holding the Property Owners. Upon Completion, each of the Holding Companies and the Property Owners will become an indirect wholly-owned subsidiary of the Company, and the effective equity interest of the Company in the Tianjin Project will be 100%.

Among the seven Property Owners, Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. and Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. obtained the state-owned land use rights certificates for Land Lot No. 11 and Land Lot No. 15 of the Tianjin Project. The remaining five Property Owners have entered into corresponding supplementary agreements to the state-owned land use rights grant contract between Tianjin Municipal Planning, Land and Resource Bureau and Beijing Xin Song Investment Group Limited (details of the grant contract are referenced in note (1) of Property no. 1 in the property valuation report contained in Appendix I to this circular). According to the land use rights grant contract and the supplementary agreements, upon payment of outstanding land premium totalling around RMB1.75 billion (approximately HK$1.68 billion) by the relevant Property Owners, these five Property Owners are entitled to apply for the state-owned land use rights certificates of the relevant properties with the relevant Land Resource Bureau within a period of 30 days after such payment. As advised by Guantao Law firm, the PRC legal adviser to the Group, the certificates will normally be granted within a period of 60 days from the date of payment of the outstanding land premium. According to the land use rights grant contract and the supplementary agreements, these five property owners are obligated to pay for the above-said outstanding land premium on or before 30 August 2006. Guantao Law Firm, the PRC legal advisers to the Group, also concur with the above view on the amount of outstanding land premium as well as the procedures for obtaining the land use right certificates.

The Tianjin Project is a residential and commercial property project located at Old Urban Area, Tianjin City, Nankai District, Tianjin, the PRC which consists of the seven pieces of land adjacent to each other and owned by the Property Owners, details of which are disclosed under the paragraph headed "Details of Property Owners" in the "Letter from the Board" of the Circular. The seven piece of land have an aggregate site area of approximately 343,103 square metres and a gross floor area of 1.087 million square metres. The aggregate registered capital of the Properties Owners is RMB150,400,000 (approximately HK$144,315,385).

While the Tianjin Project is collectively defined as a residential and commercial development, due to the large scale of the project, it is divided into different phases with their own development timing and use. The intended development plan for the various pieces of land includes office, high-rise residential, villa, serviced apartment, commercial and other public facilities such as school.

Based on the above, we are of the view that the nature of the Tianjin Project is similar to other projects of the Group as mentioned in the paragraph headed "Business and financial review of the Group" above and the entering into of the Agreement corresponds with the overall objective of the Group and may enhance the future development of the Group.

4. Consideration and valuation of the Consideration Shares

Basis for determining the Consideration

As at 30 April 2006, the market value of the Property Interests is appraised at RMB1,750,350,000 (or approximately HK$1,683,028,846) by the Valuer. After adjusting for the net debt of the Property Owners, the net market value of the Property Interests is valued at HK$1,309,251,846.

The Consideration of HK$845,263,700 represents an acquisition discount of 35.44% to the net market value of the Property Interests. As stated in the "Letter from the Board" in the Circular, such discount has been determined after arm's length negotiation between the Company and the Vendor as well as by reference to the discount level of comparable PRC property companies listed in Hong Kong and the PRC at the time of negotiation and the current market position. Based on the "Letter from the Board" in the Circular, for the five trading days before the signing of the Agreement, the average discount to the estimated net asset value of comparable PRC property companies listed in Hong Kong and the PRC (the "Comparable Companies") was 34.72%. We note that the Company and its financial adviser have selected nine listed companies in Hong Kong and the PRC as the Comparable Companies. We have reviewed the public information of the Comparable Companies and understand that they are principally engaged in similar business as the Group's existing business. Furthermore, we have discussed with the management and the financial adviser of the Company in respect of the methodology adopted in estimating the net asset value of the Comparable Companies and the calculation of the average discount and are of the view that the methodology and basis in arriving such average discount is acceptable.

As discussed with the Valuer, we understand that the properties held under development in the Tianjin Project are valued by making reference to comparable market transactions in the localities and have also taken into account the construction costs that will be expended to complete the developments to reflect the quality of the proposed developments. For those properties held for future development, they are valued by using the "direct comparison approach" and by making reference to comparable sales transactions as available in the market assuming sale of the properties with the benefit of vacant possession.

Having considered that (1) the Consideration is at a discount to the net market value of the Property Interests and such discount is deeper than the average discount to the estimated net asset value of the Comparable Companies; and (2) the methodologies adopted by the Valuer in valuing the Property Interests are in line with market practices, we consider that the basis for determining the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Valuation of the Consideration Shares

The Consideration will be satisfied at Completion by the allotment and issue by the Company to the Vendor (or his nominee) of 1,243,034,853 Consideration Shares at the issue price of HK$0.68 per Consideration Share. As stated in the "Letter from the Board" in the Circular, the Issue Price is determined after arm's length negotiations between the parties with reference to recent traded price of the Shares and future prospects of the Company.

(a) Comparison with historical trading price of the Shares

The Issue Price represents:

		Price/value per Share approximately *HK$*	**Premium/ (discount) approximately** *%*
(i)	Closing price per Share as quoted on the Stock Exchange on 23 June 2006, being the Last Trading Day	0.51	33.33
(ii)	Average closing price per Share as quoted on the Stock Exchange for the last 10 trading days to and including the Last Trading Day	0.62	9.50
(iii)	Average closing price per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day	0.80	(14.68)
(iv)	Closing price per Share as quoted on the Stock Exchange as at the Latest Practicable Date	0.67	1.49

From the above table, we note that the Issue Price is generally at a premium over the recent trading price of the Share. We also note that the closing price of the Shares decreased significantly from HK$0.81 on 7 June 2006 to HK$0.74 on 8 June 2006. As stated in an announcement from the Company dated 8 June 2006, the Directors are not aware of any reasons for such movement save as disclosed in the announcements of the Company dated 15 May 2006, 24 May 2006 and 5 June 2006 in relation to the proposed issue of zero coupon convertible bonus due 2011, the acquisition of 25% equity interest in Beijing New Shine Land Investment Consultancy Limited and the acquisition of 70% equity interest in Chongqing China Enterprises Property Development Company Limited respectively.

(b) Comparison with similar transactions

To assess whether the relevant premium or discount of the Issue Price are fair and reasonable, we have identified, on our best effort basis, the last 10 transactions (the "Comparable Transactions") announced before announcement relating to the Proposed Acquisitions (the "Announcement") by the companies listed in Hong Kong that involve (1) acquisition and (2) allot and issue of shares to satisfy all or part of the consideration.

		Premium/(discount) of issue price over/to closing price or average closing price immediately before the suspension of trading in the shares pending for the release of announcement or the date of announcement		
Date of announcement	**Company name (stock code)**	**Closing price**	**10 days**	**30 days**
		%	%	%
29/03/2006	Gome Electronical Appliances Holding Limited (0493)	0.00	7.48	7.84
24/03/2006	Artfield Group Limited (1229)	(7.69)	0.00	43.37
17/02/2006	Technology Venture Holdings Limited (0061)	0.00	(3.04)	(1.83)
01/02/2006	Sino Gas Group Limited (0260)	(37.04)	(6.90)	15.18
23/12/2005	Vision Grande Group Holdings Limited (2300)	(20.80)	(17.00)	(14.98)
29/09/2005	The Company (0563)	(14.80)	(14.80)	(8.80)
13/08/2005	Weiqiao Textile Company Limited (2698)	2.50	5.29	2.36
22/07/2005	Pearl Oriental Enterprises Limited (0600)	(10.30)	(9.10)	(5.90)
15/07/2005	REXCAPITAL International Holdings Limited (0155)	(2.94)	(0.60)	(0.60)
04/05/2005	Shanghai Zendai Property Limited (0755)	2.00	(2.36)	(4.08)
	Highest	2.50	7.48	43.37
	Lowest	(37.04)	(17.00)	(14.98)
28/06/2006	**The Company**	**33.33**	**9.50**	**(14.68)**

As shown from the above table, the premium of the Issue Price over the closing price and the average closing price for the last 10 trading days prior to the Announcement is higher than those of the Comparable Transactions. We consider that, by issuing the Shares at a higher premium, the dilution effect to public Shareholders would be lower. We also note that the discount of the Issue Price to the average closing price for the last 30 trading days prior to the Announcement falls within the range of that of the Comparable Transactions. Given the aforementioned, we consider that the Issue Price is favourable to the Independent Shareholders so far as they are concerned.

(c) Comparison with the Group's net asset value ("NAV")

According to the Interim Report 2006, the latest published unaudited consolidated NAV as at 31 October 2005 amounted to approximately HK$913.2 million. Based on 2,483,632,950 Shares outstanding as at 31 October 2005, the unaudited consolidated NAV per Share was approximately HK$0.37 per Share. The Issue Price represents a premium of approximately 83.8% over the unaudited consolidated NAV per Share.

Having considered that the Issue Price is (i) generally at a premium to the recent historical prices of the Shares; (ii) at a higher premium to the closing price and average closing price for the last 10 trading days prior to the release of Announcement than those of the Comparable Transactions and (iii) at a premium to the NAV of the Group, we are of the view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

Alternatives of funding the Proposed Acquisitions

As discussed with the Directors, they have considered alternative methods of funding the Proposed Acquisitions, such as through debt financing, placing of new shares to independent investors, and payment by way of cash of the Group. The Directors considered that debt financing would not be the most appropriate as it would incur additional borrowing costs to the Group. Placement of new shares to independent investors is subject to market conditions and it would also incur fund raising costs. Therefore, the Directors considered that funding the Proposed Acquisitions by issue of shares instead of cash would increase the Company's permanent capital and avoid depletion of its cash which would be used for its business development and working capital purpose. Based on the above, we agree with the Directors that funding the Proposed Acquisitions by issue of the Consideration Shares is an acceptable method. Please also refer to our discussion below regarding the dilution effect.

5. Financial effects of the Proposed Acquisitions on the Group

Net asset value

According to Appendix IV to the Circular, the unaudited pro forma consolidated net asset value of the Enlarged Group will be increased from approximately HK$913.2 million as at 31 October 2005 to approximately HK$2,037 million upon Completion, taking into consideration the assets and liabilities of the Property Owners as at 30 April 2006 and the pro forma adjustments. The net asset value per Share will decrease slightly from approximately HK$0.37 per Share, based on 2,483,632,950 Shares outstanding as at 31 October 2005, to approximately HK$0.36 per Share, based on 5,722,374,340 Shares outstanding upon Completion.

Earnings

According to Appendices III(H) and III(I) to the Circular, we note that the Holding Companies did not generate any profit so far. Based on our discussions with the management of the Company and the property valuation report as set out in Appendix I to the Circular, we also understand that, among seven pieces of land in the Tianjin Project, two of them are current under development and portion of them has been pre-sold while the other five of them are parcels of land for future development. Therefore, there is no significant immediate effect to the earnings of the Group as a result of the Proposed Acquisitions.

Working capital

Given that the Consideration will be satisfied at Completion by the allotment and issue of the Consideration Shares, no cash outflow will be incurred by the Group upon Completion. Furthermore, taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of publication of the Circular. Based on the unaudited pro forma balance sheet of the Enlarged Group as set out in Appendix IV to the Circular, we note that the working capital of the Enlarged Group will be increased to approximately HK$2,262.2 million upon Completion, taking into consideration the assets and liabilities of the Property Owners as at 30 April 2006 and the pro forma adjustments.

6. Dilution effect to the public Shareholders

The Consideration will be satisfied at Completion by the allotment and issue by the Company to the Vendor (or his nominee) of 1,243,034,853 Consideration Shares at the issue price of HK$0.68 per Consideration Share. The Consideration Shares represent (i) approximately 27.75% of the issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 21.72% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The table below sets out the shareholding structure of the Company at the Latest Practicable Date and immediately after Completion:

	Shareholding structure as at the Latest Practicable Date		**Shareholding structure immediately after Completion** *(Note 1)*	
Shareholders	**Number of Shares held**	%	**Number of Shares held**	%
Invest Gain Limited *(Note 2)*	2,298,986,537	51.32%	2,298,986,537	40.18%
Mr. Li Song Xiao and concert parties other than Invest Gain Limited *(Note 3)*	12,630,000	0.28%	1,255,664,853	21.94%
	2,311,616,537	51.60%	3,554,651,390	62.12%
Public Shareholders	2,167,722,950	48.40%	2,167,722,950	37.88%
Total	4,479,339,487	100.00%	5,722,374,340	100.00%

Notes:

1. Assuming that (a) no Shares will be disposed of by Invest Gain Limited, after the Latest Practicable Date until the Completion, (b) save for the Consideration Shares that fail to be issued to satisfy the Consideration under the Proposed Acquisitions.

2. Mr. Li Song Xiao is the ultimate beneficial sole shareholder of Invest Gain Limited.

3. Includes 9,630,000 shares held by Mr. Li and the remaining 3,000,000 shares in the Company pursuant to the options outstanding under the share option scheme of the Company.

As shown in the table above, the shareholding of public Shareholders will be diluted from approximately 48.40% to approximately 37.88% upon Completion. Having considered that (i) the Proposed Acquisitions corresponds with the overall objective of the Group and may enhance the future development of the Group; and (ii) by satisfying the Consideration by issue of Consideration Shares to the Vendor, the Group can preserve the cash position and at the same time strengthen its equity base, we consider that the benefits of the issue of the Consideration Shares might outweigh the dilution effect on the shareholdings. Overall, we consider that such dilution effect to public Shareholders is acceptable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Agreement are fair and reasonable and are in the interest of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Helen Zee
Managing Director

Fanny Lee
Director

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus and received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their valuations as at 30 April 2006 of the property interests of the Group.

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23/F Two Exchange Square
Central, Hong Kong

EA Licence: C-023750
savills.com

20 July 2006

The Directors
Neo-China Group (Holdings) Limited
Units 1908-09, 19/F
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value various properties held by various project companies which are responsible for the developments of various parcels of land located at Lao Cheng Xiang Area, Nankai District, Tianjin, the People's Republic of China (the "PRC"). These properties are to be acquired by Neo-China Group (Holdings) Limited (hereinafter referred to as the "Company"). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such properties as at 30 April 2006 ("date of valuation").

Our valuation of each of the property interests is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, deferred term contracts, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In valuing the properties in Group I which are held under development, we have valued the properties on the basis that the properties will be developed and completed in accordance with the latest development proposals provided to us. We have assumed that approvals for the proposals have been granted without onerous conditions which would affect the value of the properties. In arriving at our opinion of value, we have valued by making reference to comparable market transactions in the localities and have also taken into account the construction costs that will be expended to complete the developments to reflect the quality of the proposed developments.

In valuing the properties in Group II which are held for future development, we have valued these properties by using the "Direct Comparison Approach" and by making reference to comparable sales transactions as available in the market assuming sale of the properties with the benefit of vacant possession.

We have been provided with copies of extracts of title document relating to the properties, such as state-owned land use rights certificates, planning permits for construction projects, commencement permits for construction works, etc. However we have not inspected the original documents to verify the ownership or to verify any amendments, which may not appear on the copies handed to us. In the course of our valuation, we have relied to a considerable extent on information given by you and the legal opinion of your PRC legal adviser, Guantao Law Firm and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, identification of the properties, floor and site areas, and all other relevant information. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the correctness of the site and the floor areas of the properties and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We have no reason to doubt the truth and accuracy of the information provided to us by you which is material to our valuation. We were also advised by you that no material facts have been omitted from the information provided.

We have inspected the properties valued. However, we have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delay will be incurred during the construction period.

Moreover, no structural survey has been made, but we did not note any serious defects during our inspection. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services. No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation that may be incurred in effecting a sale.

In valuing the properties, we have had regard to the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts stated in our valuation are in Renminbi ("RMB").

Our summary of values and valuation certificate are attached.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Charles C K Chan, MSc., F.R.I.C.S., F.H.K.I.S., M.C.I.Arb., R.P.S. (G.P.), has been a qualified valuer and has about 21 years' experience in the valuation of properties in Hong Kong and has extensive experience in the valuation of properties in the PRC and the Asia Pacific regions.

SUMMARY OF VALUES

Property		Market value in existing state as at 30 April 2006
		RMB
Group I – Properties held under development to be acquired by the Company in the PRC		
1.	Land Lot No. 11 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	555,450,000
2.	Land Lot No. 15 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	572,340,000
	Sub-total:	1,127,790,000

Property		Market value in existing state as at 30 April 2006
		RMB
Group II – Properties held for future development to be acquired by the Company in the PRC		
3.	Land Lot No. 1 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	103,340,000
4.	Land Lot No. 2 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	72,900,000
5.	Land Lot No. 9 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	140,600,000
6.	Land Lot No. 12 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	160,280,000
7.	Land Lot No. 13 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	145,440,000
	Sub-total:	622,560,000
	Total:	1,750,350,000

VALUATION CERTIFICATE

Group I – Properties held under development to be acquired by the Company in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2006 *RMB*
1.	Land Lot No. 11 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 62,866.60 sq m (676,696 sq ft). According to the latest development proposal provided, the property will be developed into a residential and commercial development. Upon completion, the property will comprise 8 three-storey residential buildings, 24 four-storey office buildings plus basement, 89 commercial buildings with a total gross floor area of approximately 53,231.00 sq m (572,978 sq ft). The property is scheduled for completion in or before July 2006. The breakdown of the uses and gross floor area of the property is as follows:	The property is currently under construction. As at the date of valuation, the main frame structure of the buildings was completed.	555,450,000

Use	Approximate gross floor area *sq m*	*sq ft*
Residential	10,474.00	112,742
Office & commercial	33,297.00	358,409
Basement	9,460.00	101,827
Total	**53,231.00**	**578,978**

The land use rights of the property have been granted for respective terms expiring on 29 March 2045, 29 March 2055 and 29 March 2075 for commercial, office & service apartment, residential & ancillary facility uses.

Notes:

(1) Pursuant to the State-owned Land Use Rights Grant Contract entered into between Tianjin Municipal Planning, Land and Resource Bureau (hereinafter referred to as "Party A") and 北京新松投資有限公司 (Beijing Xin Song Investment Group Limited) (hereinafter referred to as "Xin Song Group") dated 6 September 2004 (the "General Grant Contract"), Party A agreed to grant the land use rights of the land with a site area of 799,285.20 sq m (the "Site") to Xin Song Group. The General Grant Contract contains, inter alia, the following salient conditions:

i.	Site area	:	799,285.20 sq m (Among the site area, 239,786 sq m of the Site is for public facility use and the remaining portion with an area of 559,499.20 sq m is for residential use)
ii.	Land grant fee	:	RMB5,020,000,000 (Inclusive of public and ancillary facility fee of RMB461,707,386)
iii.	Land use term and use	:	70 years for residential use 50 years for public facility use (Both terms will commence from the date of issue of respective state-owned land use rights certificates)
iv.	Sub-division	:	As stipulated in clauses Nos. 9 and 11 of the General Grant Contract, the Site can be subdivided into smaller parcels of land and developed by various project companies established by Xin Song Group. The state-owned land use rights certificates and planning approvals or permits can be processed and registered in the name of the project companies.

(2) Pursuant to the legal opinion of the Company's PRC legal adviser and the information provided by the Company, 天津中新華城房地產開發有限公司(Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd) ("Huacheng"), a project company is formed between the parties with salient co-operating conditions cited as listed below:

Cooperating parties and shares	:	北京新松投資集團有限公司 (Beijing Xinsong Investment Group Co., Ltd.) (85%) 天津中新建業投資有限公司 (Tianjin Zhongxin Jianye Investment Co., Ltd.) (15%)
Period of operation	:	20 years from the date of issue of its business licence on 23 September 2004
Registered capital	:	RMB50,000,000
Profit sharing	:	According to the share ratio and co-operating conditions
Business scope	:	Development and sale of real estate and property management

(3) Pursuant to the Supplementary Agreement regarding Land Lot No. 11 of Jin Nan Dong (Zhao) 2004-024 Hao Di Kuai（津南東（招）2004-024 號地塊）to the General Grant Contract dated 22 July 2005, Party A agreed to grant the land use rights of Land Lot No. 11 to Huacheng. The details of the Supplementary Agreement are, inter-alia, as follow:

i.	Site area	:	62,866.60 sq m
ii.	Land grant fee	:	RMB195,100,750
iii.	Land use term and use	:	40 years for commercial use 50 years for office & service apartment uses 70 years for residential & ancillary facility uses (The respective terms will commence from the date of issue of the state-owned land use rights certificate)

(4) Pursuant to the State-owned Land Use Rights Certificate No. Nan Dan Guo Yong (2005) No. 039（南單國用(2005)第039號）issued by the People's Government of Tianjin dated 29 March 2005, the land use rights of the property with a site area of approximately 62,866.60 sq m are held by Huacheng for respective terms expiring on 29 March 2045, 29 March 2055 and 29 March 2075 for commercial, office and service apartment, residential and ancillary facility uses.

(5) As advised by Huacheng, the total land premium, including land transaction fee, land grant fee and deed tax, is approximately RMB201,539,074.75. As at the date of valuation, the land premium has been fully settled by Huacheng.

(6) Pursuant to the Planning Permits of Construction Project No. 2005 Jian Zheng Kai 08（2005建證開字08號）dated 25 December 2005 issued by Tianjin Nankai District Planning, Land and Resources Bureau, the approved construction scale of the property on Land Lot No. 11 is approximately 53,838.81 sq m (whereas 44,081.74 sq m are above ground).

(7) Pursuant to the Commencement of Construction Work Permit No. Jian Shi 1210430200508176（建施1210430200508176）dated 31 August 2005 issued by Tianjin Municipal Construction Commission, the construction of the property was permitted to commence from 1 May 2005 and the approved construction scale of the property is approximately 53,231 sq m (whereas 43,771 sq m are above ground).

(8) According to the information provided by the Huacheng, the total construction cost expended as at the date of valuation was approximately RMB136,662,282 whereas the total outstanding construction cost was approximately RMB29,853,318. In the course of our valuation, the outstanding construction cost has been taken into account. In our opinion, the market value of the development, assuming it was completed as at the date of valuation, was estimated approximately RMB692,800,000.

(9) Pursuant to various Pre-sale Permits issued by Tianjin Housing, Land and Resources Administration Bureau, a total gross floor area of approximately 46,847.48 sq m are permitted to be pre-sold. The said Pre-sale Permits are as follows:

Pre-sale Permits No.	Gross Floor Area *(sq m)*	Use	Issuance Date
Jin Guo Tu Fang Shou Xu No. (2005) 424-001 (津國土房售許字(2005)第424-001號)	2,623.41	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-002 (津國土房售許字(2005)第424-002號)	3,316.16	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-003 (津國土房售許字(2005)第424-003號)	1,617.22	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-004 (津國土房售許字(2005)第424-004號)	940.31	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-005 (津國土房售許字(2005)第424-005號)	923.29	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-006 (津國土房售許字(2005)第424-006號)	391.23	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-007 (津國土房售許字(2005)第424-007號)	343.32	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-008 (津國土房售許字(2005)第424-008號)	391.23	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-009 (津國土房售許字(2005)第424-009號)	391.85	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-010 (津國土房售許字(2005)第424-010號)	417.37	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-011 (津國土房售許字(2005)第424-011號)	1,312.91	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-012 (津國土房售許字(2005)第424-012號)	1,312.91	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-013 (津國土房售許字(2005)第424-013號)	1,275.07	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-014 (津國土房售許字(2005)第424-014號)	1,275.07	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-015 (津國土房售許字(2005)第424-015號)	1,334.26	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-016 (津國土房售許字(2005)第424-016號)	5,953.29	Commercial	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-017 (津國土房售許字(2005)第424-017號)	335.07	Commercial	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-018 (津國土房售許字(2005)第424-018號)	454.53	Commercial	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-019 (津國土房售許字(2005)第424-019號)	114.61	Commercial	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-020 (津國土房售許字(2005)第424-020號)	1,548	Commercial	29 October 2005

Pre-sale Permits No.	Gross Floor Area *(sq m)*	Use	Issuance Date
Jin Guo Tu Fang Shou Xu No. (2005) 424-021 (津國土房售許字(2005)第424-021號)	686.69	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-022 (津國土房售許字(2005)第424-022號)	1,547.17	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-023 (津國土房售許字(2005)第424-023號)	687.2	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-024 (津國土房售許字(2005)第424-024號)	1,553.01	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-025 (津國土房售許字(2005)第424-025號)	591.48	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-026 (津國土房售許字(2005)第424-026號)	3,332.34	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-027 (津國土房售許字(2005)第424-027號)	1,736.29	Office	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-028 (津國土房售許字(2005)第424-028號)	890.58	Residential	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-029 (津國土房售許字(2005)第424-029號)	787.66	Residential	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-030 (津國土房售許字(2005)第424-030號)	1,025.05	Residential	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-031 (津國土房售許字(2005)第424-031號)	1,245.52	Residential	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-032 (津國土房售許字(2005)第424-032號)	1,282.42	Residential	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2005) 424-033 (津國土房售許字(2005)第424-033號)	1,245.52	Residential	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2006) 008-001 (津國土房售許字 (2006) 第008-001號)	2,251.06	Residential	29 October 2005
Jin Guo Tu Fang Shou Xu No. (2006) 008-002 (津國土房售許字 (2006) 第008-002號)	1,714.38	Residential	10 January 2006
Total:	**46,847.48**		

(10) As advised by Huacheng, portion of the property with a total gross floor area of approximately 2,545.16 sq m has been pre-sold under various sale and purchase agreements at a total consideration of approximately RMB39,680,028. Accordingly, we have taken into account the said consideration in our valuation.

(11) We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, Guantao Law Firm, which contains, inter alia, the following information:

i. The General Grant Contract is legal and valid. Xin Song Group has obtained the land use rights of the Site through the General Grant Contract.

ii. According to the General Grant Contract, the Site can be subdivided into smaller parcels of land and developed by respective project companies established by Xin Song Group. The state-owned land use rights certificates and construction planning approvals and permits can be processed and registered in the name of respective project companies.

iii. The project company, Huacheng, established for development of Land Lot No. 11, has obtained the State-owned Land Use Rights Certificate of Land Lot No. 11. The land use rights of the property is held by Huacheng legally. Accordingly, Huacheng has the right to transfer, lease or mortgage the land use rights of the property as long as the paid-up investment of the development has reached 25% of the total investment. As at the issuance date of this legal opinion, there is no outstanding land premium to be payable in relation to the land use rights of the property

iv. The Planning Permits of Construction Project and the Commencement of Construction Work Permit of the property have been obtained and the construction of the property has been permitted to be commenced.

v. The Pre-sale Permits of the property have been obtained and the property has been permitted to be pre-sold.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2006 *RMB*
2.	Land Lot No. 15 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 38,295.10 sq m (412,208 sq ft). According to the latest development proposal provided, the property will be developed into a residential and commercial development. Upon completion, the property will comprise five 18 to 26-storey residential buildings plus basement, one 2-storey residential service building, one commercial building with total gross floor area of approximately 140,100.00 sq m (1,508,036 sq ft). The property is scheduled for completion in or before May 2007. The breakdown of the uses and gross floor area of the property is as follows:	The property is currently under construction.	572,340,000

Use	Approximate gross floor area	
	sq m	*sq ft*
Residential	76,494.00	823,381
Commercial	30,000.00	322,920
Basement	28,651.08	308,400
Ancillary facility	4,954.92	53,335
Total	**140,100.00**	**1,508,036**

The land use rights of the property have been granted for two respective terms expiring on 22 August 2045 and 22 August 2075 for commercial and residential & ancillary facility uses.

Notes:

(1) Pursuant to the legal opinion of the Company's PRC legal adviser and the information provided by the Company, 天津中新嘉業房地產開發有限公司 (Tianjin Zhongxin Jiaye Real Estate Development co., Ltd) ("Jiaye"), a project company is formed between the parties with salient co-operating conditions cited as listed below:

Cooperating parties and shares	:	北京新松投資集團有限公司 (Beijing Xinsong Investment Group Co., Ltd.) (85%) Maxsun Limited (15%)
Period of operation	:	20 years from the date of issue of its business licence on 3 June 2005
Registered capital	:	RMB20,000,000
Profit sharing	:	According to the share ratio and co-operating conditions
Business scope	:	Development and sale of real estate and property management

(2) Pursuant to the Supplementary Agreement regarding Land Lot No. 15 of Jin Nan Dong (Zhao) 2004-024 Hao Di Kuai（津南東（招）2004-024號地塊）to the General Grant Contract dated 22 July 2005, Party A agreed to grant the land use rights of Land Lot No. 15 to Jiaye. The details of the Supplementary Agreement are, inter-alia, as follow:

i.	Site area	:	38,295.10 sq m
ii.	Land grant fee	:	RMB284,820,598
iii.	Land use term and use	:	40 years for commercial use 70 years for residential & ancillary facility uses

(3) Pursuant to the State-owned Land Use Rights Certificate No. Jin Dan Guo Yong (2006) No. 005（津單國用(2006)第005號）issued by the People's Government of Tianjin dated 23 January 2006, the land use rights of the property with a site area of approximately 38,295.10 sq m are held by Jiaye for two respective terms expiring on 22 August 2045 and 22 August 2075 for commercial and residential & ancillary facility uses.

(4) As advised by Jiaye, the total land premium, including land transaction fee, land grant fee and deed tax, is approximately RMB294,219,677.73. As at the date of valuation, the outstanding land premium is RMB14,479,350. In the course of our valuation, we have taken into account the outstanding land premium.

(5) Pursuant to the Planning Permits of Construction Project No. 2006 Nan Kai Zhu Zheng 0004（2006南開住証0004號）dated 16 March 2006, the approved construction scale for portion of the property on Land Lot No. 15 is approximately 88,507.09 sq (whereas 77,144 sq m are above ground) .

(6) Pursuant to the Commencement of Construction Work Permit No. Jian Shi 1210420200604047（建施1210420200604047）dated 18 April 2006 issued by Tianjin Municipal Construction Commission, the construction of portion of the property on Land Lot No. 15 has been permitted to commence from 4 April 2006 and the approved construction scale of the property is approximately 53,126 sq m.

(7) According to the information provided by Jiaye, the total construction cost for the property as at the date of valuation was approximately RMB344,850,897 whereas total outstanding construction cost was approximately RMB331,779,670. In the course of our valuation, the outstanding construction cost has been taken into account. In our opinion, the market value of the development, assuming it was completed as at the date of valuation, was estimated approximately RMB1,162,890,000.

(8) Pursuant to the Pre-sale Permits No. Jin Guo Tu Fang Shou Xu Zi (2006) 111-001（津國土房售許字(2006) 111-001號）issued by Tianjin Housing, Land and Resources Administration Bureau dated 2 April 2006, a total gross floor area of approximately 13,509.25 sq m of portion of the property was permitted to be pre-sold.

(9) Pursuant to the Pre-sale Permits No. Jin Guo Tu Fang Shou Xu Zi (2006) No. 111-002（津國土房售許字(2006) 111-002號）issued by Tianjin Housing, Land and Resources Administration Bureau dated 2 April 2006, a total gross floor area of approximately 12,290.98 sq m of portion of the property was permitted to be pre-sold.

(10) Pursuant to the Pre-sale Permits No. Jin Guo Tu Fang Shou Xu Zi (2006) No. 111-003（津國土房售許字(2006) 111-003號）issued by Tianjin Housing, Land and Resources Administration Bureau dated 2 April 2006, a total gross floor area of approximately 18,260.49 sq m of portion of the property was permitted to be pre-sold.

(11) As advised by Jiaye, portion of the property with a total gross floor area of approximately 36,977.76 sq m has been pre-sold under various sale and purchase agreements at a total consideration of approximately RMB252,421,916. Accordingly, we have taken into account the said consideration in our valuation.

(12) We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, Guantao Law Firm, which contains, inter alia, the following information:

i. The General Grant Contract is legal and valid. Xin Song Group has obtained the land use rights of the Site through the General Grant Contract.

ii. According to the General Grant Contract, the Site can be subdivided into smaller parcels of land and developed by respective project companies established by Xin Song Group. The state-owned land use rights certificates and construction planning approvals and permits can be processed and registered in the name of the project companies.

iii. The project company, Jiaye, established for development of Land Lot No. 15, has obtained the State-owned Land Use Rights Certificate of Land Lot No. 15. The land use rights of the property is held by Jiaye legally. Accordingly, Jiaye has the right to transfer, lease or mortgage the land use rights of the property as long as the paid-up investment of the development has reached 25% of the total investment.

iv. The Planning Permits of Construction Project and the Commencement of Construction Work Permit of the property have been obtained and the construction of the property has been permitted to commence.

v. The Pre-sale Permits of the property have been obtained and the property has been permitted to be pre-sold.

Group II – Properties held for future development to be acquired by the Company in PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2006 *RMB*
3.	Land Lot No. 1 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 55,423.40 sq m (596,577 sq ft). According to the latest development proposal provided, the property will be developed into a composite development. Upon completion, the property will provide a total gross floor area of approximately 237,700 sq m (2,558,603 sq ft). The breakdown of the uses and gross floor areas of the property is as follows:	The property is currently a vacant site.	103,340,000

Use	Approximate gross floor area *sq m*	*sq ft*
Residential	83,440.00	898,148
Office	146,500.00	1,576,926
Ancillary facility	7,760.00	83,529
Total	**237,700.00**	**2,558,603**

The land use rights of the property have been granted for two respective terms of 50 and 70 years for office & service apartment, residential & ancillary facility uses.

Notes:

(1) Pursuant to the legal opinion of the Company's PRC legal adviser and the information provided by the Company, 天津中新華安房地產開發有限公司 (Tianjin Zhongxin Huaan Real Estate Development Co., Ltd) ("Hua An"), a project company is formed between the parties with salient co-operating conditions cited as listed below:

Cooperating parties and shares	:	北京新松投資集團有限公司 (Beijing Xinsong Investment Group Co., Ltd.) (85%) Joyful Fortune Limited (15%)
Period of operation	:	20 years from the date of issue of its business licence on 3 June 2005
Registered capital	:	RMB20,000,000
Profit sharing	:	According to the share ratio and co-operating conditions
Business scope	:	Development and sale of real estate and property management

(2) Pursuant to the Supplementary Agreement regarding Land Lot No. 1 of Jin Nan Dong (Zhao) 2004-024 Hao Di Kuai（津南東（招）2004-024號地塊）to the General Grant dated 22 July 2005, Party A agreed to grant the land use rights of Land Lot No. 1 to Hua An. The details of the Supplementary Agreement are, inter-alia, as follows:

i.	Site area	:	55,423.40 sq m
ii.	Land grant fee	:	RMB463,476,218.33
iii.	Land use term and use	:	50 years for office & services apartment uses 70 years residential & ancillary facility uses (Both terms will commence from the date of issue of the state-owned land use rights certificate)

(3) As advised by Xin Song Group, the total land premium, including land transaction fee, land grant fee and deed tax, is approximately RMB478,770,933.60. As at the date of valuation, the outstanding land premium is RMB468,110,980.58. In the course of our valuation, we have taken into account the outstanding land premium.

(4) We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, Guantao Law Firm, which contains, inter alia, the following information:

i. The General Grant Contract is legal and valid. Xin Song Group has obtained the land use rights of the Site through the General Grant Contract.

ii. According to the General Grant Contract, the Site can be subdivided into smaller parcels of land and developed by respective project companies established by Xin Song Group. The state-owned land use rights certificates and construction planning approvals and permits can be processed and registered in the name of the project companies.

iii. The project company, Hau An, established for development of Land Lot No. 1, has the right to transfer, lease or mortgage the land use rights of the property as long as the paid-up investment of the development has reached 25% of the total investment.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2006 *RMB*
4.	Land Lot No. 2 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 77,155.90 sq m (830,506 sq ft). According to the latest development proposal provided, the property will be developed into a commercial development. Upon completion, the property will provide a total gross floor area of approximately 72,400 sq m (779,314 sq ft). From the information provided, portion of the property will be developed into a school with a gross floor area of approximately 39,600 sq m (426,254 sq ft). The breakdown of the uses and gross floor areas of the property is as follows:	The property is currently a vacant site.	72,900,000

Use	Approximate gross floor area	
	sq m	*sq ft*
Public (school)*	39,600	426,254
Commercial	32,800	353,060
Total	**72,400**	**779,314**

* *please refer to note (2) below.*

The land use rights of the property have been granted for a term of 40 years for commercial use.

Notes:

(1) Pursuant to the legal opinion of the Company's PRC legal adviser and the information provided by the Company, 天津中新濱海房地產開發有限公司 (Tianjin Zhongxin Binhai Real Estate Development Co., Ltd) ("Binhai"), a project company is formed between the parties with salient co-operating conditions cited as listed below:

Cooperating parties and shares	:	天津中新建業投資有限公司 (Tianjin Zhongxin Jianye Investment Co., Ltd.) (15%) Capital Team Investments Limited (85%)
Period of operation	:	20 years from the date of issue of its business licence on 9 December 2004
Registered capital	:	HK$10,000,000
Profit sharing	:	According to the share ratio and co-operating conditions
Business scope	:	Development and sale of real estate and property management

(2) Pursuant to the Supplementary Agreement regarding Land Lot No. 2 of Jin Nan Dong (Zhao) 2004-024 Hao Di Kuai (津南東(招)2004-024號地塊) to the General Grant Contract 22 July 2005, Party A agreed to grant the land use rights of Land Lot No. 2 to Binhai. The details of the Supplementary Agreement are, inter-alia, as follows:

i.	Site area	:	77,155.90 sq m
ii.	Land grant fee	:	RMB223,372,320.75
iii.	Land use term and use	:	40 years for commercial use (The term will commence from the date of issue of the state-owned land use rights certificate)

According to the Supplementary Agreement and the legal opinion of the Company's PRC legal adviser, portion of the land will be allocated for public and municipal facility uses and be developed into a school with a gross floor area of approximately 39,600 sq m and the construction cost of the school will be borne by 天津市教育委員會(Tianjin Municipal Education Committee), 南開區政府 (the People's Government of Nankai District) and 天津市建設投資公司 (Tianjin Municipal Construction and Investment Company.

(3) As advised by Binhai, the total land premium, including land transaction fee, land grant fee and deed tax, is approximately RMB230,743,607.33. As at the date of valuation, the outstanding land premium is RMB225,606,043.96. In the course of our valuation, we have taken into account the outstanding land premium.

(4) According to note (2) above, the valuation of the school has been excluded in our valuation.

(5) We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, Guantao Law Firm, which contains, inter alia, the following information:

i. The General Grant Contract is legal and valid. Xin Song Group has obtained the land use rights of the Site through the General Grant Contract.

ii. According to the General Grant Contract, the Site can be subdivided into smaller parcels of land and developed by respective project companies established by Xin Song Group. The state-owned land use rights certificates and construction planning approvals and permits can be processed and registered in the name of the project companies.

iii. The project company, Binhai, established for development of Land Lot No. 2, has the right to transfer, lease or mortgage the land use rights of the property as long as the paid-up investment of the development has reached 25% of the total investment.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2006 *RMB*
5.	Land Lot No. 9 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	The property comprises a parcel of land with a site area of 41,107.10 sq m (442,476 sq ft). According to the latest development proposal provided, the property will be developed into a residential development. Upon completion, the property will provide a total gross floor area of approximately 200,900 sq m (2,162,488 sq ft). The breakdown of the uses and gross floor areas of the property is as follows:	The property is currently a vacant site.	140,600,000

Use	Approximate gross floor area *sq m*	*sq ft*
Residential	43,000	462,852
Office & service apartment	157,900	1,699,636
Total	**200,900**	**2,162,488**

The land use rights of the property have been granted for two respective terms of 50 and 70 years for office & service apartment and residential & ancillary facility uses.

Notes:

(1) Pursuant to the legal opinion of the Company's PRC legal adviser and the information provided by the Company, 天津中新信捷房地產開發有限公司 (Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd) ("Xinjie"), a project company is formed between the parties with salient co-operating conditions cited as listed below:

Cooperating parties and shares	:	北京新松投資集團有限公司 (Beijing Xinsong Investment Group Co., Ltd.) (85%) Eastern Winway Limited (15%)
Period of operation	:	20 years from the date of issue of its business licence on 30 August 2005
Registered capital	:	RMB20,000,000
Profit sharing	:	According to the share ratio and co-operating conditions
Business scope	:	Development and sale of real estate and property management

(2) Pursuant to the Supplementary Agreement regarding Land Lot No. 9 of Jin Nan Dong (Zhao) 2004-024 Hao Di Kuai（津南東（招）2004-024號地塊）to the General Grant Contract dated 22 July 2005, Party A agreed to grant the land use rights of Land Lot No. 9 to Xinjie. The details of the Supplementary Agreement are, inter-alia, as follow:

i.	Site area	:	41,107.10 sq m
ii.	Land grant fee	:	RMB388,473,147.06
iii.	Land use term and use	:	50 years for office & service apartment uses 70 years for residential & ancillary facility uses (Both terms will commence from the date of issue of the state-owned land use rights certificate)

(3) As advised by Xinjie, the total land premium, including land transaction fee, land grant fee and deed tax, is approximately RMB401,292,760.91. As at the date of valuation, the outstanding land premium is RMB392,623,024.97. In the course of our valuation, we have taken into account the outstanding land premium.

(4) We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, Guantao Law Firm, which contains, inter alia, the following information:

i. The General Grant Contract is legal and valid. Xin Song Group has obtained the land use rights of the Site through the General Grant Contract.

ii. According to the General Grant Contract, the Site can be subdivided into smaller parcels of land and developed by respective project companies established by Xin Song Group. The state-owned land use rights certificates and construction planning approvals and permits can be processed and registered in the name of the project companies.

iii. The project company, Xinjie, established for development of Land Lot No. 9, has the rights to transfer, lease or mortgage the land use rights of the property as long as the paid-up investment of the development has reached 25% of the total investment.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2006 *RMB*
6.	Land Lot No. 12 of Lao Cheng Xiang Area Nankai District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 25,866.00 sq m (278,422 sq ft). According to the latest development proposal provided, the property will be developed into a composite development with office and service apartment. Upon completion, the property will provide a total gross floor area of approximately 153,200 sq m (1,649,045 sq ft). The breakdown of the uses and gross floor areas of the property is as follows:	The property is currently a vacant site.	160,280,000

Use	**Approximate gross floor area** *sq m*	*sq ft*
Office & service apartment	152,940	1,646,246
Ancillary facilities	260	2,799
Total	**153,200**	**1,649,045**

The land use rights of the property have been granted for two respective terms of 50 and 70 years for office & service apartment and residential & ancillary facility uses.

Notes:

(1) Pursuant to the legal opinion of the Company's PRC legal adviser and the information provided by the Company, 天津中新名仕房地產開發有限公司 (Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd) ("Mingshi"), a project company is formed between the parties with salient co-operating conditions cited as listed below:

Cooperating parties and shares	:	北京新松投資集團有限公司 (Beijing Xinsong Investment Group Co., Ltd.) (85%) Reliapoint Limited (15%)
Period of operation	:	20 years from the date of issue of its business licence on 3 June 2005
Registered capital	:	RMB20,000,000
Profit sharing	:	According to the share ratio and co-operating conditions
Business scope	:	Development and sale of real estate and property management

(2) Pursuant to the Supplementary Agreement regarding Land Lot No. 12 of Jin Nan Dong (Zhao) 2004-024 Hao Di Kuai(津南東(招)2004-024號地塊)to the General Grant Contract dated 22 July 2005, Party A agreed to grant the land use rights of Land Lot No. 12 to Mingshi. The details of the Supplementary Agreement of Land Lot No. 12 are, inter-alia, as follow:

i.	Site area	:	25,866.00 sq m
ii.	Land grant fee	:	RMB310,455,451.12
iii.	Land use term and use	:	50 years for office & service apartment uses 70 years for residential & ancillary facility uses (Both terms will commence from the date of issue of the state-owned land use rights certificate)

(3) As advised by Mingshi, the total land premium, including land transaction fee, land grant fee and deed tax, is approximately RMB320,700,480.99. As at the date of valuation, the outstanding land premium is RMB313,791,299.62. In the course of our valuation, we have taken into account the outstanding land premium.

(4) We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, Guantao Law Firm, which contains, inter alia, the following information:

i. The General Grant Contract is legal and valid. Xin Song Group has obtained the land use rights of the Site through the General Grant Contract.

ii. According to the General Grant Contract, the Site can be subdivided into smaller parcels of land and developed by respective project companies established by Xin Song Group. The state-owned land use rights certificates and construction planning approvals and permits can be processed and registered in the name of the project companies.

iii. The project company, Mingshi, established for development of Land Lot No. 12, has the rights to transfer, lease or mortgage the land use rights of the property as long as the paid-up investment of the development has reached 25% of the total investment.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2006 *RMB*
7.	Land Lot No. 13 of Lao Cheng Xiang Area, Nankai District Tianjin The PRC	The property comprises a parcel of land with a site area of 52,299.40 sq m (562,951 sq ft). According to the latest development proposal provided, the property will be developed into a residential development. Upon completion, the property will provide a total gross floor area of approximately 229,100 sq m (2,466,032 sq ft). The breakdown of the uses and gross floor areas of the property is as follows:	The property is currently a vacant site.	145,440,000

Use	Approximate gross floor area *sq m*	*sq ft*
Residential	169,162	1,820,860
Office & service apartment	59,938	645,173
Total	**229,100**	**2,466,032**

The land use rights of the property have been granted for two respective terms of 50 and 70 years for office & service apartment and residential & ancillary facility uses.

Notes:

(1) Pursuant to the legal opinion of the Company's PRC legal adviser and the information provided by the Company, 天津新潤房地產開發有限公司 (Tianjin Xinrun Real Estate Development Co., Ltd) ("Xinrun"), a project company is formed between the parties with salient co-operating conditions cited as listed below:

Cooperating parties and shares	:	北京新潤投資有限公司 (Beijing Xinrun Investment Co., Ltd) (85%) 天津中新建業投資有限公司 (Tianjin Zhongxin Jianye Investment Co., Ltd.) (15%)
Period of operation	:	20 years from the date of issue of its business licence on 5 April 2005
Registered capital	:	RMB10,000,000
Profit sharing	:	According to the share ratio and co-operating conditions
Business scope	:	Development and sale of real estate and property management

(2) Pursuant to the Supplementary Agreement regarding Land Lot No. 13 of Jin Nan Dong (Zhao) 2004-024 Hao Di Kuai(津南東(招)2004-024號地塊)to the General Grant Contract dated 22 July 2005, Party A agreed to grant the land use rights of Land Lot No. 13 to Xinrun. The details of the Supplementary Agreement are, inter-alia, as follow:

i.	Site area	:	52,299.40 sq m
ii.	Land grant fee	:	RMB487,592,022.88
iii.	Land use term and use	:	50 years for office & service apartment uses 70 years for residential & ancillary facility uses (Both terms will commence from the date of issue of the state-owned land use rights certificate)

(3) As advised by Xinrun, the total land premium, including land transaction fee, land grant fee and deed tax, is approximately RMB503,682,559.64. As at the date of valuation, the outstanding land premium is RMB403,417,290.64. In the course of our valuation, we have taken into account the outstanding land premium.

(4) We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, Guantao Law Firm, which contains, inter alia, the following information:

i. The General Grant Contract is legal and valid. Xin Song Group has obtained the land use rights of the Site through the General Grant Contract.

ii. According to the General Grant Contract, the Site can be subdivided into smaller parcels of land and developed by respective project companies established by Xin Song Group. The state-owned land use rights certificates and construction planning approvals and permits can be processed and registered in the name of the project companies.

iii. The project company, Xinrun, established for development of Land Lot No. 13, has the right to transfer, lease or mortgage the land use rights of the property as long as the paid-up investment of the development has reached 25% of the total investment.

A. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is an extract from the audited financial statements of the Group for the three years ended 30 April 2003, 2004 and 2005.

	For the year ended 30 April		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	476,472	654	522
Profit (loss) before taxation	338,687	(14,665)	(24,020)
Taxation	(77,037)	15,288	1,354
Profit (loss) before minority interests	261,650	623	(22,666)
Minority interests	(81,199)	9,125	2,355
Profit (loss) attributable to shareholders	180,451	9,748	(20,311)
Dividends	54,640	–	–
Dividends per share	2.2 cents	–	–
Earning (loss) per share			
– Basic	9.4 cents	0.51 cents	(2.32 cents)
– Diluted	8.55 cents	0.51 cents	(2.32 cents)

	At as 30 April		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities			
Total assets	1,889,143	498,515	308,112
Total liabilities	(1,083,190)	(193,334)	(32,922)
Minority interests	(232,448)	(17,976)	(27,062)
Shareholders' funds	573,505	287,205	248,128

B. UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2005

The unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 October 2005, together with the comparative figures for the corresponding period in the prior year were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 October 2005

		Six months ended	
		31.10.2005	**31.10.2004**
		(Unaudited)	**(Unaudited and as restated)**
	Notes	*HK$'000*	*HK$'000*
Turnover	*3*	32,749	593,562
Cost of sales		(12,144)	(478,268)
Gross profit		20,605	115,294
Other revenue		21,561	91
Selling expenses		(13,425)	(3,198)
Administrative expenses		(10,699)	(7,114)
Finance costs		(4,075)	(5)
Gain on disposal of subsidiaries		125,018	100,967
Share of (losses) profit of associates		(2,945)	11,699
Profit before taxation		136,040	217,734
Taxation	*4*	(4,269)	(36,712)
Profit for the period	*5*	131,771	181,022
Attributable to:			
Equity holders of the parent		127,004	133,111
Minority interests		4,767	47,911
		131,771	181,022
Dividends	*6*	37,254	–
EARNINGS PER SHARE	*7*		
Basic		5.11 cents	6.41 cents
Diluted		4.55 cents	6.41 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 October 2005

	31.10.2005 (Unaudited) *HK$'000*	30.4.2005 (Audited and as restated) *HK$'000*
Non-Current Assets		
Property, plant and equipment	4,921	4,188
Interest in associates	570,817	389,908
Pledged bank deposits	56,807	41,926
	632,545	436,022
Current Assets		
Properties held for sale	7,143	13,402
Properties under development	1,465,527	1,046,079
Trade and other receivables	190,430	323,992
Bank balances and cash	204,536	69,648
	1,867,636	1,453,121
Current Liabilities		
Trade and other payables	187,548	358,904
Advances from customers	504,759	280,768
Dividend payable	36,272	–
Amounts due to related companies	70,268	43,038
Amount due to a shareholder	32,175	7,298
Taxation payable	114,861	126,001
Loan payable	69,065	–
Secured bank borrowings	–	93,604
	1,014,948	909,613
Net Current Assets	852,688	543,508
Total Assets less Current Liabilities	1,485,233	979,530

	31.10.2005 (Unaudited) *HK$'000*	30.4.2005 (Audited and as restated) *HK$'000*
Capital and Reserves		
Share capital	24,836	24,836
Share premium and reserves	651,156	562,345
Equity attributable to equity holders of the parent	675,992	587,181
Minority interests	237,215	232,448
Total Equity	913,207	819,629
Non-Current Liabilities		
Loan payable	–	69,065
Secured bank borrowings	477,115	–
Convertible note	94,911	90,836
	572,026	159,901
	1,485,233	979,530

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2005

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") Interim financial reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 April 2005, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs" issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised on a straight-line basis over a period of not exceeding 20 years and was assessed for the impairment at each balance sheet date whenever there is an indication for impairment.

In accordance with the provisions of HKFRS 3,

– goodwill arising from a business combination, for which the agreement date is on or after 1 May 2004, is carried at cost less any accumulated impairment losses;

– the Group cease amortisation of goodwill prospectively from 1 May 2004;

– accumulated amortisation as at 30 April 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– from the year ended 30 April 2005 onwards, goodwill is tested annually for impairment or in the financial year in which acquisitions take place, as well as when there are indications of impairment.

As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period and comparative figures for period ended 31 October 2004 have been restated.

Convertible note

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principle impact of HKAS 32 on the Group is in relation to convertible note issued by the Company that contain both liability and equity components. Previously, convertible note was classified as liability on the balance sheet. Because HKAS32 requires retrospective application, comparative figures have been restated. Comparative profit for the year ended 30 April 2005 has been restated in order to reflect the increase in effective interest on the liability component (see Note 2A for the financial impact).

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	Six months ended 31.10.2005	Six months ended 31.10.2004
	HK$'000	*HK$'000*
Decrease in amortisation of goodwill	–	10,550
Increase in interest on the liability component of convertible note	(3,555)	–
(Decrease) increase in profit for the period	(3,555)	10,550

The cumulative effects of the application of the new HKFRSs as at 30 April 2005 and 1 May 2005 are summarised below:

	As at 30 April 2005 (originally stated)	Adjustment	As at 30 April 2005 and 1 May 2005 (As restated)
	HK$'000	*HK'000*	*HK$'000*
Balance sheet items			
Trade and other payables	359,416	(512)	358,904
Convertible note	104,000	(13,164)	90,836
Total effects on assets and liabilities	463,416	(13,676)	449,740
Share premium	118,961	(13,819)	105,142
Convertible note equity reserve	–	30,960	30,960
Retained earnings	61,334	(3,465)	57,869
Minority interests	–	232,448	232,448
Total effects on equity	180,295	246,124	426,419
Minority interest	232,448	(232,448)	–
	412,743	13,676	426,419

Other presentation changes include:

a. In prior years, attributable share of results and net assets by minority interests were presented as a deduction from the Group's results and net assets for arriving at the attributable share of the Company's shareholders. Pursuant to the new HKFRSs, minority interests are presented as part of equity. Presentation of the condensed consolidated financial statements and comparative figures are adjusted accordingly.

b. The Group's share of results of associates is net of tax. Previously, this is shown at gross according to the applicable accounting standards. Presentation of the condensed consolidated financial statements and comparative figures are adjusted accordingly.

3. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover

Turnover represents amounts received and receivable for properties sold by the Group to outside customers and services rendered is summarized as follows:

	Six months ended	
	31.10.2005	**31.10.2004**
	HK$'000	*HK$'000*
Sales of properties	32,749	593,025
Provision of property management consultancy services	–	537
	32,749	593,562

Business Segments

For management purposes, the Group is now principally engaged in property development and investment in the People's Republic of China ("PRC"). Accordingly, no business segment analysis is presented for the six months ended 31 October 2005 and six months ended 31 October 2004.

Geographical segments

Over 90% of the activities of the Group during the six months ended 31 October 2005 and six months ended 31 October 2004 were carried out in the PRC and over 90% of the assets of the Group were located in the PRC. Accordingly, no geographical analysis is presented.

4. TAXATION

	Six months ended	
	31.10.2005	**31.10.2004**
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax of a PRC subsidiary	4,269	36,712

No provision for Hong Kong profit tax has been made in the condensed consolidated financial statements as the Group did not derive any assessable profit arising in Hong Kong for the both periods.

The subsidiaries and associates established in the PRC are subject to enterprise income tax on its taxable income at the rate of 33%.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended	
	31.10.2005	**31.10.2004**
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	523	339
Interest on:		
Bank borrowings wholly repayable within five years	11,782	8,669
Convertible note	4,075	–
	15,857	8,669
Less: Amount capitalized under properties under development	(11,782)	(8,664)
	4,075	5
Interest income	(18,478)	(91)
Gain on disposal of subsidiaries	(125,018)	(100,967)

6. DIVIDENDS

On 27 September 2005, a dividend of HK2.2 cents per share (2004: Nil) was declared to shareholders as the final dividend for year ended 30 April 2005. Dividends of HK$53,640,000 were paid to shareholders up to the date of this report.

The directors have determined that an interim dividend of HK1.5 cents per share (six months ended 31 October 2004: Nil) should be paid to the shareholders of the Company whose names appear in the Register of Members on 10 February 2006.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the periods is based on the following data:

	Six months ended 31.10.2005 *HK$'000*	Six months ended 31.10.2004 *HK$'000*
Earnings:		
Profit for the period and earnings for the purpose of basic earnings per share (profit for the period attributable to equity holders of the parent)	127,004	133,111
Effect of dilutive potential ordinary shares:		
Interest on convertible note	4,075	–
Earnings for the purposes of diluted earnings per share	131,079	133,111
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,483,632,950	2,075,940,643
Effect of dilutive potential ordinary shares:		
Convertible note	400,000,000	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,883,632,950	2,075,940,643

8. DISPOSAL OF SUBSIDIARIES

The net assets of the disposed subsidiaries at the date of disposal were as follows:

	Six months ended	
	31.10.2005	**31.10.2004**
	HK$'000	*HK$'000*
Net assets disposed of	89,982	22,254
Released of reserves upon disposal:		
– Capital reserve	–	(221)
	89,982	22,033
Gain on disposal	125,018	100,967
Total consideration, satisfied by:		
Cash consideration	180,000	123,000
Deferred consideration	35,000	–
	215,000	123,000

The deferred consideration of HK$35,000,000 was received by the Group as at the date of this report.

The disposed subsidiaries did not make any significant contribution to the results or cash flows of the Group during the interim period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and future prospects

For the six months ended 31 October 2005, the Group achieved an unaudited profit attributable to shareholders of HK$127 million. As at 31 October 2005, the Group's net asset value was HK$913 million and had a net asset value per share of HK$0.37. The Group's total assets and liabilities were HK$2,500 million and HK$1,587 million respectively.

During the six months ended 31 October 2005, the Board has successfully implemented a comprehensive turnaround strategies to enhance the financial and operational growth of the Group.

Apart from the existing significant investments held by the Group (as outlined below), the board is proactively appraising various investment opportunities to explore high potential investments and attractive business opportunities in the main cities of the PRC, such as Beijing, Shanghai, Shenzhen and Tianjing, etc.

The existing significant investments held by the Group as at the interim reporting date ended 31 October 2005 are briefly outlined below:–

(i) American Rock Property Project:

The property project "American Rock" is situated in No.16 Baiziwan Road, Chaoyang District, Beijing, the PRC and is adjacent to the central business district of Beijing which is a major financial and commercial center in Beijing. The project's total gross floor area is over 500,000 sq.m. and the development of the whole project is divided into two phases (I and II) which are sub-divided into four zones (Zones A, B, C and D). The Company currently holds 45% equity interest in Beijing Jin Ma Wen Hua Yuen Properties Development Company Limited ("American Rock JV") which holds 100% interest in American Rock Property Project.

The estimated total investment cost of the project is approximately RMB2.1 billion. As at 31 October 2005, the number of units, number of units sold and pre-sold of the project were as follows:–

	Total number of units	Number of units sold and occupied by their owners as at 31 October 2005	Number of units pre-sold as at 31 October 2005	Remaining number of unsold units as at 31 October 2005
Phase I (Zone A)				
– Residential units	1,219	1,215	0	4
– Commercial units	35	35	0	0
– Carpark	247	3	0	244
Phase II (Zone B)				
– Residential units	1,097	1,092	0	5
– Commercial units	64	64	0	0
Phase II (Zone C)				
– Residential units	1,037	0	286	751
Phase II (Zone D)				
– Residential units	926	0	809	117
Total	4,625	2,409	1,095	1,121

Zones A and B were completed in December 2003 and September 2004 respectively. The pre-sale permits for Zone D were obtained in December 2004 and March 2005. It is expected that the construction and decoration work of Zones C and D will be completed on or before February 2007 and December 2006 respectively. The pre-sale permit for Zone C was obtained in August 2005 and approximately 28% of the units were pre-sold up to 31 October 2005.

(ii) Phoenix Tower Property Project:

The property project "Phoenix Tower" is situated in the central district of Futian District, Shenzhen, the PRC. "Phoenix Tower" is planned to develop into a complex of office building, service apartment and shopping arcade with a gross floor area of approximately 106,000 sq.m. The project is now under construction and is expected to complete on or before December 2006. The pre-sales of "Phoenix Tower" was started in November 2005 and up to 8 December 2005, 101 units (about 15,181 sq.m.) of residential apartments were pre-sold. The pre-sale is expected to recognised as revenue for the year ending 30 April 2007.

In order to further enhance the Group's existing strength in its core business and to broaden the Group's array of business in the sector, on 15 September 2005, the Company's wholly owned subsidiary entered into two acquisition agreements to acquire the interests of two property projects from Mr. Li Song Xiao (the ultimate controlling shareholder of the Company) ("Mr. Li") . These two acquisitions constitute a very substantial acquisitions and connected transactions under the Listing Rules. The special general meeting in relation to these acquisitions will be held on 7 February 2006 for independent shareholders' approval. The basic information of these two property projects are outlined below:–

(1) American Rock Property Project

The consideration for further acquiring a 40% share interest in the American Rock JV which holds 100% interest of the property project "American Rock" is HK$259,595,000, which is to be satisfied at the completion by the allotment and issue by the Company to Mr. Li of 499,221,153 consideration shares. As mentioned above, the Company currently holds 45% interest in American Rock JV. Upon completion of the acquisition, the American Rock JV will become a 85% interest subsidiary of the Company, and the Company will further consolidate the effective equity interest in the American Rock JV from 45% to 85%.

(2) Youngman Point Property Project

The property project "Youngman Point" is situated in No. 2 Ganluyuan, Zhongli, Qingnian Road, Chaoyang District, Beijing, the PRC. The project's total gross floor area is over 300,000 sq.m. As at 31 October 2005, the number of units, number of units sold and pre-sold of the project were as follows:–

	Total number of units	Number of units pre-sold as at 31 October 2005	Remaining number of unsold units as at 31 October 2005
Phase I			
– Residential units	1,587	1,544	43
– Commercial units	25	3	22
Total	1,612	1,547	65

The development of "Youngman Point" Project is divided into 2 phases (Phase I and Phase II). The expected completion date of Phase I is April 2006 and that of Phase II is December 2007. The whole "Youngman Point" Project is still under construction. The pre-sale permits for Phase I were obtained in June to August 2004 and May 2005. The contracted amounts from those pre-sales units amounted to approximately RMB633 million (or approximately HK$609 million) of which approximately RMB619 million (or approximately HK$595 million) was paid in cash as at 31 October 2005. The total area of residential units pre-sold as at 31 October 2005 was about 115,937 sq.m. and the corresponding pre-sales amount was about RMB626 million. The average selling price of residential units is about RMB5,400 per sq.m. The price is reasonable and competitive when compared with other properties in the similar area which are of similar standard.

The consideration for acquiring a 70% share interest in the Beijing New Shine Properties Development Limited ("Youngman Point JV") which holds 100% interest in "Youngman Point" Project is HK$311,878,000, which is to be satisfied at the completion by the allotment and issue by the Company to Mr. Li of 599,765,384 consideration shares. Upon the completion of the acquisition (subject to certain conditions stated in the circular of the Company dated 20 January 2006), the Youngman Point JV will become a subsidiary of the Company.

The board of directors is of the view that in light of the continuous economic growth in the PRC and Beijing, increases in spending power and the upcoming opportunities from 2008 Olympics and 2010 World's Expo, demand in the property market will continue to grow and hence provide an opportunity for investment in this market.

The board is confident that upon the completion of the said acquisitions of 40% equity interest in American Rock JV and 70% equity interest in Youngman Point JV, together with the existing significant investments held by the Group, there will be a further enhancement in the Group's earnings so as to achieve the aim to strengthen the assets and income base of the Group in the long run.

As one of the goals of the Group is to share the fruitful success with its loyal shareholders, the board of directors recommends an interim dividend of HK1.5 cents per share for the six months ended 31 October 2005, representing approximately 29% of the profit for the period attributable to shareholders of the Company, to be payable to shareholders whose names appear on the register of the Company on 10 February 2006. The board of directors will continue to endeavor to report an even encouraging results to its shareholders in the forthcoming financial year.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 October 2005, the Group had cash and bank balance of approximately HK$205 million with net current assets totaling to HK$853 million with current ratio at approximately 1.84. The total borrowings of the Group as at 31 October 2005 amounted to HK$641 million making the Group's gearing ratio at 31 October 2005 calculated at total borrowings over equity was approximately 70%.

The board of directors believes that liquid assets, funds and future revenue will be sufficient to finance future expansion and working capital requirement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2005, the Group had a total of 85 employees (including Hong Kong and PRC offices). The remuneration packages consist of basic salary, mandatory provident fund and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and the performance of individual staff. They are under periodic review based on individual merit and other market factors.

FOREIGN EXCHANGE EXPOSURE

The Group's cash balance and other current assets are mainly denominated in RMB. Nonetheless, the effect of the exchange rate on the Group's cash flow is minimal.

CONTINGENT LIABILITIES

As at 31 October 2005, the Company gave a guarantee in favour of Phoenix Satellite Television Company Limited, under which the Company guaranteed the due performance of Oasiscity Limited, a wholly owned subsidiary of the Group, of the Group's obligations under the subscription and shareholders' agreement related to Phoenix Tower project.

As at 31 October 2005, the Group gave guarantees to banks amounting to approximately to HK$674,788,000 (30 April 2005: HK$704,389,000) in respect of certain facilities granted to the buyers of the Group's completed properties.

EQUITY

The Company's issued and fully paid share capital as at 31 October 2005 amounted to HK$24,836,330 divided into 2,483,632,950 ordinary shares of HK$0.01 each. During the period, there was no conversion made by the holder of the Company's convertible note. The holder of convertible note has the rights to convert the convertible note into 400,000,000 ordinary shares of the Company within the specified period.

EVENTS AFTER BALANCE SHEET DATE

Subsequent to the interim reporting date as at 31 October 2005, the Group entered into agreements for the acquisitions of the entire interest of Lucky Merit Development Limited which holds 40% interest of American Rock JV and the entire interest of New Direction Development Limited which will holds 70% interest in Youngman Joint JV prior to the completion of the acquisitions. The total acquisition costs of HK$571,473,000 will be satisfied in new shares of the Company and the acquisitions are not completed up to the date of this announcement. Details of the acquisitions are set out in the Group's circular dated 20 January 2006.

INTERIM DIVIDEND

The board of directors recommends the payment of interim dividend of HK1.5 cents (2004: Nil) per ordinary share for the six months ended 31 October 2005 payable on or about 20 February 2006 to shareholders of the Company whose names are on the Register of Members on 10 February 2006.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed, no contracts significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 October 2005 or during the period for the six months ended 31 October 2005.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save as disclosed, during the period for the six months ended 31 October 2005, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the jurisdiction of Bermuda in which the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors as set out in Appendix 10 of Listing Rules. Following specific enquiry by the Company, all directors confirmed that they have compiled with the required standards as set out in the Model Code throughout the period.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company has been established, with specific terms of reference in compliance with the Code of Corporate Governance Practice (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Committee is responsible for making recommendations to the board on the Group's policy and structure for specific remuneration packages and conditions of employment for the directors.

A Remuneration Committee has been established in accordance with the requirements of the CG Code. The Remuneration Committee comprises all three independent non-executive directors of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company executed high standard of business ethics and corporate governance practices. The board considers such commitment essential in achieving high level of transparency and accountability and it is to the best interests of the shareholders.

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not throughout the period for the six months ended 31 October 2005, in compliance with the Code on Corporate Governance Practices ("CG Code"), as set out in Appendix 14 to the Listing Rules (except code A4.1 – which specifies term that non-executive directors should be appointed for a specific term, subject to the re-election and code A4.2 – which specifies that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.). However, all directors (including executive and non-executive) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice are no less exacting than those in the Code.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprising three independent non-executive directors, Ms. Nie Mei Sheng, Mr. Zhen Kuan and Mr. Wang Shiyong. The audit committee of the Company has reviewed the interim results for the six months ended 31 October 2005.

C. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2005

The following are the audited consolidated annual financial statements of the Company for the year ended 30 April 2005, with the comparative figures for the year ended 30 April 2004.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 April 2005

	Notes	2005 HK$'000	2004 HK$'000
Turnover	4	476,472	654
Cost of sales		(253,809)	–
Gross profit		222,663	654
Other operating income	5	29,348	4,719
Administrative expenses		(13,053)	(12,357)
Selling expenses		(11,334)	–
Other operating expenses		–	(2,585)
Profit (loss) from operations	6	227,624	(9,569)
Finance costs	7	(512)	(719)
Gain on disposal of subsidiaries	31	100,011	69,149
Loss on disposal of an associate	8	–	(8,502)
Share of results of associates		11,564	(65,024)
Profit (loss) before taxation		338,687	(14,665)
Taxation	11	(77,037)	15,288
Profit before minority interests		261,650	623
Minority interests		(81,199)	9,125
Profit attributable to shareholders		180,451	9,748
Dividends	12	54,640	–
Earnings per share	13		
– Basic		9.40 cents	0.51 cents
– Diluted		8.55 cents	0.51 cents

CONSOLIDATED BALANCE SHEET

As at 30 April 2005

		2005	2004
	Notes	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	*14*	4,188	4,031
Interests in associates	*16*	389,908	342,629
Pledged bank deposits	*17*	41,926	–
		436,022	346,660
Current assets			
Properties held for sale		13,402	–
Properties under development	*18*	1,046,079	77,175
Trade and other receivables	*19*	323,992	62,510
Bank balances and cash		69,648	12,170
		1,453,121	151,855
Current liabilities			
Trade and other payables	*20*	359,416	124,269
Advances from customers	*21*	280,768	–
Amounts due to related companies	*22*	43,038	–
Amount due to a shareholder	*23*	7,298	–
Taxation payable		126,001	–
Secured bank borrowings	*24*	93,604	–
		910,125	124,269
Net current assets		542,996	27,586
Total assets less current liabilities		979,018	374,246

	Notes	2005 HK$'000	2004 HK$'000
Non-current liabilities			
Loan payable	25	69,065	69,065
Convertible note	26	104,000	–
		173,065	69,065
Minority interests		232,448	17,976
		573,505	287,205
Capital and reserves			
Share capital	27	24,836	20,759
Reserves		548,669	266,446
		573,505	287,205

BALANCE SHEET
As at 30 April 2005

	Notes	2005 HK$'000	2004 HK$'000
Non-current assets			
Property, plant and equipment	14	709	1,410
Interests in subsidiaries	15	571,519	395,022
		572,228	396,432
Current assets			
Other receivables		501	594
Bank balances and cash		413	10,008
		914	10,602
Current liabilities			
Other payables	20	1,458	123,996
Amount due to a shareholder	23	7,298	–
		8,756	123,996
Net current liabilities		(7,842)	(113,394)
Non-current liability			
Convertible note	26	104,000	–
		460,386	283,038
Capital and reserves			
Share capital	27	24,836	20,759
Reserves	28	435,550	262,279
		460,386	283,038

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2005

	Share capital *HK$'000*	Share premium *HK$'000* *(note a)*	Contributed surplus *HK$'000* *(note b)*	Capital reserve *HK$'000* *(note c)*	Exchange reserve *HK$'000*	Accumulated (losses) profit *HK$'000*	Total *HK$'000*
At 1 May 2003	87,594	131,286	368,234	–	–	(338,986)	248,128
Exchange difference not recognised in the consolidated income statement	–	–	–	–	70	–	70
Reduction of capital *(note 27(a))*	(78,835)	(131,286)	–	–	–	210,121	–
Issue of new shares *(note 27(b))*	12,000	18,000	–	–	–	–	30,000
Share issue expenses	–	(962)	–	–	–	–	(962)
Share of capital reserve of an associate	–	–	–	221	–	–	221
Profit attributable to shareholders	–	–	–	–	–	9,748	9,748
At 30 April 2004	20,759	17,038	368,234	221	70	(119,117)	287,205
Exchange difference not recognised in the consolidated income statement	–	–	–	–	70	–	70
Issue of shares by conversion of convertible note *(note 26)*	4,077	101,923	–	–	–	–	106,000
Disposal of an associate	–	–	–	(221)	–	–	(221)
Profit attributable to shareholders	–	–	–	–	–	180,451	180,451
At 30 April 2005	24,836	118,961	368,234	–	140	61,334	573,505

Notes:

(a) Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account may be distributed in the form of fully paid bonus shares.

(b) The contributed surplus represents the credit balance arising from the reduction of the nominal value of the issued share capital of the Company from HK$0.10 per share to HK$0.01 per share by way of cancellation of HK$0.09 of the paid up capital on each share of the Company on 31 December 2001.

(c) The capital reserve was reserve required by the relevant laws in the People's Republic of China applicable to the Group's associates. The associate was disposed of through the disposal of a subsidiary during the year and the balance of capital reserve became nil as at 30 April 2005.

The accumulated profit (losses) of the Group include loss of approximately HK$21,155,000 (2004: HK$29,056,000) attributable to the associates.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2005

	Notes	2005 HK$'000	2004 HK$'000
Profit (loss) before taxation		338,687	(14,665)
Adjustments for:			
Depreciation		951	1,032
Amortisation of goodwill of subsidiaries		–	2,574
Interest expenses		512	719
Interest income		(22,159)	(4,479)
Allowance for bad and doubtful debts		–	30
Gain on disposal of subsidiaries		(100,011)	(69,149)
Loss on disposal of an associate		–	8,502
Share of results of associates		(11,564)	65,024
Operating cash flows before movements in working capital		206,416	(10,412)
Decrease in properties held for sale		253,783	–
Increase in properties under development		(210,029)	(3,748)
Increase in trade and other receivables		(129,950)	(9,549)
Decrease in trade and other payables		(67,421)	(26,401)
Increase in advance from customers		138,098	–
Decrease in amounts due to related companies		(20,101)	–
Cash generated from (used in) operations		170,796	(50,110)
The People's Republic of China tax paid		(12,484)	(2)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		158,312	(50,112)

	Notes	2005 HK$'000	2004 HK$'000
INVESTING ACTIVITIES			
Increase in pledged bank deposits		21,138	–
Bank balances and cash acquired arising from transfer from an associate to a subsidiary	*16*	9,902	–
Interest received		567	54
Disposal of subsidiaries	*31*	358	130,611
Acquisition of subsidiaries	*30*	55	16,945
Advance to an associate		(72,797)	(196,302)
Additional interest in an associate		(1,887)	–
Purchase for property, plant and equipment		(879)	(474)
Deposit received on disposal of a subsidiary		–	122,642
Proceeds from disposal of an associate		–	18,000
Increase in loan receivables	*19(b)*	–	(44,716)
Acquisition of associates		–	(12,096)
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		(43,543)	34,664
FINANCING ACTIVITIES			
Advance from (repayment to) a shareholder		7,298	(2,890)
Repayment of bank borrowings		(43,377)	–
Interest paid		(11,683)	(719)
Dividend paid to minority shareholders		(9,599)	–
Capital contribution from minority shareholders		–	942
Proceeds from issue of shares, net of share issue expenses		–	29,038
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES		(57,361)	26,371
NET INCREASE IN CASH AND CASH EQUIVALENTS		57,408	10,923
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		12,170	1,177
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		70	70
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		69,648	12,170

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 April 2005

1. GENERAL

The Company is a public listed company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's principal activity is investment holding and the activities of its subsidiaries and associates are set out in notes 15 and 16, respectively.

2. ADOPTION OF NEW ACCOUNTING STANDARDS AND POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new and revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 Business Combinations. The Group has applied HKFRS 3 to business combination for which the agreement date is on or after 1 May 2004. The Group has also early adopted the following new HKFRSs in the financial statements for the year ended 30 April 2005:

HKAS 36 Impairment of Assets

HKAS 38 Intangible Assets

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Prior to this, goodwill was:

- amortised on a straight-line basis over a period of not exceeding 20 years; and
- assessed for the impairment at each balance sheet date whenever there is an indication for impairment.

In accordance with the provisions of HKFRS 3:

- goodwill arising from a business combination, for which the agreement date is on or after 1 May 2004, is carried at cost less any accumulated impairment losses;

- the Group cease amortisation of goodwill prospectively from 1 May 2004;

- accumulated amortisation as at 30 April 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

- from the year ended 30 April 2005 onwards, goodwill is tested annually for impairment or in the financial year in which acquisitions take place, as well as when there are indications of impairment.

The Group has not early adopted other new HKFRSs. Except for HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement, the Group does not expect that the issuance of those new HKFRSs will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. The principal impact of HKAS 32 on the Group is in relation to convertible note issued by the Company that contain both liability and equity components. Currently, the convertible note is classified as liabilities on the balance sheet (see note 26). HKAS 32 generally requires retrospective application.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 April each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Investments in subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the goodwill in so far as it has not already been amortised, less any identified impairment loss.

Goodwill

Goodwill arising on business combination for which the agreement date is on or after 1 May 2004 represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or in the financial year in which acquisition take place, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Interests in associates" above.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives using the straight-line method, at the following rates per annum:

Furniture and fixtures	$33^1/_2$%
Computer and office equipment	$33^1/_2$%
Motor vehicles	$12^1/_2$%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Properties under development

Properties under development for sale are stated at the lower of cost and net realisable value. Cost of property in the course of development comprises land cost and development costs during the development period.

Revenue recognition

When properties under development are sold, income is recognised when the properties are completed and the relevant occupation permits are issued by the authorities. Payments received from the purchasers prior to the completion of the properties are recorded as advances from customers.

Services income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement and are reported separately as under other operating income.

Operating leases

Rental paid and payable under such operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme/state-management retirement benefit schemes are charged as an expense as they fall due.

4. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover

Turnover represents amounts received and receivable for properties sold by the Group to outside customers and services rendered is summarised as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Sales of properties	475,935	–
Provision of property management consultancy services	537	654
	476,472	654

Business segments

For management purposes, the Group was organised into two operating divisions – property development and investment, and internet consulting. During the year ended 30 April 2004, the Group ceased the operation of internet consulting division subsequent to the completion of disposal of a subsidiary. The Group is now principally engaged in property development and investment in the People's Republic of China ("PRC"). Accordingly, no business segment analysis is presented for the year ended 30 April 2005.

INCOME STATEMENT

For the year ended 30 April 2004

	Continuing operation Property development and investment	Discontinued operation Internet consulting	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER			
Turnover from external customers	654	–	654
RESULT			
Segment result	(1,424)	(399)	(1,823)
Amortisation of goodwill of subsidiaries			(2,574)
Unallocated corporate income			4,479
Unallocated corporate expenses			(9,651)
Loss from operations			(9,569)
Interest on bank borrowings wholly repayable within five years			(719)
Gain on disposal of subsidiaries	26,978	42,171	69,149
Loss on disposal of an associate	–	(8,502)	(8,502)
Share of results of associates	(64,826)	(198)	(65,024)
Loss before taxation			(14,665)
Taxation	15,288	–	15,288
Profit before minority interests			623
Minority interests			9,125
Profit attributable to shareholders			9,748

BALANCE SHEET

At 30 April 2004

	Continuing operation Property development and investment	Discontinued operation Internet consulting	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	138,344	–	138,344
Interests in associates	342,629	–	342,629
Unallocated corporate assets			17,542
			498,515
LIABILITIES			
Segment liabilities	280	–	280
Unallocated corporate liabilities			193,054
			193,334

OTHER INFORMATION

For the year ended 30 April 2004

	Continuing operation Property development and investment	Discontinued operation Internet consulting	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Amortisation of goodwill arising from acquisition of associates	22,999	–	22,999
Capital additions	2,791	–	2,791
Depreciation	959	73	1,032

Geographical segments

Over 90% of the activities of the Group during both years were carried out in the PRC and over 90% of the assets of the Group were located in the PRC. Accordingly, no geographical analysis is presented.

5. OTHER OPERATING INCOME

	2005	**2004**
	HK$'000	*HK$'000*
Interest income:		
Bank	567	54
Loan to an associate	17,594	3,894
Other loan	3,998	531
PRC government subsidy	7,055	–
Others	134	240
	29,348	4,719

6. PROFIT (LOSS) FROM OPERATIONS

	2005	**2004**
	HK$'000	*HK$'000*
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration		
– current year	923	839
– overprovision in prior year	–	(2)
	923	837
Staff costs, including directors' emoluments		
– capitalised under properties under development	1,376	817
– included in administrative expenses	4,776	3,865
	6,152	4,682
Retirement benefits scheme contributions	287	172

	2005	2004
	HK$'000	*HK$'000*
Total staff costs	6,439	4,854
Depreciation	1,450	1,032
Less: capitalised under properties under development	(499)	–
	951	1,032
Allowance for bad and doubtful debts	–	30
Amortisation of goodwill arising on acquisition of subsidiaries (included in other operating expenses)	–	2,574

7. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable with five years	(11,171)	(719)
Convertible note	(512)	–
	(11,683)	(719)
Less: Amount capitalised under properties under development	11,171	–
	(512)	(719)

8. DISCONTINUED OPERATIONS

In January 2003, the Company entered into a sale and purchase agreement to dispose of 45% equity interest in a 85% owned subsidiary, WebVideoShop.com Limited ("WebVideoShop"), which was engaged in internet consulting segment for a cash consideration of HK$72,000,000. The disposal was to ensure the adherence of the Group's long term strategy to focus its activities on the areas of property development and investment in the PRC. The disposal was completed in August 2003 and WebVideoShop became an associate of the Group thereafter.

The results of the internet consulting operations for the period from May 2003 to the date of disposal, which have been included in the consolidated financial statements, were as follows:

	1.5.2003 to date of disposal
	HK$'000
Sales and results:	
Sales	–
Operating expenses	(399)
Loss for the period	(399)

WebVideoShop did not contribute significantly to the Group's cash flows for the year ended 30 April 2004.

The carrying amounts of the assets and liabilities of WebVideoShop at the date of disposal were as follows:

	Date of disposal
	HK$'000
Total assets	330
Total liabilities	(9,920)
	(9,590)

In September 2003, the Company entered into another sale and purchase agreement to dispose of the remaining 40% equity interest in WebVideoShop at a consideration of HK$18,000,000. The disposal was completed in October 2003 and a loss of HK$8,502,000 was recognised as loss on disposal of an associate for the year ended 30 April 2004.

9. DIRECTORS' EMOLUMENTS

	2005	2004
	HK$'000	*HK$'000*
Directors' fees:		
Executive	–	–
Independent non-executive	–	–
	–	–
Emoluments of executive directors		
– Salaries and other benefits	1,755	923
– Contribution to Mandatory Provident Fund Scheme	–	–
	1,755	923
	1,755	923

The emoluments of the directors were within the following bands:

	Number of directors	
	2005	2004
Nil – HK$1,000,000	12	10

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2004: three) were directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining three (2004: two) individuals were as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries and other benefits	1,429	856
Contribution to Mandatory Provident Fund Scheme	24	24
	1,453	880

The emoluments of each of the three individuals (2004: two) were below HK$1,000,000.

11. TAXATION

	2005	2004
	HK$'000	*HK$'000*
The tax charge (credit) comprises:		
Current tax of a PRC subsidiary	73,374	2
Share of taxation attributable to associates	3,663	(15,290)
	77,037	(15,288)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not derive any assessable profit for both years.

The subsidiaries and associates established in the PRC are subject to enterprise income tax on its taxable income at the rate of 33%.

The tax charge (credit) for the year can be reconciled to the profit (loss) before taxation as follows:

	2005	2004
	HK$'000	*HK$'000*
Profit (loss) before taxation	338,687	(14,665)
Tax charge (credit) at PRC enterprise income tax rate of 33%	111,767	(4,840)
Tax effect of share of results of associates	(153)	(1,422)
Tax effect of expenses not deductible for tax purposes	940	11,679
Tax effect of income not taxable for tax purposes	(26,087)	(24,279)
Tax effect of deferred tax assets not recognised	4,289	1,896
Effect of different tax rates of subsidiaries operating in other jurisdictions	(13,719)	1,678
Tax charge (credit) for the year	77,037	(15,288)

At 30 April 2005, the Group had unused tax losses of HK$106,275,000 (2004: HK$93,296,000) available for offset against future profits. The tax losses may be carried forward indefinitely. In addition, at 30 April 2005, the Group had deductible temporary differences of HK$1,117,000 (2004: HK$1,099,000). No deferred tax asset has been recognised in relation to tax losses and deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

12. DIVIDENDS

	2005	**2004**
	HK$'000	*HK$'000*
Final dividends proposed of HK2.2 cents (2004: Nil) per ordinary share	54,640	–

The final dividend of HK2.2 cents (2004: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2005	**2004**
	HK$'000	*HK$'000*
Earnings:		
Net profit for the year and earnings for the purposes of basic earnings per share	180,451	9,748
Effect of dilutive potential ordinary shares in respect of interest on convertible note	512	–
Earnings for the purposes of diluted earnings per share	180,963	9,748
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,920,041,595	1,902,170,151
Effect of dilutive potential ordinary shares in respect of convertible note	196,775,553	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,116,817,148	1,902,170,151

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *HK$'000*	Computer and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
THE GROUP				
COST				
At 1 May 2004	1,750	1,854	3,394	6,998
Acquisition arising from transfer of an associate to a subsidiary *(note 16)*	225	503	–	728
Additions	209	670	–	879
At 30 April 2005	2,184	3,027	3,394	8,605
DEPRECIATION				
At 1 May 2004	1,177	1,365	425	2,967
Provided for the year	593	207	650	1,450
At 30 April 2005	1,770	1,572	1,075	4,417
NET BOOK VALUES				
At 30 April 2005	414	1,455	2,319	4,188
At 30 April 2004	573	489	2,969	4,031

	Furniture and fixtures	Computer and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
COST				
At 1 May 2004	1,717	1,337	1,189	4,243
Additions	–	2	–	2
At 30 April 2005	1,717	1,339	1,189	4,245
DEPRECIATION				
At 1 May 2004	1,175	1,307	351	2,833
Provided for the year	542	12	149	703
At 30 April 2005	1,717	1,319	500	3,536
NET BOOK VALUE				
At 30 April 2005	–	20	689	709
At 30 April 2004	542	30	838	1,410

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	**2004**
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–
Less: Impairment losses	–	–
	–	–
Amounts due from subsidiaries	651,599	475,102
Less: Allowance	(80,080)	(80,080)
	571,519	395,022
	571,519	395,022

The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

Particulars of the Company's subsidiaries at 30 April 2005 are set out below:

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held	Principal activities
Directly held by the Company				
Active Power Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Far Eagle Investments Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Glorious Star Development Limited	British Virgin Islands	1 ordinary share of US$1	100%	Inactive
High Step Trading Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Sano Group Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Spot On Assets Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Indirectly held by the Company				
Best Modern Properties Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Neo-China Industrial Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Neo-China Property Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held	Principal activities
Indirectly held by the Company				
Neo-China Technology Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Oasiscity Limited (“Oasiscity”)	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Phoenix Real Property Limited (“Phoenix Real Property”, *note a*)	British Virgin Islands/Hong Kong	100 ordinary shares of US$1 each	100%	Investment holding
Shenzhen Phoenix Real Estates Company Limited (“Shenzhen Phoenix”, *notes a and b*)	PRC	US$10,000,000	100%	Property development
Sunkit Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Top Fair Ltd (“Top Fair”)	British Virgin Islands/Hong Kong	50,000 ordinary shares of US$1 each	100%	Investment holding
Wellink Services Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Inactive
中新方圓科技(深圳)有限公司 *(note c)*	PRC	HK$10,000,000	100%	Inactive
中置(北京)企業管理有限公司 *(note c)*	PRC	HK$30,000,000	100%	Investment holding
北京金馬文華園房地產開發有限公司 (“金馬”, *notes b & d*)	PRC	US$12,000,000	45%	Property development

Notes:

(a) In October 2003, Oasiscity entered into a subscription and shareholders' agreement ("Agreement") with Phoenix Satellite Television Company Limited ("Phoenix Satellite TV") and Phoenix Real Property in relation to the joint development of a property project (the "Phoenix Tower") in Shenzhen, the PRC.

Pursuant to the Agreement, Oasiscity subscribed for 60 new shares at par value of US$1 each issued by Phoenix Real Property, representing 60% of its enlarged issued share capital. Upon the issue of the new shares, Oasiscity executed a share charge in favour of Phoenix Satellite TV, under which it charges 30 new shares of Phoenix Real Property, representing 30% of the enlarged issued share capital, as security for the due performance of the Group's obligations under the Agreement. In addition, Oasiscity paid approximately HK$4.7 million to Phoenix Satellite TV in accordance with the terms of the Agreement.

Furthermore, pursuant to the Agreement, Oasiscity may increase its shareholding interests to 100% in Phoenix Real Property upon providing further financing for the development of Phoenix Tower and fulfillment of certain other terms and conditions in future.

Oasiscity, through its interest in Phoenix Real Property, the 90% shareholder of Shenzhen Phoenix, will be responsible for the implementation of the property project of Phoenix Tower, with the cooperation of Phoenix Satellite TV and Beijing Honda Construction Company Limited ("Honda"), the other 10% shareholder of Shenzhen Phoenix.

Under the Agreement, Phoenix Satellite TV and Honda, will have the property right over 25,000 square metres, in aggregate, of the self-use area of the Phoenix Tower.

Oasiscity will be responsible for providing all the required financing for the development of Phoenix Tower in future and in return it will has ownership title over all the saleable floor area of Phoenix Tower and the remaining portion of the self-use area after allowed for the entitlement of Phoenix Satellite TV and Honda as mentioned above. As Oasiscity is entitled to 100% of the results of Phoenix Real Property and Shenzhen Phoenix ultimately, they are therefore classified as wholly owned subsidiaries of the Group.

The development of Phoenix Tower commenced during the year ended 30 April 2004 and was expected to be completed in 2006. If the development of Phoenix Tower cannot meet the timetable as stated in the Agreement, the Group needs to pay a penalty of approximately HK$33,000 to Phoenix Satellite TV each day until completion of the property project.

(b) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(c) These companies were established in the PRC in the form of wholly-owned foreign enterprises.

(d) 金馬 is accounted for as a subsidiary since the Group has control on the board of directors and operation of 金馬. Details of this are set out in note 16.

16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Share of net assets	51,380	88,268
Goodwill *(Note a)*	47,941	58,059
Loan to an associate *(Note b)*	269,099	196,302
Interest receivables *(Note b)*	21,488	–
	389,908	342,629

Note a:

	Goodwill
	HK$'000
COST	
At 1 May 2003	114,921
Arising on acquisition of an associate	2
Transfer arising on disposal	45%
interest in WebVideoShop *(note 8)*	27,256
Disposal of an associate	(27,256)
At 30 April 2004	114,923
Disposal arising from disposal of a subsidiary	(10,118)
Eliminated with accumulated amortisation *(note 2)*	(56,864)
At 30 April 2005	47,941
ACCUMULATED AMORTISATION	
At 1 May 2003	33,865
Charge for the year	22,999
At 30 April 2004	56,864
Eliminated with cost *(note 2)*	(56,864)
At 30 April 2005	–
CARRYING AMOUNT	
At 30 April 2005	47,941
At 30 April 2004	58,059

The goodwill arising on the acquisition of associates was amortised on a straight-line basis over the estimated useful life of five years for the year ended 30 April 2004. The Group ceased amortisation of goodwill from 1 May 2004 as a result of early adoption of HKFRS 3. Amortisation charged in the year ended 30 April 2004 amounting to HK$22,999,000 had been included in the amount reported as share of results of associates in the consolidated income statement.

Note b:

The loan is lent to 北京新松置地投資顧問有限公司 ("New Shine Property"), an associate of the Group, for development of a property project in Beijing, the PRC. The property project is held by 北京市御水苑房地產開發有限責任公司("Beijing Yu Shui Yuan"), which is 80% owned by New Shine Property. The development of the property project has been commenced and was expected to complete in 2006.

Pursuant the loan agreements, the loan is secured by the 80% equity interest in Beijing Yu Shui Yuan held by New Shine Property, bearing interest at market rate and repayable in December 2006.

Particulars of the Group's associates at 30 April 2005 are set out below:

Name	Place of incorporation and operations	Particulars of registered capital	Percentage of registered capital held by the Group	Principal activities
Shanghai Xin Yao Property Development Company Limited ("Shanghai Xin Yao")	PRC	RMB20,000,000	39%	Development and sale of properties in Shanghai
新疆光正鋼結構工程技術有限責任公司	PRC	RMB20,300,000	26.12%	Manufacturing and trading of steel and construction materials
New Shine Property	PRC	RMB30,000,000	25%	Investment holding
Beijing Yu Shui Yuan	PRC	RMB20,000,000	30%*	Development and sale of properties in Beijing

* *Beijing Yu Shui Yuan is 80% owned by New Shine Property and 10% owned by the Group directly.*

The Group's entitlement to share in profits of its associates is in proportion to its ownership interest.

In August 2004, the Company acquired 100% equity interest in Top Fair (*note 30*). Top Fair is an investment holding company which holds 45% equity interests in 金馬. The principal business activity of 金馬 is to develop a property project in Beijing, the PRC, and 金馬 was accounted for as an associate since then.

On 15 October 2004, the shareholding of the other shareholders in 金馬 was changed. Subsequent to the change of the shareholding of 金馬, the Group became the single largest shareholder of 金馬. At the same date, the shareholders of 金馬 signed an amendment agreement to the Articles and Memorandum of 金馬 under which the Group can appoint the majority of the board of directors of 金馬. The amendment was approved by 北京市商務局 on 17 October 2004.

As a result, the Group becomes the single largest shareholder of 金馬 and controls its board of directors and therefore accounts for 金馬 as a subsidiary of the Group since 17 October 2004.

Details of the net assets of 金馬 as at the date of transfer from an associate to a subsidiary of the Group are summarised below:

	HK$'000
Property, plant and equipment	728
Pledged bank deposits	63,064
Properties held for sale	267,185
Properties under development	747,205
Trade and other receivables	131,434
Bank balances and cash	9,902
Trade and other payables	(425,210)
Advances from customers	(142,670)
Amounts due to related companies	(63,139)
Secured bank borrowings	(136,981)
Taxation payable	(65,111)
	386,407

The following details are extracted from the financial statements of the Group's significant associates, as adjusted to conform with HKFRSs issued by the HKICPA:

	Shanghai Xin Yao		New Shine Property	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Results for the year				
Turnover	6,313	294,677	–	–
Loss attributable to shareholders	(21,788)	(23,559)	(153)	(32)
Group's share of loss attributable to shareholders	(8,497)	(9,188)	(38)	(8)
Financial position				
Non-current assets	1,228	381	199	424,351
Current assets	334,198	357,624	483,101	52
Current liabilities	(115,256)	(238,243)	(328,780)	(199,843)
Non-current liabilities	(111,321)	–	(126,351)	(196,302)
Net assets	108,849	119,762	28,169	28,258
Net assets attributable to the Group	42,451	46,707	7,042	7,064

17. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits of HK$387,000 (2004: Nil) are placed in a bank in order to obtain a guarantee from the bank to a constructor of the Phoenix Tower which is expected to be completed in late 2006 and is therefore classified as non-current assets. The remaining deposits amounting to HK$41,539,000 (2004: Nil) have been pledged to secure long-term mortgage loan granted by banks to the buyer of 金馬's completed properties and are therefore also classified as non-current assets.

18. PROPERTIES UNDER DEVELOPMENT

	THE GROUP
	HK$'000
At 1 May 2004	77,175
Arising from transfer of an associate to a subsidiary *(note 16)*	747,205
Additions	221,699
At 30 April 2005	1,046,079

19. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Trade receivables *(note a)*	197,720	–
Other receivables *(note b)*	116,515	60,581
Deposits and prepayments	9,757	1,929
	323,992	62,510

Notes:

(a) The following is an aged analysis of trade receivables as at the balance sheet date:

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
0 – 60 days	197,720	–

(b) At 30 April 2005, included in other receivables is a loan to a former related company of RMB99,952,000 (equivalent to approximately HK$94,294,000). The loan is unsecured, bearing interest at market rate of one-year bank loan and had been fully repaid in May 2005.

At 30 April 2004, included in other receivables was a loan to a third party of RMB47,400,000 (equivalent to approximately HK$44,716,000). The loan was unsecured, bore interest at 5.31% per annum and had been fully repaid in August 2004.

20. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(note a)*	314,004	–	–	–
Other payables *(note b)*	45,412	124,269	1,458	123,996
	359,416	124,269	1,458	123,996

Notes:

(a) The following is an aged analysis of trade payables as at the balance sheet date:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
0 – 60 days	314,004	–

(b) On 25th March, 2004, the Company entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in Noble Time Development Inc. for a consideration of HK$123 million, of which, HK$122,642,000 was received and included in other payables as of 30 April 2004. The disposal was completed in June 2004.

21. ADVANCE FROM CUSTOMERS

THE GROUP

The amount represents deposits received on sales of properties.

22. AMOUNTS DUE TO RELATED COMPANIES

THE GROUP

The amounts are unsecured, non-interest bearing and are repayable on demand.

23. AMOUNT DUE TO A SHAREHOLDER

THE GROUP AND THE COMPANY

The amount is unsecured, non-interest bearing and is repayment on demand.

24. SECURED BANK BORROWINGS

THE GROUP

The bank borrowings were secured by the properties under development amounting to approximately HK$142,899,000 located in the PRC and are repayable in 2006.

25. LOAN PAYABLE

THE GROUP

The loan payable to Phoenix Satellite TV is unsecured, non-interest bearing and will not be repayable before the completion of the development of Phoenix Tower.

26. CONVERTIBLE NOTE

THE GROUP AND THE COMPANY

On 24 January 2005, the Company issued the Convertible Note with a principal amount of HK$210,000,000 to Mr. Wang Yan as the consideration for the acquisition of Top Fair.

The Convertible Note bears interest at 1% per annum and is redeemable at par on 28 February 2007. The holder of the Convertible Note has the rights to convert all or any portion of the Convertible Note into shares of the Company at an initial conversion price of HK$0.26 per share, subject to adjustment. The conversion rights can be exercised at any time from the date of issue until the repayment of the Convertible Note, provided that the public float of the Company will not be less than 25% immediately after such conversion. During the year, the holder of the Convertible Note converted part of the Convertible Note amounting to HK$106,000,000 into shares of the Company. Consequently, 407,692,307 new shares of HK$0.01 each in the Company were issued to the holder.

27. SHARE CAPITAL

	Number of shares	Nominal value *HK$'000*
Authorised:		
Shares of HK$0.10 per share at 1 May 2003	20,000,000,000	2,000,000
Adjustment of nominal value *(note a(i))*	–	(1,800,000)
Cancellation *(note a(ii))*	(19,124,059,357)	(191,241)
Additions *(note a(ii))*	39,124,059,357	391,241
Shares of HK$0.01 per share at 30 April 2004 and 30 April 2005	40,000,000,000	400,000
Issued and fully paid:		
Shares of HK$0.10 per share at 1 May 2003	875,940,643	87,594
Adjustment of nominal value *(note a(i))*	–	(78,835)
Issue of shares *(note b)*	1,200,000,000	12,000
Shares of HK$0.01 per share at 30 April 2004	2,075,940,643	20,759
Issue of shares by conversion of convertible note *(see note 26)*	407,692,307	4,077
Shares of HK$0.01 per share at 30 April 2005	2,483,632,950	24,836

Details of the changes in the share capital of the Company were as follows:

(a) Pursuant to a special resolution passed in a special general meeting held on 19 June 2003, the share capital of the Company was reorganised as follows:

(i) The nominal value of the issued share capital of the Company was reduced from HK$0.10 per share to HK$0.01 per share ("New Share") by way of cancellation of HK$0.09 of the paid up capital on each share of the Company;

(ii) All of the existing authorised but unissued share capital of the Company (including the authorised but unissued share capital from the capital reduction per (i) above) was cancelled and subsequently the authorised capital was increased to HK$400,000,000 comprising 40,000,000,000 New Shares; and

(iii) The amount of approximately HK$131,286,000 standing to the credit of the share premium account of the Company as at 30 April 2002 was cancelled.

The credit of approximately HK$210,121,000 comprising HK$78,835,000 arising from the capital reduction per (i) above and HK$131,286,000 arising from the cancellation of share premium per (iii) above was wholly used in or towards reduction of the accumulated losses of the Company.

(b) Pursuant to a subscription agreement dated 8 April 2003, Invest Gain Limited, which is beneficially wholly owned by Mr. Li Song Xiao, subscribed for 1,200,000,000 new shares of HK$0.01 each in the Company at a price of HK$0.025 per share satisfied by cash. The proceeds were used to provide working capital for the Company. The subscription price of HK$0.025 represented a discount of approximately 28.57% to the closing price of HK$0.035 on 18 March 2003, being the last trading day on which the shares of the Company were traded prior to 8 April 2003. These shares were issued under the general mandate granted to the directors at the special general meeting of the Company held on 19 June 2003 and rank pari passu with the existing shares in all respects. Mr. Li Song Xiao was appointed as a director of the Company on 29 October 2003.

28. RESERVES

Details of movements in the Group's reserves are set out in the consolidated statement of changes in equity on page 19 of the financial statements.

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
At 1 May 2003	131,286	368,234	(294,494)	205,026
Reduction of capital *(note 27(a)(iii))*	(131,286)	–	210,121	78,835
Issue of new shares *(note 27(b))*	18,000	–	–	18,000
Share issue expenses	(962)	–	–	(962)
Net loss for the year	–	–	(38,620)	(38,620)
At 30 April 2004	17,038	368,234	(122,993)	262,279
Issue of new shares *(see note 26)*	101,923	–	–	101,923
Net profit for the year	–	–	71,348	71,348
At 30 April 2005	118,961	368,234	(51,645)	435,550

29. SHARE OPTIONS

Pursuant to a special general meeting of the Company held on 12 December 2002, the share option scheme adopted by the Company on 19 August 1993 and amended on 24 October 2000 (the "Old Scheme") was terminated and a new scheme (the "New Scheme") was adopted by the Company. As a result, the Company can no longer grant any further options under the Old Scheme. However, all options granted prior to the termination of the Old Scheme will remain in full force and effect. The purpose of the New Scheme is to enable the Company to grant options to eligible participants, thereby as incentive or rewards for their contribution to the Group. Eligible participants of the New Scheme include the directors, employees, suppliers, customers and shareholders of the Group. Unless otherwise terminated or amended, the New Scheme will remain in force for ten years from date of adoption to 12 December 2012.

Pursuant to the New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of the Company, but in any case must be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. As at 30 April 2005, no option has been issued under the New Scheme.

On 30 October 2000, the Company granted 26,000,000 share options under the Old Scheme to certain employees of the Company at a consideration of HK$1.00 for each grantee to subscribe for 26,000,000 new shares of HK$0.10 per share of the Company at an initial exercise price of HK$0.10 per share. Upon the capital reorganisation and rights issues of the Company on 31 December 2001 and 22 January 2002 respectively, the exercise price was adjusted to HK$1.00 per share. These options were expired on 30 October 2004.

The following table discloses details of the Company's share options held by employees and movement in such holdings during both years:

At 1 May 2003	50,000
Cancelled during the year	(50,000)
At 30 April 2004 and 30 April 2005	–

The options were cancelled during the year ended 30 April 2004 after resignation of the relevant employees.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

30. ACQUISITION OF A SUBSIDIARY

On 12 August 2004, the Company acquired 100% equity interest in Top Fair for a consideration of HK$210 million. This acquisition has been accounted for by the acquisition method of accounting.

Details of the net assets acquired in respect of the acquisition of subsidiaries are summarised below:

	2005			
	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED				
Property, plant and equipment	–	–	–	2,317
Interests in an associate	189,881	20,064	209,945	–
Properties under development	–	–	–	73,427
Trade and other receivables	–	–	–	4,915
Bank balances and cash	55	–	55	21,918
Other payables	–	–	–	(28,539)
Loan payable	–	–	–	(69,065)
Net assets	189,936	20,064	210,000	4,973

	2005	2004
	HK$'000	*HK$'000*
Satisfied by:		
Convertible note	210,000	–
Cash consideration	–	4,717
Stamp duty	–	256
	210,000	4,973
Net cash inflow arising on acquisition:		
Cash paid	–	(4,973)
Bank balances and cash acquired	55	21,918
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	55	16,945

The subsidiary acquired during the year contributed HK$475,935,000 to the Group's turnover and HK$260,576,000 to the Group's profit from operations.

If the acquisition had been completed on 1 May 2004, the total group's turnover for the year would have been approximately HK$988,147,000 and profit from operation would have been approximately HK$389,307,000.

31. DISPOSAL OF SUBSIDIARIES

In March 2004, the Company entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Noble Time Development Inc. during the year together with its 42% interest in subsidiary, Newshine Development Limited and its 14.7% interest in associate, Beijing New Shine Garden Property Development Company Limited, for a consideration of HK$123,000,000. The disposal was completed in June 2004. A gain of HK$100,011,000 arose on the disposal of the entire interest in Noble Time Development Inc..

Details of the net assets disposed of in respect of the disposal of subsidiaries are summarised below:

	2005	**2004**
	HK$'000	*HK$'000*
NET ASSETS DISPOSED OF		
Property, plant and equipment	–	89
Interest in an associate	40,969	–
Non-current deposits	–	35,863
Non-current receivables	–	15,453
Trade and other receivables	6	10,284
Bank balances and cash	–	3,389
Other payables	–	(6,958)
Amounts due to group companies	–	(8,200)
Secured bank borrowings	–	(23,585)
Minority interests	(17,765)	(903)
	23,210	25,432
Attributable goodwill	–	57,919
Attributable capital reserve	(221)	–
Interests in associates	–	(26,700)
	22,989	56,651
Gain on disposal of subsidiaries	100,011	69,149
	123,000	125,800
Satisfied by:		
Cash consideration	358	134,000
Deposit received *(note 20(b))*	122,642	–
Waiver of amounts due to the Company by the subsidiaries	–	(8,200)
	123,000	125,800
Net cash inflow arising on disposal:		
Cash received	358	134,000
Bank balances and cash disposed of	–	(3,389)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	358	130,611

The subsidiaries disposed of during the year did not contribute significantly to the Group's results and cash flows.

32. COMMITMENTS

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Development expenditure of properties in PRC contracted for but not provided in the financial statements	321,744	6,960

The Company had no commitment at the balance sheet date.

33. CONTINGENT LIABILITIES

As at 30 April 2005, the Company gave a guarantee in favour of Phoenix Satellite TV, under which the Company guaranteed the due performance of Oasiscity, of the Group's obligations under the subscription and shareholders' agreement related to Phoenix Tower.

The Group has given guarantees to banks amounting to approximately to HK$704,389,000 in respect of certain facilities granted to the buyers of 金馬's completed properties.

34. PLEDGE OF ASSETS

As at 30 April 2005, the Group pledged 30% equity interest in Phoenix Real Property to Phoenix Satellite TV. Details of this are set out in note 15(a). The Group also has pledged bank deposits. Details of this are set out in note 17.

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year for premises	1,370	1,654

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Within one year	471	959
In the second to fifth year inclusive	108	420
	579	1,379

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of 2 to 3 years.

36. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, and the contribution by employees is at 5%.

Employees of subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

The total cost charged to the consolidated income statement of HK$287,000 (2004: HK$172,000) represents contributions payable to the scheme by the Group for the year.

INDEBTEDNESS OF GROUP

As at the close of business on 31 May 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$324,854,000, comprising secured bank loans of approximately HK$255,789,000 and unsecured loans from minority shareholders of subsidiaries of approximately HK$69,065,000. The aggregate amount repayable at 31 May 2006 is as follows:

	HK$'000
Bank loans repayable	
Within one year	168,029
Between one and two years	87,760
Loans from minority shareholders of subsidiaries	
Repayable on demand	69,065
	324,854

As at 31 May 2006, the Group has given guarantees to banks amounting to approximately to HK$1,041,917,000 in respect of certain facilities granted to the buyers of the Group's completed properties. Before the buyers obtaining the ownership certificates of their properties which they can use their properties to secure their mortgage loans, the Group needs to give guarantees to banks for the buyers' mortgage loans. After the buyers obtain their properties' ownership certificates, the banks can use the buyers' properties as securities for the buyers' mortgage loans and the Group's corresponding guarantees will be released.

As at 31 May 2006, save as disclosed above and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, or authorised/otherwise created but un-issued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured/unsecured, guaranteed or not), any mortgages and charges, any contingent liabilities or guarantees.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 May 2006.

WORKING CAPITAL

Taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of publication of this Circular.

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

20 July 2006

The Board of Directors
Tianjin Zhongxin Huaan Real Estate Development Co., Ltd.

Dear Sirs,

We set out below our report on the financial information relating to Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (the "company") in Sections I to VII, including the balance sheet as at 31 December 2005 and 30 April 2006 and the related income statement, statement of changes in equity and cash flow statement of the company for the period from 3 June 2005 (date of incorporation) to 31 December 2005 and 4 months ended 30 April 2006 (collectively the "Relevant Periods") and the notes thereto (collectively the "Financial Information") for the inclusion in the circular of Neo-China Group (Holdings) Limited dated 20 July 2006 (the "Circular").

The company has prepared its statutory accounts for the period ended 31 December 2005 in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in mainland China (the "PRC GAAP") and were audited by Tianjin Zhongda Certified Public Accountants Co., Ltd., registered accountants in mainland China.

The Financial Information has been prepared based on the PRC GAAP statutory accounts and the unaudited management accounts of the company after making adjustments as appropriate in compliance with the Hong Kong Financial Reporting Standards ("HKFRSs"), the collective terms of which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The management of the company is responsible for preparing the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information, and to report our opinion.

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the financial statements of the company for the RelevanßPPeriods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the company in respect to any period subsequent to 30 April 2006.

In our opinion, for the purpose of this report, the Financial Information on the basis set out in note 2(a) in Section V, gives a true and fair view of the company's results and cash flows for the Relevant Periods and the state of affairs of the company as at 31 December 2005 and 30 April 2006.

(I) INCOME STATEMENT

	Section (V) Notes	3 June 2005 to 31 December 2005 (audited) HK$'000	1 January 2006 to 30 April 2006 (audited) HK$'000
Other revenue		5	–
Administrative expenses		(92)	–
Loss before taxation	3	(87)	–
Taxation	4	–	–
Loss for the period		(87)	–

(II) BALANCE SHEET

	Section (V) Notes	31 December 2005 (audited) HK$'000	30 April 2006 (audited) HK$'000
Current Assets			
Amounts due from related companies	5	19,185	19,119
Properties under development	6	8,913	10,289
Bank balances and cash		6	6
		28,104	29,414
Current Liabilities			
Amount due to holding company	7	8,913	8,913
Amount due to a related company	7	27	1,337
		8,940	10,250
Net Assets		19,164	19,164
Capital and Reserves			
Registered capital	8	19,231	19,231
Reserves	9	(67)	(67)
Total Equity		19,164	19,164

(III) STATEMENT OF CHANGES IN EQUITY

	Section (V) Notes	**Registered capital** *HK$'000*	**Capital reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
Capital injection		19,231	20	–	19,251
Loss for the period		–	–	(87)	(87)
At 31 December 2005	*8, 9*	19,231	20	(87)	19,164
At 1 January 2006		19,231	20	(87)	19,164
Loss for the period		–	–	–	–
At 30 April 2006	*8, 9*	19,231	20	(87)	19,164

(IV) CASH FLOW STATEMENT

	31 December 2005 (audited) *HK$'000*	30 April 2006 (audited) *HK$'000*
Loss before taxation	(87)	–
Adjustment for:		
Interest income	(5)	–
Operating cash flows before movements in working capital	(92)	–
Increase in properties under development	(8,913)	(1,376)
(Increase)/decrease in amounts due from related companies	(19,185)	66
Increase in amount due to holding company	8,913	–
Increase in amount due to a related company	27	1,310
NET CASH USED IN OPERATING ACTIVITIES	(19,250)	–
INVESTING ACTIVITIES		
Interest income	5	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	5	–
FINANCING ACTIVITIES		
Proceeds from capital injection	19,251	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	19,251	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	6	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	–	6
CASH AND EQUIVALENTS AT END OF THE PERIOD		
Bank balances and cash	6	6

(V) NOTES TO THE FINANCIAL INFORMATION

1) General information

The company is a sino-foreign equity joint venture company established in mainland China and has its registered office and principal place of business at 天津市南開區二馬路龍鳳市場內17-3號, Tianjin, the PRC.

2) Principal accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

The Financial Information presented also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information. The Financial Information have been prepared under historical cost convention.

(b) Impairment of assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recongised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(c) Inventories – property development

The cost of acquiring land held under operating leases is amortised on a straight line basis over the lease term. If the property is in the course of development or redevelopment the amortisation charge is included as part of the costs of the property under development. Inventories in respect of property development activities are carried at the lower of cost and net realizable value. The cost of properties under development for sale comprises specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(d) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

(f) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(g) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(i) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

(j) Translation of foreign currencies

The company's functional currency is Renminbi ("RMB"). The Financial Information are presented in Hong Kong dollars for the purpose as the acquirer, Neo-China Group (Holdings) Limited presents its accounts in Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

(k) Related parties

For the purposes of the Financial Information, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and postemployment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

3) Loss before taxation

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

	3 June 2005 to 31 December 2005	**1 January 2006 to 30 April 2006**
	HK$'000	*HK$'000*
Exchange loss	65	–
Interest income	(5)	–

4) Taxation

Income tax payable of the company is governed by the Income Tax Law of the People's Republic of China and its implementing rules, which provide for a national income tax rate of 33% (plus a 3% local tax).

No provision for enterprise income tax in the mainland China has been made as the company did not derive any assessable profit for both periods.

5) Amounts due from related companies

	31 December 2005 HK$'000	Maximum balance during the period HK$'000	30 April 2006 HK$'000	Maximum balance during the period HK$'000
Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd.	–	–	2,839	2,839
Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd.	–	–	96	96
Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd.	–	–	16,184	16,184
Tianjin Neo-China Construction Investment Co., Ltd. *(note c)*	16,346	16,346	–	16,346
北京新松建築研究發展有限公司	2,839	2,839	–	2,839
	19,185		19,119	

Notes:

a) The amounts were unsecured, interest-free and have no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) and the amount due to holding company shall be capitalized on or before the Completion Date.

b) The related companies were ultimately controlled by Mr. Li Song Xiao.

c) The amount became credit balance as at 30 April 2006.

6) Properties under development

	31 December 2005 HK$'000	30 April 2006 HK$'000
At beginning of the period	–	8,913
Additions	8,913	1,376
At end of the period	8,913	10,289

7) Amount due to a related company/holding company

The amount was unsecured, interest-free and has no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) and the amount due to holding company shall be capitalized on or before the Completion Date.

8) Registered capital

	31 December 2005	**30 April 2006**
	HK$'000	*HK$'000*
At beginning of the period	–	19,231
Capital injection	19,231	–
At end of the period	19,231	19,231

The company was established on 3 June 2005 in mainland China as a sino-foreign equity joint venture. According to the Memorandum of Article, the registered capital of the company was RMB20,000,000 (equivalent to approximately HK$19,231,000). As per the capital verification report dated 18 July 2005, the shareholders had injected the capital in full.

9) Reserves

	Capital reserve	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Surplus from capital injection	20	–	20
Loss for the period	–	(87)	(87)
At 31 December 2005	20	(87)	(67)
At 1 January 2006	20	(87)	(67)
Loss for the period	–	–	–
At 30 April 2006	20	(87)	(67)

10) Capital commitments

As at the respective balance sheet dates of the Relevant Periods, the company had the following capital commitments not provided for in the Financial Information:

	31 December 2005 *HK$'000*	30 April 2006 *HK$'000*
Contracted but not provided for in the Financial Information	436,737	436,737
Authorized but not contracted for in the Financial Information	–	–
	436,737	436,737

11) Financial risk management

The company's activities expose it to a variety of financial risks: foreign exchange risk and liquidity risk.

a) Foreign exchange risk

The company's monetary assets and liabilities are denominated in RMB and the company conducted its business transactions principally in RMB. The exchange rate risk of the company is not significant.

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The company aims to maintain flexibility in funding by keeping committed credit lines available.

12) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated provision for impairment of other receivables

The company makes impairment losses on bad and doubtful debts based on an assessment of the recoverability of other receivables. Impairments are applied to other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and bad and doubtful debts expenses in the period in which such estimate has been charged.

b) Estimated provision for impairment of property under development

The company makes impairment losses on property under development ("PUD") based on an assessment of the net realisable value of the PUD. Impairments are applied to the PUD where events or changes in circumstances indicates that the net realizable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the PUD and impairments for PUD expenses in the period in which such estimate has been charged.

13) Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 April 2006

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 April 2006 and which have not been adopted in the Financial Information:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Cash flow hedge accounting of forecast intragroup transactions[2] – The fair value option[2] – Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) – Int 4	Determining whether and arrangement contains a lease[2]
HK(IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market waste electrical and electronic equipment[3]

1. *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 January 2006.*
3. *Effective for annual periods beginning on or after 1 December 2005.*

The directors anticipate that the adoption of these new HKFRSs in future periods will have no material impact on the Financial Information of the company.

(VI) SUBSEQUENT EVENTS

There was no material subsequent events that occurred after 30 April 2006 to the date of this report.

(VII) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the company in respect of any period subsequent to 30 April 2006.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

20 July 2006

The Board of Directors
Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.

Dear Sirs,

We set out below our report on the financial information relating to Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (the "company") in Sections I to VII, including the balance sheet as at 31 December 2005 and 30 April 2006 and the related income statement, statement of changes in equity and cash flow statement of the company for the period from 9 December 2004 (date of incorporation) to 31 December 2005 and 4 months ended 30 April 2006 (collectively the "Relevant Periods") and the notes thereto (collectively the "Financial Information") for the inclusion in the circular of Neo-China Group (Holdings) Limited dated 20 July 2006 (the "Circular").

The company has prepared its statutory accounts for the period ended 31 December 2005 in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in mainland China (the "PRC GAAP") and were audited by Tianjin Zhongda Certified Public Accountants Co., Ltd., registered accountants in mainland China.

The Financial Information has been prepared based on the PRC GAAP statutory accounts and the unaudited management accounts of the company after making adjustments as appropriate in compliance with the Hong Kong Financial Reporting Standards ("HKFRSs"), the collective terms of which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The management of the company is responsible for preparing the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information, and to report our opinion.

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the financial statements of the company for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the company in respect to any period subsequent to 30 April 2006.

In our opinion, for the purpose of this report, the Financial Information on the basis set out in note 2(a) in Section V, gives a true and fair view of the company's results and cash flows for the Relevant Periods and the state of affairs of the company as at 31 December 2005 and 30 April 2006.

(I) INCOME STATEMENT

	Section (V) Notes	**9 December 2004 to 31 December 2005** (audited) *HK$'000*	**1 January 2005 to 30 April 2005** (unaudited) *HK$'000*	**1 January 2006 to 30 April 2006** (audited) *HK$'000*
Other revenue		1	1	–
Administrative expenses		(16)	(13)	(1)
Loss before taxation	*3*	(15)	(12)	(1)
Taxation	*4*	–	–	–
Loss for the period		(15)	(12)	(1)

(II) BALANCE SHEET

	Section (V) Notes	31 December 2005 (audited) HK$'000	30 April 2005 (unaudited) HK$'000	30 April 2006 (audited) HK$'000
Current Assets				
Amounts due from related companies	5	69,455	69,455	38,563
Properties under development	6	13,570	–	14,215
Bank balances and cash		1	1	1
		83,026	69,456	52,779
Current Liabilities				
Amounts due to related companies	7	23,202	9,629	40,388
Amount due to a minority shareholder	7	49,615	49,615	2,183
		72,817	59,244	42,571
Net Assets		10,209	10,212	10,208
Capital and Reserves				
Registered capital	8	10,000	10,000	10,000
Reserves	9	209	212	208
Total Equity		10,209	10,212	10,208

(III) STATEMENT OF CHANGES IN EQUITY

	Section (V) Notes	**Registered capital** *HK$'000*	**Capital reserve** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
Capital injection		10,000	8	216	–	10,224
Loss for the period		–	–	–	(15)	(15)
At 31 December 2005	*8, 9*	10,000	8	216	(15)	10,209
At 1 January 2006		10,000	8	216	(15)	10,209
Loss for the period		–	–	–	(1)	(1)
At 30 April 2006	*8, 9*	10,000	8	216	(16)	10,208
At 1 January 2005		10,000	8	216	–	10,224
Loss for the period		–	–	–	(12)	(12)
At 30 April 2005 (unaudited)		10,000	8	216	(12)	10,212

(IV) CASH FLOW STATEMENT

	31 December 2005 (audited) *HK$'000*	30 April 2005 (unaudited) *HK$'000*	30 April 2006 (audited) *HK$'000*
Loss before taxation	(15)	(12)	(1)
Adjustment for:			
Interest income	(1)	(1)	–
Operating cash flows before movements in working capital	(16)	(13)	(1)
Increase in properties under development	(13,570)	–	(645)
(Increase)/decrease in amounts due from related companies	(69,455)	(69,455)	30,892
Increase in amounts due to related companies	23,202	9,629	17,186
Increase/(decrease) in amount due to a minority shareholder	49,615	49,615	(47,432)
NET CASH USED IN OPERATING ACTIVITIES	(10,224)	(10,224)	–
INVESTING ACTIVITIES			
Interest income	1	1	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	1	1	–
FINANCING ACTIVITIES			
Proceeds from capital injection	10,224	10,224	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	10,224	10,224	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	1	1	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	–	–	1
CASH AND EQUIVALENTS AT END OF THE PERIOD			
Bank balances and cash	1	1	1

(V) NOTES TO THE FINANCIAL INFORMATION

1) General information

The company is a sino-foreign equity joint venture company established in mainland China and has its registered office and principal place of business at 天津市南開區二馬路龍鳳市場內9號, Tianjin, the PRC.

2) Principal accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

The Financial Information presented also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information. The Financial Information have been prepared under historical cost convention.

(b) Impairment of assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recongised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(c) Inventories – property development

The cost of acquiring land held under operating leases is amortised on a straight line basis over the lease term. If the property is in the course of development or redevelopment the amortisation charge is included as part of the costs of the property under development. Inventories in respect of property development activities are carried at the lower of cost and net realizable value. The cost of properties under development for sale comprises specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(d) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

(f) Payables

Payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(g) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(i) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

(j) Translation of foreign currencies

The company's functional currency is Renminbi ("RMB"). The Financial Information are presented in Hong Kong dollars for the purpose as the acquirer, Neo-China Group (Holdings) Limited presents its accounts in Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

(k) Related parties

For the purposes of the Financial Information, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and postemployment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

3) Loss before taxation

Loss before taxation is arrived at after crediting:

	9 December 2004 to 31 December 2005 (audited) *HK$'000*	1 January 2005 to 30 April 2005 (unaudited) *HK$'000*	1 January 2006 to 30 April 2006 (audited) *HK$'000*
Interest income	1	1	–

4) Taxation

Income tax payable of the company is governed by the Income Tax Law of the People's Republic of China and its implementing rules, which provide for a national income tax rate of 33% (plus a 3% local tax).

No provision for enterprise income tax in the mainland China has been made as the company did not derive any assessable profit for both periods.

5) Amounts due from related companies

	31 December 2005 *HK$'000*	Maximum balance during the period *HK$'000*	30 April 2006 *HK$'000*	Maximum balance during the period *HK$'000*
北京三九建業房地產開發有限公司	1,539	1,539	1,539	1,539
Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd.	57,692	57,692	34,519	57,692
Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd.	–	–	2,505	2,505
北京新松建築研究發展有限公司	10,224	10,224	–	10,224
	69,455		38,563	

Notes:

a) The amounts were unsecured, interest-free and have no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) and the amount due to a minority shareholder shall be capitalized on or before the Completion Date.

b) The related companies were ultimately controlled by Mr. Li Song Xiao.

6) Properties under development

	31 December 2005 *HK$'000*	30 April 2006 *HK$'000*
At beginning of the period	–	13,570
Additions	13,570	645
At end of the period	13,570	14,215

7) Amounts due to related companies/a minority shareholder

The amounts were unsecured, interest-free and have no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) and the amount due to a minority shareholder shall be capitalized on or before the Completion Date.

8) Registered capital

	31 December 2005 *HK$'000*	30 April 2006 *HK$'000*
At beginning of the period	–	10,000
Capital injection	10,000	–
At end of the period	10,000	10,000

The company was established on 9 December 2004 in mainland China as a sino-foreign equity joint venture. According to the Memorandum of Article, the registered capital of the company was HK$10,000,000. As per the capital verification report dated 24 February 2005, the shareholders had injected the capital in full.

9) Reserves

	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Surplus from capital injection	8	216	–	224
Loss for the period	–	–	(15)	(15)
At 31 December 2005	8	216	(15)	209
At 1 January 2006	8	216	(15)	209
Loss for the period	–	–	(1)	(1)
At 30 April 2006	8	216	(16)	208

10) Capital commitments

As at the respective balance sheet dates of the Relevant Periods, the company had the following capital commitments not provided for in the Financial Information:

	31 December 2005	30 April 2006
	HK$'000	*HK$'000*
Contracted but not provided for in the Financial Information	201,216	201,216
Authorized but not contracted for in the Financial Information	–	–
	201,216	201,216

11) Financial risk management

The company's activities expose it to a variety of financial risks: foreign exchange risk and liquidity risk.

a) Foreign exchange risk

The company's monetary assets and liabilities are denominated in RMB and the company conducted its business transactions principally in RMB. The exchange rate risk of the company is not significant.

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The company aims to maintain flexibility in funding by keeping committed credit lines available.

12) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated provision for impairment of other receivables

The company makes impairment losses on bad and doubtful debts based on an assessment of the recoverability of other receivables. Impairments are applied to other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and bad and doubtful debts expenses in the period in which such estimate has been charged.

b) Estimated provision for impairment of property under development

The company makes impairment losses on property under development ("PUD") based on an assessment of the net realisable value of the PUD. Impairments are applied to the PUD where events or changes in circumstances indicates that the net realizable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the PUD and impairments for PUD expenses in the period in which such estimate has been charged.

13) Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 April 2006

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 April 2006 and which have not been adopted in the Financial Information:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Cash flow hedge accounting of forecast intragroup transactions[2] – The fair value option[2] – Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) – Int 4	Determining whether and arrangement contains a lease[2]
HK(IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market waste electrical and electronic equipment[3]

1. *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 January 2006.*
3. *Effective for annual periods beginning on or after 1 December 2005.*

The directors anticipate that the adoption of these new HKFRSs in future periods will have no material impact on the Financial Information of the company.

(VI) SUBSEQUENT EVENTS

There were no material subsequent events that occurred after 30 April 2006 to the date of this report.

(VII) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the company in respect of any period subsequent to 30 April 2006.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

20 July 2006

The Board of Directors
Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd.

Dear Sirs,

We set out below our report on the financial information relating to Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (the "company") in Sections I to VII, including the balance sheet as at 31 December 2005 and 30 April 2006 and the related income statement, statement of changes in equity and cash flow statement of the company for the period from 3 June 2005 (date of incorporation) to 31 December 2005 and 4 months ended 30 April 2006 (collectively the "Relevant Periods") and the notes thereto (collectively the "Financial Information") for the inclusion in the circular of Neo-China Group (Holdings) Limited dated 20 July 2006 (the "Circular").

The company has prepared its statutory accounts for the period ended 31 December 2005 in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in mainland China (the "PRC GAAP") and were audited by Tianjin Zhongda Certified Public Accountants Co., Ltd., registered accountants in mainland China.

The Financial Information has been prepared based on the PRC GAAP statutory accounts and the unaudited management accounts of the company after making adjustments as appropriate in compliance with the Hong Kong Financial Reporting Standards ("HKFRSs"), the collective terms of which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The management of the company is responsible for preparing the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information, and to report our opinion.

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the financial statements of the company for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the company in respect to any period subsequent to 30 April 2006.

In our opinion, for the purpose of this report, the Financial Information on the basis set out in note 2(a) in Section V, gives a true and fair view of the company's results and cash flows for the Relevant Periods and the state of affairs of the company as at 31 December 2005 and 30 April 2006.

(I) INCOME STATEMENT

	Section (V) Notes	**3 June 2005 to 31 December 2005** (audited) *HK$'000*	**1 January 2006 to 30 April 2006** (audited) *HK$'000*
Other revenue		3	–
Administrative expenses		(94)	(1)
Loss before taxation	*3*	(91)	(1)
Taxation	*4*	–	–
Loss for the period		(91)	(1)

(II) BALANCE SHEET

	Section (V) Notes	31 December 2005 (audited) HK$'000	30 April 2006 (audited) HK$'000
Current Assets			
Amounts due from related companies	5	16,359	14,832
Properties under development	6	10,014	11,636
Bank balances and cash		3	3
		26,376	26,471
Current Liabilities			
Amount due to holding company	7	7,216	7,216
Amount due to a related company	7	–	96
		7,216	7,312
Net Assets		19,160	19,159
Capital and Reserves			
Registered capital	8	19,231	19,231
Reserves	9	(71)	(72)
Total Equity		19,160	19,159

(III) STATEMENT OF CHANGES IN EQUITY

	Section (V) Notes	**Registered capital** *HK$'000*	**Capital reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
Capital injection		19,231	20	–	19,251
Loss for the period		–	–	(91)	(91)
At 31 December 2005	*8, 9*	19,231	20	(91)	19,160
At 1 January 2006		19,231	20	(91)	19,160
Loss for the period		–	–	(1)	(1)
At 30 April 2006	*8, 9*	19,231	20	(92)	19,159

(IV) CASH FLOW STATEMENT

	31 December 2005 (audited) *HK$'000*	30 April 2006 (audited) *HK$'000*
Loss before taxation	(91)	(1)
Adjustment for:		
Interest income	(3)	–
Operating cash flows before movements in working capital	(94)	(1)
Increase in properties under development	(10,014)	(1,622)
(Increase)/decrease in amounts due from related companies	(16,359)	1,527
Increase in amount due to holding company	7,216	–
Increase in amount due to a related company	–	96
NET CASH USED IN OPERATING ACTIVITIES	(19,251)	–
INVESTING ACTIVITIES		
Interest income	3	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	3	–
FINANCING ACTIVITIES		
Proceeds from capital injection	19,251	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	19,251	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	3	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	–	3
CASH AND EQUIVALENTS AT END OF THE PERIOD		
Bank balances and cash	3	3

(V) NOTES TO THE FINANCIAL INFORMATION

1) General information

The company is a sino-foreign equity joint venture company established in mainland China and has its registered office and principal place of business at 天津市南開區二馬路龍鳳市場內17-1號, Tianjin, the PRC.

2) Principal accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

The Financial Information presented also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information. The Financial Information have been prepared under historical cost convention.

(b) Impairment of assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recongised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(c) Inventories – property development

The cost of acquiring land held under operating leases is amortised on a straight line basis over the lease term. If the property is in the course of development or redevelopment the amortisation charge is included as part of the costs of the property under development. Inventories in respect of property development activities are carried at the lower of cost and net realizable value. The cost of properties under development for sale comprises specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(d) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

(f) Payables

Payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(g) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(i) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

(j) Translation of foreign currencies

The company's functional currency is Renminbi ("RMB"). The Financial Information are presented in Hong Kong dollars for the purpose as the acquirer, Neo-China Group (Holdings) Limited presents its accounts in Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

(k) Related parties

For the purposes of the Financial Information, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and postemployment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

3) Loss before taxation

Loss before taxation is arrived at after crediting:

	3 June 2005 to 31 December 2005	1 January 2006 to 30 April 2006
	HK$'000	*HK$'000*
Interest income	3	–

4) Taxation

Income tax payable of the company is governed by the Income Tax Law of the People's Republic of China and its implementing rules, which provide for a national income tax rate of 33% (plus a 3% local tax).

No provision for enterprise income tax in the mainland China has been made as the company did not derive any assessable profit for both periods.

5) Amounts due from related companies

	31 December 2005	Maximum balance during the period	30 April 2006	Maximum balance during the period
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd.	13,520	16,346	12,399	16,346
Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd.	–	–	2,433	2,433
北京新松建築研究發展有限公司	2,839	2,839	–	2,839
	16,359		14,832	

Notes:

a) The amounts were unsecured, interest-free and have no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) and the amount due to holding company shall be capitalized on or before the Completion Date.

b) The related companies were ultimately controlled by Mr. Li Song Xiao.

6) Properties under development

	31 December 2005	**30 April 2006**
	HK$'000	*HK$'000*
At beginning of the period	–	10,014
Additions	10,014	1,622
At end of the period	10,014	11,636

7) Amount due to holding company/a related company

The amount was unsecured, interest-free and have no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) and the amount due to holding company shall be capitalized on or before the Completion Date.

8) Registered capital

	31 December 2005	**30 April 2006**
	HK$'000	*HK$'000*
At beginning of the period	–	19,231
Capital injection	19,231	–
At end of the period	19,231	19,231

The company was established on 3 June 2005 in mainland China as a sino-foreign equity joint venture. According to the Memorandum of Article, the registered capital of the company was RMB20,000,000 (equivalent to approximately HK$19,231,000). As per the capital verification report dated 8 August 2005, the shareholders had injected the capital in full.

9) Reserves

	Capital reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Surplus from capital injection	20	–	20
Loss for the period	–	(91)	(91)
At 31 December 2005	20	(91)	71
At 1 January 2006	20	(91)	(71)
Loss for the period	–	(1)	(1)
At 30 April 2006	20	(92)	(72)

10) Capital commitments

As at the respective balance sheet dates of the Relevant Periods, the company had the following capital commitments not provided for in the Financial Information:

	31 December 2005	30 April 2006
	HK$'000	*HK$'000*
Contracted but not provided for in the Financial Information	366,316	366,316
Authorized but not contracted for in the Financial Information	–	–
	366,316	366,316

11) Financial risk management

The company's activities expose it to a variety of financial risks: foreign exchange risk and liquidity risk.

a) Foreign exchange risk

Most of the company's monetary assets and liabilities are denominated in RMB and the company conducted its business transactions principally in RMB. The exchange rate risk of the company is not significant.

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The company aims to maintain flexibility in funding by keeping committed credit lines available.

12) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated provision for impairment of other receivables

The company makes impairment losses on bad and doubtful debts based on an assessment of the recoverability of other receivables. Impairments are applied to other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and bad and doubtful debts expenses in the period in which such estimate has been charged.

b) Estimated provision for impairment of property under development

The company makes impairment losses on property under development ("PUD") based on an assessment of the net realisable value of the PUD. Impairments are applied to the PUD where events or changes in circumstances indicates that the net realizable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the PUD and impairments for PUD expenses in the period in which such estimate has been charged.

13) Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 April 2006

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 April 2006 and which have not been adopted in the Financial Information:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Cash flow hedge accounting of forecast intragroup transactions[2] – The fair value option[2] – Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) – Int 4	Determining whether and arrangement contains a lease[2]
HK(IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market waste electrical and electronic equipment[3]

1. *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 January 2006.*
3. *Effective for annual periods beginning on or after 1 December 2005.*

The directors anticipate that the adoption of these new HKFRSs in future periods will have no material impact on the Financial Information of the company.

(VI) SUBSEQUENT EVENTS

There were no material subsequent events that occurred after 30 April 2006 to the date of this report.

(VII) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the company in respect of any period subsequent to 30 April 2006.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

CCIF

CCIF CPA LIMITED

37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

20 July 2006

The Board of Directors
Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd.

Dear Sirs,

We set out below our report on the financial information relating to Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (the "company") in Sections I to VII, including the balance sheet as at 31 December 2005 and 30 April 2006 and the related income statement, statement of changes in equity and cash flow statement of the company for the period from 3 June 2005 (date of incorporation) to 31 December 2005 and 4 months ended 30 April 2006 (collectively the "Relevant Periods") and the notes thereto (collectively the "Financial Information") for the inclusion in the circular of Neo-China Group (Holdings) Limited dated 20 July 2006 (the "Circular").

The company has prepared its statutory accounts for the period ended 31 December 2005 in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in mainland China (the "PRC GAAP") and were audited by Tianjin Zhongda Certified Public Accountants Co., Ltd., registered accountants in mainland China.

The Financial Information has been prepared based on the PRC GAAP statutory accounts and the unaudited management accounts of the company after making adjustments as appropriate in compliance with the Hong Kong Financial Reporting Standards ("HKFRSs"), the collective terms of which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The management of the company is responsible for preparing the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information, and to report our opinion.

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the financial statements of the company for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the company in respect to any period subsequent to 30 April 2006.

In our opinion, for the purpose of this report, the Financial Information on the basis set out in note 2(a) in Section V, gives a true and fair view of the company's results and cash flows for the Relevant Periods and the state of affairs of the company as at 31 December 2005 and 30 April 2006.

(I) INCOME STATEMENT

	Section (V) Notes	**3 June 2005 to 31 December 2005** (audited) *HK$'000*	**1 January 2006 to 30 April 2006** (audited) *HK$'000*
Other revenue		3	–
Administrative expenses		(93)	–
Loss before taxation	*3*	(90)	–
Taxation	*4*	–	–
Loss for the period		(90)	–

(II) BALANCE SHEET

	Section (V) Notes	31 December 2005 (audited) HK$'000	30 April 2006 (audited) HK$'000
Current Assets			
Amounts due from related companies	5	19,085	18,180
Properties under development	6	5,822	6,727
Bank balances and cash		2	2
		24,909	24,909
Current Liabilities			
Amount due to holding company	7	5,748	5,748
Net Assets		19,161	19,161
Capital and Reserves			
Registered capital	8	19,231	19,231
Reserves	9	(70)	(70)
Total Equity		19,161	19,161

(III) STATEMENT OF CHANGES IN EQUITY

	Section (V) Notes	**Registered capital** *HK$'000*	**Capital reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
Capital injection		19,231	20	–	19,251
Loss for the period		–	–	(90)	(90)
At 31 December 2005	*8, 9*	19,231	20	(90)	19,161
At 1 January 2006		19,231	20	(90)	19,161
Loss for the period		–	–	–	–
At 30 April 2006	*8, 9*	19,231	20	(90)	19,161

(IV) CASH FLOW STATEMENT

	31 December 2005 (audited) *HK$'000*	30 April 2006 (audited) *HK$'000*
Loss before taxation	(90)	–
Adjustment for:		
Interest income	(3)	–
Operating cash flows before movements in working capital	(93)	–
Increase in properties under development	(5,822)	(905)
(Increase)/decrease in amounts due from related companies	(19,085)	905
Increase in amount due to holding company	5,748	–
NET CASH USED IN OPERATING ACTIVITIES	(19,252)	–
INVESTING ACTIVITIES		
Interest income	3	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	3	–
FINANCING ACTIVITIES		
Proceeds from capital injection	19,251	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	19,251	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	2	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	–	2
CASH AND EQUIVALENTS AT END OF THE PERIOD		
Bank balances and cash	2	2

(V) NOTES TO THE FINANCIAL INFORMATION

1) General information

The company is a sino-foreign equity joint venture company established in mainland China and has its registered office and principal place of business at 天津市南開區二馬路龍鳳市場內9-1號, Tianjin, the PRC.

2) Principal accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

The Financial Information presented also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information. The Financial Information have been prepared under historical cost convention.

(b) Impairment of assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recongised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(c) Inventories – property development

The cost of acquiring land held under operating leases is amortised on a straight line basis over the lease term. If the property is in the course of development or redevelopment the amortisation charge is included as part of the costs of the property under development. Inventories in respect of property development activities are carried at the lower of cost and net realizable value. The cost of properties under development for sale comprises specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(d) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

(f) Payables

Payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(g) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(i) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

(j) Translation of foreign currencies

The company's functional currency is Renminbi ("RMB"). The Financial Information are presented in Hong Kong dollars for the purpose as the acquirer, Neo-China Group (Holdings) Limited presents its accounts in Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

(k) Related parties

For the purposes of the Financial Information, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and postemployment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

3) Loss before taxation

Loss before taxation is arrived at after crediting:

	3 June 2005 to 31 December 2005	**1 January 2006 to 30 April 2006**
	HK$'000	*HK$'000*
Interest income	3	–

4) Taxation

Income tax payable of the company is governed by the Income Tax Law of the People's Republic of China and its implementing rules, which provide for a national income tax rate of 33% (plus a 3% local tax).

No provision for enterprise income tax in the mainland China has been made as the company did not derive any assessable profit for both periods.

5) Amounts due from related companies

	31 December 2005	**Maximum balance during the period**	**30 April 2006**	**Maximum balance during the period**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd.	16,246	16,333	15,350	16,246
Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd.	–	–	2,830	2,830
北京新松建築研究發展有限公司	2,839	2,839	–	2,839
	19,085		18,180	

Notes:

a) The amounts were unsecured, interest-free and have no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amounts due from related companies (after the elimination of inter-company balances among Property Owners) and the amount due to holding company shall be capitalized on or before the Completion Date.

b) The related companies were ultimately controlled by Mr. Li Song Xiao.

6) Properties under development

	31 December 2005	**30 April 2006**
	HK$'000	*HK$'000*
At beginning of the period	–	5,822
Additions	5,822	905
At end of the period	5,822	6,727

7) Amount due to holding company

The amount was unsecured, interest-free and has no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amounts due from related companies (after the elimination of inter-company balances among Property Owners) and the amount due to holding company shall be capitalized on or before the Completion Date.

8) Registered capital

	31 December 2005	**30 April 2006**
	HK$'000	*HK$'000*
At beginning of the period	–	19,231
Capital injection	19,231	–
At end of the period	19,231	19,231

The company was established on 3 June 2005 in mainland China as a sino-foreign equity joint venture. According to the Memorandum of Article, the registered capital of the company was RMB20,000,000 (equivalent to approximately HK$19,231,000). As per the capital verification report dated 9 August 2005, the shareholders had injected the capital in full.

9) Reserves

	Capital reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Surplus from capital injection	20	–	20
Loss for the period	–	(90)	(90)
At 31 December 2005	20	(90)	(70)
At 1 January 2006	20	(90)	(70)
Loss for the period	–	–	–
At 30 April 2006	20	(90)	(70)

10) Capital commitments

As at the respective balance sheet dates of the Relevant Periods, the company had the following capital commitments not provided for in the Financial Information:

	31 December 2005	30 April 2006
	HK$'000	*HK$'000*
Contracted but not provided for in the Financial Information	292,767	292,767
Authorized but not contracted for in the Financial Information	–	–
	292,767	292,767

11) Financial risk management

The company's activities expose it to a variety of financial risks: foreign exchange risk and liquidity risk.

a) Foreign exchange risk

Most of the company's monetary assets and liabilities are denominated in RMB, and the company conducted its business transactions principally in RMB. The exchange rate risk of the company is not significant.

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The company aims to maintain flexibility in funding by keeping committed credit lines available.

12) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated provision for impairment of other receivables

The company makes impairment losses on bad and doubtful debts based on an assessment of the recoverability of other receivables. Impairments are applied to other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and bad and doubtful debts expenses in the period in which such estimate has been charged.

b) Estimated provision for impairment of property under development

The company makes impairment losses on property under development ("PUD") based on an assessment of the net realisable value of the PUD. Impairments are applied to the PUD where events or changes in circumstances indicates that the net realizable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the PUD and impairments for PUD expenses in the period in which such estimate has been charged.

13) Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 April 2006

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 April 2006 and which have not been adopted in the Financial Information:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Cash flow hedge accounting of forecast intragroup transactions[2] – The fair value option[2] – Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) – Int 4	Determining whether and arrangement contains a lease[2]
HK(IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market waste electrical and electronic equipment[3]

1. *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 January 2006.*
3. *Effective for annual periods beginning on or after 1 December 2005.*

The directors anticipate that the adoption of these new HKFRSs in future periods will have no material impact on the Financial Information of the company.

(VI) SUBSEQUENT EVENTS

There were no material subsequent events that occurred after 30 April 2006 to the date of this report.

(VII) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the company in respect of any period subsequent to 30 April 2006.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

20 July 2006

The Board of Directors
Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd.

Dear Sirs,

We set out below our report on the financial information relating to Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (the "company") in Sections I to VII, including the balance sheet as at 31 December 2005 and 30 April 2006 and the related income statement, statement of changes in equity and cash flow statement of the company for the period from 3 June 2005 (date of incorporation) to 31 December 2005 and 4 months ended 30 April 2006 (collectively the "Relevant Periods") and the notes thereto (collectively the "Financial Information") for the inclusion in the circular of Neo-China Group (Holdings) Limited dated 20 July 2006 (the "Circular").

The company has prepared its statutory accounts for the period ended 31 December 2005 in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in mainland China (the "PRC GAAP") and were audited by Tianjin Zhongda Certified Public Accountants Co., Ltd., registered accountants in mainland China.

The Financial Information has been prepared based on the PRC GAAP statutory accounts and the unaudited management accounts of the company after making adjustments as appropriate in compliance with the Hong Kong Financial Reporting Standards ("HKFRSs"), the collective terms of which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The management of the company is responsible for preparing the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information, and to report our opinion.

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the financial statements of the company for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the company in respect to any period subsequent to 30 April 2006.

In our opinion, for the purpose of this report, the Financial Information on the basis set out in note 2(a) in Section V, gives a true and fair view of the company's results and cash flows for the Relevant Periods and the state of affairs of the company as at 31 December 2005 and 30 April 2006.

(I) INCOME STATEMENT

	Section (V) Notes	**3 June 2005 to 31 December 2005** (audited) *HK$'000*	**1 January 2006 to 30 April 2006** (audited) *HK$'000*
Other revenue		43	5
Administrative expenses		(145)	(110)
Loss before taxation	*3*	(102)	(105)
Taxation	*4*	–	–
Loss for the period		(102)	(105)

(II) BALANCE SHEET

	Section (V) Notes	31 December 2005 (audited) HK$'000	30 April 2006 (audited) HK$'000
Non-Current Assets			
Plant and equipment	5	85	501
Current Assets			
Amount due from holding company	6	80,769	–
Amounts due from related companies	7	2,837	110,507
Properties under development	8	287,068	299,039
Prepayment, deposits and other receivables		1,180	6,171
Bank balances and cash		182	72,427
		372,036	488,144
Current Liabilities			
Amounts due to related companies	9	256,819	247,707
Amount due to holding company	6	–	19,183
Trade and other payables		–	31,021
Advance from customers	10	–	75,537
Interest bearing borrowings	11	–	96,153
		256,819	469,601
Net Current Assets		115,217	18,543
Total Assets less Current Liabilities		115,302	19,044
Non-current liabilities			
Interest bearing borrowings	11	96,153	–
		19,149	19,044
Capital and Reserves			
Registered capital	12	19,231	19,231
Reserves	13	(82)	(187)
Total Equity		19,149	19,044

(III) STATEMENT OF CHANGES IN EQUITY

	Section (V) Notes	**Registered capital** *HK$'000*	**Capital reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
Capital injection		19,231	20	–	19,251
Loss for the period		–	–	(102)	(102)
At 31 December 2005	*12, 13*	19,231	20	(102)	19,149
At 1 January 2006		19,231	20	(102)	19,149
Loss for the period		–	–	(105)	(105)
At 30 April 2006	*12, 13*	19,231	20	(207)	19,044

(IV) CASH FLOW STATEMENT

	31 December 2005 (audited) *HK$'000*	30 April 2006 (audited) *HK$'000*
Loss before taxation	(102)	(105)
Adjustments for:		
Depreciation	–	1
Interest income	(43)	(5)
Operating cash flows before movements in working capital	(145)	(109)
Increase in properties under development	(287,067)	(11,963)
Increase in trade and other receivables	(1,180)	(4,989)
(Increase)/decrease in amount due from holding company	(80,769)	80,769
Increase in amounts due from related companies	(2,837)	(107,670)
Increase in trade and other payables	–	31,021
Increase in advance from customers	–	75,537
Increase in amount due to holding company	–	19,183
Increase/(decrease) in amounts due to related companies	256,819	(9,112)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(115,179)	72,667
INVESTING ACTIVITIES		
Interest income	43	5
Purchase of plant and equipment	(86)	(427)
NET CASH USED IN INVESTING ACTIVITIES	(43)	(442)
FINANCING ACTIVITIES		
Inception of other loans	96,153	–
Proceeds from capital injection	19,251	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	115,404	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	182	72,245
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	–	182
CASH AND EQUIVALENTS AT END OF THE PERIOD		
Bank balances and cash	182	72,427

(V) NOTES TO THE FINANCIAL INFORMATION

1) General information

The company is a sino-foreign joint venture limited company established in mainland China and has its registered office and principal place of business at 天津市南開區二馬路龍鳳市場內17-2號, Tianjin, the PRC.

2) Principal accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

The Financial Information presented also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Financial Information have been prepared under historical cost convention.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Plant and equipment

The following items of plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Office equipment	10 years
Motor vehicle	10 years

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(c) Impairment of assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recongised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(d) Inventories – property development

The cost of acquiring land held under operating leases is amortised on a straight line basis over the lease term. If the property is in the course of development or redevelopment the amortisation charge is included as part of the costs of the property under development. Inventories in respect of property development activities are carried at the lower of cost and net realizable value. The cost of properties under development for sale comprises specifically identified cost, including borrowing costs capitalised *(see note (2m))*, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(e) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts *(see note (2c))*, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts *(see note (2c))*.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

(g) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in income statement over the period of the borrowings using the effective interest method.

(h) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

(l) Translation of foreign currencies

The company's functional currency is Renminbi ("RMB"). The Financial Information are presented in Hong Kong dollars for the purpose as the acquirer, Neo-China Group (Holdings) Limited presents its accounts in Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

(m) Borrowing costs

Borrowing costs are expensed in income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(n) Related parties

For the purposes of the Financial Information, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and postemployment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

3) Loss before taxation

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

	1 January 2005 to 31 December 2005 *HK$'000*	1 January 2006 to 30 April 2006 *HK$'000*
Depreciation	1	11
Less: amounts capitalized	(1)	(10)
	–	1
Interest income	(43)	(5)

4) Taxation

Income tax payable of the company is governed by the Income Tax Law of the People's Republic of China and its implementing rules, which provide for a national income tax rate of 33% (plus a 3% local tax).

Income tax has not been provided for during the Relevant Periods as the company did not derive any profit which subject to income tax.

5) Plant and equipment

	Office equipment *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
Cost			
Additions and at 31 December 2005	86	–	86
At 1 January 2006	86	–	86
Additions	142	285	427
At 30 April 2006	228	285	513
Accumulated depreciation			
Provided during the period and at 31 December 2005	1	–	1
At 1 January 2006	1	–	1
Provided during the period	7	4	11
At 30 April 2006	8	4	12
Net book value			
At 31 December 2005	85	–	85
At 30 April 2006	220	281	501

6) Amount due from/(to) holding company

	31 December 2005 *HK$'000*	Maximum balance during the period *HK$'000*	30 April 2006 *HK$'000*	Maximum balance during the period *HK$'000*
北京新松投資集團有限公司	80,769	80,769	(19,183)	N/A

Note:

The amount was unsecured, interest-free and has no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amount due from/to holding company and the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) shall be capitalized on or before the Completion Date.

7) Amounts due from related companies

	31 December 2005	Maximum balance during the period	30 April 2006	Maximum balance during the period
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
北京新松建築研究發展有限公司	2,837	2,837	110,411	116,561
Tianjin Xinrun Real Estate Development Co., Ltd.	–	–	96	96
	2,837		110,507	

Notes:

a) The amounts were unsecured, interest-free and have no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amount due from/to holding company and the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) shall be capitalized on or before the Completion Date.

b) The related companies were ultimately controlled by Mr. Li Song Xiao.

8) Properties under development

	31 December 2005	30 April 2006
	HK$'000	*HK$'000*
At beginning of the period	–	287,068
Capitalization of borrowing costs	3,826	3,846
Other additions	283,242	8,125
At end of the period	287,068	299,039

9) Amounts due to related companies

The amounts were unsecured, interest-free and have no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amounts due from/to holding company and the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) shall be capitalized on or before the Completion Date.

10) Advance from customers

The amount represents deposits received on sales of properties net of sales taxes and other relevant indirect taxes imposed by the mainland China tax authority.

11) Interest-bearing borrowings

	31 December 2005 *HK$'000*	**30 April 2006** *HK$'000*
At beginning of the period	–	96,153
Other loan *(Note)*	96,153	–
At end of the period	96,153	96,153
Represented by:		
Current portion	–	96,153
Non-current portion	96,153	–
	96,153	96,153

Note:

The loan was originally granted to Tianjin Neo-China Construction Investment Co., Ltd., a related company, which was re-assigned to the company in 2005 (note 15). It is interest bearing at 7.5% per annum with the term of the loan from 15 August 2005 to 15 February 2007.

12) Registered capital

	31 December 2005 *HK$'000*	**30 April 2006** *HK$'000*
At beginning of the period	–	19,231
Capital injection	19,231	–
At end of the period	19,231	19,231

The company was established on 3 June 2005 in mainland China as a sino-foreign equity joint venture. According to the Memorandum of Article, the registered capital of the company was RMB20,000,000 (equivalent to approximately HK$19,231,000). As per the capital verification report dated 8 July 2005, the shareholders had injected the capital in full.

13) Reserves

	Capital reserve	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At date of incorporation	–	–	–
Loss for the period	20	(102)	(82)
At 31 December 2005	20	(102)	(82)
At 1 January 2006	20	(102)	(82)
Loss for the period	–	(105)	(105)
At 30 April 2006	20	(207)	(187)

14) Capital commitments

As at the respective balance sheet dates of the Relevant Periods, the company had the following capital commitments not provided for in the Financial Information:

	31 December 2005	**30 April 2006**
	HK$'000	*HK$'000*
Contracted but not provided for in the Financial Information	22,553	20,767
Authorized but not contracted for in the Financial Information	–	–
	22,553	20,767

15) Related party transactions

In addition to the transactions and balances disclosed elsewhere in the Financial Information, the company entered into the following related party transactions which was carried out in the normal course of business:

Name of related party	Nature of transaction	31 December 2005	30 April 2006
		HK$'000	*HK$'000*
Tianjin Neo-China Construction Investment Co., Ltd. *(note)*	Service fee expenses	481	–
	Interest bearing borrowings *(note 11)*	96,153	–

Note:

Tianjin Neo-China Construction Investment Co., Ltd. was ultimately controlled by Mr. Li Song Xiao.

16) Financial risk management

The company's activities expose it to a variety of financial risks: foreign exchange risk, liquidity risk, cash flow interest-rate risk and fair value interest rate risk.

a) Foreign exchange risk

The company's monetary assets and liabilities are denominated in RMB and the company conducted its business transactions principally in RMB. The exchange rate risk of the company is not significant.

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The company aims to maintain flexibility in funding by keeping committed credit lines available.

c) Cash flow and fair value interest rate risk

The company's interest-rate risk arises from debt borrowings. Borrowings issued at fixed rates expose the company to fair value interest-rate risk. As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

17) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated provision for impairment of other receivables

The company makes impairment losses on bad and doubtful debts based on an assessment of the recoverability of other receivables. Impairments are applied to other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and bad and doubtful debts expenses in the period in which such estimate has been charged.

b) Estimated provision for impairment of property under development

The company makes impairment losses on property under development ("PUD") based on an assessment of the net realisable value of the PUD. Impairments are applied to the PUD where events or changes in circumstances indicates that the net realizable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the PUD and impairments for PUD expenses in the period in which such estimate has been charged.

c) Income tax

The company is subject to taxation in mainland China. Significant judgement is required in determining the provision for tax and the timing of payment of the related tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

18) Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 April 2006

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 April 2006 and which have not been adopted in the Financial Information:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Cash flow hedge accounting of forecast intragroup transactions[2] – The fair value option[2] – Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) – Int 4	Determining whether and arrangement contains a lease[2]
HK(IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market waste electrical and electronic equipment[3]

1. *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 January 2006.*
3. *Effective for annual periods beginning on or after 1 December 2005.*

The directors anticipate that the adoption of these new HKFRSs in future periods will have no material impact on the Financial Information of the company.

(VI) SUBSEQUENT EVENTS

There were no material subsequent events that occurred after 30 April 2006 to the date of this report.

(VII) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the company in respect of any period subsequent to 30 April 2006.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

20 July 2006

The Board of Directors
Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd.

Dear Sirs,

We set out below our report on the financial information relating to Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. (the "company") in Sections I to VII, including the balance sheet as at 31 December 2004, 31 December 2005 and 30 April 2006 and the related income statement, statement of changes in equity and cash flow statement of the company for the period from 23 September 2004 (date of incorporation) to 31 December 2004, for the year ended 31 December 2005 and 4 months ended 30 April 2006 (collectively the "Relevant Periods") and the notes thereto (collectively the "Financial Information") for the inclusion in the circular of Neo-China Group (Holdings) Limited dated 20 July 2006 (the "Circular").

The company has prepared its statutory accounts for the year ended 31 December 2005 in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in mainland China (the "PRC GAAP") and were audited by Tianjin Zhongda Certified Public Accountants Co., Ltd., registered accountants in mainland China.

The Financial Information has been prepared based on the PRC GAAP statutory accounts and the unaudited management accounts of the company after making adjustments as appropriate in compliance with the Hong Kong Financial Reporting Standards ("HKFRSs"), the collective terms of which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The management of the company is responsible for preparing the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information, and to report our opinion.

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the financial statements of the company for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the company in respect to any period subsequent to 30 April 2006.

In our opinion, for the purpose of this report, the Financial Information on the basis set out in note 2(a) in Section V, gives a true and fair view of the company's results and cash flows for the Relevant Periods and the state of affairs of the company as at 31 December 2004, 31 December 2005 and 30 April 2006.

(I) INCOME STATEMENT

	Section (V) Notes	**23 September 2004 to 31 December 2004** (audited) *HK$'000*	**1 January 2005 to 31 December 2005** (audited) *HK$'000*	**1 January 2005 to 30 April 2005** (unaudited) *HK$'000*	**1 January 2006 to 30 April 2006** (audited) *HK$'000*
Other revenue		46	135	7	36
Administrative expenses		(107)	(322)	(62)	(6)
(Loss)/profit before taxation	*3*	(61)	(187)	(55)	30
Taxation	*4*	–	–	–	–
(Loss)/profit for the period/year		(61)	(187)	(55)	30

(II) BALANCE SHEET

	Section (V) Notes	31 December 2004 (audited) HK$'000	31 December 2005 (audited) HK$'000	30 April 2005 (unaudited) HK$'000	30 April 2006 (audited) HK$'000
Non-Current Assets					
Plant and equipment	5	722	1,201	1,598	1,181
Current Assets					
Amount due from holding company	6	–	–	–	11,268
Amounts due from related companies	7	–	31,811	9,693	2,416
Amount due from minority shareholder		–	–	11,575	–
Other non-current financial assets	8	–	154	–	–
Properties under development	9	200,164	341,387	222,186	416,138
Prepayment, deposits and other receivables		788	42,501	2,209	23,356
Pledged bank deposits		–	–	–	14,868
Bank balances and cash		5,691	9,672	1,130	12,737
		206,643	425,525	246,793	480,783
Current Liabilities					
Amounts due to related companies	10	–	39,367	9,613	166,450
Amount due to holding company	6	154,278	102,261	164,249	–
Amount due to a minority shareholder	10	2,060	32,259	–	11,198
Trade and other payables		3,011	65,587	26,568	74,228
Advance from customers	11	–	–	–	4,947
Secured interest-bearing borrowings	12	–	139,423	–	177,282
		159,349	378,897	200,430	434,105
Net Current Assets		47,294	46,628	46,363	46,678
Total Assets less Current Liabilities		48,016	47,829	47,961	47,859
Capital and Reserves					
Registered capital	13	48,077	48,077	48,077	48,077
Reserves	14	(61)	(248)	(116)	(218)
Total Equity		48,016	47,829	47,961	47,859

(III) STATEMENT OF CHANGES IN EQUITY

	Section (V) Notes	**Registered capital** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
Capital injection		48,077	–	48,077
Loss for the period		–	(61)	(61)
At 31 December 2004	*13, 14*	48,077	(61)	48,016
At 1 January 2005		48,077	(61)	48,016
Loss for the year		–	(187)	(187)
At 31 December 2005	*13, 14*	48,077	(248)	47,829
At 1 January 2006		48,077	(248)	47,829
Profit for the period		–	30	30
At 30 April 2006	*13, 14*	48,077	(218)	47,859
At 1 January 2005		48,077	(61)	48,016
Profit for the period		–	(55)	(55)
At 30 April 2005 (unaudited)		48,077	(116)	47,961

(IV) CASH FLOW STATEMENT

	31 December 2004 (audited) *HK$'000*	31 December 2005 (audited) *HK$'000*	30 April 2005 (unaudited) *HK$'000*	30 April 2006 (audited) *HK$'000*
(Loss)/profit before taxation	(61)	(187)	(55)	30
Adjustments for:				
Depreciation	–	8	3	3
Gain on disposals of non-current financial assets	–	–	–	(2)
Interest income	(46)	(135)	(7)	(34)
Operating cash flows before movements in working capital	(107)	(314)	(59)	(3)
Increase in properties under development	(200,076)	(140,404)	(21,839)	(74,462)
(Increase)/decrease in prepayment, deposits and other receivables	(788)	(41,710)	(1,421)	19,147
Increase/(decrease) in amount due to minority shareholder	–	–	(11,575)	–
Increase in amount due from holding company	–	–	–	(11,268)
(Increase)/decrease in amounts due from related companies	–	(31,811)	(9,693)	29,395
Increase in trade and other payables	3,011	62,576	23,557	8,642
Increase in advance from customers	–	–	–	4,947
Increase/(decrease) in amount due to holding company	154,278	(52,017)	9,971	(102,261)
Increase in amounts due to related companies	–	39,367	9,613	127,082
Increase/(decrease) in amount due to a minority shareholder	2,060	30,199	(2,060)	(21,061)
NET CASH USED IN OPERATING ACTIVITIES	(41,622)	(134,114)	(3,506)	(19,842)

	31 December 2004 (audited) *HK$'000*	31 December 2005 (audited) *HK$'000*	30 April 2005 (unaudited) *HK$'000*	30 April 2006 (audited) *HK$'000*
INVESTING ACTIVITIES				
Purchase of non-current financial assets	–	(154)	–	–
Sales proceeds of disposals of non-current financial assets	–	–	–	156
Increase in pledged bank deposits	–	–	–	(14,868)
Interest income	46	135	7	34
Purchase of plant and equipment	(810)	(1,309)	(1,062)	(274)
NET CASH USED IN INVESTING ACTIVITIES	(764)	(1,328)	(1,055)	(14,952)
FINANCING ACTIVITIES				
Inception of bank borrowings	–	81,731	–	125,000
Inception of other loans	–	57,692	–	–
Repayment of bank borrowings	–	–	–	(87,141)
Proceeds from capital injection	48,077	–	–	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	48,077	139,423	–	37,859
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,691	3,981	(4,561)	3,065
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	–	5,691	5,691	9,672
CASH AND EQUIVALENTS AT END OF THE PERIOD/YEAR				
Bank balances and cash	5,691	9,672	1,130	12,737

(V) NOTES TO THE FINANCIAL INFORMATION

1) General information

The company is a limited company established in mainland China and has its registered office and principal place of business at 天津市南開區二馬路龍鳳市場內9號, Tianjin, the PRC.

2) Principal accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

The Financial Information presented also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information. The Financial Information have been prepared under historical cost convention.

(b) Plant and equipment

The following items of plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Furniture and fixtures	5 years
Office equipment	5 years
Leasehold improvement	2 years

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(c) Operating lease charges

Where the company has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

(d) Impairment of assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recongised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(e) Inventories – property development

The cost of acquiring land held under operating leases is amortised on a straight line basis over the lease term. If the property is in the course of development or redevelopment the amortisation charge is included as part of the costs of the property under development. Inventories in respect of property development activities are carried at the lower of cost and net realizable value. The cost of properties under development for sale comprises specifically identified cost, including borrowing costs capitalised *(see note (2n))*, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(f) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts *(see note (2d))*, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts *(see note (2d))*.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

(h) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in income statement over the period of the borrowings using the effective interest method.

(i) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

(m) Translation of foreign currencies

The company's functional currency is Renminbi ("RMB"). The Financial Information are presented in Hong Kong dollars for the purpose as the acquirer, Neo-China Group (Holdings) Limited presents its accounts in Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

(n) Borrowing costs

Borrowing costs are expensed in income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(o) Related parties

For the purposes of the Financial Information, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and postemployment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

3) (Loss)/profit before taxation

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

	23 September 2004 to 31 December 2004 (audited) *HK$'000*	1 January 2005 to 31 December 2005 (audited) *HK$'000*	1 January 2005 to 30 April 2005 (unaudited) *HK$'000*	1 January 2006 to 30 April 2006 (audited) *HK$'000*
Depreciation	88	830	186	294
Less: amounts capitalized	(88)	(822)	(183)	(291)
	–	8	3	3
Interest income	(46)	(135)	(7)	(34)

4) Taxation

Income tax payable of the company is governed by the Income Tax Law of the People's Republic of China and its implementing rules, which provide for a national income tax rate of 33% (plus a 3% local tax).

Income tax has not been provided for during the Relevant Periods as the company did not derive any profit which subject to income tax.

5) Plant and equipment

	Furniture and fixtures	Office equipment	Leasehold improvement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
Additions and at 31 December 2004	144	208	458	810
At 1 January 2005	144	208	458	810
Additions	18	217	1,074	1,309
At 31 December 2005	162	425	1,532	2,119
At 1 January 2006	162	425	1,532	2,119
Additions	274	–	–	274
At 30 April 2006	436	425	1,532	2,393
Accumulated depreciation				
Provided during the period and at 31 December 2004	7	5	76	88
At 1 January 2005	7	5	76	88
Provided during the year	30	68	732	830
At 31 December 2005	37	73	808	918
At 1 January 2006	37	73	808	918
Provided during the period	11	27	256	294
At 30 April 2006	48	100	1,064	1,212
Net book value				
At 31 December 2004	137	203	382	722
At 31 December 2005	125	352	724	1,201
At 30 April 2006	388	325	468	1,181

6) Amount due from/(to) holding company

	31 December 2004	Maximum balance during the period	31 December 2005	Maximum balance during the year	30 April 2006	Maximum balance during the period
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
北京新松投資集團有限公司	(154,278)	N/A	(102,261)	N/A	11,268	11,268

Note:

The amount was unsecured, interest-free and has no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amount due from/to holding company, the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) and the amount due to a minority shareholder shall be capitalized on or before the Completion Date.

7) Amounts due from related companies

	31 December 2004	Maximum balance during the period	31 December 2005	Maximum balance during the year	30 April 2006	Maximum balance during the period
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Tianjin Xinrun Real Estate Development Co., Ltd.	–	–	1,935	1,935	2,416	2,416
Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.	–	–	9,637	9,637	–	9,637
Tianjin Zhongxin Huaan Real Estate Development Co., Ltd.	–	–	27	27	–	27
Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd.	–	–	20,212	20,212	–	20,212
	–		31,811		2,416	

Notes:

a) The amounts were unsecured, interest-free and have no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amounts due from/to holding company, the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) and the amount due to a minority shareholder shall be capitalized on or before the Completion Date.

b) The related companies were ultimately controlled by Mr. Li Song Xiao.

8) Other non-current financial assets

	31 December 2004 *HK$'000*	31 December 2005 *HK$'000*	30 April 2006 *HK$'000*
Available-for-sale equity securities			
– Listed in mainland China	–	154	–

The equity securities were disposed of with a net gain of approximately HK$2,000 on 3 March 2006.

9) Properties under development

	31 December 2004 *HK$'000*	31 December 2005 *HK$'000*	30 April 2006 *HK$'000*
At beginning of the period/year	–	200,164	341,387
Capitalization of:			
Borrowing costs	–	3,657	3,554
Operating lease rentals	946	2,359	584
Staff costs	219	1,811	1,052
Depreciation	88	819	289
Other additions	198,911	132,577	69,272
At end of the period/year	200,164	341,387	416,138
Representing:			
Commercial building	200,164	316,721	361,822
School	–	24,666	54,316
	200,164	341,387	416,138

10) Amounts due to related companies/a minority shareholder

The amounts were unsecured, interest-free and have no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amount due from/to holding company, the amounts due from/to related companies (after the elimination of inter-company balances among Property Owners) and the amount due to a minority shareholder shall be capitalized on or before the Completion Date.

11) Advance from customers

The amount represents deposits received on sales of properties net of sales taxes and other relevant indirect taxes imposed by the mainland China tax authority.

12) Secured interest-bearing borrowings

	Note	31 December 2004 HK$'000	31 December 2005 HK$'000	30 April 2006 HK$'000
At beginning of the period/year		–	–	139,423
Other loan	(a)	–	57,692	–
Bank loans	(b)	–	81,731	–
Bank loans	(c)	–	–	125,000
Settlement during the period/year		–	–	(87,141)
At end of the period/year		–	139,423	177,282

(a) The loan was secured by the bank of which the company has pledged the leasehold land and bank deposits held by the company to the bank. It is interest bearing at 7.008% per annum with the term of the loan from 17 May 2005 to 26 May 2006. The loan was settled in full on 19 May 2006 and the corresponding pledged assets are released.

(b) The bank loan was secured by the leasehold land held by the company. It is interest bearing at 6.417% per annum with the term of loan from 23 September 2005 to 22 September 2006. The loan was settled in full on 28 February 2006.

(c) The bank loan was secured by the leasehold land held by the company. It is interest bearing at 6.696% per annum with the term of the loan from 18 January 2006 to 17 January 2007. The loan was partially settled of approximately HK$5,410,000 in March and April 2006.

13) Registered capital

	Note	31 December 2004 *HK$'000*	31 December 2005 *HK$'000*	30 April 2006 *HK$'000*
At beginning of the period/year		–	48,077	48,077
Capital injection	*(a)*	9,615	–	–
Increase in registered capital	*(b)*	38,462	–	–
At end of the period/year		48,077	48,077	48,077

(a) The company was established on 23 September 2004 in mainland China as a limited company. According to the Memorandum of Article, the registered capital of the company was RMB10,000,000 (equivalent to approximately HK$9,615,000). As per the capital verification report dated 21 September 2004, the shareholders had injected the capital in full.

(b) On 20 October 2004, according to the approval made by Tianjin Administration of Industry and Commerce, the registered capital of the company was increased from RMB10,000,000 to RMB50,000,000. As per the capital verification report dated 25 October 2005, the shareholders had injected the additional capital of RMB40,000,000 (equivalent to approximately HK$38,462,000) in full.

14) Reserves

	Accumulated Losses *HK$'000*
At date of incorporation	–
Loss for the period	(61)
At 31 December 2004	(61)
At 1 January 2005	(61)
Loss for the year	(187)
At 31 December 2005	(248)
At 1 January 2006	(248)
Profit for the period	30
At 30 April 2006	(218)

15) Commitments

(a) As at the respective balance sheet dates of the Relevant Periods, the company had the total future minimum lease payments under non-cancellable operating leases are payable in respect of land and buildings as follows:

	31 December 2004 *HK$'000*	31 December 2005 *HK$'000*	30 April 2006 *HK$'000*
Within one year	2,335	1,556	778
In the second to fifth years, inclusive	1,556	–	–
	3,891	1,556	778

(b) As at the respective balance sheet dates of the Relevant Periods, the company had the following capital commitments not provided for in the Financial Information:

	31 December 2004	**31 December 2005**	**30 April 2006**
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for in the Financial Information	10,011	57,293	62,310
Authorized but not contracted for in the Financial Information	–	–	–
	10,011	57,293	62,310

16) Related party transaction

In addition to the transactions and balances disclosed elsewhere in the Financial Information, the company entered into the following related party transaction which was carried out in the normal course of business:

	Relationship	**Nature of transaction**	**31 December 2004**	**31 December 2005**	**30 April 2006**
			HK$'000	*HK$'000*	*HK$'000*
北京新松投資集團有限公司	Holding company	Service fee expenses	–	375	4,096

17) Financial risk management

The company's activities expose it to a variety of financial risks: foreign exchange risk, liquidity risk, cash flow interest-rate risk and fair value interest rate risk.

a) Foreign exchange risk

The company's monetary assets and liabilities are denominated in RMB and the company conducted its business transactions principally in RMB. The exchange rate risk of the company is not significant.

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The company aims to maintain flexibility in funding by keeping committed credit lines available.

c) Cash flow and fair value interest rate risk

The company's interest-rate risk arises from debt borrowings. Borrowings issued at fixed rates expose the company to fair value interest-rate risk. As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

18) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated provision for impairment of other receivables

The company makes impairment losses on bad and doubtful debts based on an assessment of the recoverability of other receivables. Impairments are applied to other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and bad and doubtful debts expenses in the period in which such estimate has been charged.

b) Estimated provision for impairment of property under development

The company makes impairment losses on property under development ("PUD") based on an assessment of the net realisable value of the PUD. Impairments are applied to the PUD where events or changes in circumstances indicates that the net realizable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the PUD and impairments for PUD expenses in the period in which such estimate has been charged.

c) Income tax

The company is subject to taxation in mainland China. Significant judgement is required in determining the provision for tax and the timing of payment of the related tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

19) Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 April 2006

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 April 2006 and which have not been adopted in the Financial Information:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Cash flow hedge accounting of forecast intragroup transactions[2] – The fair value option[2] – Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) – Int 4	Determining whether and arrangement contains a lease[2]
HK(IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market waste electrical and electronic equipment[3]

1. *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 January 2006.*
3. *Effective for annual periods beginning on or after 1 December 2005.*

The directors anticipate that the adoption of these new HKFRSs in future periods will have no material impact on the Financial Information of the company.

(VI) SUBSEQUENT EVENTS

There were no material subsequent events that occurred after 30 April 2006 to the date of this report.

(VII) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the company in respect of any period subsequent to 30 April 2006.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

CCIF

CCIF CPA LIMITED

37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

20 July 2006

The Board of Directors
Tianjin Xinrun Real Estate Development Co., Ltd.

Dear Sirs,

We set out below our report on the financial information relating to Tianjin Xinrun Real Estate Development Co., Ltd. (the "company") in Sections I to VII, including the balance sheet as at 31 December 2005 and 30 April 2006 and the related income statement, statement of changes in equity and cash flow statement of the company for the period from 5 April 2005 (date of incorporation) to 31 December 2005 and 4 months ended 30 April 2006 (collectively the "Relevant Periods") and the notes thereto (collectively the "Financial Information") for the inclusion in the circular of Neo-China Group (Holdings) Limited dated 20 July 2006 (the "Circular").

The company has prepared its statutory accounts for the period ended 31 December 2005 in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in mainland China (the "PRC GAAP") and were audited by Tianjin Zhongda Certified Public Accountants Co., Ltd., registered accountants in mainland China.

The Financial Information has been prepared based on the PRC GAAP statutory accounts and the unaudited management accounts of the company after making adjustments as appropriate in compliance with the Hong Kong Financial Reporting Standards ("HKFRSs"), the collective terms of which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The management of the company is responsible for preparing the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information, and to report our opinion.

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the financial statements of the company for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the company in respect to any period subsequent to 30 April 2006.

In our opinion, for the purpose of this report, the Financial Information on the basis set out in note 2(a) in Section V, gives a true and fair view of the company's results and cash flows for the Relevant Periods and the state of affairs of the company as at 31 December 2005 and 30 April 2006.

(I) INCOME STATEMENT

	Section (V) Notes	**5 April 2005 to 31 December 2005** (audited) *HK$'000*	**1 January 2006 to 30 April 2006** (audited) *HK$'000*
Other revenue		3	–
Administrative expenses		(17)	–
Loss before taxation	*3*	(14)	–
Taxation	*4*	–	–
Loss for the period		(14)	–

(II) BALANCE SHEET

	Section (V) Notes	31 December 2005 (audited) HK$'000	30 April 2006 (audited) HK$'000
Current Assets			
Properties under development	5	106,537	108,314
Bank balances and cash		2	215
		106,539	108,529
Current Liabilities			
Amounts due to related companies	6	96,938	97,514
Amount due to a minority shareholder	6	–	1,414
		96,938	98,928
Net Assets		9,601	9,601
Capital and Reserves			
Registered capital	7	9,615	9,615
Reserves	8	(14)	(14)
Total Equity		9,601	9,601

(III) STATEMENT OF CHANGES IN EQUITY

	Section (V) Notes	**Registered capital** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
Capital injection		9,615	–	9,615
Loss for the period		–	(14)	(14)
At 31 December 2005	*7, 8*	9,615	(14)	9,601
At 1 January 2006		9,615	(14)	9,601
Loss for the period		–	–	–
At 30 April 2006	*7, 8*	9,615	(14)	9,601

(IV) CASH FLOW STATEMENT

	31 December 2005 (audited) *HK$'000*	30 April 2006 (audited) *HK$'000*
Loss before taxation	(14)	–
Adjustment for:		
Interest income	(3)	–
Operating cash flows before movements in working capital	(17)	–
Increase in properties under development	(106,537)	(1,777)
Increase in amounts due to related companies	96,938	576
Increase in amount due to a minority shareholder	–	1,414
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(9,616)	213
INVESTING ACTIVITIES		
Interest income	3	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	3	–
FINANCING ACTIVITIES		
Proceeds from capital injection	9,615	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	9,615	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	2	213
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	–	2
CASH AND EQUIVALENTS AT END OF THE PERIOD		
Bank balances and cash	2	215

(V) NOTES TO THE FINANCIAL INFORMATION

1) General information

The company is a sino-chinese joint venture company established in mainland China and has its registered office and principal place of business at 天津市南開區二馬路龍鳳市場內9號, Tianjin, the PRC.

2) Principal accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

The Financial Information presented also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information. The Financial Information have been prepared under historical cost convention.

(b) Impairment of assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recongised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(c) Inventories – property development

The cost of acquiring land held under operating leases is amortised on a straight line basis over the lease term. If the property is in the course of development or redevelopment the amortisation charge is included as part of the costs of the property under development. Inventories in respect of property development activities are carried at the lower of cost and net realizable value. The cost of properties under development for sale comprises specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(d) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

(f) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(g) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(i) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

(j) Translation of foreign currencies

The company's functional currency is Renminbi ("RMB"). The Financial Information are presented in Hong Kong dollars for the purpose as the acquirer, Neo-China Group (Holdings) Limited presents its accounts in Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

(k) Related parties

For the purposes of the Financial Information, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and postemployment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

3) Loss before taxation

Loss before taxation is arrived at after crediting:

	5 April 2005 to 31 December 2005	**1 January 2006 to 30 April 2006**
	HK$'000	*HK$'000*
Interest income	3	–

4) Taxation

Income tax payable of the company is governed by the Income Tax Law of the People's Republic of China and its implementing rules, which provide for a national income tax rate of 33% (plus a 3% local tax).

No provision for enterprise income tax in the mainland China has been made as the company did not derive any assessable profit for both periods.

5) Properties under development

	31 December 2005	**30 April 2006**
	HK$'000	*HK$'000*
At beginning of the period	–	106,537
Additions	106,537	1,777
At end of the period	106,537	108,314

6) Amounts due to related companies/a minority shareholder

The amounts were unsecured, interest-free and have no fixed terms of repayment. According to the Sales and Purchase Agreement (Supplementary) dated 5 July 2006, the net credit balance between the amounts due to related companies and the amount due to a minority shareholder shall be capitalized on or before the Completion Date.

7) Registered capital

	31 December 2005	**30 April 2006**
	HK$'000	*HK$'000*
At beginning of the period	–	9,615
Capital injection	9,615	–
At end of the period	9,615	9,615

The company was established on 5 April 2005 in mainland China as a limited company. According to the Memorandum of Article, the registered capital of the company was RMB10,000,000 (equivalent to approximately HK$9,615,000). As per the capital verification report dated 30 March 2005, the shareholders had injected the capital in full.

8) Reserves

	Accumulated losses
	HK$'000
Surplus from capital injection	–
Loss for the period	(14)
At 31 December 2005	(14)
At 1 January 2006	(14)
Loss for the period	–
At 30 April 2006	(14)

9) Capital commitments

As at the respective balance sheet dates of the Relevant Periods, the company had the following capital commitments not provided for in the Financial Information:

	31 December 2005	30 April 2006
	HK$'000	*HK$'000*
Contracted but not provided for in the Financial Information	373,836	373,836
Authorized but not contracted for in the Financial Information	–	–
	373,836	373,836

10) Financial risk management

The company's activities expose it to a variety of financial risks: foreign exchange risk and liquidity risk.

a) Foreign exchange risk

The company's monetary assets and liabilities are denominated in RMB and the company conducted its business transactions principally in RMB. The exchange rate risk of the company is not significant.

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The company aims to maintain flexibility in funding by keeping committed credit lines available.

11) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated provision for impairment of other receivables

The company makes impairment losses on bad and doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Impairments are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and bad and doubtful debts expenses in the period in which such estimate has been charged.

b) Estimated provision for impairment of property under development

The company makes impairment losses on property under development ("PUD") based on an assessment of the net realisable value of the PUD. Impairments are applied to the PUD where events or changes in circumstances indicates that the net realizable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the PUD and impairments for PUD expenses in the period in which such estimate has been charged.

12) Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 April 2006

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 April 2006 and which have not been adopted in the Financial Information:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Cash flow hedge accounting of forecast intragroup transactions[2] – The fair value option[2] – Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) – Int 4	Determining whether and arrangement contains a lease[2]
HK(IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market waste electrical and electronic equipment[3]

1. *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 January 2006.*
3. *Effective for annual periods beginning on or after 1 December 2005.*

The directors anticipate that the adoption of these new HKFRSs in future periods will have no material impact on the Financial Information of the company.

(VI) SUBSEQUENT EVENTS

There were no material subsequent events that occurred after 30 April 2006 to the date of this report.

(VII) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the company in respect of any period subsequent to 30 April 2006.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

AUDITORS' REPORT TO THE DIRECTORS OF DIVO SUCCESS LIMITED

(Incorporated in the British Virgin Islands with Limited Liability)

We have audited the financial statements of DIVO Success Limited ("DIVO") for the period from 10 April 2006 (date of incorporation) to 30 April 2006 on pages 256 to 259 of the Circular which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

DIVO's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion 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.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the DIVO's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the DIVO's affairs as at 30 April 2006.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong, 20 July 2006

Delores Teh
Practising Certificate Number P03207

BALANCE SHEET

As at 30 April 2006

	Notes	*HK$*
Current Asset		
Amount due from a shareholder	*5*	8
Capital		
Issued capital	*6*	8

NOTES TO THE FINANCIAL STATEMENTS

For the period from 10 April 2006 (date of incorporation) to 30 April 2006

1. General information

DIVO was incorporated in British Virgin Islands as an international business company with limited liability under The International Business Companies Act. The address of its principal office of business is situated at Palm Grove Home, P.O. Box 438, Road Town, Tortola, British Virgin Islands. The ultimate controlling party is Mr. Li Song Xiao.

DIVO is engaged in investment holding.

The financial statements are presented in Hong Kong dollars which is the same as the functional currency of DIVO.

2. Principal accounting policies

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

a) Financial instruments

Financial assets and financial liabilities are recognised on DIVO's balance sheet when DIVO becomes a party to the contractual provisions of the instrument.

b) Amount due from a shareholder

At each balance sheet date subsequent to initial recognition, amount due from a shareholder is carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

c) Equity instruments

Equity instruments issued by DIVO are recorded at the proceeds received, net of direct issue costs.

3. Income statement, statement of changes in equity and cash flow statement

Divo has no income and expenses incurred during the period. Accordingly, no income statement, statement of changes in equity or cash flow statement has been prepared. No remuneration has been paid to the directors during the period.

4. Taxation

In the opinion of the directors, DIVO is not subject to Hong Kong Profits Tax or any income tax in other jurisdictions in which it operates.

5. Amount due from a shareholder

The amount is unsecured, interest-free and repayable upon request. The directors expect that the amount will be recovered within one year. The carrying amount approximates its fair value, due to the short-term nature of the financial asset.

6. Registered capital

	Authorised	**Issued and fully paid**	**HK$ equivalent**
	US$	*US$*	
Ordinary share of US$1 each	50,000	1	8

Divo was incorporated on 10 April 2006 with an authorised share capital of US$50,000. At the time of incorporation, 1 ordinary share of US$1 each was issued, for cash at par, to the subscriber to provide the initial capital to DIVO.

7. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 April 2006

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 April 2006 and which have not been adopted in the Financial Information:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Cash flow hedge accounting of forecast intragroup transactions[2] – The fair value option[2] – Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) – Int 4	Determining whether and arrangement contains a lease[2]
HK(IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market waste electrical and electronic equipment[3]

1. *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 January 2006.*
3. *Effective for annual periods beginning on or after 1 December 2005.*

The directors anticipate that the adoption of these new HKFRSs in future periods will have no material impact on the Financial Information of the company.

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

AUDITORS' REPORT TO THE SOLE DIRECTOR OF LEAD MIX LIMITED

(Incorporated in the British Virgin Islands with Limited Liability)

We have audited the financial statements of Lead Mix Limited ("Lead Mix") for the period from 6 April 2006 (date of incorporation) to 30 April 2006 on pages 262 to 265 of the Circular which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

Lead Mix's sole director is responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion 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.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Lead Mix's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the Lead Mix's affairs as at 30 April 2006.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong, 20 July 2006

Delores Teh
Practising Certificate Number P03207

BALANCE SHEET

As at 30 April 2006

	Notes	*HK$*
Current Asset		
Amount due from a shareholder	*5*	8
Capital		
Issued capital	*6*	8

NOTES TO THE FINANCIAL STATEMENTS

For the period from 6 April 2006 (date of incorporation) to 30 April 2006

1. General information

Lead Mix was incorporated in British Virgin Islands as an international business company with limited liability under The International Business Companies Act. The address of its principal office of business is situated at Palm Grove Home, P.O. Box 438, Road Town, Tortola, British Virgin Islands. The ultimate controlling party is Mr. Li Song Xiao.

Lead Mix is engaged in investment holding.

The financial statements are presented in Hong Kong dollars which is the same as the functional currency of Lead Mix.

2. Principal accounting policies

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

a) Financial instruments

Financial assets and financial liabilities are recognised on Lead Mix's balance sheet when Lead Mix becomes a party to the contractual provisions of the instrument.

b) Amount due from a shareholder

At each balance sheet date subsequent to initial recognition, amount due from a shareholder is carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

c) Equity instruments

Equity instruments issued by Lead Mix are recorded at the proceeds received, net of direct issue costs.

3. Income statement, statement of changes in equity and cash flow statement

Lead Mix has no income and expenses incurred during the period. Accordingly, no income statement, statement of changes in equity or cash flow statement has been prepared. No remuneration has been paid to the directors during the period.

4. Taxation

In the opinion of the directors, Lead Mix is not subject to Hong Kong Profits Tax or any income tax in other jurisdictions in which it operates.

5. Amount due from a shareholder

The amount is unsecured, interest-free and repayable upon request. The directors expect that the amount will be recovered within one year. The carrying amount approximates its fair value, due to the short-term nature of the financial asset.

6. Registered capital

	Authorised	**Issued and fully paid**	**HK$ equivalent**
	US$	*US$*	
Ordinary share of US$1 each	50,000	1	8

Lead Mix was incorporated on 10 April 2006 with an authorised share capital of US$50,000. At the time of incorporation, 1 ordinary share of US$1 each was issued, for cash at par, to the subscriber to provide the initial capital to Lead Mix.

7. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 April 2006

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 April 2006 and which have not been adopted in the Financial Information:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Cash flow hedge accounting of forecast intragroup transactions[2] – The fair value option[2] – Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) – Int 4	Determining whether and arrangement contains a lease[2]
HK(IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market waste electrical and electronic equipment[3]

1. *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 January 2006.*
3. *Effective for annual periods beginning on or after 1 December 2005.*

The directors anticipate that the adoption of these new HKFRSs in future periods will have no material impact on the Financial Information of the company.

1) UNAUDITED PRO FORMA STATEMENT OF THE ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The unaudited pro forma statement of the assets and liabilities of the Group and the Holding Companies (collectively the "Enlarged Group") has been prepared to illustrate the effect of the proposed acquisition of the entire issued share capital of the Holding Companies ("Acquisitions") as if the acquisitions had been completed on 31 October 2005.

The unaudited pro forma statement of consolidated assets and liabilities has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group as at 31 October 2005 or at any future dates.

The unaudited pro forma statement of the assets and liabilities of the Enlarged Group was prepared based on the Group's unadjusted consolidated balance sheet as at 30 October 2005, as set out in the interim report of Neo-China Group (Holdings) Limited, after making pro forma adjustments as set out in notes 1 to 9 below.

Unaudited pro forma consolidated balance sheet of the Enlarged Group

	The Group As at 31 October 2005	Property Owners as at 30 April 2006							Subtotal	Pro forma adjustments				Subtotal	Pro forma balance of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 8*		*Note 9 (a)*	*Note 9 (b)*	*Note 9 (c)*	*Note 9 (d)*		
Non-Current Assets															
Property, plant and equipment	4,921	–	–	–	–	501	1,181	–	1,682	–	–	–	–	–	6,603
Interest in associates	570,817	–	–	–	–	–	–	–	–	–	–	–	–	–	570,817
Pledged bank deposits	56,807	–	–	–	–	–	–	–	–	–	–	–	–	–	56,807
Goodwill	–	–	–	–	–	–	–	–	–	–	–	(489,812)	489,812	–	–
	632,545	–	–	–	–	501	1,181	–	1,682	–	–	(489,812)	489,812	–	634,227
Current Assets															
Properties held for sale	7,143	–	–	–	–	–	–	–	–	–	–	–	–	–	7,143
Properties under development	1,465,527	10,289	14,215	11,636	6,727	299,039	416,138	108,314	866,358	870,988	–	–	–	870,988	3,202,873
Trade and other receivables	190,430	–	–	–	–	6,171	23,356	–	29,527	–	–	–	–	–	219,957
Amount due from holding company	–	–	–	–	–	–	11,268	–	11,268	–	(11,268)	–	–	(11,268)	–
Amounts due from related companies	–	19,119	38,563	14,832	18,180	110,507	2,416	–	203,617	–	(202,078)	–	–	(202,078)	1,539
Pledged bank deposits	–	–	–	–	–	–	14,868	–	14,868	–	–	–	–	–	14,868
Bank balances and cash	204,536	6	1	3	2	72,427	12,737	215	85,391	–	–	–	–	–	289,927
	1,867,636	29,414	52,779	26,471	24,909	488,144	480,783	108,529	1,211,029	870,988	(213,346)	–	–	657,642	3,736,307

	The Group As at 31 October 2005	Property Owners as at 30 April 2006							Subtotal	Pro forma adjustments				Subtotal	Pro forma balance of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 8*		*Note 9 (a)*	*Note 9 (b)*	*Note 9 (c)*	*Note 9 (d)*		
Current Liabilities															
Trade and other payables	187,548	–	–	–	–	31,021	74,228	–	105,249	–	–	–	–	–	292,797
Advance from customers	504,759	–	–	–	–	75,537	4,947	–	80,484	–	–	–	–	–	585,243
Dividend payable	36,272	–	–	–	–	–	–	–	–	–	–	–	–	–	36,272
Amount due to holding company	–	8,913	–	7,216	5,748	19,183	–	–	41,060	–	(41,060)	–	–	(41,060)	–
Amounts due to related companies	70,268	1,337	40,388	96	–	247,707	166,450	97,514	553,492	–	(553,492)	–	–	(553,492)	70,268
Amount due to a minority shareholder	32,175	–	2,183	–	–	–	11,198	1,414	14,795	–	(14,795)	–	–	(14,795)	32,175
Taxation payable	114,861	–	–	–	–	–	–	–	–	–	–	–	–	–	114,861
Loan payable	69,065	–	–	–	–	–	–	–	–	–	–	–	–	–	69,065
Interest bearing borrowings	–	–	–	–	–	96,153	–	–	96,153	–	–	–	–	–	96,153
Secured interest bearing borrowings	–	–	–	–	–	–	177,282	–	177,282	–	–	–	–	–	177,282
	1,014,948	10,250	42,571	7,312	5,748	469,601	434,105	98,928	1,068,515	–	(609,347)	–	–	(609,347)	1,474,116
Net Current Assets	852,688	19,164	10,208	19,159	19,161	18,543	46,678	9,601	142,514	870,988	396,001	–	–	1,266,989	2,262,191
Total Assets Less Current Liabilities	1,485,233	19,164	10,208	19,159	19,161	19,044	47,859	9,601	144,196	870,988	396,001	(489,812)	489,812	1,266,989	2,896,418

	The Group As at 31 October 2005	Property Owners as at 30 April 2006							Subtotal	Pro forma adjustments				Subtotal	Pro forma balance of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 8*		*Note 9 (a)*	*Note 9 (b)*	*Note 9 (c)*	*Note 9 (d)*		
Non–Current Liabilities															
Secured interest bearing borrowings	477,115	–	–	–	–	–	–	–	–	–	–	–	–	–	477,115
Convertible note	94,911	–	–	–	–	–	–	–	–	–	–	–	–	–	94,911
Deferred tax liability	–	–	–	–	–	–	–	–	–	287,426	–	–	–	287,426	287,426
	572,026	–	–	–	–	–	–	–	–	287,426	–	–	–	287,426	859,452
Net Assets	913,207	19,164	10,208	19,159	19,161	19,044	47,859	9,601	144,196	583,562	396,001	(489,812)	489,812	979,563	2,036,966
Capital and Reserves															
Share capital	24,836	19,231	10,216	19,231	19,231	19,231	48,077	9,615	144,832	–	–	(132,402)	–	–	37,266
Reserves	651,156	(67)	(8)	(72)	(70)	(187)	(218)	(14)	(636)	583,562	396,001	(357,410)	489,812	1,111,965	1,762,485
Equity attributable to equity holders of the parent	675,992	19,164	10,208	19,159	19,161	19,044	47,859	9,601	144,196	583,562	396,001	(489,812)	489,812	979,563	1,799,751
Minority interests	237,215	–	–	–	–	–	–	–	–	–	–	–	–	–	237,215
Total Equity	913,207	19,164	10,208	19,159	19,161	19,044	47,859	9,601	144,196	583,562	396,001	(489,812)	489,812	979,563	2,036,966

Notes:

1. The balances are extracted from the unaudited consolidated balance sheet of the Group as at 31 October 2005.

2. The balances are extracted from the audited balance sheet of Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. as at 30 April 2006 in the Accountants' report as set out in Appendix III(A) to this circular.

3. The balances are extracted from the audited balance sheet of Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. as at 30 April 2006 in the Accountants' report as set out in Appendix III(B) to this circular.

4. The balances are extracted from the audited balance sheet of Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. as at 30 April 2006 in the Accountants' report as set out in Appendix III(C) to this circular.

5. The balances are extracted from the audited balance sheet of Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. as at 30 April 2006 in the Accountants' report as set out in Appendix III(D) to this circular.

6. The balances are extracted from the audited balance sheet of Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. as at 30 April 2006 in the Accountants' report as set out in Appendix III(E) to this circular.

7. The balances are extracted from the audited balance sheet of Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. as at 30 April 2006 in the Accountants' report as set out in Appendix III(F) to this circular.

8. The balances are extracted from the audited balance sheet of Tianjin Xinrun Real Estate Development Co., Ltd. as at 30 April 2006 in the Accountants' report as set out in Appendix III(G) to this circular.

9. The pro forma adjustments represent the following:

   a. To record the fair value adjustment of inventories of Property Owners amounting to HK$870,988,000 and the respective deferred tax liability of HK$287,426,000. Such adjustments led to a corresponding increase in property revaluation reserve of HK$583,562,000. The adjustment is made by reference to a valuation report date 20 July 2006 prepared by Savills Valuation and Professional Services Limited, an independent property valuer and the carrying value of these properties as at 30 April 2006.

   b. To record the capitalization of net amount due to the Vendor amounting to HK$396,001,000 to contributed surplus upon the completion of the Acquisition.

      To record the elimination of inter-company balances among Property Owners upon the completion of the Acquisition.

c. To record the issue of 1,243,034,853 Consideration Shares at the issue price of HK$0.51 each by Neo-China Group (Holdings) Limited upon the acquisition of the entire issued share capitals of each of the Holding Companies, giving rise to an increase in share capital by HK$12,430,000 at par value of HK$0.01 per each ordinary share and an increase in share premium of HK$621,517,000 as a result of the issue of shares at premium of HK$0.50 per each ordinary share.

To record the negative goodwill arising on the acquisition of 100% interest in Property Owners through acquisition of the entire issued share capital of each of the Holding Companies amounting to approximately HK$489,812,000, which represents the difference between the cost of consideration of HK$633,947,000 and the sum of 100% of the fair value of net asset of Property Owners as at 30 April 2006 amounting to HK$727,758,000 and the contributed surplus amounting to HK$396,001,000 as stated in note (b) above. The fair value of the net asset of Property Owners is determined by the Company as its net asset value of HK$144,196,000 as at 30 April 2006, after the fair value adjustment as stated in note (a) above.

To record the elimination of pre-acquisition reserve of Property Owners amounting to HK$582,926,000, which represents the accumulated deficit of Property Owners as at 30 April 2006 amounting to HK$636,000 and revaluation reserve of Property Owners as at 30 April 2006 amounting to HK$583,562,000.

To record the elimination of registered capital of Property Owners amounting to HK$144,832,000.

d. To recognize the negative goodwill arising from acquisition of Property Owners amounting to approximately HK$489,812,000 as stated in note (c) above to income statement.

2) LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The following is the text of a letter, received from the Reporting Accountants of the Group, CCIF CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information for the purpose of incorporation in this circular.

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

20 July 2006

The Directors
Neo-China Group (Holdings) Limited

We report on the unaudited pro forma financial information of Neo-China Group (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 266 to 271 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "unaudited pro forma financial information") in Appendix IV of the Company's circular (the "Circular") dated 20 July 2006 in connection with the acquisition of the Tianjin Project by the Company. The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purpose only, to provide information on how the acquisition of the Tianjin Project might have affected the relevant financial information of the Group. The basis of preparation of the unaudited pro forma financial information is set out on pages 266 to 271 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of as at 31 October 2005 or any future date.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

NO MATERIAL ADVERSE CHANGE

Save for the Proposed Acquisitions as disclosed in the Letter from the Board and the transactions contemplated under the agreements set out in paragraphs (1) and (2) under the heading "Material Contracts" in Appendix II in this circular, there has been no material adverse change in the financial or operating position or prospects of the Group since 30 April 2005 (being the date to which the latest audited financial statements of the Group were made up).

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Enlarged Group is principally engaged in property development and investment in the PRC. The properties market in the PRC maintains a steady growth for the past few years. The Directors are of the view that despite the recent stringent economic control measures adopted in the PRC to streamline its economic growth, the property market in many major cities, like Beijing, still maintain a steady growth. The Directors expect that there will not be any major adverse impact on the properties market in this regard and the properties market can maintain a healthy growth for the coming year. The Board is also of the view that in light of the continuous economic growth in the PRC, increases in spending power and the upcoming opportunities from 2008 Olympics and 2010 World's Expo, demand in the property market will continue to grow and hence provide an opportunity for investment in this market.

The Board is confident that the investment in properties development in the PRC will enhance the asset base of the Enlarged Group which in turn will maximize the shareholders' return in the future. The management will continue to look for potential project investment projects in the PRC with the aim to further leverage the resources of the Enlarged Group and further strengthen the asset base of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE TARGET GROUP

Review of Past Performance

a) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司)

For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) amounted to approximately HK$0.00 million and approximately HK$0.09 million respectively.

For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of the Holding Companies amounted to approximately HK$0.00 million and approximately HK$0.09 million respectively (no taxation expense was incurred during the financial periods).

b) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司)

For the 4 months ended 30 April 2006, for the period from 9 December 2004 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) amounted to approximately HK$0.00 million and approximately HK$0.02 million respectively.

For the 4 months ended 30 April 2006 and for the period from 9 December 2004 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders amounted to HK$0.00 million and approximately HK$0.02 million respectively (no taxation expense was incurred during the both financial periods).

c) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司)

For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) amounted to approximately HK$0.00 million and approximately HK$0.09 million respectively.

For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of the Holding Companies amounted to HK$0.00 million and approximately HK$0.09 million respectively (no taxation expense was incurred during the financial periods).

d) Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. *(天津中新名仕房地產開發有限公司)*

For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司) amounted to approximately HK$0.00 million and approximately HK$0.09 million respectively.

For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of the Holding Companies amounted to HK$0.00 million and approximately HK$0.09 million respectively (no taxation expense was incurred during financial periods).

e) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. *(天津中新嘉業房地產開發有限公司)*

For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) amounted to approximately HK$0.11 million and approximately HK$0.10 million respectively.

For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of or approximately HK$0.11 million and approximately HK$0.10 million respectively (no taxation expense was incurred during the financial period).

f) Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. *(天津中新華城房地業開發有限公司)*

For the 4 months ended 30 April 2006, for the year ended 31 December 2005, for the 4 months ended 30 April 2005, and for the period from 23 September 2004 (date of incorporation) to 31 December 2004, the audited net (profit)/loss after taxation of Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. (天津中新華城房地產開發有限公司) amounted to approximately HK$(0.03) million, approximately HK$0.19 million and approximately HK$0.06 million respectively.

For the 4 months ended 30 April 2006, for the year ended 31 December 2005, for the 4 months ended 30 April 2005 and for the period from 23 September 2004 (date of incorporation) to 31 December 2004, the audited net (profit)/loss attributable to shareholders amounted to approximately HK$(0.03) million, approximately HK$0.19 million and approximately HK$0.06 million respectively.

g) Tianjin Xinrun Real Estate Development Co., Ltd. (天津新潤房地產開發有限公司)

For the 4 months ended 30 April 2006 and for the period from 5 April 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Xinrun Real Estate Development Co., Ltd. (天津新潤房地產開發有限公司) amounted to approximately HK$0.00 million and approximately HK$0.01 million respectively.

For the 4 months ended 30 April 2006, for the period from 5 April 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders amounted to HK$0.00 million and approximately HK$0.01 million respectively (no taxation expense was incurred during the financial period).

Review of Financial Position, including Liquidity and Financial Resources

a) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司)

The audited total assets of Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) as at 30 April 2006 and 31 December 2005 were approximately HK$29.41 million and approximately HK$28.10 million. The audited total liabilities as at 30 April 2006 and 31 December 2005 were approximately HK$10.25 million and approximately HK$8.94 million.

The audited net asset value of Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) as at 30 April 2006 and 31 December 2005 were approximately HK$19.16 million and approximately HK$19.16 million respectively.

As at 30 April 2006, Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) had a net shareholder loan amount outstanding of approximately HK$10.25 million (after the elimination of inter-company balances among Property Owners). Such shareholder loan shall be capitalized on or before the Completion Date.

b) ***Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.***
(天津中新濱海房地產開發有限公司)

The audited total assets of Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.(天津中新濱海房地產開發有限公司)as at 30 April 2006, 31 December 2005 and 30 April 2005 were approximately HK$52.78 million, approximately HK$83.03 million and approximately HK$69.46. The audited total liabilities as at 30 April 2006, 31 December 2005 and 30 April 2005 were approximately HK$42.57 million, approximately HK$72.82 million and approximately HK$59.24 million.

The audited net asset value of Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.(天津中新濱海房地產開發有限公司)as at 30 April 2006, 31 December 2005 and 30 April 2005 was approximately HK$10.21 million, approximately HK$10.21 million respectively and approximately HK$10.21 million respectively.

As at 30 April 2006, Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.(天津中新濱海房地產開發有限公司)had a net shareholder loan amount outstanding of approximately HK$42.57 million (after the elimination of inter-company balances among Property Owners). Such shareholder loan shall be capitalized on or before the Completion Date.

c) ***Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd.***
(天津中新信捷房地產開發有限公司)

The audited total assets of Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd.(天津中新信捷房地產開發有限公司)as at 30 April 2006 and 31 December 2005 were approximately HK$26.47 million and approximately HK$26.38 million. The audited total liabilities as at 30 April 2006 and 31 December 2005 were approximately HK$7.31 million and approximately HK$7.22 million.

The audited net asset value of Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd.(天津中新信捷房地產開發有限公司)as at 30 April 2006 and 31 December 2005 were approximately HK$19.16 million and approximately HK$19.16 million respectively.

As at 30 April 2006, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd.(天津中新信捷房地產開發有限公司)had a net shareholder loan amount outstanding of approximately HK$7.22 million (after the elimination of inter-company balances among Property Owners). Such shareholder loan shall be capitalized on or before the Completion Date.

d) ***Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司)***

The audited total assets of Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司) as at 30 April 2006 and 31 December 2005 were approximately HK$24.91 million and approximately HK$24.91 million. The audited total liabilities as at 30 April 2006 and 31 December 2005 were approximately HK$5.75 million and approximately HK$5.75 million.

The audited net asset value of Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司) as at 30 April 2006 and 31 December 2005 was approximately HK$19.16 million and approximately HK$19.16 million respectively.

As at 30 April 2006, Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司) had a net shareholder loan amount outstanding of approximately HK$5.75 million (after the elimination of inter-company balances among Property Owners). Such shareholder loan shall be capitalized on or before the Completion Date.

e) ***Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司)***

The audited total assets of Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) as at 30 April 2006 and 31 December 2005 were approximately HK$488.65 million and approximately HK$372.12 million. The audited total liabilities as at 30 April 2006 and 31 December 2005 were approximately HK$469.60 million and approximately HK$352.97 million.

The audited net asset value of Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) as at 30 April 2006 and 31 December 2005 was approximately HK$19.04 million and approximately HK$19.15 million.

As at 30 April 2006, Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) had a total interest bearing borrowings of approximately HK$96.15 million, representing a total debt to total assets ratio of 19.68%.

As at 30 April 2006, Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) had a net shareholder loan amount outstanding of approximately HK$224.27 million (after the elimination of inter-company balances among Property Owners). Such shareholder loan shall be capitalized on or before the Completion Date.

f) Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd.
(天津中新華城房地產開發有限公司)

The audited total assets of Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. (天津中新華城房地產開發有限公司) as at 30 April 2006, 31 December 2005 and 31 December 2004 were approximately HK$481.96 million, approximately HK$426.73 million and approximately HK$207.37 million. The audited total liabilities as at 30 April 2006, 31 December 2005 and 31 December 2004 were approximately HK$434.11 million, approximately HK$378.90 million and approximately HK$159.35 million.

The audited net asset value of Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. (天津中新華城房地產開發有限公司) as at 30 April 2006, 31 December 2005 and 31 December 2004 was approximately HK$47.86 million, approximately HK$47.83 million and approximately HK$48.02 million respectively.

As at 30 April 2006 and 31 December 2005, Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. (天津中新華城房地產開發有限公司) had total interest bearing borrowings of approximately HK$177.28 million and approximately HK$139.42 million respectively, representing a total debt to total assets ratio of 36.78% and 32.67%.

As at 30 April 2006, Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. (天津中新華城房地產有限公司) had a net shareholder loan amount outstanding of approximately HK$9. 53 million (after the elimination of inter-company balances among Property Owners). Such shareholder loan shall be capitalized on or before the Completion Date.

g) Tianjin Xinrun Real Estate Development Co., Ltd.
(天津新潤房地產開發有限公司)

The audited total assets of Tianjin Xinrun Real Estate Development Co., Ltd. (天津新潤房地產開發有限公司) as at 30 April 2006 and 31 December 2005 were approximately HK$108.53 million and approximately HK$106.54 million. The audited total liabilities as at 30 April 2006 and 31 December 2005 were approximately HK$98.93 million and approximately HK$96.94 million.

The audited net asset value of Tianjin Xinrun Real Estate Development Co., Ltd. (天津新潤房地產開發有限公司) as at 30 April 2006 and 31 December 2005 was approximately HK$9.60 million and approximately HK$9.60 million respectively.

As at 30 April 2006, Tianjin Xinrun Real Estate Development Co., Ltd. (天津新潤海房地產開發有限公司) had a net shareholder loan amount outstanding of approximately HK$96.41 million. Such shareholder loan shall be capitalized on or before the Completion Date.

GENERAL

For the 4 months ended 30 April 2006 and for the period from the respective incorporation date of the Property Owners to 31 December 2005:–

(a) the Property Owners did not have any significant third party investments nor were there any material acquisitions or disposals of subsidiaries or associated companies;

(b) assets of the Property Owners are located in the PRC. RMB is not a freely convertible currently and the RMB exchange rate remained stable during the year. Therefore, the Directors consider that exposure to fluctuation in exchange rates is minimal and the Property Owners have not engaged in any hedging arrangement.

(c) save for the piece of land held by Tianjin Zhongxin Huacheng Real Estate Development Co., Limited, none of the Property Owners' assets were pledged;

(d) save for the payment of the outstanding land premium in the amount of RMB1.75 billion (approximately HK$1.68 billion) as stated in the section "Information on the Holding Companies, the Property Owners and the Tianjin Project" of the Letter from the Board, the Property Owners did not have any significant contingent liabilities;

(e) no material staff costs have been incurred by the Property Owners.

PROSPECT

Upon Completion, each of the Holding Companies and the Property Owners will become an indirect wholly-owned subsidiary of the Company, and the effective equity interest of the Company in the Tianjin Project will be 100%. The Company is of the view that the Proposed Acquisitions represent a good opportunity for the Group to further expand its business in the property market in Tianjin. As it is anticipated that development of the Tianjin Project will be completed by 2009 and that pre-sale for some of the buildings located therein have also commenced, the Group believes that the Proposed Acquisition will enable the Shareholders to enjoy the benefits brought by the blooming PRC property market and will strengthen the assets and income base of the Group in the near future.

BUSINESS AND INTEREST IN SHARE CAPITAL ACQUIRED AFTER THE DATE OF THE LATEST PUBLISHED ACCOUNTS OF THE GROUP

After 31 March 2005, being the date of the latest published of the Group, the Group has acquired the following business and interest in share capital of the following companies:–

(a) Acquisition of the entire issued share capital Lucky Merit Development Limited ("Lucky Merit") and New Direction Development Limited ("New Direction")

(i) The Purchaser (as the purchaser for such acquisitions) entered into two agreements with the Vendor (as the vendor for such acquisitions) for the acquisition of the entire issued share capital of each of Lucky Merit and New Direction on 15 September 2005. Completion of such acquisitions took place on 28 February 2006 and 30 March 2006 respectively.

Lucky Merit, a limited liability company incorporated in the British Virgin Island on 7 January 2005, is an investment holding company which holds a 40% equity interests in Beijing Jin Ma Wen Hua Yuan Properties Development Company Limited ("America Rock JV"). America Rock JV is a sino-foreign equity joint venture established in the PRC on 15 October 2002, and solely engaged in the development of a residential and commercial property project known as "American Rock"（後現代城）located at 北京朝陽區百子灣路16號 (No.16, Baiziwan Road, Chaoyang District, Beijing), the PRC and under development by the American Rock JV.

New Direction, a limited liability company incorporated in British Virgin Islands on 7 January 2005, is an investment holding company holding 70% equity interest in Beijing New Shine Properties Development Limited ("Youngman Point JV"). The Youngman Point JV is a sino-foreign equity joint venture established in the PRC on 29 May 2000, and is solely engaged in the development of the "Youngman Point Property Project" which is a residential and commercial property project known as "Youngman Point"（青年匯）located at 北京市朝陽區青年路甘露園中里2號 (No.2, Ganluyuan, Zhongli, Qingnian Road, Chaoyang District, Beijing), the PRC and under development by the Youngman Point JV.

(ii) Consideration for the acquisition of Lucky Merit was HK$259,595,000 which was satisfied by the allotment and issue by the Company to the Vendor 499,221,153 new Shares at the issue price of HK$0.52 each.

Consideration for the acquisition of New Direction was HK$311,878,000 which was satisfied by the allotment and issue by the Company to the Vendor 599,765,384 new Shares at the issue price of HK$0.52 each.

Details of the acquisitions of Lucky Merit and New Direction were announced by the Company on 29 September 2005.

(b) Acquisition of the equity interest in Chongqing China Enterprises Property Development Company Limited

(i) Neo-China Property (Beijing) Enterprises Management Company Limited（中置（北京）企業管理有限公司）("Neo-China Property"), a wholly owned Beijing Subsidiary of the Company entered into an agreement with Shanghai Haotai Property Investment Management Company Limited（上海昊泰房地產投資發展有限公司）, the vendor under the Agreement on 31 March 2006 for the acquisition of 30% equity interest in Chongqing Property Development Company Limited（重慶中華企業房地產發展有限公司）. Chongqing Property Development Company Limited is a company incorporated in the PRC for the development of a piece of land located at Yuanjigang District, Hi-Tech Zone, Chongqing with a site area of 96,000 square metres into a residential and commercial complex. Neo-China Property further acquired 70% of the equity interest in Chongqing China Enterprises Property Development Company Limited through a tender on 26 May 2006.

(ii) Consideration for the acquisition of 30% equity interest in Chongqing China Enterprise Property Development was RMB181,000,000 (approximately HK$173,038,462) which was funded by internal resources of the Company derived from the proceeds of the subscription of shares as announced by the Company on 13 February 2006.

Consideration for the acquisition of the further 70% equity interest in Chongqing China Enterprise Property Development was RMB422,100,000 (approximately HK$405,865,385) which was funded by internal resources of the Company.

Details of the above acquisitions of Chongqing China Enterprises Property Development Company Limited were announced by the Company on 6 April 2006 and 5 June 2006 respectively.

(c) Acquisition of 25% equity interest in Beijing New Shine Land Investment Consultancy Limited

(i) Neo-China Property entered into an agreement with Beijing Xi Hua Wei Ye Construction Trading Company Limited (北京西華偉業建材經貿有限公司) on 22 May 2006 for the acquisition of 25% equity interest in Beijing New Shine Land Investment Consultancy Limited. Beijing New Shine Land Investment Consultancy Limited is a property investment and management company incorporated in the PRC on 22 May 2003 and is the developer for a piece of land located at 北京市海淀區西釣魚台村東2條15號, Beijing with a site areas of 42,541 square metres for development into a residential/commercial complex. Completion of such acquisition took place in May 2006.

(ii) Consideration for the acquisition of 25% equity interest in Beijing New Shine Land Investment Consultancy Limited was RMB 130,000,000 in cash (approximately HK$125,000,000) which was funded by internal resources of the Company.

Details of the acquisition of 25% equity interest in Beijing New Shine Land Investment Consultancy Limited were announced by the Company on 24 May 2006.

RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following the Completion are expected to be, as follows:–

Authorised		*HK$*
40,000,000,000	shares of HK$0.01 each	400,000,000
Issued and to be issued as fully paid		
4,479,339,487	shares of HK$0.01 each	44,793,395
1,243,034,853	Consideration Shares to be issued upon Completion *(Note)*	12,430,349
5,722,374,340	Shares in issue immediately following Completion	57,223,743

All the issued Shares rank pari passu with each other in all respects including as to voting, dividends and return of capital. The Consideration Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares.

Note: – This assumes no Shares are issued other than the Consideration Shares to be issued under the Acquisition Agreements.

DISCLOSURE OF INTERESTS

Interests of directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:–

(1) Issued Share of the Company

Name of Director	Long/short position	Capacity	No. of Shares	Percentage of issued share capital
Li Song Xiao	long	Interest in corporation	2,311,616,537	51.60%

Note: Mr Li Song Xiao was deemed to be interested in 2,298,986,537 Shares in the Company by virtue of his 100% interest in Invest Gain Limited which held such Shares, 9,630,000 Shares in the company held by Mr. Li Song Xiao personally and 3,000,000 Shares in the Company pursuant to the options outstanding under the share option scheme of the Company as stated below.

(2) Options outstanding under the share option scheme of the Company

Name of Director	Date of grant	Date of expiry	Exercise price *(HK$)*	Number of Share options outstanding
Li Song Xiao	4 April 2006	3 April 2016	0.90	3,000,000
Liu Yi	4 April 2006	3 April 2016	0.90	16,000,000
Niu Xiao Rong	4 April 2006	3 April 2016	0.90	16,000,000
Yuan Kun	4 April 2006	3 April 2016	0.90	8,000,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name of substantial shareholder	Long/short position	Capacity	No. of Shares	Percentage of issued share capital
Invest Gain Limited	Long	Interest in corporation *(note a)*	2,298,986,537	51.32%
Mr Li Song Xiao	Long	Beneficial owner	2,311,616,537	51.60%
Ms Liu Hui	Long	Spouse *(note b)*	2,311,616,537	51.60%
Penta Investment Advisers Ltd.	Long	Investment Manager	271,800,000	6.07%
Mr John Zwaanstra	Long	Interest in corporation *(note c)*	271,800,000	6.07%

Notes:

(a) 2,298,986,537 of these Shares are held by Invest Gain Limited which is beneficially wholly owned by Mr Li Song Xiao, 9,630,000 Shares in the Company held by Mr. Li Song Xiao personally and the remaining 3,000,000 Shares in the Company pursuant to the options outstanding under the share option scheme of the Company.

(b) Ms Liu Hui is deemed to be interested in 2,311,616,537 ordinary Shares of the Company, being the interests held by her spouse, Mr Li Song Xiao.

(c) These Shares are held by Penta Investment Advisers Ltd which is beneficially owned by Mr John Zwaanstra.

Save as disclosed, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered (or proposed to enter) into, with any member of the Group, a service agreement which is not expiring or terminable within one year without payment of compensation (other than statutory compensation).

MATERIAL CONTRACTS

In addition to the agreements for the Proposed Acquisitions, the following contracts have been entered into by the Company or its subsidiaries after the date 2 years from the date of this circular otherwise than in the ordinary course of business and are or may be material:–

(1) On 15 September 2005, the Purchaser (as the purchaser) and the Vendor (as the vendor) entered into a sale and purchase agreement in respect of the sale and purchase of the entire issued share capital of Lucky Merit Development Limited for a consideration of HK$259,595,000 which is satisfied by the issue of 499,221,153 Shares of the Company.

(2) On 15 September 2005, the Purchaser (as the purchaser) and the Vendor (as the vendor) entered into a sale and purchase agreement in respect of the sale and purchase of the entire issued share capital of New Direction Development Limited for a consideration of HK$311,878,000 which is satisfied by the issue of 599,765,384 Shares of the Company.

(3) On 5 October 2005, the Company (as the vendor) entered into a sale and purchase agreement with an independent third party Bright Super Investment Limited (as the purchaser) relating to the disposal of its 100% interest in Spot On Assets Limited (a wholly-owned subsidiary of the Company) for a consideration of HK$180 million payable in cash. Spot On Assets Limited holds a 100% interest in Best Modern Properties Limited which in turn holds 39% interest in Shanghai Xin Yao Properties Property Development Company Limited.

(4) On 12 May 2005, Oasiscity Limited ("Oasiscity") (a wholly-owned subsidiary of the Company) and Phoenix Real Properties Limited ("Phoenix") entered into an agreement that Phoenix shall transfer 10,000 sq.m of the development of a building (the "Building") situated in Shenzhen to which Phoenix would be entitled after completion of the construction of the Building to Oasiscity at RMB60,000,000 payable in cash.

(5) On 26 May 2006, the Company received the confirmation from the Shanghai United Assets and Equity Exchange in relation to the acquisition of a 70% equity interest in the Chongqing China Enterprises Property Development Company Limited with a consideration of HK$405,865,386. The project is planned to develop a piece of land located at Yuanjiagang District, Hi-Tech Zone, Chongqing with a site area of 96,000 sq.m. into a residential/commercial complex.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

LITIGATION

As at the Latest Practicable Date, none of the members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

QUALIFICATION OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
First Shanghai Capital Limited	Independent Financial Adviser (licensed to engage in type 6 regulated activity (advising on corporate finance) as defined In the SFO)
CCIF CPA Limited	Certified Public Accountants
Savills Valuation and Professional Services Limited	Member of Hong Kong Institute of Surveyors

The experts named above have given and have not withdrawn their respective written consents to the issue of this circular and with their statements and references to their names included in the form and context in which they are included.

EXPERTS' INTERESTS

As at the Latest Practicable Date, none of the experts named above had any shareholding interest in any member of the Group, or their respective associates or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

CONSENT

Each of First Shanghai Capital Limited, being the independent financial advisor to the Independent Committee, CCIF CPD Limited, being the independent auditor of the Company, Company and Savills Valuation and Professional Services Limited, being the independent valuer, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name and letter in the form and context in which they appear.

DIRECTORS' AND EXPERTS' INTERESTS

As the Latest Practicable Date, none of the experts named above nor the Directors nor their respective associates had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did they have any interest, either direct or indirect, in any assets which had been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

GENERAL

(a) The English text of this circular shall prevail over the Chinese text.

(b) The Secretary of the Company is Ms Chan Yim Kum who is a member of the Institute of Chartered Secretaries and Administration of the United Kingdom, the Hong Kong Institute of Company Secretaries and the Taxation Institute of Hong Kong. Ms Chan holds a bachelor's degree (honours) in business administration from the United Kingdom and a master's degree in professional accountancy from Hong Kong.

(c) The registered office of the Company is The Bank of Bermuda Limited at 6 Front Street, Hamilton HM12, Bermuda and its principal place of business is at Unit 1908-09, 19th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong.

(d) The principal share registrar and transfer office of the Company is The Bank of Bermuda Limited at 6 Front Street, Hamilton HM12, Bermuda. The branch share registrar and transfer office of the Company is Secretaries Limited at Unit 1908-9, Office Tower, Convention Plaza, Wanchai, Hong Kong.

(e) The address of Mr. Li Song Xiao is Floor 15 Jun Yu Plaza, No. 100 Xisanhuan North Road, Haidian District, Beijing, PRC.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Neo-China Group (Holdings) Limited, Units 1908-09, 19th Floor, Office Tower, Convention Plaze, No. 1 Harbour Road, Wanchai, Hong Kong, during normal business hours (i.e. from 9:00 a.m. to 5:30 p.m.) on any day (except Saturdays, Sundays and public holidays) until the SGM:

(a) the Agreement;

(b) the Memorandum of Association and bye-laws of the Company;

(c) the annual reports of the Group for the two financial years ended 30 April, 2004 and 2005;

(d) the letter from the Independent Board Committee, the text of which is set out in this circular;

(e) the letter from the First Shanghai Capital Limited, the text of which is set out in this circular;

(f) the written consents from First Shanghai Capital Limited, CCIF CPA Limited, Savills Valuation and Professional Services Limited;

(g) the valuation report prepared by Savills Valuation and Professional Services Limited the text of which is set out in Appendix I to this circular;

(h) the agreement and circular of the major and connected transaction for acquisition of 100% interest of Top Fair Ltd;

(i) the circular of the very substantial acquisitions and connected transactions for acquisitions of the entire issued share capital of each of Lucky Merit Development Ltd and New Direction Development Ltd;

(j) the circular of the discloseable transaction for acquisition of 70% equity interest in Chongqing China Enterprises Property Development Company Ltd;

(k) the circular of the discloseable transaction for acquisition of 30% equity interest in Chongqing China Enterprises Property Development Company Ltd;

(l) the circular of the discloseable transaction for acquisition of 25% equity interest in Beijing New Shine Land Investment Consultancy Ltd;

(m) the circular of the discloseable transaction for disposal of 100% equity interest in Spot On Assets Ltd;

(n) the circular of the discloseable transaction for disposal of 100% equity interest in Noble Time Development Inc;

(o) the interim reports of the Group for the six months ended 31 October, 2004 and 2005;

(p) the audited financial statements of each of the Holding Companies which is set out in Appendix III of this circular;

(q) the accountants' reports of each of the Property Owners which is set out in Appendix III of this circular;

(r) the material contracts referred to in paragraph headed "Material Contracts" in this circular.

NEO-CHINA GROUP
中新集團

NEO-CHINA GROUP (HOLDINGS) LIMITED
中新集團（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 563)

NOTICE IS HEREBY GIVEN that a special general meeting of Neo-China Group (Holdings) Limited ("Company") will be held at Unit 1908-9, Office Tower, Convention Plaza, Wanchai, Hong Kong at 10:00 a.m. on 8 August 2006 for the purpose of considering and, if thought fit, passing with or without amendment the following resolution which will be proposed as ordinary resolution:–

ORDINARY RESOLUTION

THAT the agreement (the "Agreement") relating to the sale and purchase of the entire issued shared capital of each of DIVO Success Limited and Lead Mix Limited, both are companies incorporated in the British Virgin Islands with limited liability dated 26 June 2006 between Mr. Li Song Xiao and Neo-China Property Limited, a wholly-owned subsidiary of the Company (a copy of which has been produced to this meeting marked "A" and initialled by the chairman of the meeting for identification) be and is hereby approved, ratified and confirmed and that the directors of the Company be and are hereby authorised to implement all the transactions referred to in Agreement and to do all such acts and things and execute all such documents as they shall in their absolute discretion consider necessary or desirable to give effect to the Agreement and the arrangements contemplated thereunder including but not limited to the issue of the Consideration Shares referred to in the Agreement.

By Order of the Board
Neo-China Group (Holdings) Limited
Li Song Xiao
Chairman

20 July, 2006

* *For identification only*

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:
Unit 1908-9, 19th Floor
Office Tower, Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a Member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Share Registrar of the Company in Hong Kong, Secretaries Ltd., 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment hereof. Delivery of the form of proxy shall not preclude a member of Neo-China from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled hereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.

4. The Resolution will be voted on by way of poll.

5. At the date of this notice, the executive directors of Neo-China are Mr. Li Song Xiao, Mr. Liu Yi, Ms. Niu Xiao Rong and Mr. Yuan Kun, and the independent non-executive directors are Ms. Nie Mei Sheng, Mr. Zhen Kuan and Mr. Wang Shiyong.