THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action 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 otherwise transferred all your securities in Neo-China Land Group (Holdings) Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

中新集团
NEO CHINA GROUP

NEO-CHINA LAND GROUP (HOLDINGS) LIMITED
中 新 地 產 集 團 (控 股) 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

MAJOR TRANSACTION
ACQUISITION OF 100% EQUITY INTEREST IN
珠海市淇洲島影視城有限公司
(ZHUHAI CITY QI ZHOU ISLAND MOVIE TOWN COMPANY LIMITED)

28 December 2007

* *For identification purpose only*

CONTENTS

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise

"Acquisition"	the acquisition of the 100% equity interest in the Project Company pursuant to the Agreement I and the Agreement II
"Agreement I"	the head agreement for transfer of equity interest entered into between Yu Zhou as vendor and Jia Zhan as purchaser dated 24 September 2007 in respect of 55.56% equity interest in the Project Company
"Agreement II"	the head agreement for transfer of equity interest entered into between Mr. Chan as vendor and Neo-China Realestate as purchaser dated 26 September 2007 in respect of the entire issued capital in Moral Luck, which in turn holds 44.44% equity interest in the Project Company
"Board"	the board of Directors
"Company"	Neo-China Land Group (Holdings) Limited (formerly known as Neo-China Group (Holdings) Limited), a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange
"Directors"	the directors of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Jia Zhan"	佳展（北京）企業管理有限公司(Jia Zhan (Beijing) Enterprise Management Company Limited), a company incorporated with limited liability in the PRC, being a wholly-owned subsidiary of the Company

"Land"	the piece of land situated at 珠海市淇澳島 (Qi Ao Island, Zhuhai City), the PRC owned by the Project Company with a gross site area of approximately 2,215,516.28 square metres
"Latest Practicable Date"	21 December 2007 being the latest practicable date for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Moral Luck"	Moral Luck Group Limited（運德集團有限公司）, a company incorporated with limited liability in the British Virgin Islands
"Mr. Chan"	Mr. Chan Kin Kay Stanley, the legal and beneficial holder of the entire issued share capital in Moral Luck
"Neo-China Realestate"	Neo-China Real Estate (Shanghai) Limited, a company incorporated with limited liability in the British Virgin Islands, being a wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China
"Project Company"	珠海市淇洲島影視城有限公司 (Zhuhai City Qi Zhou Island Movie Town Company Limited), a company incorporated with limited liability in the PRC
"Property Development Project"	the property development project named "淇澳島項目" (Qi Ao Island Project) to be carried out by the Project Company on the Land
"RMB"	Reminbi, the lawful currency of PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

"Shares"	ordinary shares of HK$0.04 each in the issued share capital of the Company
"Shareholders"	the holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Yu Zhou"	珠海市裕卓虹基集團有限公司 (Zhuhai City Yu Zhou Hung Ji Group Company Limited), a company incorporated with limited liability in the PRC
"Zhongxin Zhouyue"	北京中新卓越投資顧問有限公司(Beijing Zhongxin Zhouyue Investment Consulting Ltd.), a company incorporated with limited liability in the PRC, whose entire equity interest is owned by Jia Zhan
"%"	per cent.

In this circular, unless otherwise indicated, the exchange rates of RMB1.00 = HK$1.04 has been used for currency translation, where applicable. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in HK$ 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 LAND GROUP (HOLDINGS) LIMITED
中新地產集團（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

Board of Directors

Executive Directors:
Mr. Li Song Xiao *(Chairman)*
Mr. Liu Yi
Ms. Niu Xiao Rong
Mr. Yuan Kun
Ms. Liu Yan

Independent Non-executive Directors:
Ms. Nie Mei Sheng
Mr. Zhang Qing Lin
Mr. Gao Ling

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business
Units 1908-09, 19th Floor,
Office Tower, Convention Plaza,
No.1 Harbour Road, Wanchai,
Hong Kong

28 December 2007

To the Shareholders of the Company

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF 100% EQUITY INTEREST IN
珠海市淇州島影視城有限公司
(ZHUHAI CITY QI ZHOU ISLAND MOVIE TOWN COMPANY LIMITED)

INTRODUCTION

In the announcements dated 8 and 23 October 2007, the Company announced that its wholly-owned subsidiaries, Jia Zhan and Neo-China Realestate respectively entered into the Agreement I and the Agreement II on 24 and 26 September 2007, pursuant to which:–

(i) Yu Zhou agreed to sell and Jia Zhan agreed to purchase Yu Zhou's 55.56% equity interest in the Project Company.

* *For identification purpose only*

(ii) Mr. Chan agreed to sell and Neo-China Realestate agreed to purchase Mr. Chan's 100% shareholding in Moral Luck, which in turn holds 44.44% equity interest in the Project Company.

The entering into the Agreement I and Agreement II, constituted a major transaction of the Company under Rule 14.06(3) of the Listing Rules.

The purpose of this circular is to give you, amongst other things, details of the Agreement I and Agreement II.

SUMMARY OF THE AGREEMENTS

Summary of the Agreement I:–

Date of Agreement:	24 September 2007
Parties:	Party A: Yu Zhou Party B: Jia Zhan Jia Zhan is a wholly owned subsidiary of the Company. The principal activities of Jia Zhan are investment holding and/or investment in, or development of, land and real estate in the PRC. The principal activity of Yu Zhou is investment holding. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Yu Zhou and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).
Subject Matter:	Yu Zhou was the legal and beneficial owner of 55.56% equity interest in the Project Company. The Project Company is a company incorporated with limited liability in the PRC with a registered and paid up capital of RMB90,000,000. The Project Company is carrying out the Property Development Project on the Land owned by it situated at 珠海市淇澳島 (Qi Ao Island, Zhuhai City), the PRC with a gross site area of approximately 2,215,516.28 square metres. The Property Development Project is preliminarily planned to be a mix of commercial property and high class residential villas development of a total saleable area of approximately 770,000 square metres,

which will all be for sale. There is also approximately 200,000 square metres of non-saleable floor area which will be used for development of acillary facilities. The preliminary plan for the Property Development Project will be subject to the approval of the PRC government. The construction works will be divided into five phrases and the first phrase is targeted to commence in mid 2008 with a construction period of approximately 5 to 6 years. Save as stated above, the Project Company has not yet formulated the detailed blueprint for the Property Development Project.

The Project Company has obtained the land use rights for portion of the Land with a site area of 2,015,131.23 sq.m. (21,690,873 sq.ft.) and, according to the opinion of Guangdong Asian-Pacific Time Law Firm dated 30 September 2007, the PRC legal advisor of the Company, there will be no legal impediment for the Project Company to obtain the land use rights of the remaining site area of approximately 200,385.05 sq.m. after resettlement of the land occupied by army and villagers is resolved. The Project Company has made application to Zhuhai Land and Resources Administration Bureau ("Land Authority") for obtaining the procession of the State-owned Land Use Certificate for the remaining site area and it is expected to get the reply from Land Authority by end of 2007. As at the Latest Practicable Date, the Project Company has not received the reply from the Land Authority. As advised by Land Authority, the resettlement fee for the remaining site area occupied by army and villagers is expected to be not over RMB8 million.

Based on the audited account of the Project Company for the nine months ended 30 September 2007, the value of total assets of the Project Company was RMB246,874,000 and the value of its net assets was RMB60,309,000. There was no profit (both before and after taxation and extraordinary items) attributable to the Project Company for the two financial years immediately preceding the Acquisition and there was no revenue for the two financial years immediately preceding the Acquisition. For the two years ended 31 December 2005 and 2006 and for the nine months ended 30 September 2007, the Project Company had incurred losses of RMB126,000, RMB405,000 and RMB173,000 respectively. The Project Company is still in the early stage of the Property Development Project and has not generated any revenue and profit from its principal activity.

Before entering into the Agreement I and the Agreement II, Jia Zhan and Neo-China Realestate were aware of the following amounts which will be waived by the relevant parties:

1. an amount of RMB4,000,000 due to the Project Company from its related company 珠海市金寶路物業管理有限公司 (Zhuhai City Jin Bao Lu Property Management Company Limited), the ultimate beneficial owner of which is also the ultimate beneficial owner of Yu Zhou;

2. an amount of RMB1,076,000 due from the Project Company to its certain related parties;

3. an amount of RMB54,416,000 due from Moral Luck to Mr. Chan, the vendor of the shareholding in Moral Luck;

4. an amount of RMB185,378,000 due from the Project Company to its certain former shareholders.

The above amounts to be waived have already been reflected in the considerations in the Agreement I and the Agreement II.

Subsequent to the signing of the Agreement I, Jia Zhan had requested, and Yu Zhou had agreed, to transfer Yu Zhou's 55.56% equity interest in the Project Company to Zhongxin Zhouyue (a company incorporated with limited liability in the PRC, which is a wholly-owned subsidiary of Jia Zhan) instead of Jia Zhan upon completion of the Acquisition.

Payment of Consideration: Pursuant to the Agreement I, the consideration for the acquisition of Yu Zhou's 55.56% equity interest in the Project Company is RMB780,000,000, which was satisfied in the following manner:–

(i) RMB390,000,000 was paid by Jia Zhan in cash into the account jointly held by Yu Zhou and Jia Zhan within 3 business days from the date of the Agreement I. The said RMB390,000,000 was released to Yu Zhou upon, inter alia, completion of registration procedures for the transfer of the 55.56% equity interest in the Project Company.

(ii) The remaining consideration of RMB390,000,000 was paid within 10 business days after completion of all the aforesaid registration procedures.

The consideration has been arrived at after arm's length negotiations between the parties to the Agreement I. In determining the consideration, the Board has made reference to the market situation in and the city development of Zhuhai city of the PRC and market value of similar properties in the relevant locations, and is of the view that the terms of Agreement I are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The value of the Land as assessed by Savills Valuation and Professional Services Limited, an independent property valuer, was RMB5,500,000,000 as at 30 September 2007 and the text of the relevant property valuation report is set out in Appendix VI to this circular.

Summary of the Agreement II:–

Date of Agreement: 26 September 2007

Parties: Party A: Mr. Chan
Party B: Neo-China Realestate

Neo-China Realestate is a wholly-owned subsidiary of the Company. The principal activities of Neo-China Realestate are investment holding and/or investment in, or development of, land and real estate in the PRC.

Mr. Chan is the legal and beneficial owner of the entire issued share capital in Moral Luck, which in turn holds 44.44% equity interest in the Project Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Mr. Chan is a third party independent of the Company and its connected persons.

Subject Matter:	Pursuant to the Agreement II, Mr. Chan shall sell and Neo-China Realestate shall purchase the entire issued share capital in Moral Luck.

Moral Luck is a company incorporated with limited liability in the British Virgin Islands. The principal activity of Moral Luck is investment holding and the only asset of Moral Luck is its 44.44% equity interest in the Project Company. The text of the accountants' report on Moral Luck is set out in Appendix II to this circular. For the period from 20 July 2006 (date of incorporation) to 31 December 2006 and for the nine months ended 30 September 2007, Moral Luck had incurred losses of RMB6,000 and RMB83,000 respectively. As at 30 September 2007, the value of total assets of Moral Luck was RMB54,333,000 and the value of its net liabilities was RMB89,000.

On 29 November 2007, a loan agreement was entered into between Moral Luck and Rich Win Investments Limited (a wholly-owned subsidiary of the Company which indirectly holds 55.56% equity interest in the Project Company) as borrowers and a private equity fund (which is an independent third party of the Company) as lender, pursuant to which a term loan denominated in United States dollars equivalent to RMB1,500,000,000 and repayable in 24 months was granted. The loan is interest bearing at 20% per annum and secured by, inter alia, a pledge of the 44.44% equity interest in the Project Company held by Moral Luck and a charge of the entire issued share capital of Moral Luck held by Neo-China Realestate (a wholly-owned subsidiary of the Company which holds 100% shareholding in Moral Luck). The loan was obtained because of the need for financing the Acquisition. The Board considers that the interest rate at 20% per annum is fair and reasonable and that the aforesaid loan from the said private equity fund is preferable than loans from banks as the proceeds of the loan was made available by the lender in a relative short time span and the required security for the loan is less stringent and restrictive. The said private equity fund is principally engaged in providing capital and financial expertise for small and middle-market businesses.

The relevant information about the Project Company and the Property Development Project is stated under the item "Subject Matter" under the section headed "Summary of the Agreement I".

The Directors have appointed a PRC legal advisor to conduct due diligence on the Project Company and obtained the PRC legal opinion dated 30 September 2007 which confirms that the equity interest of the Project Company was held as to 44.44% by Moral Luck and 55.56% by Yu Zhou immediately before the Acquisition.

The Agreement I and Agreement II are not inter-conditional. And there is no condition precedent for both agreements.

As a result, upon completion of both the Agreement I and Agreement II, the Project Company shall become a wholly-owned subsidiary of the Company.

Payment of Consideration:

According to the Agreement II, the consideration for the acquisition of Mr. Chan's 100% shareholding in Moral Luck is RMB2,320,000,000, which will be satisfied in the following manner:–

(i) RMB1,160,000,000 shall be paid within 2 business days after the completion of the transfer procedures for the 100% shareholding in Moral Luck, which shall be completed within 2 business days from the date of the Agreement II.

(ii) The remaining consideration of RMB1,160,000,000 shall be paid within 90 business days after, inter alia, the completion of the transfer procedures for the 100% shareholding in Moral Luck.

The consideration has been arrived at after arm's length negotiations between the parties to Agreement II. In determining the consideration, the Board has made reference to the market situation in and the city development of Zhuhai city of the PRC and market value of similar properties in the relevant locations, and is of the view that the terms of Agreement II are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The procedures for the transfer of the 100% shareholding in Moral Luck has already been completed and RMB700,000,000 remaining consideration was still outstanding as at the Latest Practicable Date.

During the negotiation with Yu Zhou and Mr. Chan, they have agreed with the Company that the total consideration for the entire equity interest in the Project Company will not exceed RMB3,100 million. The difference in the proportion of considerations for purchasing the 55.56% and the 44.44% equity interest in the Project Company payable to Yu Zhou and Mr. Chan is an arrangement between Yu Zhou and Mr. Chan and agreed between all the parties to the Agreement I and Agreement II and the Directors consider that the terms are fair and reasonable.

REASONS FOR THE ACQUISITION

The Group is principally engaged in property investment and development in the PRC. As part of its strategy, the Group has been constantly appraising investment opportunities in high-potential investments and attractive businesses in major cities in the PRC. The Board is of the view that the Acquisition is a good opportunity for the Group to further expand its business in the property market in Zhuhai city.

After exercise of due care and diligence, the Board considers that the terms and conditions of Agreement I and Agreement II are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

SHAREHOLDERS' APPROVAL

As the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, it is subject to the approval by the Shareholders at a general meeting of the Company. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder is required to abstain from voting for the resolution to approve the Acquisition. The Company has accepted a written approval dated 23 October 2007 given by Invest Gain Limited (which holds 3,552,603,982 ordinary shares of HK$0.01 each in the share capital of the Company (equivalent to 888,150,995 Shares after the consolidation of such shares effected on 29 October 2007), representing approximately 47.09% of the issued share capital of the Company) and Sinoeagle Pacific Limited (which holds 60,000,000 ordinary shares of HK$0.01 each in the share capital of the Company (equivalent to 15,000,000 Shares after the consolidation of such shares effected on 29 October 2007), representing approximately 7.59% of the issued share capital of the Company), in respect of the Acquisition pursuant to Rule 14.44(2) of the Listing Rules in lieu of a resolution to be passed at a general meeting. As a result, no general meeting will be held for approving the Acquisition. The Directors consider that the Acquisition is in the interest of the Company and the Shareholders as a whole and would recommend the Shareholders to vote in favour of the resolution to approve the Acquisition if a general meeting were to be held for such purpose. The respective issued share capital of both Invest Gain Limited and Sinoeagle Pacific Limited are beneficially and wholly owned by Mr. Li Song Xiao, a director of the Company. Invest Gain Limited and Sinoeagle Pacific Limited are closely allied group of Shareholders for the purposes of Rules 14.44(2) and 14.45 of the Listing Rules.

GENERAL

The Board confirms that it has included all material terms of both Agreement I and Agreement II in this letter and has fully complied with Rule 2.13 of the Listing Rules.

Further Information

Your attention is drawn to the additional information set out in the Appendices to this circular.

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

1. FINANCIAL SUMMARY

Set out below is a summary of the consolidated income statement and the consolidated balance sheet of the Group for the last three financial years ended 30 April 2007 as extracted from the relevant annual reports of the Group for the years presented.

CONSOLIDATED INCOME STATEMENT

	Year ended 30 April		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
			(restated)
Revenue	2,779,845	671,140	476,472
Cost of sales	(2,438,229)	(610,572)	(253,809)
Gross profit	341,616	60,568	222,663
Other income	72,657	42,078	29,348
Change in fair value of derivative financial instruments	436	–	–
Change in fair value of investment properties	214,700	–	–
Fair value gain on transfer of properties held for sale to investment properties	323,083	–	–
Gain on disposal of subsidiaries	283,247	125,018	100,011
Impairment loss on assets classified as held for sale	(20,000)	–	–
Administrative expenses	(197,145)	(54,725)	(13,053)
Selling expenses	(90,604)	(44,606)	(11,334)
Finance costs	(81,402)	(10,774)	(3,146)
Share of losses of associates	(5,258)	(8,579)	7,901
Profit before taxation	841,330	108,980	332,390
Income tax expense	(23,090)	(14,752)	(73,374)
Profit for the year	818,240	94,228	259,016
Attributable to:			
Equity holders of the Company	833,319	104,663	177,817
Minority interests	(15,079)	(10,435)	81,199
	818,240	94,228	259,016
Dividends	96,156	91,895	–
Earnings per share			
– Basic	14.67 HK cents	3.78 HK cents	9.26 HK cents
– Diluted	13.18 HK cents	3.50 HK cents	8.55 HK cents

CONSOLIDATED BALANCE SHEET

	As at 30 April		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
			(restated)
Non-current assets			
Property, plant and equipment	137,933	6,698	4,188
Investment properties	1,475,834	–	–
Interests in associates	–	117,375	99,321
Loan to an associate	–	483,735	290,587
Long-term receivable	–	272,661	–
Available-for-sale investments	–	9,471	–
Deposits for acquisition of subsidiaries	255,170	185,675	–
Derivative financial instrument	20,000	–	–
Deferred tax assets	15,739	–	–
Pledged bank deposits	94,225	77,049	41,926
	1,998,901	1,152,664	436,022
Current assets			
Properties held for sale	375,493	25,721	13,402
Properties under development	8,299,508	1,923,255	786,919
Advances to suppliers	690,612	467,452	259,160
Trade and other receivables and prepayments	872,336	292,363	323,992
Amount due from an associate	–	22,248	–
Tax recoverable	123,907	46,306	4,234
Available-for-sale investments	90,900	–	–
Bank balances and cash	1,411,472	315,664	69,648
	11,864,228	3,093,009	1,457,355
Assets classified as held for sale	281,002	–	–
	12,145,230	3,093,009	1,457,355
Current liabilities			
Accruals and other payables	1,239,112	459,010	359,416
Presale receipts from customers	1,921,783	1,587,456	280,768
Amounts due to related companies	214,379	5,567	33,439
Amount due to a shareholder	20,412	1,678	7,298
Amounts due to minority shareholders	53,081	–	–
Dividend payable	9	23,121	–
Tax payable	201,224	141,967	130,235
Secured bank borrowings – due within one year	671,700	16,750	93,604
Loan payables	170,422	65,972	–
Convertible notes	–	99,307	–
	4,492,122	2,400,828	904,760
Liabilities directly associated with assets classified as held for sale	39,035	–	–
	4,531,157	2,400,828	904,760

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
			(restated)
Net current assets	7,614,073	692,181	552,595
Total assets less current liabilities	9,612,974	1,844,845	988,617
Non-current liabilities			
Secured bank borrowings			
– due after one year	1,401,880	244,135	–
Deferred tax liabilities	934,295	59,309	–
Loan payables	458,174	–	69,065
Derivative financial instrument	53,000	–	–
Convertible notes	1,254,074	–	93,954
	4,101,423	303,444	163,019
	5,511,551	1,541,401	825,598
Capital and reserves			
Share capital	68,754	40,793	24,836
Reserves	4,890,077	1,350,909	558,715
Equity attributable to the equity holders of the Company	4,958,831	1,391,702	583,551
Minority interests	552,720	149,699	242,047
	5,511,551	1,541,401	825,598

2. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below are the audited financial statements of the Group extracted from the annual report of the Group for the year ended 30 April 2007, for which an unqualified and it opinion was issued by the auditors of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 April 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	6	2,779,845	671,140
Cost of sales	7	(2,438,229)	(610,572)
Gross profit		341,616	60,568
Other income	8	72,657	42,078
Change in fair value of derivative financial instruments	33	436	–
Change in fair value of investment properties	17	214,700	–
Fair value gain on transfer of properties held for sale to investment properties	17	323,083	–
Gain on disposal of subsidiaries	39	283,247	125,018
Impairment loss on assets classified as held for sale	26	(20,000)	–
Administrative expenses		(197,145)	(54,725)
Selling expenses		(90,604)	(44,606)
Finance costs	9	(81,402)	(10,774)
Share of losses of associates	18	(5,258)	(8,579)
Profit before taxation		841,330	108,980
Income tax expense	10	(23,090)	(14,752)
Profit for the year	11	818,240	94,228
Attributable to:			
Equity holders of the Company		833,319	104,663
Minority interests		(15,079)	(10,435)
		818,240	94,228
Dividends	14	96,156	91,895
Earnings per share	15		
– Basic		14.67 HK cents	3.78 HK cents
– Diluted		13.18 HK cents	3.50 HK cents

CONSOLIDATED BALANCE SHEET

At 30 April 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	16	137,933	6,698
Investment properties	17	1,475,834	–
Interests in associates	18	–	117,375
Loan to an associate	18	–	483,735
Long-term receivable	19	–	272,661
Available-for-sale investments	20	–	9,471
Deposits for acquisition of subsidiaries	21	255,170	185,675
Derivative financial instrument	33	20,000	–
Deferred tax assets	34	15,739	–
Pledged bank deposits	22	94,225	77,049
		1,998,901	1,152,664
Current assets			
Properties held for sale	23	375,493	25,721
Properties under development	23	8,299,508	1,923,255
Advances to suppliers		690,612	467,452
Trade and other receivables and prepayments	24	872,336	292,363
Amount due from an associate	18	–	22,248
Tax recoverable		123,907	46,306
Available-for-sale investments	20	90,900	–
Bank balances and cash	25	1,411,472	315,664
		11,864,228	3,093,009
Assets classified as held for sale	26	281,002	–
		12,145,230	3,093,009
Current liabilities			
Accruals and other payables	27	1,239,112	459,010
Presale receipts from customers	28	1,921,783	1,587,456
Amounts due to related companies	29	214,379	5,567
Amount due to a shareholder	30	20,412	1,678
Amounts due to minority shareholders	30	53,081	–
Dividend payable		9	23,121
Tax payable		201,224	141,967
Secured bank borrowings – due within one year	31	671,700	16,750
Loan payables	32	170,422	65,972
Convertible notes	33	–	99,307
		4,492,122	2,400,828
Liabilities directly associated with assets classified as held for sale	26	39,035	–
		4,531,157	2,400,828

	Notes	2007 HK$'000	2006 HK$'000
Net current assets		7,614,073	692,181
Total assets less current liabilities		9,612,974	1,844,845
Non-current liabilities			
Secured bank borrowings			
– due after one year	*31*	1,401,880	244,135
Deferred tax liabilities	*34*	934,295	59,309
Loan payables	*32*	458,174	–
Derivative financial instrument	*33*	53,000	–
Convertible notes	*33*	1,254,074	–
		4,101,423	303,444
		5,511,551	1,541,401
Capital and reserves			
Share capital	*35*	68,754	40,793
Reserves		4,890,077	1,350,909
Equity attributable to the equity holders of the Company		4,958,831	1,391,702
Minority interests		552,720	149,699
		5,511,551	1,541,401

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2007

	Attributable to equity holders of the Company												
	Share capital	**Share premium**	**Contributed surplus**	**Investment revaluation reserve**	**Convertible note equity reserve**	**Special reserve**	**Revaluation reserve**	**Share options reserve**	**Exchange reserve**	**Accumulated (losses) profits**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000* *(note a)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2005	24,836	120,407	368,234	–	11,234	–	–	–	140	66,174	591,025	242,047	833,072
Exchange difference arising on translation of foreign operations and net income recognised directly in equity	–	–	–	–	–	–	–	–	4,115	–	4,115	3,633	7,748
Profit for the year	–	–	–	–	–	–	–	–	–	104,663	104,663	(10,435)	94,228
Total recognised income for the year	–	–	–	–	–	–	–	–	4,115	104,663	108,778	(6,802)	101,976
Issue of shares for a private placement	4,967	418,740	–	–	–	–	–	–	–	–	423,707	–	423,707
Issue of shares for the acquisition of subsidiaries	10,990	1,071,079	–	–	–	–	–	–	–	–	1,082,069	–	1,082,069
Transaction costs attributable to issue of shares	–	(5,178)	–	–	–	–	–	–	–	–	(5,178)	–	(5,178)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	81,177	81,177
Acquisition of additional interest in a subsidiary *(note b)*	–	–	–	–	–	(18,653)	–	–	–	–	(18,653)	(166,723)	(185,376)
Release of special reserve arising on sales of properties	–	–	–	–	–	4,840	–	–	–	–	4,840	–	4,840
Deemed distribution *(note 37 and 38 (iii))*	–	–	(276,339)	–	–	–	–	–	–	(430,939)	(707,278)	–	(707,278)
Dividend	–	–	(91,895)	–	–	–	–	–	–	–	(91,895)	–	(91,895)
Recognition of share based payments	–	–	–	–	–	–	–	4,287	–	–	4,287	–	4,287
At 30 April 2006 and 1 May 2006	40,793	1,605,048	–	–	11,234	(13,813)	–	4,287	4,255	(260,102)	1,391,702	149,699	1,541,401
Gain on fair value change of available-for-sale investments	–	–	–	57,927	–	–	–	–	–	–	57,927	–	57,927
Deferred tax liability on change of available-for-sale investments	–	–	–	(8,080)	–	–	–	–	–	–	(8,080)	–	(8,080)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	119,427	–	119,427	12,523	131,950
Net income recognised directly in equity	–	–	–	49,847	–	–	–	–	119,427	–	169,274	12,523	181,797
Profit for the year	–	–	–	–	–	–	–	–	–	833,319	833,319	(15,079)	818,240
Total recognised income for the year	–	–	–	49,847	–	–	–	–	119,427	833,319	1,002,593	(2,556)	1,000,037

	Attributable to equity holders of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000* *(note a)*	Investment revaluation reserve *HK$'000*	Convertible note equity reserve *HK$'000*	Special reserve *HK$'000*	Revaluation reserve *HK$'000*	Share options reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated (losses) profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
Issue of shares by conversion of convertible note	4,000	106,541	–	–	(11,234)	–	–	–	–	–	99,307	–	99,307
Issue of shares for a private placement	6,880	771,936	–	–	–	–	–	–	–	–	778,816	–	778,816
Issue of shares for the acquisition of subsidiaries	17,081	1,201,521	–	–	–	–	–	–	–	–	1,218,602	–	1,218,602
Transaction costs attributable to issue of shares	–	(11,108)	–	–	–	–	–	–	–	–	(11,108)	–	(11,108)
Capital contribution by minority shareholders	–	–	–	–	–	–	–	–	–	–	–	45,000	45,000
Recognition of equity component of convertible notes	–	–	–	–	99,662	–	–	–	–	–	99,662	–	99,662
Deferred tax liability on recognition of equity component of convertible notes	–	–	–	–	(31,830)	–	–	–	–	–	(31,830)	–	(31,830)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	571,053	571,053
Acquisition of additional interest in subsidiaries *(note b)*	–	–	–	–	–	(40,528)	–	–	–	–	(40,528)	(210,476)	(251,004)
Revaluation reserve recognised upon acquisition of subsidiaries from interests in associates *(note c)*	–	–	–	–	–	–	140,228	–	–	–	140,228	–	140,228
Release of revaluation and special reserve arising on sales of properties	–	–	–	–	–	31,272	(52,433)	–	(285)	–	(21,446)	–	(21,446)
Deemed contribution *(note 37 and 38 (i))*	–	–	331,149	–	–	–	–	–	–	–	331,149	–	331,149
Dividend	–	–	–	–	–	–	–	–	–	(96,156)	(96,156)	–	(96,156)
Recognition of share based payments	–	–	–	–	–	–	–	97,840	–	–	97,840	–	97,840
Transfer to accumulated profits upon forfeiture of share options	–	–	–	–	–	–	–	(957)	–	957	–	–	–
At 30 April 2007	68,754	3,673,938	331,149	49,847	67,832	(23,069)	87,795	101,170	123,397	478,018	4,958,831	552,720	5,511,551

Notes:

(a) The contributed surplus at 1 May 2005 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. The deemed contribution represents the shortfall of the fair value of the consideration below the fair value of the net assets acquired from acquisition of subsidiaries from the controlling shareholder. The deemed distribution represents the excess of the fair value of consideration over the fair value of the net assets acquired from acquisition of subsidiaries to the controlling shareholder.

(b) Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in a subsidiary being acquired from minority shareholders. This special reserve will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

(c) Revaluation reserve represents the difference between the fair value, net of deferred tax, and the carrying amount of additional interest in associates being acquired and become subsidiaries of the Group. This revaluation reserve will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		841,330	108,980
Adjustments for:			
Depreciation of property, plant and equipment		3,270	1,295
Finance costs		81,402	10,774
Interest income		(18,845)	(29,218)
Change in fair value of derivative financial instruments		(436)	–
Change in fair value of investment properties		(214,700)	–
Fair value gain on transfer of properties held for sale to investment properties		(323,083)	–
Gain on disposal of subsidiaries		(283,247)	(125,018)
Gain on disposal of available-for-sale investments		(149)	–
Dividend income from unlisted investments held for trading		(14,286)	–
Release of revaluation reserve arising on sales of properties		(52,433)	–
Release of special reserve arising on sales of properties		31,272	4,840
Impairment loss on assets classified as held for sale		20,000	–
Share based payments		97,840	4,287
Share of results of associates		5,258	8,579
Operating cash flows before movements in working capital		173,193	(15,481)
Increase in properties held for sale		(345,010)	(12,061)
Increase in properties under development		(596,166)	(213,449)
Decrease (increase) in advances to suppliers		254,070	(79,592)
Decrease in trade and other receivables		194,284	109,323
Increase (decrease) in accruals and other payables		324,416	(298,246)
(Decrease) increase in presale receipts from customers		(926,857)	686,295
Cash (used in) from operations		(922,070)	176,789
The People's Republic of China (the "PRC") tax paid		(173,459)	(61,927)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(1,095,529)	114,862

	Notes	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries	*37*	(763,032)	7,577
Acquisition of additional interest in subsidiaries	*37(i), 38(i) & (ii)*	(249,900)	–
Deposits paid for acquisition of subsidiaries		(230,337)	(185,675)
Advance to subsidiaries prior to acquisitions		(222,552)	–
Acquisition of additional interest in an associate	*37(ii)*	(128,713)	–
Addition in investment properties		(62,290)	–
Purchase of property, plant and equipment		(35,935)	(3,601)
Increase in pledged bank deposits		(5,869)	(28,078)
Advance to related companies		(2,397)	(43,720)
Acquisition of an associate		–	(116,442)
Proceeds on disposal of available-for-sale investment		9,620	–
Dividend income from unlisted investment held for trading		14,286	–
Interest received		18,845	2,112
Proceeds on disposal of subsidiaries	*39*	64,623	214,997
Repayment from (advance to) an associate		135,696	(188,370)
Decrease in long-term receivable		272,661	–
NET CASH USED IN INVESTING ACTIVITIES		(1,185,294)	(341,200)
FINANCING ACTIVITIES			
New bank borrowings raised		1,565,651	244,135
Proceeds on issue of convertible notes		1,340,000	–
Proceeds from issue of shares		778,816	423,707
Increase in loan payables		420,110	–
Advance from minority shareholders		53,081	–
Capital injection by minority shareholders		45,000	–
Repayment to a shareholder		(1,488)	(5,620)
Expenses on issue of shares		(11,108)	(5,178)
Expenses on issue of convertible notes		(48,787)	–
Interest paid		(83,014)	(21,333)
Dividend paid		(119,268)	(68,774)
Repayment of bank borrowings		(492,038)	(95,913)
NET CASH FROM FINANCING ACTIVITIES		3,446,955	471,024

	Notes	2007 HK$'000	2006 HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,166,132	244,686
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		315,664	69,648
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		8,905	1,330
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,490,701	315,664
Represented by:			
Bank balances and cash		1,411,472	315,664
Bank balances and cash included in assets classified as held for sale		79,229	–
		1,490,701	315,664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 April 2007

1. General

The Company is 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 address of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" to the annual report.

In November 2006, the Company has changed its functional currency from Hong Kong dollars to Renminbi as the Company substantially reduced its activity in trading of investments and as a consequence mainly holds its investments in subsidiaries whose operations are primarily in the PRC.

The consolidated financial statements are presented in Hong Kong dollars for the convenience of the readers.

The Company's principal activity is investment holding and the activities of its subsidiaries and associates are set out in notes 46 and 18, respectively.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006, 1 March 2006 or 1 May 2006. The adoption of the new HKFRSs had no material effect on how the results for the current and prior accounting years are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendment and interpretations that have been issued but are not yet effective. Except for the application of HKAS23 (revised) "Borrowing costs" that the directors are not yet in a position to determine whether the application will have a significant impact on how the results of operations and financial positions of the Group are prepared and presented, the directors of the Company anticipate that the application of these new and revised standards, amendment or interpretations will have no material impact on the results and the financial positions of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[4]
HK(IFRIC) – INT 11	HKFRS 2 – Company and Treasury Share Transactions[5]
HK(IFRIC) – INT 12	Service Concession Arrangements[6]

1 *Effective for annual periods beginning on or after 1 January 2007*

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

3 *Effective for annual periods beginning on or after 1 June 2006*

4 *Effective for annual periods beginning on or after 1 November 2006*

5 *Effective for annual periods beginning on or after 1 March 2007*

6 *Effective for annual periods beginning on or after 1 January 2008*

3. Significant accounting policies

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments respectively, which are measured at revalued amounts and fair values, as explained in the accounting policies set out below:

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Business combination under common control

Acquisition of subsidiaries and businesses under common control are accounted for using the purchase method of accounting. The shortfall of the cost of the business combination below the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities are recognised as deemed contribution from the controlling shareholder as an adjustment to special reserve in equity. The excess of the cost of the business combination over the Group's interest in the net fair value of the identified assets, liabilities and contingent liabilities are recognised as deem distribution to the controlling shareholder as an adjustment to special reserve in equity.

Acquisition of additional interest in subsidiaries

Goodwill arising on acquisition of additional interest in subsidiaries represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interest in the subsidiaries. The difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited directly to special reserve.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary now an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant associate.

Non-current assets held for sale

Disposal entities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal entity is available for immediate sale in its present condition.

Disposal entities classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for properties sold and rental income in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When a development property is pre-sold in advance of completion, revenue is only recognised upon completion of the development. Presales receipts from customers prior to this stage are included in current liabilities.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income from operating lease is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

Services income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying value.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimate residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions.

Once determined, the functional currency of an entity is not changed unless there is change in those underlying transactions, events and conditions relevant to the entity, in which case the translation procedures applicable to the new functional currency is applied prospectively from the date of the change. All items are translated into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation previously classified in equity are not recognised in profit or loss until the disposal of the operation.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 May 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 consolidated income statement and are reported separately as other income.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

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 profit as reported in the consolidated 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated 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 from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 consolidated 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.

Properties held for sale

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

Properties under development for sale

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 costs of land use rights, development costs and borrowing costs capitalised during the development period.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent investments held for trading. The investments held for trading are initially measured at fair value. At each balance sheet date subsequent to initial recognition, investments held for trading are measured at fair value with changes in fair value recognised directly in the consolidated income statement in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loan to an associate, long-term receivable, pledged bank deposits, amount due from an associate, trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated income statement 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets through profit or loss, loans and receivables and held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the consolidated income statement. Any impairment losses on available-for-sale financial assets are recognised in the consolidated income statement. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including other payables, loan payables, secured bank borrowings, amounts due to related companies/a shareholder/minority shareholders and dividend payable are subsequently measured at amortised cost, using the effective interest rate method.

Convertible note contains liability and equity components

Convertible note issued by the Group that contains both liability and conversion option components is classified separately into respective liability and equity components on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible note equity reserve until the conversion option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be released to the accumulated profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible note are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to convertible note equity reserve. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method.

Convertible notes contain liability and equity components plus embedded early redemption options

Convertible notes issued by the Group that contain liability and conversion option components and embedded early redemption options that are not closely related to the host contract are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar debts without conversion option and early redemption options. The fair value of embedded early redemption options are determined by appropriate option pricing models. The difference between the proceeds of the issue of the convertible notes, and the fair value assigned to the liability component and the fair value of the embedded early redemption options, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The early redemption options components are measured at fair value with changes in fair value recognised in profit or loss. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes contain liability and equity components plus embedded early redemption options are allocated to the liability and equity components and embedded early redemption options in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to convertible note equity reserve. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method. Transaction costs related to the embedded early redemption options are charged to profit or loss immediately.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of estimates, if any, is recognised immediately in the consolidated income statement, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets 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. An 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, such 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.

4. Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may 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.

Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including sales charges, borrowing costs and all property development expenditure.

The Group is subject to land appreciation taxes in PRC. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgments are required in estimating the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the cost of sales and related income tax provisions in the period in which such determination is made.

Trade and other receivables

The Group assesses periodically if trade and other receivables have suffered any impairment in accordance with the accounting policy stated in note 3.

The receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. An impairment loss is recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the judgement, management considers detailed procedures which have been in place to monitor this risk. If there is an indication of impairment, the Group estimates impairment losses taking into consideration of the estimation of future cash flows and discounted using the original effective interest rate.

5. Financial instruments

5a. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, other payables, convertible notes, bank deposits, bank balances, available-for-sale investments, amounts due from (to) related companies/a shareholder/minority shareholders, loan payables and secured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

(i) Cash flow interest rate risk

The Group has variable-rate borrowings and is therefore exposed to cash flow interest rate risk (see note 31 for details of these borrowings).

(ii) Fair value interest rate risk

The Group has fixed-rate borrowings and is therefore exposed to fair value interest rate risk (see note 32 for details of these borrowings).

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

Price risk

The Group is exposed to equity price risk though its available-for-sale investments. The management monitors the price risk exposure actively by frequently review the fair value of the available-for-sale investments.

Credit risk

As at 30 April 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors which the Group has provided financial guarantees is arising from:

– the carrying amount of the respective financial assets as stated in the consolidated balance sheet; and

– the amount disclosed in Note 41 contingent liabilities.

In order to minimise the credit risk in relation to each class of recognised financial assets as stated in the consolidated financial statements, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover over debts. In addition, the Group reviews the recoverable amount of each individual trade debt and non-trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

In relation to the Group providing guarantees to secure obligations of properties purchasers for repayments, the legal title of the related properties and the customers' deposits are retained by the Group. In this regards, the directors of the Company consider that the Group's credit risk on such guarantees is significantly reduced. Detailed disclosure of these guarantees has been made in note 41.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

Except for the receivable for disposal of subsidiaries of approximately HK$512,430,000, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with banks with good credit ratings.

5b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of optional derivative instruments are determined using option pricing models; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The Directors consider the carrying amounts of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair value.

6. Revenue and business and geographical segments

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

	2007	**2006**
	HK$'000	*HK$'000*
Sales of properties	2,779,642	669,404
Rental income	203	–
Provision of property management consultancy services	–	1,736
	2,779,845	671,140

Business segments

For management purposes, the Group is currently organised into two operating divisions – sales of properties and property investment. The operation of property investment business commenced in August 2006. The Group was primarily engaged in one operating division of sales of properties for the year ended 30 April 2006 and so no business segment analysis is presented for the year ended 30 April 2006.

Segmental information about these business is presented below.

2007

	Sales of properties *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
REVENUE			
External sales	2,779,642	203	2,779,845
RESULT			
Segment result	520,054	208,737	728,791
Unallocated corporate expenses			(128,755)
Other income			64,271
Change in fair value of derivative financial instruments			436
Gain on disposal of subsidiaries			283,247
Impairment loss on assets classified as held for sale			(20,000)
Finance costs			(81,402)
Share of losses of associates			(5,258)
Profit before taxation			841,330
Income tax expense			(23,090)
Profit for the year			818,240

BALANCE SHEET

	Sales of properties *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	10,210,885	1,483,296	11,694,181
Derivative financial instrument			20,000
Deferred tax assets			15,739
Tax recoverable			123,907
Available-for-sale investments			90,900
Pledged bank deposits			94,225
Bank balances and cash			1,411,472
Other unallocated corporate assets			693,707
Consolidated total assets			14,144,131
LIABILITIES			
Segment liabilities	3,133,869	172,669	3,306,538
Tax payable			201,224
Secured bank borrowings			2,073,580
Convertible notes			1,254,074
Deferred tax liabilities			934,295
Derivative financial instrument			53,000
Other unallocated corporate liabilities			809,869
Consolidated total liabilities			8,632,580

OTHER INFORMATION

	Sales of properties *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Capital additions				
Acquisition of subsidiaries	7,767	560,924	90,000	658,691
Other additions	9,055	62,366	26,804	98,225
Depreciation	2,501	740	471	3,712
Fair value gain on transfer of properties held for sale to investment properties	323,083	–	–	323,083
Change in fair value of investment properties	–	214,700	–	214,700
Gain on disposal of a subsidiary	283,247	–	–	283,247

Geographical segments

Over 90% of the activities of the Group for the year ended 30 April 2007 and 30 April 2006 are carried out in the PRC and over 90% of the assets of the Group are located in the PRC. Accordingly, no geographical analysis is presented.

7. Cost of sales

Cost of sales included land appreciation tax in the PRC of approximately HK$200,613,000 (2006: HK$4,124,000).

8. Other income

	2007	2006
	HK$'000	*HK$'000*
Interest income on:		
Bank deposits	6,749	2,112
Loan to an associate	5,494	24,660
Other loans	6,602	2,446
Dividend income from unlisted investments held for trading	14,286	–
Exchange gain on convertible notes	24,291	–
Other net exchange gain	14,394	6,449
PRC government subsidies	545	5,696
Gain on disposal of available-for-sale investments	149	–
Others	147	715
	72,657	42,078

9. Finance costs

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	88,842	21,333
Amount due to a related company	5,770	–
Effective interest expense on convertible notes	96,007	6,393
Interest expense on loan payables	37,712	4,381
	228,331	32,107
Less: amount capitalised under properties under development	(146,929)	(21,333)
	81,402	10,774

Borrowing costs capitalised during the year arose on the borrowing pool and are calculated by applying a capitalisation rate of 7.48% (2006: 5.94%) to expenditure on qualifying assets.

10. Income tax expense

	2007	2006
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax – PRC enterprise income tax	171,678	29,083
Deferred taxation		
– current period	(24,915)	(14,331)
– attributed to a change in tax rate	(123,673)	–
	(148,588)	(14,331)
	23,090	14,752

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

The Group's subsidiaries established in the PRC are subject to PRC enterprise income tax on their taxable income at the rate of 33%. A subsidiary established in Shenzhen Special Administrative Region in the PRC is entitled to a preferential rate of 15%.

During the year, the National People's Congress of the PRC approved the new PRC enterprise income tax law. With effect from 1 January 2008, the tax rate will be unified for both domestic and foreign investment enterprises at the rate of 25%. As a result of the change in tax rate, a deferred tax credit of HK$123,673,000 has been recognised in the consolidated income statement for the year.

The income tax expense for the year can be reconciled to the profit before taxation as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Profit before taxation	841,330	108,980
Tax charge at PRC income tax rate of 33%	277,639	35,963
Tax effect of share of results of associates	1,735	2,831
Tax effect of expenses not deductible for tax purposes	68,030	12,800
Tax effect of income not taxable for tax purposes	(109,524)	(43,059)
Tax effect of tax loss not recognised	11,024	8,436
Tax effect of temporary difference not recognised	17,784	–
Utilisation of tax loss previously not recognised	(6,280)	(293)
Income tax on concessionary rate	(113,415)	–
Decrease in deferred tax liability resulting from decrease in applicable tax rate	(123,673)	–
Others	(230)	(1,926)
Income tax expense for the year	23,090	14,752

11. Profit for the year

	2007	2006
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration		
– current year	3,031	2,021
– underprovision in prior year	100	13
	3,131	2,034
Staff costs, including directors' emoluments		
– capitalised under properties under development	10,081	3,902
– included in administrative expenses	28,899	14,719
	38,980	18,621
Share based payments	97,840	4,287
Retirement benefit scheme contributions	1,571	707
Total staff costs	138,391	23,615
Depreciation of property, plant and equipment	3,712	1,396
Less: capitalised in property under development	(442)	(101)
	3,270	1,295
Cost of properties held for sale/properties under development recognised as an expense	2,237,616	610,572

12. Directors' emoluments

Fees and other emoluments paid or payable to each of the 12 (2006: 9) directors for the year ended 30 April 2007 and 2006 were as follows:

	Year ended 30 April 2007												
	Li Song Xiao	Liu Yi	Niu Xiao Rong	Yuan Kun	Song Xuan	Liu Yan	Zhang Huai An	Nie Mei Sheng	Wang Shi Yong	Zheng Kuan	Zhang Qing Lin	Gao Ling	Total
	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*
Fees	–	–	–	–	–	–	–	–	–	–	–	–	–
Other emoluments													
Salaries and other benefits	2,028	1,420	1,100	900	–	770	–	–	–	–	–	–	6,218
Contributions to retirement benefit schemes	4	4	4	4	–	4	–	–	–	–	–	–	20
Share based payments	262	6,511	6,511	4,108	1,395	10,736	–	–	–	–	–	–	29,523
Total emoluments	2,294	7,935	7,615	5,012	1,395	11,510	–	–	–	–	–	–	35,761

	Year ended 30 April 2006									
	Li Song Xiao	Liu Yi	Niu Xiao Rong	Yuan Kun	Song Xuan	Zhang Huai An	Nie Mei Sheng	Wang Shi Yong	Zheng Kuan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	–	–	–	–	–
Other emoluments										
Salaries and other benefits	650	1,250	962	750	962	962	–	–	–	5,536
Contributions to retirement benefit schemes	19	19	19	19	19	19	–	–	–	114
Share based payments	149	798	798	399	798	798	–	–	–	3,740
Total emoluments	818	2,067	1,779	1,168	1,779	1,779	–	–	–	9,390

No directors waived any emoluments for the years ended 30 April 2007 and 2006.

13. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2006: five) were directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining three (2006: nil) individuals were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salary and other benefits	684	–
Contributions to retirement benefit schemes	11	–
Share-based payment	39,070	–
	39,765	–

Their emoluments were within the following bands:

	2007	**2006**
	No. of employees	*No. of employees*
HK$12,500,001 to HK$13,000,000	1	–
HK$13,500,001 to HK$14,000,000	2	–

14. Dividends

	2007	**2006**
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
2007 Interim, paid – HK1.5 cents (2006: HK1.5 cents) per ordinary share	96,156	37,255
2006 Final, paid – Nil (2005: HK2.2 cents) per ordinary share	–	54,640
	96,156	91,895

The final dividend of HK1.2 cents (2006: nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

Pursuant to the sales and purchase agreements for the acquisition of Lucky Merit Development Limited ("Lucky Merit") and New Direction Development Limited ("New Direction"), 499,221,153 and 599,765,384 ordinary shares of the Company with par value of HK$0.01 per share each were issued respectively. The acquisitions in Lucky Merit and New Direction give rise to a deemed distribution of HK$707,278,000 (see note 37 and 38 (iii)) during the year ended 30 April 2006.

15. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company for the year is based on the following data:

	2007	**2006**
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of basic earnings per share	833,319	104,663
Effect of dilutive potential ordinary shares in respect of Convertible Note 2011 and Convertible Note 2005	19,968	6,393
Earnings for the purposes of diluted earnings per share	853,287	111,056
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	5,679,325,194	2,770,710,769
Effect of dilutive potential ordinary shares on		
Convertible Note 2011 and Convertible Note 2005	791,552,730	400,000,000
Options	3,600,122	316,804
Weighted average number of ordinary shares for the purposes of diluted earnings per share	6,474,478,046	3,171,027,573

16. Property, plant and equipment

	Furniture and fixtures *HK$'000*	Computer and office equipment *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvement *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
COST						
At 1 May 2005	2,184	3,027	3,394	–	–	8,605
Exchange adjustments	9	33	48	–	–	90
Acquired on acquisition of subsidiaries *(note 37)*	194	–	41	–	–	235
Additions	207	424	2,970	–	–	3,601
At 30 April 2006 and 1 May 2006	2,594	3,484	6,453	–	–	12,531
Exchange adjustments	60	191	462	17	1,339	2,069
Acquired on acquisition of subsidiaries *(note 37)*	2,166	854	4,062	685	90,000	97,767
Additions	634	3,855	9,258	297	21,891	35,935
Disposal of a subsidiary	(374)	–	(258)	–	–	(632)
At 30 April 2007	5,080	8,384	19,977	999	113,230	147,670
DEPRECIATION						
At 1 May 2005	1,770	1,572	1,075	–	–	4,417
Exchange adjustments	1	2	17	–	–	20
Provided for the year	135	335	926	–	–	1,396
At 30 April 2006 and 1 May 2006	1,906	1,909	2,018	–	–	5,833
Exchange adjustments	10	57	141	6	–	214
Provided for the year	293	960	2,168	291	–	3,712
Eliminated on disposal of a subsidiary	(12)	–	(10)	–	–	(22)
At 30 April 2007	2,197	2,926	4,317	297	–	9,737
CARRYING VALUES						
At 30 April 2007	2,883	5,458	15,660	702	113,230	137,933
At 30 April 2006	688	1,575	4,435	–	–	6,698

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and fixtures	20% – 33$^1/_3$%
Computer and office equipment	33$^1/_3$%
Motor vehicles	12$^1/_2$% – 20%
Leasehold improvement	20%

17. Investment properties

	HK$'000
FAIR VALUE	
At 30 April 2006 and 1 May 2006	–
Exchange adjustments	18,079
Additions	62,290
Acquired on acquisition of subsidiaries *(note 37)*	560,924
Transfer from properties held for sale	619,841
Increase in fair value recognised in consolidated income statement	214,700
At 30 April 2007	1,475,834

During the year, properties held for sale with carrying amount of approximately HK$296,758,000 were transferred from properties held for sale to investment properties as the management had changed the intention of use of the properties upon entering into various operating leases with tenants. The properties were fair-valued by external valuers, Savills Valuations and Professional Services Limited, a firm of qualified professional valuers at the date of transfer. The resulting increase in fair value of approximately HK$323,083,000 has been recognised directly in the consolidated income statement.

The fair value of the Company's investment property at 30 April 2007 has been arrived at on the basis of a valuation carried out on that date by Savills Valuation and Professional Service Limited, a firm of qualified professional valuers. The director of Savills Valuation and Professional Service Limited who carries out the valuation is a registered professional surveyor, and has appropriate qualifications and recent experiences in the valuation of similar properties in the PRC. The valuation, which conforms to the Valuation Standards on Properties (First Edition January 2005) published by the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of recent transaction prices for similar properties.

The Group's investment properties are all situated in the PRC and are held under a medium-term lease. They are rented out under operating leases to earn rentals or for capital appreciation purpose.

18. Interests in associates

	2007 *HK$'000*	2006 *HK$'000*
Cost of investments in unlisted associates	–	125,404
Share of post-acquisition results and reserves, net of dividends received	–	(8,029)
	–	117,375

During the year, the Group acquired additional equity interest in the associates, and they became subsidiaries of the Group. Details of acquisitions have been set out in note 37 (i) & (ii).

The summarised financial information in respect of the Group's associates is set out below:

	2007 *HK$'000*	**2006** *HK$'000*
Total assets	–	2,091,060
Total liabilities	–	(1,601,734)
Net assets	–	489,326
Group's share of net assets of associates	–	117,375
Revenue	–	–
Loss for the year	(14,184)	(24,678)
Group's share of loss of associates for the year	(5,258)	(8,579)

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

For the year ended 30 April 2006

On 31 March 2006, the Group entered into an agreement with an independent third party for the acquisition of 30% equity interest in Chongqing China Enterprises, a company established in the PRC and engaged in property development business in Chongqing, the PRC, for a total consideration of approximately HK$173,038,000 in which HK$116,442,000 is for the acquisition of 20% equity interest. On 3 April 2006, the registration of transfer in the 20% equity interest to the Group in Chongqing China Enterprises has been completed. Upon the transfer of the 20% equity interest to the Group, Chongqing China Enterprises became an associate of the Group as the Group has the power to appoint directors in Chongqing China Enterprises and can exercise significant influence.

The remaining 10% equity interest in Chongqing China Enterprises will be transferred to the Group upon the completion of the further acquisition of the remaining 70% equity interest in Chongqing China Enterprises. The consideration of the remaining 10% equity interest is approximately HK$59,900,000. The transfer of the remaining 10% equity interest Chongqing China Enterprises has been completed on 31 August 2006, after the Group completed the acquisition of 70% equity interest in Chongqing China Enterprises at 30 June 2006 *(note 37(i))*.

Particulars of the Group's associates during the year and at 30 April 2006 were set out below:

Name	Place of incorporation and operation	Particulars of registered capital	Class of share held	Effective percentage of registered capital held by the Group	Principal activities
北京新松置地投資顧問有限公司 ("Beijing New Shine Land Investment")	PRC	RMB30,000,000	Registered capital	25%	Investment holding
北京市御水苑房地產開發有限責任公司 ("Beijing Yu Shui Yuan")	PRC	RMB20,000,000	Registered capital	30%*	Development and sale of properties in Beijing
重慶中華企業房地產發展有限公司 ("Chongqing China Enterprises")	PRC	RMB50,000,000	Registered capital	20%	Development and sale of properties in Chongqing

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

Loan to an associate

The loan was lent to Beijing New Shine Land Investment which was then an associate of the Group, for development of a property project in Beijing, the PRC. Development of the property project has been commenced and is expected to be completed in 2008.

The loan was secured by the 80% equity interest in Beijing Yu Shui Yuan held by Beijing New Shine Land. The effective interest of the loan was 8.28% per annum and repayable upon completion of the property project.

Amount due from an associate

The amount at 30 April 2006 was unsecured, non-interest bearing and repayable upon request.

19. Long-term receivable

The amount represented an advance to a third party plus interest receivable. The amount was secured by certain properties of the borrower, bearing effective interest at 6.03% per annum in the PRC and had been fully settled in July 2006.

20. Available-for-sale investments

As at 30 April 2007, the available-for-sale investment represents an investment in an unlisted equity security. It was measured at fair value with reference to current market transaction.

As at 30 April 2006, the available-for-sale investment represented an investment in an unlisted equity security in the PRC. It was measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates was so significant that the directors were of the opinion that the fair value cannot be measured reliably.

21. Deposits for acquisition of subsidiaries

The amounts represent deposits paid for acquisitions of certain subsidiaries, the acquisitions of which are subject to certain conditions which are not yet satisfied at the balance sheet date.

22. Pledged bank deposits

The amounts represent deposits pledged to banks to secure long-term bank borrowings and long-term mortgage loans granted by banks to the purchasers of the pre-sold properties and are therefore classified as non-current assets. The pledged deposits in relation to secure long-term mortgage loans grant to properties purchasers will be released upon the transfer of the properties titles to the respective purchasers.

The deposits carry interest rates at respective bank saving deposits ranged from 0.72% to 0.79% for both years.

23. Properties held for sale/properties under development

The properties held for sale/properties under development are carried at cost. Properties under development of HK$6,105,928,000 (2006: HK$760,700,000) is not expected to be realised within twelve months from the balance sheet date.

24. Trade and other receivables and prepayment

	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables *(note a)*	46,346	9,820
Loan receivable *(note b)*	–	77,690
Receivable for disposal of subsidiaries *(note c)*	512,430	–
Other tax recoverable	51,994	89,213
Deferred sales commission	122,741	20,357
Deposits paid for acquisition of properties under development	78,287	65,077
Other receivables, deposits and prepayments	60,538	30,206
	872,336	292,363

Notes:

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

	2007	**2006**
	HK$'000	*HK$'000*
0 – 90 days	24,080	4,948
90 – 180 days	22,266	–
Over 180 days	–	4,872
	46,346	9,820

The Group allows a credit period of 90 days to the purchasers for properties on the price differences from contracted area to actual area for properties sold.

(b) The loan receivable represented is a loan to a third party of US$10,000,000 (equivalent to approximately HK$77,690,000). The loan is unsecured, bearing effective interest at 9.00% per annum and had been fully repaid in May 2006.

(c) The receivable from disposal of subsidiaries is secured by shares of the disposed subsidiary and is interest-free and receivable within one year from the balance sheet date *(note 39)*.

25. Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. All bank saving deposit balances are interest bearing at commercial interest rates, and the effective interest rates of the Group's bank balances ranged from 0.72% (2006: 0.72%) to 2.50% (2006: 0.79%).

26. Non-current assets held for sale

The Group entered into a sale and purchase agreement on 26 March 2007 with an independent third party for the disposal of the entire equity interest in 天津中新名仕房地產開發有限公司 ("Tianjin Zhongxin Mingshi"). The transaction has not been completed up to the date of report and is subjected to the approval of relevant authority in the PRC. The assets and liabilities attributable to Tianjin Zhongxin Mingshi, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet. The operations are included in the Group's sales of property for segment reporting purposes *(see note 6)*.

The proceeds of disposal are expected to be less than the net carrying amount of the relevant assets and liabilities and, accordingly, an impairment loss of approximately HK$20,000,000 has been recognised.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	HK$'000
Properties under development	201,773
Bank balances and cash	79,229
Total assets	281,002
Deferred tax liabilities associated with these assets	(39,035)
	241,967

27. Accruals and other payables

	2007	2006
	HK$'000	*HK$'000*
Accruals for properties under development	590,041	397,298
Other tax payables *(note a)*	248,217	45,567
Payables for acquisition of subsidiaries *(note b)*	109,876	–
Deposit received for disposal of a subsidiary *(note 26)*	61,562	–
Accrued sales commission	101,247	–
Other payables and accruals	128,169	16,145
	1,239,112	459,010

Note: (a) Included in other tax payables is land appreciation tax payable in the PRC of HK$206,272,000 (2006: nil).

(b) The payables for acquisition of subsidiaries are unsecured, interest-free and repayable within one year from the balance sheet date.

28. Presale receipts from customers

Included in the presale receipts from customers is an amount of HK$273,063,000 (2006: nil) which is not expected to be realised with twelve months from the balance sheet date.

29. Amounts due to related companies

The amounts are unsecured, non-interest bearing and repayable on demand. The controlling shareholder of the Company, Mr. Li Song Xiao, is also the controlling shareholder of the related companies.

30. Amounts due to a shareholder/minority shareholders

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

31. Secured bank borrowings

	2007	2006
	HK$'000	*HK$'000*
Secured bank loans repayable within a period of:		
Less than one year	221,700	16,750
More than one year but within two years	764,080	244,135
More than two years but within five years	1,087,800	–
	2,073,580	260,885
Less: Amount due within one year	(221,700)	(16,750)
Reclassify to current due to breach of financial covenants	(450,000)	–
Amount due after one year	1,401,880	244,135

The bank loans are variable-rate borrowings which carry commercial interest rates in the PRC.

Except for a borrowings of HK$500,000,000 (2006: HK$nil) denominated in Hong Kong dollars, all the remaining borrowings are denominated in Renminbi.

The effective interest rates (being the People's Bank of China's lending rate) on the Group's borrowings are ranged from 6.03% to 6.80% (2006: 5.94%) per annum.

The bank borrowings are secured by:

(i) certain properties under development and investment properties of the Group with a carrying amount amounting to approximately HK$2,137,157,000 (2006: HK$331,258,000) and HK$1,475,834,000 (2006: nil) respectively located in the PRC;

(ii) the pledge of certain of the Group's bank deposits amounting to approximately HK$94,225,000 (2006: HK$77,049,000) have been pledged to secure long-term borrowings and are therefore classified as non-current assets.

Bank borrowing of HK$500,000,000 which is originally repayable after one year has been reclassified under current liabilities as the Company had breached certain financial covenant and consequently the lender might demand immediate payment. On discovery of the breach, the directors informed the bank and commenced a renegotiation of the terms of the borrowing with the relevant bank. As at 30 April 2007, those negotiations had not been concluded. In any event, should the lender calls for immediate repayment of the loan, the directors believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group. The negotiation process has been completed subsequent to the balance sheet date and the bank has issued consent to remove the financial undertakings.

32. Loan payables

For the year ended 30 April 2007

The loan payables include a capital injection of 26.3% registered capital in a group entity at a nominal amount approximately HK$252,500,000 from an independent third party with a fixed dividend at 6.5% per annum (“Loan Payable A”), a capital injection of 30% registered capital in a group entity at a nominal amount approximately HK$60,600,000 plus a loan from an independent third party (“Loan Payable B”) and a loan issued as part of the consideration for the acquisition of 西安滻灞建設開發有限公司 (“Xian Chan Ba Construction”) (“Loan Payable Xian”).

According to an agreement in May 2006 regarding Loan Payable A, the independent third party has no right to share further profit of the group entity other than the 6.5% guaranteed annual dividend. The Group is obligated to purchase from the independent third party the 26.3% registered capital in May 2008 in accordance with the contractual arrangement at a price of approximately HK$291,890,000 inclusive of the 6.5% annual dividend. The effective interest rate of Loan Payable A is 7.27%. The carrying amount of the loan payable at 30 April 2007 was approximately HK$271,481,000 (2006: nil).

According to an agreement in February 2007 regarding Loan Payable B, the independent third party has no right to share profit of the group entity and the loan is interest-free. The Group is obligated to purchase from the independent third party the 30% registered capital and repay the loan in January 2009 in accordance with the contractual agreement at a price of approximately HK$404,000,000 plus an amount which will be determined based on the pre-sales price of the properties developed by the group entity. At 30 April 2007, approximately HK$171,811,000 out of Loan Payable B has been received from the lender. The effective interest rate of Loan Payable B is 14.47%. The carrying amount of the loan payable at 30 April 2007 was approximately HK$186,693,000 (2006: nil).

The Group completed the acquisition of 54.5% equity interest in Xian Chen Ba Construction on 28 February 2007. In relation to this acquisition, the Group issued Loan Payable Xian, which is with a nominal amount of RMB170,000,000, approximately HK$171,700,000, at an annual interest rate of 3.88% with a term of six months to the vendors in association with this acquisition. The effective interest rate of Loan Payable Xian is 5.14%. The carrying amount of the loan payable at 30 April 2007 was approximately HK$170,422,000.

For the year ended 30 April 2006

The loan payable at a nominal amount of HK$69,065,000 is unsecured, non-interest bearing and will not be repayable before the completion of the development of a property project in Shenzhen, the PRC, which is expected to be completed in late 2006.

The fair value of the Group's loan payable at the balance sheet date, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at 30 April 2006 approximates to the carrying amount of the loan payable.

The effective interest rate on the loan payable at 30 April 2006 is 6.89% per annum.

33. Convertible notes

At 30 April 2007

On 12 June 2006, the Company issued zero coupon convertible notes at par with a principal amount of HK$1,340,000,000 ("Convertible Note 2011"). Convertible Note 2011 will be redeemed at 135.7% of the principal amount on 11 May 2011 ("Maturity Date"). The Convertible Note 2011 is listed on the Stock Exchange.

The holders of Convertible Note 2011 have the right to convert all or any portion of Convertible Note 2011 into shares of the Company at an initial conversion price of HK$1.5048 per share, subject to anti-dilutive adjustment. The conversion right can be exercised at any time on or after 60 days from the date on which Convertible Note 2011 is issued up to, and including, the close of business on the business day seven days prior to the Maturity Date.

On 12 June 2009, the holders of Convertible Note 2011 can put back Convertible Note 2011 to the Company at the price of 120.103% of principal amount ("Redemption Right of the Holder"). As the economic characteristics and risks of the Redemption Right of the Holder are not closely related to the host contract, the Redemption Right of the Holder is separately accounted for at fair value at each reporting date as derivate financial instrument. The fair value of the Redemption Right of the Holder at 12 June 2006 and 30 April 2007 was HK$33,436,000 and HK$53,000,000, respectively. Accordingly, a change in fair value of derivative financial instrument of approximately HK$19,564,000 is debited to the consolidated income statement for the year.

At any time after 12 June 2009 but not less than seven business days prior to the Maturity Date, the Company may redeem Convertible Note 2011 in whole but not in part at a relevant pre-determined redemption amount if the closing price of the shares for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is at least 130 per cent of the applicable early redemption amount divided by the conversion ratio ("Redemption Right of the Issuer"). As the economic characteristics and risks of the Redemption Right of the Issuer are not closely related to the host contract, the Redemption Right of the Issuer is separately accounted for at fair value at each reporting date as derivative financial instrument. The fair value of the Redemption Right of the Issuer is insignificant at 12 June 2006. The fair value of the Redemption Right of the Issuer at 30 April 2007 is HK$20,000,000. Accordingly, a change in fair value of derivative financial instrument of HK$20,000,000 is credited to the income statement for the year.

In the event of the Company's shares cease to be listed or admitted to trading on the Stock Exchange, each holder of the Convertible Note 2011 shall have right, at such holder's option, to require the Company to redeem Convertible Note 2011 on the twentieth business day after notice has been given to the holder at the early redemption amount ("Delisted Put Right"). As the economic characteristics and risks of the Delisted Put Right are not closely related to the host contract, the Delisted Put Right is separately accounted for at fair value at each reporting date as derivative financial instrument. The fair value of the Delisted Put Right is insignificant at both 12 June 2006 and 30 April 2007.

Convertible Note 2011 contains liability element, early redemption rights, Delisted Put Right and equity element. The equity element is presented in equity heading convertible note equity reserve. The effective interest rate of the liability element is 9.44%.

For the year ended 30 April 2006

On 24 January 2005, the Company issued a convertible note at par with a principal amount of HK$210,000,000 ("Convertible Note 2005") to Mr. Wang Yan as the consideration for the acquisition of Top Fair Limited ("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 anti-dilutive 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. For the year ended 30 April 2005, the holder of the convertible note converted part of the convertible note with principal amount of HK$106,000,000 into shares of the Company. The remaining Convertible Note 2005 was converted into 400,000,000 shares of the Company on 2 May 2006.

The convertible note contains two components, liability and equity elements. Upon the application of HKAS 32 "Financial Instruments: Disclosure and Presentation", the convertible note is split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity heading "convertible note equity reserve". The effective interest rate of the liability component is 6.89%.

34. Deferred tax liabilities (assets)

The following is the major deferred tax liabilities (assets) recognised and movement thereon during the current and prior accounting year:

	Convertible notes	Fair value adjustment on available-for-sale investments	Revaluation of investment properties	Fair value adjustment on properties under development/ properties held for sale	Impairment on property, plant and equipment	Accrued expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2005	–	–	–	–	–	–	–
Acquisition of subsidiaries	–	–	–	73,640	–	–	73,640
Credit to consolidated income statement	–	–	–	(14,331)	–	–	(14,331)
At 30 April 2006 and 1 May 2006	–	–	–	59,309	–	–	59,309
Exchange differences	–	–	1,039	15,047	(227)	(310)	15,549
Acquisition of subsidiaries	–	–	69,091	989,914	(22,690)	–	1,036,315
Effect of change in tax rate	–	–	(16,749)	(106,924)	–	–	(123,673)
Charge to equity for the year	31,830	8,080	–	–	–	–	39,910
(Credit) charge to consolidated income statement for the year	(3,763)	–	96,149	(101,872)	–	(15,429)	(24,915)
Disposal of a subsidiary	–	–	–	(44,904)	–	–	(44,904)
Reclassify to liabilities associated with assets classified as held for sale	–	–	–	(39,035)	–	–	(39,035)
At 30 April 2007	28,067	8,080	149,530	771,535	(22,917)	(15,739)	918,556

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2007	2006
	HK$'000	*HK$'000*
Deferred tax assets	(15,739)	–
Deferred tax liabilities	934,295	59,309
	918,556	59,309

At 30 April 2007, the Group had unused tax losses of HK$146,214,000 (2006: HK$131,838,000) available for offset against future profits. In addition, at 30 April 2007, the Group had other deductible temporary differences of HK$54,118,000 (2006: HK$229,000). 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.

During the year, unrecognised tax losses of approximately HK$19,030,000 has been utilised to offset assessable profit for the year.

35. Share capital

	Number of shares	**Nominal value** *HK$'000*
Authorised:		
Shares of HK$0.01 per share at 30 April 2006 and 30 April 2007	40,000,000,000	400,000
Issued and fully paid:		
Shares of HK$0.01 per share at 30 April 2005	2,483,632,950	24,836
Issue of shares for a private placement *(note a)*	496,720,000	4,967
Issue of shares for the acquisition of Lucky Merit *(note b)*	499,221,153	4,992
Issued of shares for the acquisition of New Direction *(note c)*	599,765,384	5,998
Shares of HK$0.01 per share at 30 April 2006 and at 1 May 2006	4,079,339,487	40,793
Issue of shares for a private placement *(note d)*	688,000,000	6,880
Issue of shares by conversion of Convertible Note 2005 *(note 33)*	400,000,000	4,000
Issue of shares for acquisition of subsidiaries *(note 37(a)(i) to (iii))*	1,708,034,853	17,081
Shares of HK$0.01 per share at 30 April 2007	6,875,374,340	68,754

Notes:

(a) On 10 February 2006, 496,720,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$0.89 per share giving a total consideration of HK$442,081,000. These new shares rank pari passu with other shares in issue in all respects.

(b) On 28 February 2006, 499,221,153 ordinary shares of HK$0.01 each were issued at a price of HK$0.87 per share for a total consideration of approximately HK$434,322,000 for the acquisition of Lucky Merit *(note 37)*.

(c) On 30 March 2006, 599,765,384 ordinary shares of HK$0.01 each were issued at a price of HK$1.08 per share for a total consideration of approximately HK$647,747,000 for the acquisition of New Direction *(note 37)*.

(d) On 28 November 2006, 688,000,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$1.132 per share giving a total consideration of HK$778,816,000.

The proceeds were used for the acquisition of subsidiaries or other property projects in the PRC and for general working capital of the Group. These new shares rank pari passu with other shares in issue in all respects.

36. Share options

Pursuant to a special general meeting of the Company held on 12 December 2002, the Company adopted a share option scheme (the "Scheme"). Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 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.

At 30 April 2007, the number of shares of the Company in respect of which options had been granted and remained outstanding under the Scheme of the Company was 570,000,000 (2006: 86,000,000), representing 8.29% (2006: 2.11%) of the shares of the Company in issue at that date.

The following table discloses details of the share options of the Company held by directors and employees and movements in such holdings during the year.

For the year ended 30 April 2007

Grantees	Date of grant	Outstanding at 1 May 2006	Granted during the year	Cancelled during the year	Exercised during the year	Outstanding at 30 April, 2007	Exercisable period	Exercise price per share (subject to anti-dilutive adjustment) *HK$*
Directors of the Company	4 April 2006 *(note a)*	75,000,000	–	(16,000,000)	–	59,000,000	4 April 2006 – 3 April 2016	0.90
	17 November 2006 *(note b)*	–	80,000,000	–	–	80,000,000	17 November 2006 – 22 October 2016	0.93
	14 March 2007 *(note c)*	–	30,000,000	–	–	30,000,000	14 March 2007 – 6 March 2017	0.98
		75,000,000	110,000,000	(16,000,000)	–	169,000,000		
Other employees of the Group	4 April 2006 *(note a)*	11,000,000	–	–	–	11,000,000	4 April 2006 – 3 April 2016	0.90
	17 November 2006 *(note b)*	–	230,000,000	–	–	230,000,000	17 November 2006 – 22 October 2016	0.93
	14 March 2007 *(note c)*	–	160,000,000	–	–	160,000,000	14 March 2007 – 6 March 2017	0.98
		11,000,000	390,000,000	–	–	401,000,000		
		86,000,000	500,000,000	(16,000,000)	–	570,000,000		
Exercisable at the end of the year						144,000,000		

For the year ended 30 April 2006

Grantees	Date of grant	Outstanding at 1 May 2005	Granted during the year *(note a)*	Cancelled during the year	Exercised during the year	Outstanding at 30 April, 2006	Exercisable period	Exercise price per share (subject to anti-dilutive adjustment) *HK$*
Directors of the Company	4 April 2006	–	75,000,000	–	–	75,000,000	4 April 2006 – 3 April 2016	0.90
Other employees of the Group	4 April 2006	–	11,000,000	–	–	11,000,000	4 April 2006 – 3 April 2016	0.90
		–	86,000,000	–	–	86,000,000		
Exercisable at the end of the year						17,200,000		

Notes:

(a) The interests are by virtue of 75,000,000 share options accepted by the directors of the Company and 11,000,000 share options accepted by the employees of the Group on 4 April 2006, would entitle the relevant directors and employees to subscribe for shares in the Company at an exercise price of HK$0.90 per share. The share options are vested and exercisable in whole or in part at the staggered manner within 5 options period, commencing 4 April 2006, 4 April 2007, 4 April 2008, 4 April 2009 and 4 April 2010 respectively and all ending on 3 April 2016. The estimated fair values of the options granted were HK$18,542,000 of which HK$7,428,000 (2006: HK$4,287,000) was charged to the consolidated income statement during the year.

(b) The interests are by virtue of 80,000,000 share options accepted by the directors of the Company and 230,000,000 accepted by the employees of the Group, would entitle the relevant directors and employees to subscribe for shares of the Company at an exercise price of HK$0.93 per share. The share options are vested and exercisable in whole or in part at the staggered manner within 5 options period, commencing 17 November 2006, 17 November 2007, 17 November 2008, 17 November 2009, 17 November 2010 respectively and all ending on 22 October 2016. The estimated fair values of the options granted are HK$170,145,000 of which HK$44,001,000 was charged to the consolidated income statement during the year.

(c) The interests are by virtue of 30,000,000 share options accepted by a director of the Company and 160,000,000 accepted by the employees of the Group, would entitle the relevant director and employees to subscribe for shares of the Company at an exercise price of HK$0.98 per share. The share options are vested and exercisable in whole or in part at the staggered manner within 2 options period, commencing 14 March 2007 and 14 March 2008 and all ending on 6 March 2017. The estimated fair values of the options granted are HK$81,989,000 of which HK$46,411,000 was charged to the consolidated income statement during the year.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	4 April 2006	**17 November 2006**	**14 March 2007**
Closing share price at the date of offer	HK$0.90	HK$1.08	HK$0.99
Exercise price	HK$0.90	HK$0.93	HK$0.98
Expect volatility	40%	50%	50%
Expected life	10 years	4.3 to 8.3 years	4.7 to 5.7 years
Risk-free rate	4.58%	3.8%	4.1%
Expected dividend yield	5%	1.5%	1.1%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

37. Acquisition of subsidiaries

The Group acquired the following subsidiaries with details below.

For the year ended 30 April 2007

(i) Chongqing China Enterprises

On 30 June 2006, the Group acquired 70% equity interest in Chongqing China Enterprises, a company established in the PRC and engaged in property development in Chongqing, the PRC, at a cash consideration of HK$444,886,000. Prior to the acquisition, the Group held 20% interest in Chongqing China Enterprises and this has been accounted for as interest in an associate. Chongqing China Enterprises then became a 90% owned subsidiary of the Group subsequent to the acquisition. This acquisition has been accounted for by the purchase method of accounting.

On 31 August 2006, the Group completed the acquisition of the remaining 10% equity interest in Chongqing China Enterprises at a cash consideration of HK$59,900,000. This acquisition has been accounted for as acquisition of additional interest in subsidiary and is not included in the table below.

Details of the net assets acquired in respect of the acquisition of Chongqing China Enterprises are summarized below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED			
Property, plant and equipment	1,424	–	1,424
Properties under development	600,759	244,428	845,187
Trade and other receivables and prepayments	692	–	692
Bank balances and cash	68,520	–	68,520
Accruals and other payables	(1,590)	–	(1,590)
Secured bank borrowings	(198,020)	–	(198,020)
Deferred tax liabilities	–	(80,661)	(80,661)
	471,785	163,767	635,552
Minority interests			(63,556)
			571,996
Less: interest in an associate held prior to the acquisition			(119,104)
revaluation reserve on previously held interest			(8,006)
			444,886
Satisfied by:			
Cash consideration paid			(203,472)
Payables for acquisition of a subsidiary			(73,145)
Deposits for acquisition of a subsidiary in prior period			(168,269)
			(444,886)

(ii) Beijing New Shine Land Investment

On 30 June 2006, the Group acquired additional 25% equity interest in Beijing New Shine Land Investment on 30 June 2006 at a cash consideration of HK$128,713,000. Prior to this acquisition, the Group held 25% interest in Beijing New Shine Land Investment and Beijing New Shine Land Investment then became a 50% owned associate.

On 31 August 2006, the Group acquired the remaining 50% equity interest in Beijing New Shine Land Investment at a cash consideration of HK$257,426,000 and Beijing New Shine Land Investment then became a wholly-owned subsidiary of the Group. Beijing New Shine Land Investment owns 80% equity interest in Beijing Yu Shui Yuen, a company established in the PRC and engaged in property development in Beijing, the PRC. This acquisition has been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisition of Beijing New Shine Land Investment at 31 August 2006 are summarized below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED			
Property, plant and equipment	592	–	592
Properties under development	1,030,224	867,937	1,898,161
Trade and other receivables and prepayments	57,383	–	57,383
Advances to suppliers	400,712	–	400,712
Tax recoverable	46,025	–	46,025
Pledged bank deposits	7,246	–	7,246
Bank balances and cash	127,838	–	127,838
Accruals and other payables	(168,730)	–	(168,730)
Presale receipts from customers	(929,807)	–	(929,807)
Tax payable	(29,272)	–	(29,272)
Amounts due from related companies	35,939	–	35,939
Amount due to group companies	(399,786)	–	(399,786)
Secured bank borrowings	(186,878)	–	(186,878)
Deferred tax liabilities	–	(286,419)	(286,419)
	(8,514)	581,518	573,004
Minority interests			(58,152)
			514,852
Less: interest in associates held prior to the acquisition			(125,204)
revaluation reserve on previously held interest			(132,222)
			257,426
Satisfied by:			
Cash consideration paid			(257,426)

(iii) Lead Mix Limited and DIVO Success Limited

On 31 August 2006, the Group acquired 100% equity interest in Lead Mix Limited ("Lead Mix") and DIVO Success Limited ("DIVO Success") at a consideration of HK$758,252,000 which was settled by the issue of 1,243,034,853 ordinary shares of the Company *(note a(i))*.

Lead Mix directly owns 100% equity interest in Joyful Fortune Limited, Capital Team Investment Limited, Eastern Winway Limited, Reliapoint Limited and Maxsun Limited, which are established in the British Virgin Islands and engaged in investment holding.

Lead Mix indirectly owns 100% equity interest in 天津中新華安房地產開發有限公司, 天津中新信捷房地產開發有限公司, 天津中新濱海房地產開發有限公司, Tianjin Zhongxin Mingshi and 天津中新嘉業房地產開發有限公司 which are established in the PRC and engaged in property development in Tianjin, the PRC.

DIVO Success directly owns 100% of 天津中新華城房地產有限公司 and 天津新潤房地產開發有限公司, which are established in the PRC and engaged in property development in Tianjin, the PRC.

Lead Mix and DIVO Success are acquired from the controlling shareholder. The acquisitions of Lead Mix and DIVO Success give rise to a deemed contribution from the controlling shareholder of HK$305,611,000, represents the shortfall of the fair value of the consideration below the fair value of the net assets acquired.

This acquisition has been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisition of Lead Mix and DIVO Success are summarized below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED			
Property, plant and equipment	1,963	–	1,963
Investment properties	351,557	209,367	560,924
Properties under development	538,084	793,685	1,331,769
Trade and other receivables and prepayments	92,874	–	92,874
Tax recoverable	4,460	–	4,460
Bank balances and cash	204,897	–	204,897
Accruals and other payables	(48,533)	–	(48,533)
Presale receipts from customers	(247,892)	–	(247,892)
Amounts due to related companies	(149,860)	–	(149,860)
Amounts due to group companies	(8,777)	–	(8,777)
Amount due to a shareholder	(20,222)	–	(20,222)
Secured bank borrowings	(326,733)	–	(326,733)
Deferred tax liabilities	–	(331,007)	(331,007)
	391,818	672,045	1,063,863
Deemed contribution from the controlling shareholder *(note b)*			(305,611)
			758,252
Satisfied by:			
Equity instruments of the Company *(note a(i))*			(758,252)

(iv) Xian Chan Ba Construction

During the year, the Group completed the acquisition of 17% equity interest in Xian Chan Ba Construction, a company established in the PRC and engaged in property development in Xian at a total consideration of HK$140,000,000 and further acquired 54.5% equity interest in Xian Chan Ba Construction at a total consideration of RMB781,600,000, satisfied by cash of HK$276,000,000, 340,000,000 shares of the Company and the issuance of Loan Payable Xian with a fair value of HK$169,000,000 *(note 32)*, from independent parties. Xian Chan Ba Construction then became a 71.5% owned subsidiary of the Group. These acquisitions have been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisition of Xian Chan Ba Construction are summarized below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED			
Property, plant and equipment	92,228	–	92,228
Properties under development	624,661	969,945	1,594,606
Trade and other receivables and prepayments	1,632	–	1,632
Advances to suppliers	30,700	–	30,700
Bank balances and cash	4,810	–	4,810
Accruals and other payables	(83,728)	–	(83,728)
Amounts due to group companies	(131,500)	–	(131,500)
Deferred tax assets (liabilities)	22,690	(242,487)	(219,797)
	561,493	727,458	1,288,951
Minority interests			(367,351)
			921,600
Satisfied by:			
Cash consideration paid			(380,000)
Payables for acquisition of a subsidiary			(36,000)
Loan Payable Xian *(note a(ii))*			(169,000)
Equity instruments of the Company *(note a(ii))*			(336,600)
			(921,600)

(v) 湖南淺水灣湘雅溫泉花園有限公司 ("Hunan Qianshuiwan Shuangya")

On 28 February 2007, the Group completed the acquisition of 67% equity interest in Hunan Qianshuiwan Shuangya, a company established in the PRC and engaged in property development in Changsha, the PRC, at a cash consideration of HK$216,000,000. This acquisition has been accounted for by the purchase method of accounting.

Hunan Qianshuiwan Shuangya is acquired from the controlling shareholder. The acquisition of Hunan Qianshuiwan Shuangya gives rise to a deemed contribution of HK$24,474,000, represents the shortfall of the fair value of the consideration below the fair value of the net assets acquired.

(vi) 中住佳展地產(徐州)有限公司 ("Zhongzhu Jiazhan Real Estate")

On 28 February 2007, the Group acquired 100% equity interest in Zhongzhu Jiazhan Real Estate, a company established in the PRC and engaged in property development in Xuzhou, the PRC, at a cash consideration of HK$150,000,000 plus the issuance of 125,000,000 of the Company's shares *(note a(iii))*. This acquisition has been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisition of Hunan Qianshuiwan Shuangya and Zhongzhu Jiazhan Real Estate are summarized below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED			
Property, plant and equipment	1,560	–	1,560
Properties under development	343,796	473,730	817,526
Trade and other receivables and prepayments	7,238	–	7,238
Advances to suppliers	20,000	–	20,000
Bank balances and cash	37,801	–	37,801
Accruals and other payables	(21,761)	–	(21,761)
Amounts due to related companies	(59,000)	–	(59,000)
Amounts due to group companies	(88,715)	–	(88,715)
Deferred tax liabilities	–	(118,431)	(118,431)
	240,919	355,299	596,218
Minority interests			(81,994)
Deemed contribution from the controlling shareholder *(note b)*			(24,474)
			489,750
Satisfied by:			
Cash consideration paid			(366,000)
Equity instruments of the Company *(note a(iii))*			(123,750)
			(489,750)

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

	Acquiree's carrying amount before combination *HK$'000*	Fair value adjustments *HK$'000*	Fair value *HK$'000*
NET ASSETS ACQUIRED			
Property, plant and equipment	97,767	–	97,767
Investment properties	351,557	209,367	560,924
Properties under development	3,137,524	3,349,725	6,487,249
Trade and other receivables and prepayments	159,819	–	159,819
Advances to suppliers	451,412	–	451,412
Tax recoverable	50,485	–	50,485
Pledged bank deposits	7,246	–	7,246
Bank balances and cash	443,866	–	443,866
Accruals and other payables	(324,342)	–	(324,342)
Presale receipts from customers	(1,177,699)	–	(1,177,699)
Tax payable	(29,272)	–	(29,272)
Amounts due to related companies	(172,921)	–	(172,921)
Amounts due to group companies	(628,778)	–	(628,778)
Amount due to a shareholder	(20,222)	–	(20,222)
Secured bank borrowings	(711,631)	–	(711,631)
Deferred tax assets (liabilities)	22,690	(1,059,005)	(1,036,315)
	1,657,501	2,500,087	4,157,588
Minority interests			(571,053)
Deemed contribution from the controlling shareholder *(note b)*			(330,085)
			3,256,450
Less: interest held prior to the acquisition interests			
in associates			(244,308)
revaluation reserve			(140,228)
			2,871,914

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Satisfied by:			
Cash consideration paid			(1,206,898)
Deposit for acquisition of a subsidiary in prior period			(168,269)
Payable for acquisition of subsidiaries			(109,145)
Loan Payable Xian *(note a(ii))*			(169,000)
Equity instruments of the Company			
– Lead Mix Limited and DIVO Success Limited *(note a(i))*			(758,252)
– Xian Chan Ba Construction *(noted a(ii))*			(336,600)
– Zhongzhu Jiazhan Real Estate *(note (a(iii))*			(123,750)
			(2,871,914)
Net cash outflow arising on acquisition:			
Cash consideration paid			(1,206,898)
Bank balances and cash acquired			443,866
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			(763,032)

The subsidiaries acquired during the year contributed HK$1,011,537,000 to the Group's revenue and profit of HK$255,253,000.

If the acquisitions had been completed on 1 May 2006, total Group's revenue for the year would have been HK$2,779,845,000, and profit for the year would have been HK$803,689,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 May 2006, nor is it intended to be a projection of future results.

Notes:

(a) (i) Pursuant to the sales and purchase agreements for the acquisition of Lead Mix and DIVO Success, 1,243,034,853 ordinary shares of the Company with par value of HK$0.01 each were issued to the Company's controlling shareholder. The fair values of the shares issued for the acquisition of Lead Mix and DIVO Success amount to approximately HK$758,252,000 determined using the quoted bid price at the date of the acquisition.

(ii) Pursuant to the sales and purchase agreements for the acquisition of Xian Chan Ba Construction, 340,000,000 ordinary shares of the Company with par value of HK$0.01 each and Loan Payable Xian were issued to third party. The fair values of the 340,000,000 shares and Loan Payable Xian at 28 February 2007 issued for the acquisition of Xian Chan Ba Construction are HK$336,600,000 and HK$169,000,000 respectively, which are determined using the quoted bid price and the valuation on Loan Payable Xian is in accordance with determined pricing model based on discount cash flow analysis performed by Knight Frank Hong Kong Limited at the date of the acquisition, respectively.

(iii) Pursuant to the sales and purchase agreements for the acquisition of Zhongzhu Jiazhan Real Estate, 125,000,000 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair values of the shares issued for the acquisition of Zhongzhu Jiazhan amount to approximately HK$123,750,000 determined using the quoted bid price at the date of the acquisition.

(b) Lead Mix, DIVO Success and Hunan Qianshuiwan Shuangya are acquired from the controlling shareholder. The deemed contribution represents the shortfall of the fair value of the consideration below the fair value of the net assets acquired.

For the year ended 30 April 2006

On 30 March 2006, the Company acquired 100% equity interest in New Direction at a consideration of HK$647,747,000 which was settled by the issue of 599,765,384 ordinary shares of the Company *(note a)*. New Direction owns 70% equity interest in 北京新松房地產開發有限公司, a company established in the PRC and engaged in properties development project in Beijing. This acquisition has been accounted for by the purchase method of accounting.

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

	2006		
	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED			
Plant and equipment	235	–	235
Available-for-sale investment	9,471	–	9,471
Long-term receivable	270,831	–	270,831
Interest in an associate	–	–	–
Properties under development	663,168	223,152	886,320
Trade and other receivables and prepayments	76,731	–	76,731
Advances to suppliers	123,716	–	123,716
Tax recoverable	14,519	–	14,519
Amounts due from related companies	32	–	32
Pledged bank deposits	6,239	–	6,239
Bank balances and cash	7,577	–	7,577
Accruals and other payables	(389,431)	–	(389,431)
Presale receipts from customers	(614,994)	–	(614,994)
Tax payable	(14,519)	–	(14,519)
Amounts due to related companies	(15,237)	–	(15,237)
Secured bank borrowings	(17,259)	–	(17,259)
Deferred tax liabilities	–	(73,640)	(73,640)
	121,079	149,512	270,591
Minority interests			(81,177)
			189,414

	2006		
	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Represented by:			
Equity instruments of the Company *(note a)*			647,747
Deemed distribution to the controlling shareholder *(note b)*			(458,333)
			189,414
Net cash inflow arising on acquisition:			
Cash paid			–
Bank balances and cash acquired			7,577
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries			7,577

The subsidiary acquired during the year ended 30 April 2006 contributed HK$429,418,000 to the Group's revenue and HK$7,855,000 to the Group's profit for that year.

If the acquisition had been completed on 1 May 2005, the group's revenue for 2006 would have been HK$671,140,000, and profit for that year would have been HK$115,736,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 May 2005, nor is it intended to be a projection of future results.

Note:

(a) Pursuant to the sales and purchase agreements for the acquisition of New Direction, 599,765,384 ordinary shares of the Company with par value of HK$0.01 each were issued respectively. The fair values of the shares issued for the acquisition of New Direction amount to approximately HK$647,747,000 respectively determined using the published prices available at the dates of the acquisition.

(b) New Direction is acquired from Mr. Li Song Xiao, the controlling shareholder. The deemed distribution represents the difference between the fair value of the consideration and the fair value of the net assets acquired.

38. Acquisition of additional interest in subsidiaries

For the year ended 30 April 2007

(i) On 28 February 2007, the Group completed the acquisition of 15% equity interest in 北京金馬文華園房地產開發有限公司 ("Beijing Jinma") at a cash consideration of HK$100,000,000 from an independent third party. Prior to the acquisition, the Group had 85% interest in Beijing Jinma and Beijing Jinma then became a wholly-owned subsidiary of the Group. The acquisition in Beijing Jinma gives rise to a special reserve of HK$33,860,000, represents the difference between the fair value and the carrying amount of net assets attributable to the additional interest in a subsidiary being acquired from a minority shareholder. Due to the acquisition of additional interest in Beijing Jinma, the minority interest was decreased by HK$66,140,000.

(ii) On 28 February 2007, the Group completed the acquisition of 22.1% equity interest in 北京新松房地產開發有限公司 ("Beijing Newshine") at a cash consideration of HK$90,000,000 from a related company controlled by the controlling shareholder. Prior to the acquisition, the Group had 51.6% interest in Beijing Newshine and Beijing Newshine then became a 73.7% owned subsidiary of the Group. The acquisition of 22.1% interest in Beijing Newshine gives rise to a deemed contribution from the controlling shareholder of HK$1,064,000 and a special reserve of HK$10,636,000. The shortfall from the fair value of the consideration below the fair value of net assets attributable to the additional interest in the subsidiary being acquired from a minority shareholder is considered as deemed contribution from the controlling shareholder. Due to the acquisition of the additional interest in Beijing Newshine, the minority interest was decreased by HK$80,428,000.

For the year ended 30 April 2006

(iii) On 28 February 2006, the Group completed the acquisition of 100% equity interest in Lucky Merit at a consideration of HK$436,652,000, which was settled by the issue of 499,221,153 ordinary shares of the Company. Lucky Merit owns 40% equity interest in Beijing Jinma, a 45% owned subsidiary of the Group. The acquisition in Lucky Merit gives rise to a deemed distribution to the controlling shareholder of HK$248,945,000, cost directly attributable to the acquisition of Lucky Merit of HK$2,330,000 and a special reserve of HK$18,653,000. The difference between the fair value of the consideration and the fair value of net assets attributable to the additional interest in the subsidiary being acquired from a minority shareholder is considered as deemed distribution to the controlling shareholder. Due to the acquisition of the additional interest in Beijing Jinma, the minority interest was decreased by HK$166,723,000.

39. Disposal of subsidiaries

For the year ended 30 April 2007

In April 2007, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Well Development Investment Limited together with its 90% direct interest in a subsidiary, Zhongzhu Jiazhan Real Estate, for a consideration of HK$580,000,000. The disposal was completed in April 2007. A gain of disposal of HK$283,247,000 arose from this disposal.

For the year ended 30 April 2006

In October 2005, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Spot On Assets Limited ("Spot On") together with its 100% direct interest in a subsidiary, Best Modern Properties Limited, and its indirect 39% interest in an associate, Shanghai Xin Yao Property Development Company Limited, for a consideration of HK$180,000,000. The disposal was completed in October 2005. A gain of disposal of HK$90,019,000 arose from this disposal.

In October 2005, the Group entered into a sales and purchase agreement with an independent third party to dispose of the entire interest in Neo-China Industrial Limited and its 26.12% interest in an associate, 新疆光正鋼結構工程技術有限公司, for a consideration of HK$35,000,000. The disposal was completed in October 2006. A gain of disposal of HK$34,999,000 arose from this disposal.

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

	2007	**2006**
	HK$'000	*HK$'000*
NET ASSETS DISPOSED OF		
Interests in associates	–	42,040
Property, plant and equipment	610	–
Properties under development	388,196	–
Trade and other receivables and payments	2,692	–
Bank balances and cash	2,947	3
Other payables and accruals	(14,536)	(2)
Amounts due to group companies	(5,279)	–
Deferred tax liability	(44,904)	–
	329,726	42,041
Attributable goodwill	–	47,941
Available-for-sale investment	(32,973)	–
	296,753	89,982
Gain on disposal of subsidiaries	283,247	125,018
	580,000	215,000
Satisfied by:		
Cash consideration received	67,570	215,000
Receivable for disposal of subsidiaries	512,430	–
	580,000	215,000
Net cash inflow arising on disposal:		
Cash received	67,570	215,000
Bank balances and cash disposed of	(2,947)	(3)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	64,623	214,997

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

40. Commitments

	2007	**2006**
	HK$'000	*HK$'000*
At balance sheet date, the Group had the following commitments:		
Authorised and contracted for but not provided:		
Development expenditure of properties in the PRC	5,100,526	285,220
Capital expenditure in respect of acquisitions of subsidiaries *(note)*	44,830	291,711
Capital expenditure in respect of acquisitions of property, plant and equipment	12,225	73,106
	5,157,581	650,037

Note: The Group entered into sales and purchase agreements with independent third parties for acquisition of equity interests of several companies. The total purchase consideration is approximately HK$300,000,000 in cash, plus the allotment and issue of 717,592,592 ordinary shares of the Company. At 30 April 2007, approximately HK$255,170,000 had been paid, resulting in a capital commitment of approximately HK$44,830,000.

41. Contingent liabilities

(i) At balance sheet date, the Group had the following contingent liabilities:

	2007	**2006**
	HK$'000	*HK$'000*
Guarantees in respect of mortgage facilities for certain purchasers	1,278,429	672,074

The Group provided guarantees in respect of mortgage loans granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers but the Group is entitled to take over legal possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees.

No provision has been made in the consolidated financial statements for the financial guarantees as the fair value of the financial guarantee contracts is insignificant.

(ii) Three subsidiaries of the Group have been named as joint defendants in a court action in the PRC in respect of an alleged breach of contractual undertakings for an amount of HK$37,789,000 (2006: HK$35,976,000). The directors, having taken their legal counsel's view, and are of the opinion that the likelihood of success of defending the claim is high. Accordingly, no provision for any potential liability has been made in the consolidated financial statements.

(iii) The Group's share of contingent liabilities of its associates:

	2007	**2006**
	HK$'000	*HK$'000*
Share of contingent liabilities of associates arising from guarantees given to banks for mortgage facilities for by purchasers of associates' properties	–	38,553

42. Major non-cash transactions

For the year ended 30 April 2007

The consideration for the purchase of Chongqing China Enterprise, Lead Mix Limited and DIVO Success Limited, Xian Chan Ba Construction and Zhongzhu Jiazhan Real Estate was settled by issue of ordinary shares of the Company and loan payables. Further details of the acquisitions are set out in note 37.

For the year ended 30 April 2006

The consideration for the purchase of Lucky Merit and New Direction was settled by issue of ordinary shares of the Company. Further details of the acquisitions are set out in note 37 and 38.

43. Pledge of assets

Certain bank deposits pledged to secure mortgage loans granted to the purchasers of the Group's properties, details of which are set out in note 22.

Certain properties under development and investment properties of the Group with a carrying amount amounting to approximately HK$2,137,157,000 (2006: HK$331,258,000) and HK$1,475,834,000 (2006: nil) have been pledged as security for bank borrowings of the Group.

44. Operating lease commitments

The Group as lessee

	2007	**2006**
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year for premises	5,464	2,715

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

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	3,814	1,717
In the second to fifth year inclusive	2,010	457
Over five years	–	360
	5,824	2,534

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

The Group as lessor

Property rental income earned during the year was HK$203,000 (2006: nil). At the balance sheet date, the Group had contracted with tenants for the following minimum lease payments:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	3,359	–
In the second to fifth year inclusive	13,077	–
After five years	1,462	–
	17,898	–

45. Retirement benefit schemes

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%. The maximum contribution for each employee is limited to HK$12,000 per annum.

Employees of subsidiaries in the PRC are members of the state-managed retirement benefit 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$1,571,000 (2006: HK$707,000) represents contributions payable to the schemes by the Group for the year.

46. Principal subsidiaries

Particulars of the Company's principal subsidiaries at 30 April 2007 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 Directly	Indirectly	Principal activities
Capital Team Investment Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
DIVO Success Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Eastern Winway Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Joyful Fortune Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Lead Mix Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Leadway Pacific Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Lucky Merit Development Limited ("Lucky Merit")	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Maxsun 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
New Direction Development Limited ("New Direction")	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")	British Virgin Islands/Hong Kong	200 ordinary shares of US$1 each	–	100%	Investment holding
Reliapoint Ltd	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Richspeed Investment Ltd.	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Richstar Pacific Ltd.	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 Directly	Indirectly	Principal activities
Sunkit Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Top Fair Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1 each	–	100%	Investment holding
Shenzhen Phoenix Real Estates Company Limited 深圳鳳凰置業有限公司 (“Shenzhen Phoenix”, notes a)	The PRC	US$10,000,000	–	100%	Property investment
中置(北京)企業管理有限公司 *(note b)*	The PRC	HK$200,000,000	–	100%	Investment holding
北京金馬文華園房地產開發有限公司 (“Beijing Jinma, note b”)	The PRC	US$12,000,000	–	100%	Property development
北京新松房地產開發有限公司 *(note a)*	The PRC	RMB190,000,000	–	73.7% *(note c)*	Property development
中新綿世(成都)建設發展有限公司*(note a)*	The PRC	RMB100,000,000	–	55%	Property development
天津中新水城置地有限公司 *(note b)*	The PRC	US$15,000,000	–	100%	Property development
北京御水苑房地產開發有限責任公司*(note a)*	The PRC	RMB20,000,000	–	90%	Property development
北京新松置地投資顧問有限公司*(note b)*	The PRC	RMB300,000,000	–	100%	Property development
成都中新錦泰房地產開發有限公司*(note a)*	The PRC	RMB200,000,000	–	70% *(note d)*	Property development
西安滻灞建設開發有限公司*(note a)*	The PRC	US$190,000,000	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司*(note a)*	The PRC	RMB30,000,000	–	67%	Property development
重慶中華企業房地產發展有限公司*(note b)*	The PRC	RMB50,000,000	–	100%	Property development
天津新潤房地產開發有限公司*(note b)*	The PRC	RMB240,000,000	–	100%	Property development
天津中新濱海房地產開發有限公司*(note b)*	The PRC	HK$10,000,000	–	100%	Property development

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/registered capital held Directly	Indirectly	Principal activities
天津中新華安房地產開發有限公司*(note b)*	The PRC	RMB240,000,000	–	100%	Property development
天津中新華城房地產開發有限公司*(note b)*	The PRC	RMB80,000,000	–	100%	Property investment
天津中新嘉業房地產開發有限公司*(note b)*	The PRC	RMB120,000,000	–	100%	Property development
天津中新名仕房地產開發有限公司*(note b)*	The PRC	RMB160,000,000	–	100%	Property development
天津中新信捷房地產開發有限公司*(note b)*	The PRC	RMB240,000,000	–	100%	Property development

Notes:

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

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

(c) 26.3% registered capital is held by an independent party in the PRC. The Group has entered into an agreement with the independent third party that the independent third party has no right to share profit of 新松房地產開發有限公司 other than the a fixed dividend at 6.5% per annum. The Group shall purchase back from the independent the 26.3% registered capital in May 2008 at a mutually agreed price. (see Loan Payable A in note 32)

(d) 30% registered capital is held by an independent party in the PRC. The Group has entered into an agreement with the independent third party that the independent third party has no right to share profit of 成都中新錦泰房地產開發有限公司. The Group shall purchase back from the independent party the 30% registered capital in January 2009 at a mutually agreed price. (see Loan Payable B in note 32)

The above table only includes those subsidiaries which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would in the opinion of directors, result in particulars of excessive length.

None of subsidiaries had any debt capital outstanding at the end of the year or any time during the year.

47. Related parties transactions

During the year, the Group entered into the following transactions with related companies which are controlled by the controlling shareholder of the Company, Mr. Li Song Xiao:

	Agency fee expenses		Interest expenses		Interest income	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Related companies	15,746	1,977	5,770	–	–	–
An associate	–	–	–	–	5,494	24,660

The agency fee expenses were paid to the related companies for providing property promotion and management services to the group companies.

Details of the balances with related parties as at balance sheet date are set out in the balance sheet and notes 18, 29 and 30.

The Group acquired certain subsidiaries from Mr. Li Song Xiao. Details are set out in notes 37 and 38.

A group entity had entered into agreements with 北京新松建築裝飾工程有限公司 (「新松裝飾」) with a total consideration of approximately HK$146,516,000 prior to the group entity became a subsidiary of the Company. Pursuant to the agreements, 新松裝飾 will provide decoration services for the properties under development held by the group entity. At 30 April 2006, approximately HK$128,384,000 has been paid to 新松裝飾 and was included in advances to suppliers. The contracts were cancelled in April 2007 and the amount paid has been refunded at 30 April 2007.

The Group had entered into agreements with 北京新松建築研究發展有限公司(「新松建築研究」) and 北京新松沃克建築裝飾工程有限公司(「北京新松沃克」), with a total contracted amounts of HK$12,957,000 (2006: nil) and HK$1,797,000 (2006: HK$2,270,000) for design services and decoration services respectively. Pursuant to the agreements, 新松建築研究 and 北京新松沃克 will provide design services and decoration services for the properties under development held by the Group. At 30 April 2007, HK$5,541,000 (2006: nil) and HK$1,316,000 (2006: HK$1,232,000) for design services and decoration services has been paid to 新松建築研究 and 北京新松沃克 and was included in property under development.

北京新松投資集團有限公司(「新松投資集團」) and 北京新松家園房地產開發有限公司(「新松家園」), both are related companies of the Group, provided corporate guarantee amounting to approximately HK$323,200,000 (2005: HK$307,692,000) and HK$177,600,000 (2005: HK$169,231,000) respectively for securing bank borrowings to the Group at no charge.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007	2006
	HK$'000	*HK$'000*
Short-term benefits	6,916	7,049
Other long-term benefits	31	182
Share-based payments	74,831	4,287
	81,778	11,518

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

48. Post balance sheet events

(a) On 26 March 2007, the Group entered into a sale and purchase agreement with Invest Gain Limited, which is controlled by Mr. Li Song Xiao, the chairman and controlling shareholder of the Group, to acquire the entire interest in One Alliance Investment Limited for a consideration of approximately HK$505,000,000. One Alliance Investment Limited hold 100% equity interest in a property project in Shanghai, the PRC. The consideration is to be satisfied by the allotment and issue of 467,592,592 ordinary shares at HK$0.01 each of the Company. Details of the acquisition are included in a circular of the Company dated 8 May 2007. The transaction has not yet been completed as at 30 April 2007 and up to the date of this report.

(b) On January 2007, the Group entered into two sale and purchase agreements with three independent third parties for acquisition of 100% equity in Tianjin City Yi Jia he Zhi Ye Company Limited, which carry out property project development in Tianjin, the PRC, for a consideration of approximately HK$667,926,000. The total purchase consideration is approximately HK$217,926,000 in cash, plus the allotment and issue of 250,000,000 ordinary shares of the Company. Details of the transaction are included in an announcement of the Company dated 26 January 2007. The transaction has not yet been completed as at 30 April 2007 and up to the date of this report.

(c) On 12 July 2007, the Company entered into purchase agreements with BOCI Asia Limited and Deutsche Bank Securities Inc. in connection with the issue of 4000 units consisting of US$400,000,000 9.75% senior notes due 2014 and warrants to purchase 264,000,000 ordinary shares of the Company. Details of the transaction are included in an announcement of the Company dated 18 July 2007.

The following is the text of a report received from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

28 December 2007

The Directors
Neo-China Land Group (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information regarding Moral Luck Group Limited ("Moral Luck"), including the balance sheets as at 31 December 2006 and 30 September 2007, and the income statements, statements of changes in equity and cash flow statements of Moral Luck for the period from 20 July 2006 (date of incorporation) to 31 December 2006 and for the nine months ended 30 September 2007 (the "Relevant Period") and the notes thereto (collectively the "Financial Information"), for inclusion in the circular of Neo-China Land Group (Holdings) Limited (the "Company") dated 28 December 2007 (the "Circular").

Moral Luck is a limited liability company incorporated in British Virgin Islands on 20 July 2006 with authorised share capital of USD50,000. The principal activity of Moral Luck is investment holding. On 20 July 2006, one share of USD1 was issued and fully paid.

The Financial Information has been prepared by the sole director of Moral Luck based on the unaudited management accounts of Moral Luck 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 sole director of Moral Luck 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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 Moral Luck for the Relevant Period 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 Moral Luck in respect to any period subsequent to 30 September 2007.

In our opinion, for the purpose of this report, the Financial Information give a true and fair view of the state of affairs of Moral Luck as at 31 December 2006 and 30 September 2007 and of the results and cash flows of Moral Luck for the Relevant Period.

The sole director of Moral Luck is also responsible for preparing the unaudited financial information of Moral Luck including the income statement, cash flow statement and statement of changes in equity for the period from 20 July 2006 (date of incorporation) to 30 September 2006 (the "30 September 2006 Comparative Financial Information") together with the notes thereon. It is our responsibility to form an independent conclusion, based on our review, on the 30 September 2006 Comparative Financial Information. For the purpose of this report, we have reviewed the 30 September 2006 Comparative Financial Information in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the 30 September 2006 Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 September 2006 Comparative Financial Information.

On the basis of our review, which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the 30 September 2006 Comparative Financial Information.

A. FINANCIAL INFORMATION

INCOME STATEMENTS

	Note	Period from 20 July 2006 to 31 December 2006 *RMB'000* (Audited)	Period from 20 July 2006 to 30 September 2006 *RMB'000* (Unaudited)	Nine months ended 30 September 2007 *RMB'000* (Audited)
Turnover	*5*	–	–	–
Administrative expenses		(6)	(6)	(6)
Loss from operations		(6)	(6)	(6)
Finance costs		–	–	–
Share of loss of an associate		–	–	(77)
Loss before taxation	*6*	(6)	(6)	(83)
Income tax	*7*	–	–	–
Loss for the period		(6)	(6)	(83)

BALANCE SHEETS

	Note	**At 31 December 2006** *RMB'000* (Audited)	**At 30 September 2007** *RMB'000* (Audited)
Non-current assets			
Interest in an associate	*9*	54,410	54,333
Current liabilities			
Due to the former sole shareholder	*10*	–	54,416
Due to the sole shareholder	*10*	54,416	–
Accruals		–	6
		54,416	54,422
Net current liabilities		(54,416)	(54,422)
Net liabilities		(6)	(89)
Capital and reserves			
Share capital	*11*	–	–
Reserves		(6)	(89)
Capital deficiency		(6)	(89)

STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 20 July 2006 (date of incorporation) (Audited)	–	–	–
Loss for the period	–	(6)	(6)
At 31 December 2006 (Audited)	–	(6)	(6)
Loss for the period	–	(83)	(83)
At 30 September 2007 (Audited)	–	(89)	(89)
At 20 July 2006 (date of incorporation) (Audited)	–	–	–
Loss for the period	–	(6)	(6)
At 30 September 2006 (Unaudited)	–	(6)	(6)

CASH FLOW STATEMENTS

	Period from 20 July 2006 to 31 December 2006	Period from 20 July 2006 to 30 September 2006	Nine months ended 30 September 2007
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Unaudited)	(Audited)
Operating activities			
Loss before taxation	(6)	(6)	(83)
Adjustment for:			
Share of loss of an associate	–	–	77
Operating loss before changes in working capital	(6)	(6)	(6)
Increase in amount due to the sole shareholder	54,416	54,416	–
Increase in accruals	–	–	6
Net cash generated from operating activities	54,410	54,410	–
Investing activities			
Capital contribution of interest in an associate	(54,410)	(54,410)	–
Net cash used in investing activities	(54,410)	(54,410)	–
Net increase/(decrease) in cash and cash equivalents	–	–	–
Cash and cash equivalents at beginning of period	–	–	–
Cash and cash equivalents at end of period	–	–	–

NOTES TO THE FINANCIAL INFORMATION

1. General

Moral Luck is a limited liability company incorporated in British Virgin Islands. The address of its registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The principal place of business is Unit 1908-9, 19/F, Office Tower Convention Plaza, No.1 Harbour Road, Wanchai, Hong Kong. The principal activity of Moral Luck is investment holding.

The Financial Information are presented in Renminbi ("RMB"), which is the same as the functional currency of the company.

2. Significant accounting policies

a) Statement of compliance

The Financial Information has been prepared in accordance with the significant accounting policies set out below. These accounting policies are in accordance with all applicable HKFRSs (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, and have been consistently applied throughout the Relevant Period.

The new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2007 have been early adopted as at the beginning of the Relevant Period.

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

b) Basis of preparation of the Financial Information

The measurement basis used in the preparation of the Financial Information is the historical cost basis except for certain financial assets and financial liabilities, which are measured at fair values, as explained in the accounting policies set out below.

c) Impairment

At each balance sheet date, Moral Luck reviews the carrying amounts of its tangible assets 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. An 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, such 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.

d) Foreign currencies

In preparing the Financial Information, transactions in currencies other than the functional currency (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which Moral Luck operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the periods in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange difference are also recognised directly in equity.

e) 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 period. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and it further excludes items that are never taxable or 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 Information 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 the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 to 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.

f) Interest in an associate

An associate is an entity over which Moral Luck has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post-acquisition changes in Moral Luck's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of Moral Luck's interest in that associate (which includes any long-term interests that, in substance, form part of Moral Luck's net investment in the associate) are not recognised.

An excess of Moral Luck's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

g) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when Moral Luck becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial liabilities issued by Moral Luck are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The financial liabilities are generally classified into other financial liabilities.

Other financial liabilities including amount due to the former sole shareholder/ sole shareholders are subsequently measured at amortised cost, using the effective interest rate method.

h) Provisions

Provisions are recognised when Moral Luck has a present obligation as a result of a past event, and it is probable that Moral Luck will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

i) Related parties

For the purposes of these financial statements, a party is considered to be related to Moral Luck if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control Moral Luck or exercise significant influence over Moral Luck in making financial and operating policy decisions, or has joint control over Moral Luck;

ii) Moral Luck and the party are subject to common control;

iii) the party is a subsidiary, an associate of Moral Luck or a joint venture in which Moral Luck is a venturer;

iv) the party is a member of key management personnel of Moral Luck or Moral Luck's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence or such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of Moral Luck or of any entity that is a related party of Moral Luck.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. Critical accounting estimates and judgements

Moral Luck's management makes assumptions, estimates and judgements in the process of applying Moral Luck's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

4. Financial risk management objectives and policies

Moral Luck's business strategies, tolerance of risk and general risk management philosophy are determined by management in accordance with prevailing economic and operating conditions. In the opinion of the sole director, Moral Luck has taken appropriate quality control measures to mitigate the effect from any claims caused by products, which may affect adversely its financial results.

Moral Luck has no significant financial assets and Moral Luck's financial liabilities comprise amounts due to sole shareholder and accruals.

Moral Luck had no derivative instruments that are designated and qualified as hedging instruments during the Relevant Period. Exposure to credit, interest rate and currency risk arises in the normal course of Moral Luck.

a) Interest rate risk

As Moral Luck has no significant interest-bearing liabilities, no significant interest rate risk exists.

b) Foreign currency risk

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

c) Credit risk

Moral Luck has no significant concentrations of credit risk.

d) Liquidity risk

Moral Luck's objective is to maintain a balance between the continuity of funding. Shareholder has confirmed its present intention to provide financial support to Moral Luck to enable it to meet its liabilities as and when they fall due, so Moral Luck has no significant liquidity risk.

e) Fair value

The sole director considers that the carrying amounts of all financial assets and liabilities approximated to their fair values at 31 December 2006 and 30 September 2007.

f) Capital Management

The objectives of Moral Luck when managing its own capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for the sole shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Moral Luck actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes necessary adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, Moral Luck monitors its capital structure on the basis of gearing ratio which is calculated at total borrowings over total equity ratio. In this connection, Moral Luck defines total borrowings which include interest-bearing borrowings, convertible notes and derivative financial instruments. Total equity comprises all components of equity.

Moral Luck had no borrowing during the Relevant Period, therefore no adjustment had been placed by the Moral Luck in order to maintain or adjust the capital structure.

There was no change in the Moral Luck's approach to capital management during the Relevant Period.

5. Turnover

Moral Luck derived no turnover during the Relevant Period.

6. Loss before taxation

Loss before taxation is arrived at after charging:

	Period from 20 July 2006 to 31 December 2006	Period from 20 July 2006 to 30 September 2006	Nine months ended 30 September 2007
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Unaudited)	(Audited)
Preliminary expenses	6	6	6

7. Income taxation

a) No provision for Hong Kong or overseas profits tax has been made as Moral Luck did not derive any assessable profit during the Relevant Period.

b) No provision for deferred taxation has been recognised in the Financial Information as the amount involved is not significant.

c) Reconciliation between tax expense and accounting loss at statutory tax rate:

	Period from 20 July 2006 to 31 December 2006	Period from 20 July 2006 to 30 September 2006	Nine months ended 30 September 2007
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Unaudited)	(Audited)
Loss before taxation	(6)	(6)	(83)
Notional tax on loss before taxation calculated at statutory tax rate	(1)	(1)	(27)
Tax effect of tax losses not recognised	1	1	27
Actual tax expense	–	–	–

8. Director's emoluments

No emolument was paid by Moral Luck to its sole director during the Relevant Period.

9. Interest in an associate

	At 31 December 2006 *RMB'000* (Audited)	At 30 September 2007 *RMB'000* (Audited)
Cost of investment in an unlisted associate	54,410	54,410
Share of post-acquisition results	–	(77)
	54,410	54,333

Particulars of the associate during the Relevant Period were as follows:

Name of associate	Form of structure business	Place of incorporation	Percentage of equity interest attributable to Moral Luck	Paid up registered capital *RMB'000*	Principal activity
珠海市淇洲島影視城有限公司 (Zhuhai City Qi Zhou Island Movie Town Company Limited) (the "Project Company")	Incorporated*	mainland China	44.44% *(note)*	64,410	Property development

Summary financial information in respect of the associate is as follows:

	At 31 December 2006	**At 30 September 2007**
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Assets	257,648	246,874
Liabilities	197,166	186,565
Equity	60,482	60,309

	Period from 20 July 2006 to 31 December 2006	**Nine months ended 30 September 2007**
	RMB'000	*RMB'000*
Revenue	102	201
Loss	(281)	(173)

Note: As approved by 珠海市對外貿易經濟合作局, on 5 December 2006, the registered capital of 珠海市淇州島影視城有限公司 (Zhuhai City Qi Zhou Island Movie Town Company Limited) (the "Project Company") was increased by RMB80,000,000 from RMB10,000,000 to RMB90,000,000 of which the capital increment would be entirely contributed by Moral Luck (the "Increment"). Based on the assets valuation report dated 10 November 2006 issued by 珠海中拓正泰資產評估土地估價有限公司 Certified Public Valuer registered in Mainland China, the registered capital that contributed by Moral Luck represented 44.44% of the net asset value of the Project Company. Accordingly, the agreed registered capital and the percentage of shareholding of Moral Luck, 珠海市裕卓虹基集團有限公司 (Zhuhai City Yu Zhou Hung Ji Group Company Limited) ("Yu Zhou") and 珠海市國際會議中心有限公司 ("Gao Hui") are RMB40,000,000 (44.44%), RMB45,000,000 (50.00%) and RMB5,000,000 (5.56%), respectively. Based on the capital verification report dated 14 December 2006 issued by 珠海中拓正泰會計師事務所有限公司 Certified Public Accountant registered in mainland China ("First Capital Vertification Report"), the premium in excess of the investment cost made by Moral Luck amounting to RMB40,000,000 will be deemed as the registered capital paid by Yu Zhou and Gao Hui amounting to RMB36,000,000 and RMB4,000,000, respectively. As per the First Capital Vertification Report, Moral Luck had paid RMB54,410,400 of the Increment and accordingly the paid-up capital of the Project Company made by Moral Luck, Yu Zhou and Gao Hui are RMB27,205,200, RMB33,484,700 and RMB3,720,500 respectively.

As approved by 珠海市工商行政管理局, on 8 March 2007, Gao Hui transferred its entire equity interest of the Project Company to Yu Zhou. Therefore, should the Increment be fully paid up, the Project Company would be 55.56% and 44.44% beneficially owned by Yu Zhou and Moral Luck respectively.

Subsequent to the Relevant Period, based on the capital vertification report dated 20 December 2007 issued by the PRC Auditors, the second instalment of the Increment amounting to RMB25,589,600 has been paid by Moral Luck.

* *The Project Company is a sino-foreign equity joint venture established in mainland China.*

10. Due to the former sole shareholder/sole shareholder

The amounts were unsecured, interest-free and repayable on demand. The sole director of Moral Luck considers that the carrying amounts approximate its fair value in view of its short-term nature.

11. Share capital

	Authorised	Issued and fully paid	RMB equivalent
	USD	*USD*	
Ordinary share of USD1 each as at 31 December 2006 and 30 September 2007	50,000	1	8

Moral Luck was incorporated on 20 July 2006 with an authorised share capital of USD50,000. At the time of incorporation, 1 ordinary share of USD1 each was issued, for cash at par, to the subscriber to provide the initial working capital to Moral Luck.

12. Capital commitments

At the balance sheet dates, the capital commitments outstanding not provided for in the Financial Information were as follows:

	At 31 December 2006	At 30 September 2007
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Capital contribution to the Project Company contracted but not provide for	25,590	25,590

13. Related party transactions

Except for the transactions and balances disclosed elsewhere in the Financial Information, there was no other related party transaction incurred during the Relevant Period.

14. Non-adjusting post balance sheet event

(a) On 15 November 2007, Moral Luck settled its agreed capital contribution for interest in an associate by RMB25,589,600.

(b) On 29 November 2007, a loan agreement was entered into between Moral Luck and Rich Win Investments Limited (a wholly-owned subsidiary of the Company which indirectly holds 55.56% equity interest in the Project Company) as borrowers and an independent third party of the Company as lender, pursuant to which a term loan denominated in United States dollars equivalent to RMB1,500,000,000 and repayable in 24 months was granted. The loan is interest bearing at 20% per annum and secured by, inter alia, a pledge of the 44.44% equity interest in the Project Company held by Moral Luck and a charge of the entire issued share capital of Moral Luck held by Neo-China Real Estate (Shanghai) Limited (a wholly-owned subsidiary of the Company which holds 100% shareholding in Moral Luck).

15. Possible impact of amendments, new standards and interpretations issued but not effective for the relevant period

The HKICPA has issued the following new HKFRSs that are not yet effective. Moral Luck has not early applied the following amendments, new standards and interpretations that have been issued but not effective. The sole director of Moral Luck anticipates that the application of these standards or interpretations will have no material impacts on the Financial Information of Moral Luck.

HKFRS 23 (Revised)	Borrowing costs [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 12	Service Concession Arrangements [2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [3]
HK(IFRIC) – Int 14	HKAS 19-The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction [2]

[1] *Effect for annual periods beginning on or after 1 January 2009*

[2] *Effect for annual periods beginning on or after 1 January 2008*

[3] *Effect for annual periods beginning on or after 1 July 2008*

B. SUBSEQUENT EVENTS

Except for as disclosure in section A note 9 and note 14 to the Financial Information, there was no material subsequent events that occurred since 30 September 2007 to the date of this report.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Moral Luck in respect any period subsequent to 30 September 2007.

Yours faithfully
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

The following is the text of a report received from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

28 December 2007

The Directors
Neo-China Land Group (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information regarding 珠海市淇洲島影視城有限公司 (Zhuhai City Qi Zhou Island Movie Town Company Limited) (the "Project Company"), including the balance sheets as at 31 December 2004, 2005, 2006 and 30 September 2007, and the income statements, statements of changes in equity and cash flow statements of the Project Company for each of the years ended 31 December 2004, 2005, 2006 and nine months ended 30 September 2007 (the "Relevant Period") and the notes thereto (collectively the "Financial Information"), for inclusion in the circular of Neo-China Land Group (Holdings) Limited dated 28 December 2007 (the "Circular").

The Project Company was established as a limited liability company in mainland China on 13 December 1995 with registered capital of RMB5,000,000. The registered capital was fully paid in December 1995 as per the capital verification report dated 8 December 1995. The principal activity of the Project Company is engaged in property development. The registered capital was increased from RMB5,000,000 to RMB30,000,000 and has been fully paid in accordance with the capital verification report dated 9 April 1996. On 6 February 2005, by the resolution of the shareholders' meeting, the registered capital was reduced from RMB30,000,000 to RMB10,000,000. On 5 December 2006, the Project Company was restructured from a limited liability company to a sino-foreign equity joint venture. As approved by 珠海市對外貿易經濟合作局, on 5 December 2006, the registered capital was increased from RMB10,000,000 to RMB90,000,000. At 30 September 2007, registered capital of RMB64,410,400 was paid. Subsequent to the Relevant Period, on 15 November 2007, the remaining registered capital of RMB25,589,600 was fully paid.

The statutory financial statements of the Project Company for the Relevant Period were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the mainland China (the "PRC GAAP"). The statutory financial statements of the Project Company for the two years ended 31 December 2005 and 2006 were audited by 珠海中拓正泰會計師事務所有限公司 Certified Public Accountants registered in the mainland China (the "PRC Auditors"). The PRC Auditors have issued a qualified opinion on the financial statements for both years as they were unable to obtain sufficient and appropriate evidence to satisfy themselves as to whether the carrying value of properties under development as at 31 December 2005 and 2006 were fairly stated. Due to inadvertent oversight, the Project Company has not prepared audited financial statements for the year ended 31 December 2004.

The Financial Information has been prepared by the directors of the Project Company based on the PRC GAAP statutory financial statements and the unaudited management accounts of the Project 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 directors of the Project Company are 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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 Project Company for the Relevant Period 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 Project Company in respect to any period subsequent to 30 September 2007.

In our opinion, for the purpose of this report, the Financial Information give a true and fair view of the state of affairs of the Project Company as at 31 December 2004, 2005, 2006 and 30 September 2007, and of the results and cash flows of the Project Company for the Relevant Period.

The directors of the Project Company are also responsible for preparing the unaudited financial information of the Project Company including the income statement, cash flow statement and statement of changes in equity for the nine months ended 30 September 2006 (the "30 September 2006 Comparative Financial Information") together with the notes thereon. It is our responsibility to form an independent conclusion, based on our review, on the 30 September 2006 Comparative Financial Information. For the purpose of this report, we have reviewed the 30 September 2006 Comparative Financial Information in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the 30 September 2006 Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 September 2006 Comparative Financial Information.

On the basis of our review, which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the 30 September 2006 Comparative Financial Information.

A. FINANCIAL INFORMATION

INCOME STATEMENTS

		Year ended 31 December			Nine months ended 30 September	
		2004	2005	2006	2006	2007
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Turnover	*5*	–	–	–	–	–
Other revenue	*5*	163	333	221	153	201
Selling expenses		(175)	(350)	(184)	(77)	(71)
Administrative expenses		(118)	(109)	(442)	(236)	(303)
Loss from operations		(130)	(126)	(405)	(160)	(173)
Finance costs		–	–	–	–	–
Loss before taxation	*6*	(130)	(126)	(405)	(160)	(173)
Income tax	*7*	–	–	–	–	–
Loss for the year/period		(130)	(126)	(405)	(160)	(173)

BALANCE SHEETS

		As at 31 December			At 30 September
		2004	**2005**	**2006**	**2007**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Audited)	(Audited)	(Audited)	(Audited)
Non-current assets					
Plant and equipment	*9*	–	–	–	–
Current assets					
Properties under development for sale	*10*	242,173	242,194	242,672	242,672
Due from a related company	*11*	–	–	–	4,000
Cash and cash equivalents	*12*	1	6	14,976	202
		242,174	242,200	257,648	246,874
Current liabilities					
Trade payables		–	–	50	50
Other payables and accruals		30	46	61	61
Due to related companies	*13*	241	6,149	986	1,076
Due to former shareholders	*13*	–	–	2,000	185,378
Due to shareholders	*13*	–	2,000	194,069	–
Due to holding company	*13*	215,300	227,528	–	–
		215,571	235,723	197,166	186,565
Net current assets		26,603	6,477	60,482	60,309
Net assets		26,603	6,477	60,482	60,309
Capital and reserves					
Paid-in capital	*14*	30,000	10,000	64,410	64,410
Reserves		(3,397)	(3,523)	(3,928)	(4,101)
Total equity		26,603	6,477	60,482	60,309

STATEMENTS OF CHANGES IN EQUITY

	Note	Paid-in capital *RMB'000*	Capital reserve *RMB'000*	Accumulated losses *RMB'000*	Total equity *RMB'000*
At 1 January 2004 (Audited)		30,000	–	(3,267)	26,733
Loss for the year		–	–	(130)	(130)
At 31 December 2004 (Audited)		30,000	–	(3,397)	26,603
Capital reduction during the year		(20,000)	–	–	(20,000)
Loss for the year		–	–	(126)	(126)
At 31 December 2005 (Audited)		10,000	–	(3,523)	6,477
Capital increment during the year	*14*	27,205	27,205	–	54,410
Transfer *(note)*		27,205	(27,205)	–	–
Loss for the year		–	–	(405)	(405)
At 31 December 2006 (Audited)		64,410	–	(3,928)	60,482
Loss for the period		–	–	(173)	(173)
At 30 September 2007 (Audited)		64,410	–	(4,101)	60,309
At 1 January 2006 (Audited)		10,000	–	(3,523)	6,477
Loss for the period		–	–	(160)	(160)
At 30 September 2006 (Unudited)		10,000	–	(3,683)	6,317

Note:

As approved by 珠海市對外貿易經濟合作局, on 5 December 2006, the registered capital was increased by RMB80,000,000 from RMB10,000,000 to RMB90,000,000 of which the capital increment would be entirely contributed by Moral Luck Group Limited ("Moral Luck") (the "Increment"). Based on the assets valuation report dated 10 November 2006 issued by 珠海中拓正泰資產評估土地估價有限公司 Certified Public Valuer registered in mainland China, the registered capital that was contributed by Moral Luck represented 44.44% of the net asset value of the Project Company. Accordingly, the agreed registered capital and the percentage of shareholding of Moral Luck, 珠海市裕卓虹基集團有限公司 (Zhuhai City Yu Zhou Hung Ji Group Company Limited) ("Yu Zhou") and 珠海市國際會議中心有限公司 ("Gao Hui") are RMB40,000,000 (44.44%), RMB45,000,000 (50.00%) and RMB5,000,000 (5.56%), respectively. Based on the capital verification report dated 14 December 2006 issued by the PRC Auditors, the premium in excess of the investment cost made by Moral Luck amounting to RMB40,000,000 will be deemed as the registered capital paid by Yu Zhou and Gao Hui amounting to RMB36,000,000 and RMB4,000,000, respectively. On 12 December 2006, Moral Luck had paid RMB54,410,400 of the Increment.

As approved by 珠海市工商行政管理局, on 8 March 2007, Gao Hui transferred its entire equity interest of the Project Company to Yu Zhou. Therefore, should the Increment be fully paid up, the Project Company would be 55.56% and 44.44% beneficially owned by Yu Zhou and Moral Luck respectively.

Subsequent to the Relevant Period, based on the capital vertification report dated 20 December 2007 issued by the PRC Auditors, the second instalment of the Increment amounting to RMB25,589,600 has been paid by Moral Luck.

CASH FLOW STATEMENTS

		Year ended 31 December			Nine months ended 30 September	
		2004	2005	2006	2006	2007
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Operating activities						
Loss before taxation		(130)	(126)	(405)	(160)	(173)
Adjustment for:						
Depreciation		1	2	–	–	–
Loss on disposal of plant and equipment		5	4	–	–	–
Operating loss before changes in working capital		(124)	(120)	(405)	(160)	(173)
Increase in properties under development for sale		(16)	(21)	(478)	–	–
Increase in amount due from a related company		–	–	–	–	(4,000)
Increase in trade payables		–	–	50	–	–
Increase in other payables and accruals		6	16	15	10	–
Increase in amount due to related companies		157	5,908	487	343	90
Decrease in amount due to shareholders		–	–	(39,109)	(198)	(10,691)
Decrease in amount due to holding company		(25)	(5,772)	–	–	–
Net cash (used in)/generated from operating activities		(2)	11	(39,440)	(5)	(14,774)

		Year ended 31 December			Nine months ended 30 September	
		2004	2005	2006	2006	2007
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Investing activities						
Purchase of plant and equipment		–	(6)	–	–	–
Net cash used in investing activities		–	(6)	–	–	–
Financing activities						
Proceeds from capital injection	*14*	–	–	54,410	–	–
Net cash generated from financing activities		–	–	54,410	–	–
Net (decrease)/increase in cash and cash equivalents		(2)	5	14,970	(5)	(14,774)
Cash and cash equivalents at beginning of year/period		3	1	6	6	14,976
Cash and cash equivalents at end of year/period	*12*	1	6	14,976	1	202

NOTES TO THE FINANCIAL STATEMENTS

1. General

The Project Company is a sino-foreign equity joint venture established in mainland China. The address of its registered office and principal place of business is 珠海市吉大2號國際會議中心. The principal activity of the Project Company is engaged in property development.

The Financial Information are presented in Renminbi ("RMB"), which is the same as the functional currency of the Project Company.

2. Significant accounting policies

a) Statement of compliance

The Financial Information has been prepared in accordance with the significant accounting policies set out below. These accounting policies are in accordance with all applicable HKFRSs (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, and have been consistently applied throughout the Relevant Period.

The new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2007 have been early adopted as at the beginning of the Relevant Period.

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

b) Basis of preparation of the Financial Information

The measurement basis used in the preparation of the Financial Information is the historical cost basis except for certain financial assets and financial liabilities, which are measured at fair values, as explained in the accounting policies set out below.

c) Revenue recognition

Admission income is recognised in the accounting periods when the company has received the income from audience.

d) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method as follows:

Furniture and fixtures	5 years
Motor vehicles	5 years

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period in which the item is derecognised.

e) Properties under development for sale

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 prepaid lease payments of leasehold land, borrowing cost and development costs during the development period.

f) Impairment

At each balance sheet date, the Project Company reviews the carrying amounts of its tangible assets 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. An 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, such 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.

g) Foreign currencies

In preparing the Financial Information, transactions in currencies other than the functional currency (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the Project Company operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the periods in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange difference are also recognised directly in equity.

h) 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 period. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and it further excludes items that are never taxable or 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 Information 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 the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 to 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.

i) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Project Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

i) Financial assets

The Project Company's financial assets are other receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, other receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the income statement 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.

ii) Financial liability and equity instruments

Financial liabilities issued by the Project Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The financial liabilities are generally classified into other financial liabilities.

Other financial liabilities including trade payables, other payables and amounts due to related companies/former shareholders/shareholders/holding company are subsequently measured at amortised cost, using the effective interest rate method.

j) Provisions

Provisions are recognised when the Project Company has a present obligation as a result of a past event, and it is probable that the Project Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

k) 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 Project Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

l) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Project Company if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Project Company or exercise significant influence over the Project Company in making financial and operating policy decisions, or has joint control over the Project Company;

ii) the Project Company and the party are subject to common control;

iii) the party is a subsidiary, an associate of the Project Company or a joint venture in which the Project Company is a venturer;

iv) the party is a member of key management personnel of the Project Company or the Project Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence or such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Project Company or of any entity that is a related party of the Project Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. Critical accounting estimates and judgements

The Project Company's management has made key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, 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 impairment of properties under development for sale

The Project Company assesses the carrying amount of properties under development for sale according to their estimated net realisable value based on an assessment of the realisability of these properties under development for sale, taking into account costs to completion based on past experience and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgements and estimates.

b) Current and deferred taxation

The Project Company is subject to income taxes in mainland China. Significant judgement is required in determining the amount of the provision of taxation and the timing of payment of the related taxations. The provision of taxation is calculated based on the budgeted cost of property development projects. Where the final tax outcome of these property development projects 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.

c) Land appreciation tax

Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including sales charges, borrowing costs and all property development expenditure.

The Project Company is subject to land appreciation taxes in mainland China. However, the implementation of these taxes varies amongst various mainland China cities and the Project Company has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgments are required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain. The Project Company recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the cost of sales and related income tax provisions in the period in which such determination is made.

4. Financial risk management objectives and policies

The Project Company's business strategies, tolerance of risk and general risk management philosophy are determined by management in accordance with prevailing economic and operating conditions. In the opinion of the directors, the Project Company has taken appropriate quality control measures to mitigate the effect from any claims caused by products, which may affect adversely its financial results.

The Project Company's financial assets comprise mainly cash and cash equivalents and amounts due from related companies. The Project Company's financial liabilities comprise trade and other payables and amounts due to related companies.

The Project Company had no derivative instruments that are designated and qualified as hedging instruments during the Relevant Period. Exposure to credit, interest rate and currency risk arises in the normal course of the Project Company.

a) Interest rate risk

As the Project Company has no significant interest bearing liabilities, no significant interest rate risk exists.

b) Foreign currency risk

Most of the Project Company's monetary assets and liabilities are denominated in RMB and Hong Kong Dollars ("HKD") and the Project Company conducted its business transactions principally in RMB and HKD. The exchange rate risk of the Project Company is not significant.

c) Credit risk

The Project Company has no significant concentrations of credit risk.

d) Liquidity risk

The Project Company's objective is to maintain a balance between the continuity of funding. Shareholders have confirmed their present intention to provide financial support to the Project Company to enable it to meet its liabilities as and when they fall due, so the Project Company has no significant liquidity risk.

e) Fair value

The directors considered that the carrying amounts of all financial assets and liabilities approximated to their fair values at 31 December 2004, 2005, 2006 and 30 September 2007.

f) Capital Management

The objectives of the Project Company when managing its capital are:

– To safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

– To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Project Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes necessary adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Project Company monitors its capital structure on the basis of gearing ratio which is calculated at total borrowings over total equity ratio. In this connection, the Project Company defines total borrowings which include interest-bearing borrowings, convertible notes and derivative financial instruments. Total equity comprises all components of equity.

The Project Company had no borrowing during the Relevant Period, therefore no adjustment had been placed by the Project Company in order to maintain or adjust the capital structure.

There was no change in the Project Company's approach to capital management during the Relevant Period.

5. Turnover and other revenue

The principal activity of the Project Company is engaged in property development. The Project Company did not derive any turnover during the Relevant Period.

During the Relevant Period, the Project Company had other revenue arising from the following activity:

	Year ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Admission income	163	333	221	153	201

6. Loss before taxation

Loss before taxation is arrived at after charging:

(a) Staff cost

	Year ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Salaries, wages and other benefits	86	88	256	181	159

(b) Other items

	Year ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Depreciation	1	2	–	–	–
Loss on disposal of plant and equipment	5	4	–	–	–

7. Income tax

(a) No provision for enterprise income tax in mainland China has been made as the Project Company did not derive any assessable profit during the Relevant Period.

(b) No provision for deferred taxation has been recognised in the Financial Information as the amount involved is not significant.

(c) Reconciliation between tax expense and accounting loss at statutory tax rate:

	Year ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Loss before taxation	(130)	(126)	(405)	(160)	(173)
National tax on loss before taxation calculated at statutory tax rate	(43)	(42)	(134)	(53)	(57)
Tax effect of tax losses not recognised	43	42	134	53	57
Actual tax expense	–	–	–	–	–

8. Directors' emoluments

No emoluments were paid by the Project Company to any of the directors during the Relevant Period.

9. Plant and equipment

	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2004 (Audited)	–	7	7
Disposals	–	(7)	(7)
At 31 December 2004 (Audited)	–	–	–
Additions	3	3	6
Disposals	(3)	(3)	(6)
At 31 December 2005, 31 December 2006 and 30 September 2007 (Audited)	–	–	–
Accumulated depreciation			
At 1 January 2004 (Audited)	–	1	1
Charge for the year	–	1	1
Disposals	–	(2)	(2)
At 31 December 2004 (Audited)	–	–	–
Charge for the year	1	1	2
Disposals	(1)	(1)	(2)
At 31 December 2005, 31 December 2006 and 30 September 2007 (Audited)	–	–	–
Net book value			
At 31 December 2004 (Audited)	–	–	–
At 31 December 2005 (Audited)	–	–	–
At 31 December 2006 (Audited)	–	–	–
At 30 September 2007 (Audited)	–	–	–

10. Properties under development for sale

	As at 31 December			At 30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Properties under development for sale	242,173	242,194	242,672	242,672

The properties under development for sale are located in mainland China and are held under medium-term and long-term leases for tourism use and residential use respectively and will not be realized within twelve months. The Real Estate Title Certificate did not include information regarding the portion of areas for tourism and residential use and therefore no separation of the amount of medium-term leases and long-term leases could be disclosed.

Included in the properties under development for sale are land use rights with an aggregate cost of approximately RMB227,500,000 are 100% beneficially owned by the Project Company. The parcel of land is of a total site area of approximately 2,215,516.28 square metres. According to the valuation report at Appendix VI, the land parcel is planned to be developed into a residential development accommodating villas, townhouses, low-rise apartments and other tourism ancillary facilities with a total saleable gross floor area of approximately 770,000 square metres.

On 6 November 2002, Guo Hui, a related company of the Project Company, entered into a bank loan agreement amounting to RMB160,000,000 with the Zhuahi Branch of Industrial and Commercial Bank of China (the "Loan"). The loan period was from 6 November 2002 to 5 November 2012. The land use rights with a site area of 599,971.67 square metres were pledged to secure the Loan. The Real Estate Title Certificate stated that the pledge as mentioned above was released on 13 September 2006.

11. Due from a related company

	As at 31 December			At 30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Name of related company				
珠海市金寶路物業管理有限公司 ("金寶路物業")	–	–	–	4,000
Maximum outstanding balance during the year/period	–	–	–	4,000

金寶路物業 has the same ultimate beneficial owner of Yu Zhou. The amount was unsecured, interest-free and repayable on demand. The directors of the Project Company consider that the carrying amount approximate its fair value in view of its short-term nature. The outstanding amount due from 金寶路物業 will be waived and has been included in the pro forma adjustment as referred to in Note 4b in Appendix IV.

12. Cash and cash equivalents

	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Cash at banks and in hand	1	6	14,976	202

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the Project Company to which they relate:

	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
HKD	–	–	14,859	18

13. Due to related companies/former shareholders/shareholders/holding company

The amounts were unsecured, interest-free and repayable on demand. The directors of the Project Company consider that the carrying amounts approximate its fair value in view of its short-term nature.

14. Paid-in capital

	Note	**Registered capital** *RMB'000*	**Paid-in capital** *RMB'000*
At 31 December 2003 and 31 December 2004 (Audited)	*(a)*	30,000	30,000
Capital reduction during the year		(20,000)	(20,000)
At 31 December 2005 (Audited)		10,000	10,000
Capital increment during the year	*(b)*	80,000	54,410
At 31 December 2006 and 30 September 2007 (Audited)		90,000	64,410

Note:

a. On 6 February 2005, by the resolution of the shareholders' meeting, the registered capital was reduced from RMB30,000,000 to RMB10,000,000.

b. As approved by 珠海市對外貿易經濟合作局, on 5 December 2006, the registered capital was increased by RMB80,000,000 from RMB10,000,000 to RMB90,000,000 of which the capital increment would be entirely contributed by Moral Luck. On 12 December 2006, Moral Luck had paid the first installment of the Increment amounting to RMB54,410,400.

Subsequent to the Relevant Period, based on the capital vertification report dated 20 December 2007 issued by the PRC Auditors, the second instalment of the Increment amounting to RMB25,589,600 has been paid by Moral Luck.

15. Related party transactions

Except for the transactions and balances disclosed elsewhere in the Financial Information, there was no other related party transaction incurred during the Relevant Period.

16. Non-adjusting post balance sheet event

Subsequent to the Relevant Period, on 15 November 2007, the remaining registered capital of RMB25,589,600 was fully paid.

17. Possible impact of amendments, new standards and interpretations issued but not effective for the relevant period

The HKICPA has issued the following new HKFRSs that are not yet effective. The Project Company has not early applied the following amendments, new standards and interpretations that have been issued but not effective. The directors of the Project Company anticipate that the application of these standards or interpretations will have no material impacts on the Financial Information of the Project Company.

HKFRS 23 (Revised)	Borrowing costs [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 12	Service Concession Arrangements [2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [3]
HK(IFRIC) – Int 14	HKAS 19-The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction [2]

[1] *Effect for annual periods beginning on or after 1 January 2009*

[2] *Effect for annual periods beginning on or after 1 January 2008*

[3] *Effect for annual periods beginning on or after 1 July 2008*

B. SUBSEQUENT EVENTS

Except for as disclosure in section A note 14 and note 16 to the Financial Information, there was no material subsequent events that occurred since 30 September 2007 to the date of this report.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Project Company in respect any period subsequent to 30 September 2007.

Yours faithfully
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

I) 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, the Project Company and Moral Luck (collectively the "Enlarged Group") has been prepared to illustrate the effect of the proposed acquisition of 100% equity interest of the Project Company ("Acquisition") as if the acquisitions had been completed on 30 April 2007.

The unaudited pro forma statement of consolidated assets and liabilities has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group as at 30 April 2007 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 audited consolidated balance sheet as at 30 April 2007, as set out in the annual report of Neo-China Land Group (Holdings) Limited (the "Company"), after making pro forma adjustments as set out in notes 1 to 4 below.

Unaudited pro forma statement of assets and liabilities of the Enlarged Group

	Statement of assets and liabilities of the Group as at 30 April 2007	Statement of assets and liabilities of Moral Luck as at 30 September 2007	Statement of assets and liabilities of the Project Company as at 30 September 2007	Sub-total		Pro forma adjustments			Sub-total	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*
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1	*Note 2*	*Note 3*		*Note 4a*	*Note 4b*	*Note 4c*	*Note 4d*		
NON-CURRENT ASSETS										
Plant and equipment	137,933	–	–	137,933	–	–	–	–	–	137,933
Interest in an associate	–	56,506	–	56,506	–	(56,506)	–	–	(56,506)	–
Investment properties	1,475,834	–	–	1,475,834	–	–	–	–	–	1,475,834
Deposits for acquisitions of subsidiaries	255,170	–	–	255,170	–	–	–	–	–	255,170
Other financial assets	20,000	–	–	20,000	–	–	–	–	–	20,000
Pledged bank deposits	94,225	–	–	94,225	–	–	–	–	–	94,225
Deferred tax assets	15,739	–	–	15,739	–	–	–	–	–	15,739
Goodwill	–	–	–	–	–	(691,773)	691,773	–	–	–
	1,998,901	56,506	–	2,055,407	–	(748,279)	691,773	–	(56,506)	1,998,901
CURRENT ASSETS										
Properties held for sale	375,493	–	–	375,493	–	–	–	–	–	375,493
Properties under development	8,299,508	–	252,379	8,551,887	5,467,621	–	–	–	5,467,621	14,019,508
Advances to suppliers	690,612	–	–	690,612	–	–	–	–	–	690,612
Amount due from a related company	–	–	4,160	4,160	–	(4,160)	–	–	(4,160)	–
Trade and other receivables and prepayments	872,336	–	–	872,336	–	–	–	–	–	872,336
Tax recoverable	123,907	–	–	123,907	–	–	–	–	–	123,907
Available-for-sale investments	90,900	–	–	90,900	–	–	–	–	–	90,900
Bank balances and cash	1,411,472	–	210	1,411,682	–	–	–	–	–	1,411,682
	11,864,228	–	256,749	12,120,977	5,467,621	(4,160)	–	–	5,463,461	17,584,438
Assets classified as held for sale	281,002	–	–	281,002	–	–	–	–	–	281,002
	12,145,230	–	256,749	12,401,979	5,467,621	(4,160)	–	–	5,463,461	17,865,440

	Statement of assets and liabilities of the Group as at 30 April 2007	Statement of assets and liabilities of Moral Luck as at 30 September 2007	Statement of assets and liabilities of the Project Company as at 30 September 2007	Sub-total	Pro forma adjustments				Sub-total	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*
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1	*Note 2*	*Note 3*		*Note 4a*	*Note 4b*	*Note 4c*	*Note 4d*		
CURRENT LIABILITIES										
Accruals and other payables	1,239,112	6	116	1,239,234	–	3,224,000	–	1,500	3,225,500	4,464,734
Advance from customers	1,921,783	–	–	1,921,783	–	–	–	–	–	1,921,783
Amounts due to related companies	214,379	–	1,119	215,498	–	(1,119)	–	–	(1,119)	214,379
Amounts due to former shareholders	–	56,593	192,793	249,386	–	(249,386)	–	–	(249,386)	–
Amounts due to shareholders	20,412	–	–	20,412	–	–	–	–	–	20,412
Amount due to minority shareholders	53,081	–	–	53,081	–	–	–	–	–	53,081
Dividend payable	9	–	–	9	–	–	–	–	–	9
Tax payable	201,224	–	–	201,224	–	–	–	–	–	201,224
Secured bank borrowings – due within one year	671,700	–	–	671,700	–	–	–	–	–	671,700
Loan payables	170,422	–	–	170,422	–	–	–	–	–	170,422
	4,492,122	56,599	194,028	4,742,749	–	2,973,495	–	1,500	2,974,995	7,717,744
Liabilities directly associated with assets classified as held for sale	39,035	–	–	39,035	–	–	–	–	–	39,035
	4,531,157	56,599	194,028	4,781,784	–	2,973,495	–	1,500	2,974,995	7,756,779
NET CURRENT ASSETS/ (LIABILITIES)	7,614,073	(56,599)	62,721	7,620,195	5,467,621	(2,977,655)	–	(1,500)	2,488,466	10,108,661
TOTAL ASSETS LESS CURRENT LIABILITIES	9,612,974	(93)	62,721	9,675,602	5,467,621	(3,725,934)	691,773	(1,500)	2,431,960	12,107,562
NON-CURRENT LIABILITIES										
Secured bank borrowings – due after one year	1,401,880	–	–	1,401,880	–	–	–	–	–	1,401,880
Deferred tax liabilities	934,295	–	–	934,295	1,804,315	–	–	–	1,804,315	2,738,610
Loan payable	458,174	–	–	458,174	–	–	–	–	–	458,174
Derivative financial instrument	53,000	–	–	53,000	–	–	–	–	–	53,000
Convertible notes	1,254,074	–	–	1,254,074	–	–	–	–	–	1,254,074
	4,101,423	–	–	4,101,423	1,804,315	–	–	–	1,804,315	5,905,738
NET ASSETS/ (LIABILITIES)	5,511,551	(93)	62,721	5,574,179	3,663,306	(3,725,934)	691,773	(1,500)	627,645	6,201,824
CAPITAL AND RESERVES										
Share capital	68,754	–	66,987	135,741	–	(66,987)	–	–	(66,987)	68,754
Reserves	1,216,139	(93)	(4,266)	1,211,780	3,663,306	(3,658,947)	691,773	(1,500)	694,632	1,906,412
Share premium	3,673,938	–	–	3,673,938	–	–	–	–	–	3,673,938
Equity attributable to equity holders of the Company	4,958,831	(93)	62,721	5,021,459	3,663,306	(3,725,934)	691,773	–	627,645	5,649,104
Minority interests	552,720	–	–	552,720	–	–	–	–	–	552,720
TOTAL EQUITY/ (CAPITAL DEFICIENCY)	5,511,551	(93)	62,721	5,574,179	3,663,306	(3,725,934)	691,773	(1,500)	627,645	6,201,824

Notes:

1. The statement of assets and liabilities (audited) is extracted from the audited consolidated balance sheet of the Group as at 30 April 2007.

2. The statement of assets and liabilities (audited) is extracted from the audited balance sheet of Moral Luck as at 30 September 2007 as set out in Appendix II – Accountants' Report of this circular.

3. The statement of assets and liabilities (audited) is extracted from the audited balance sheet of the Project Company as at 30 September 2007 as set out in Appendix III – Accountants' Report of this circular.

4 a. To record the fair value adjustment of inventories of the Project Company amounting to RMB5,257,328,000 (approximately HK$5,467,621,000) and the respective deferred tax liabilities amounting to RMB1,734,918,000 (approximately HK$1,804,315,000). Such adjustments led to a corresponding increase in property revaluation reserve amounting to RMB3,522,410,000 (approximately HK$3,663,306,000).

The adjustment is made by reference to the valuation report as set out in Appendix VI of this circular prepared by Savills Valuation and Professional Service Limited, an independent property valuer and the carrying value of the inventories as at 30 September 2007.

b. To record the consideration payable for the Acquisition amounting to RMB3,100,000,000 (approximately HK$3,224,000,000*), of which RMB780,000,000 (approximately HK$811,200,000) and RMB2,320,000,000 (approximately HK$2,412,800,000) to be paid to Yu Zhou and Mr. Chan for acquisition of 55.56% and 44.44% equity interest of the Project Company.

To record the negative goodwill arising on the Acquisition amounting to HK$691,773,000*, which represents the difference between the cost of consideration amounting to RMB3,100,000,000 (approximately HK$3,224,000,000) and the 100% of the fair value of net asset of Moral Luck and the Project Company as at 30 September 2007 amounting to an aggregate total of RMB3,765,167,000 (approximately HK$3,915,773,000*). The fair value thereof is determined by the net asset value of RMB5,887,000 (approximately HK$6,122,000) being the aggregate amount of the net book value of Moral Luck and the Project Company after eliminating the interest in an associate, the Project Company, as at 30 September 2007, after the fair value adjustment as stated in note 4(a) above, waiver of amount due from a related company amounting to RMB4,000,000 (approximately HK$4,160,000), waiver of amounts due to related companies amounting to RMB1,076,000 (approximately HK$1,119,000) and waiver of amounts due to former shareholders amounting to RMB239,794,000 (approximately HK$249,386,000).

*	*HK$'000*
Cost of consideration	(3,224,000)
Fair value of net asset of Moral Luck and the Project Company as at 30 September 2007	3,915,773
Negative goodwill	691,773

To record the elimination of pre-acquisition reserve of the Project Company amounting to HK$3,658,947,000, which represents the accumulated deficit of Moral Luck and the Project Company as at 30 September 2007 amounting HK$93,000 and HK$4,266,000 respectively and the property revaluation reserve of the Project Company amounting to HK$3,663,306,000 as stated in note 4(a) above.

To record the elimination of share capital of Moral Luck and registered capital of the Project Company amounting to USD1 (approximately HK$8) and RMB64,410,000 (approximately HK$66,987,000) respectively.

c. To recognise the negative goodwill as stated in note 4(b) above to income statement directly.

d. To record the professional fees payable for the Acquisition of approximately HK$1,500,000.

II) LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGE GROUP

The following is the text of a letter, received from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information fro the purpose of incorporation in this circular.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

28 December 2007

The Directors
Neo-China Land Group (Holdings) Limited

We report on the unaudited pro forma financial information of Neo-China Land Group (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 144 to 147 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "unaudited pro forma financial information") as set out in Appendix IV of the Company's circular (the "Circular") dated 28 December 2007 in connection with the acquisition of 100% equity interest of the Project Company (the Acquisition") by the Group. 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 might have affected the relevant financial information of the Group. The basis of preparing the unaudited pro forma financial information is set out on pages 146 to 147 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 Rule 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 Rule 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 unaudited 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 Rule 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose 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 the financial position of the Group as at 30 April 2007 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 Rule 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 Acquisition as disclosed in the Letter from the Board and the transactions contemplated under the Agreement I and the Agreement II, there has been no material adverse change in the financial or operating position or prospects of the Group since 30 April 2007 (being the date to which the latest audited financial statements of the Group were made up).

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED 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 Zhuhai, 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, the increase in the 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 Shareholder's 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 Enlarged Group.

During the year ended 30 April 2007, being the date of the latest published accounts of the Group, the Group recorded a turnover of HK$2,780 million (2006: HK$671 million), representing an increase of 314% over the prior period. Profit attributable to equity holders of the Company amounted to HK$833 million (2006: HK$105 million). Basic earnings per share was HK$14.67 cents (2006: HK$3.78 cents) and diluted earnings per share was HK$13.18 cents (2006: HK$3.50 cents). Total prepaid receipts from customers as at 30 April 2007 were approximately HK$1,922 million. Total gross floor area of 274,000 sq.m. of the Group were sold and recognized.

The Board has made very effort to maintain a stable dividend policy while keeping a sound financial position for further development. For the best interests of Shareholders, the Board recommended a payment of final dividend of HK1.2 cents per share payable on 29 October 2007 to those shareholders whose names are shown in the register of members of the Company on 17 October 2007. Together with an interim dividend of HK$1.5 cents per share distributed on 5 February 2007, the total dividend for the whole year amounted to HK2.7 cents per share.

In the first half of 2007, the China economy maintained continuous growth with GDP of RMB10,678.8 billion, representing a year-on-year increase of 11.5%

The Group has staged an expansion strategy in 2007 by consolidating its effort in development in several municipalities directly under the central government of the PRC as well as other first-tier cities. At the same time, the Group has also proactively sought to accelerate its development in other medium and large PRC cities with promising growth potentials, and has achieved significant progress with several acquisitions of attractive sites.

Land bank replenishment is one of the key strategies of the Company for boosting her sustainable development. During the year 2007, the Company has secured plots of land by acquiring the equity interest of several project companies, they are located in Beijing, Tianjin, Chongqing, Chengdu, Changsha, Xian, Shanghai and Hebei. During the period under review, and up to the Latest Practicable Date, there were 11 major projects which are under development/will be developed. These include 3 projects in Beijing: American Rock Project; Youngman Point Project and Xidiaoyutai Project – Yushuiyuan. Other projects include Phoenix Tower Project in Shenzhen; Tianjin Laochengxiang Project and Bei Chen Project in Tianjin; Chongqing Yuanjiagang Project – Chongqing China New City in Chongqing; Xian Project – The Number One Water City in Western China in Xian, Neo-China Flower City Project in Changsha, Wen Jiang Project in Chengdu and Shanghai Jiujiu Youth City Project in Shanghai. Additionally, the Group marks a further step towards its investment in three respective primary land developments in Tianjin, Chengdu and Beijing. Besides, the Group is proactively focusing various high potential investments and opportunities in several main cities in the PRC so as to achieve a sustainable level of land bank for its business development. As at the Latest Practicable Date, the Group is also engaged in the acquisitions of three other property development projects in Haibin, Hebei and Shenyang.

The real estate industry has been a key pillar of the Chinese economy. The related departments of the PRC Government have already implemented a series of austerity measures to the real estate industry in respect of its taxation, financing and land supply. The purpose of such measures is to protect the benefit of the consumers and encourage long term investment activities, so as to restrict short term speculations. Stringent requirements and conditions on property developers clearly demonstrated that the PRC government is proactively striving for a continual healthy development of property industry. This helps to make a significant and positive impact on the whole real estate industry in the long run, which in turns provides opportunities for resources reallocation within this sector. It is expected that the development of the real estate industry will be in a regulated manner, while the excellent property developers will have great development opportunities under this favourable environment. Apart from these, market demand and supply will further maintain a balance and match the practical needs of customers, and therefore, a sustainable, stable and rational orderly market will be established. Driven by the rapid urbanization progress and increasing demand of housing, the real estate industry in the PRC will have great potential for development in the long run.

In future, the Company will continue to implement its development strategy and obtain land development rights through public auctions, mergers and acquisitions with other small to medium sized property developers. Such strategy will not only increase the Group's land bank, but also control the development cost effectively which enhance the Group's profitability significantly.

Upon completion of transaction of various projects being acquired as outlined above, the Company will have 14 projects under development/will be developed in 11 cities in the PRC with aggregated GFA of approximately 13.8 million sq.m., together with the above mentioned three primary land agreements (in a project in Tianjin, Pi Xian Project in Chengdu and another project in Beijing), will effectively allow the Company to acquire lands at lower costs in future.

The property market in China now undergoes a big room development, with a great market demand for residential property in major cities. The Group is confident that its nationwide property development and investment projects will proceed according to schedule and achieve satisfactory results.

As at 30 April 2007, being the date of the latest published accounts of the Group, the Group had cash and bank balance of approximately HK$1,411 million with net assets totaling to HK$5,512 million and current ratio at approximately 2.68. The total borrowings of the Group as at 30 April 2007 amounted to HK$3,956 million making the Group's gearing ratio at 79.8% at 30 April 2007 calculated by total borrowings over total equity of HK$4,959 million. The Board believes that liquid assets, funds and future revenue will be sufficient to finance future expansion and working capital requirement.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE PROJECT COMPANY AND MORAL LUCK

Review of Past Performance

Project Company

The Project Company did not record any turnover for each of the three years ended 31 December 2006 and for the nine months ended 30 September 2007.

For each of the three years ended 31 December 2006, and for the nine months ended 30 September 2007, the audited loss of Project Company amounted to approximately RMB130,000 (approximately HK$135,000), RMB126,000 (approximately HK$131,000), RMB405,000 (approximately HK$421,000) and RMB 173,000 (approximately HK$180,000) respectively (no actual taxation expenses were incurred during such periods).

The Project Company has not generated any revenue from its principal activity as such revenue will only be generated from the sale of the properties developed under the Property Development Project, which is still at an early stage.

The Project Company does not have any geographical segment information as the activities of the Project Company for each of the three years ended 31 December 2006 and for the nine months ended 30 September 2007 were all carried out in Zhuhai City, the PRC.

The Project Company does not have any business segment information as it was only engaged in the Property Development Project for each of the three years ended 31 December 2006 and for the nine months ended 30 September 2007.

Save for its interest in the Property Development Project, the Project Company did not have any significant investments, material acquisitions and disposals during the each of the three years ended 31 December 2006 and the nine months ended 30 September 2007.

The audited net asset value of Project Company as at 31 December 2006, 31 December 2005 and 31 December 2004 was RMB60.5 million (approximately HK$62.9 million), RMB6.5 million (approximately HK$6.7 million) and RMB26.6 million (approximately HK$27.7 million) respectively. The audit was on the basis of generally accepted accounting principles in Hong Kong.

As at 31 December 2004, 31 December 2005, 31 December 2006 and 30 September 2007, the Project Company had cash at banks and in hand in the amounts of RMB1,000 (approximately HK$1,040), RMB6,000 (approximately HK$6,240), RMB14,976,000 (approximately HK$15,575,040) and RMB202,000 (approximately HK$210,080) respectively. Included in the aforementioned cash at banks and in hand, an amount of HK$14,859,000 (as at 31 December 2006) and an amount of HK$18,000 (as at 30 September 2007) were denominated in Hong Kong dollars. The Project Company had no borrowing for each of the three years ended 31 December 2006 and for the nine months ended 30 September 2007. The Project Company generally finances its operations with the funds from its shareholders which were unsecured, interest-free and repayable on demand.

The Project Company did not have any material contingent liabilities as at 31 December 2004, 31 December 2005, 31 December 2006 and 30 September 2007.

Based on the audited accounts of the Project Company at 31 December 2006 prepared in accordance with all applicable HKFRS, the Project Company owed an outstanding amount to related companies of RMB986,000 (approximately HK$1,025,440), an outstanding amount to former shareholders of RMB2,000,000 (approximately HK$2,080,000) and an outstanding amount to shareholders of RMB194,069,000 (approximately HK$201,831,760) which were all unsecured, non-interest bearing and repayable on demand. The amounts owed are loans to finance construction.

The number of persons employed by the Project Company as at 31 December 2004, 31 December 2005, 31 December 2006 and 30 September 2007 were 6, 10, 10 and 12 respectively. The Project Company remunerated its staff by reference to market terms and the performance, qualifications and experience of individual employees. Total staff costs of the Project Company (including salaries, wages and other benefits) for each of the three years ended 31 December 2006 and for the nine months ended 30 September 2007 were RMB86,000 (approximately HK$89,440), RMB88,000 (approximately HK$91,520), RMB256,000 (approximately HK$266,240) and RMB159,000 (approximately HK$165,360) respectively.

The gearing ratio of the Project Company is nil, as the Project Company had no bank borrowing for each of the three years ended 31 December 2006 and for the nine months ended 30 September 2007.

For each of the three years ended 31 December 2006 and the nine months ended 30 September 2007, save for the land use rights with a site area of 599,971.67 which was pledged to the Zhuhai Branch of Industrial and Commercial Bank of China for securing a loan granted on 6 November 2002 (such pledge was released on 13 September 2006), the Project Company did not charge any of its assets.

The transactions of the Project Company were denominated in RMB and Hong Kong dollars. Therefore, the exposure of the Project Company to foreign currency fluctuation was low. The Project Company did not entered into any financial instrument for hedging purposes.

Except that the Project Company will continue the Property Development Project, there is no other concrete plan for material investments or capital assets in the coming year. The Project Company will continue to rely on the funding from its shareholders for carrying out the Property Development Project.

Moral Luck

Save for its 44.44% equity interest in the Project Company, Moral Luck does not have and has not had any other significant businesses and/or operations, profits or losses, and assets and liabilities as at the Latest Practicable Date.

For the period from 20 July 2006 to 31 December 2006 and the nine months ended 30 September 2007:

(i) Moral Luck did not record any turnover;

(ii) Moral Luck did not have any geographical segment information or any business segment information as the sole activity of it was its 44.44% equity interest in the Project Company;

(iii) Save for its interest in the Project Company, Moral Luck did not have any significant investments, material acquisitions and disposal;

(iv) Moral Luck had no bank borrowing;

(v) The gearing ratio of Moral Luck is nil;

(vi) The transactions of Moral Luck were denominated in RMB. Therefore, the exposure of Moral Luck to foreign currency fluctuation was low. Moral Luck did not entered into any financial instrument for hedging purposes.

(vii) Moral Luck did not charge any of its assets;

(viii) Moral Luck did not employ any employee;

(ix) Moral Luck did not have any material contingent liabilities.

Except that Moral Luck will continue its investment in the Project Company, there is no other concrete plan for material investments or capital assets in the coming year. Moral Luck will continue to rely on the funding from its shareholders for its investment in the Project Company.

The following is extracted from the accountants' report on Moral Luck (reference is made to Appendix II to this circular) for the period from 20 July 2006 to 31 December 2006 and the nine months ended 30 September 2007.

	Period from 20 July 2006 to 31 December 2006	**Nine months ended 30 September 2007**
	RMB'000	*RMB'000*
Turnover	–	–
Loss before taxation	(6)	(83)
Loss for the period	(6)	(83)
Non-current assets	54,410	54,333
Net current liabilities	(54,416)	(54,422)
Net liabilities	(6)	(89)

PROSPECT

Upon completion, the Project Company will become an indirect wholly-owned subsidiary of the Company, and the effective equity interest of the Company in the Property Development Project will be 100%. The Company is of the view that the Acquisition represents a good opportunity for the Group to further expand its business in the property market in Zhuhai. The construction works is targeted to commence in mid 2008 with a construction period of approximately 5 to 6 years, the Board believes that the 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.

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.

INDEBTEDNESS

As at the close of business on 31 October 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding secured bank loans of approximately HK$3,167,600,000, outstanding loan from an independent third party (including unpaid interest) of approximately HK$506,509,000, a zero coupon convertible bond with a principal amount of HK$937,010,000 and senior notes with a principal amount of approximately HK$3,120,000,000. The aggregate amount repayable at 31 October 2007 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular) was as follows:

	HK$
Bank loans repayable:	
Within one year	232,532,000
Between one and two years	1,767,242,000
Between two and five years	1,074,814,000
Between five to ten years	93,012,000
Loan payable to an independent third party	506,509,000
Zero coupon convertible bond	937,010,000
Senior notes	3,120,000,000

Except for the bank loans that are secured by certain properties under development and investment properties located in the PRC of the Enlarge Group with the carrying amount of approximately HK$3,456,856,000 and HK$1,683,479,000 respectively, all other loans are unsecured.

The Enlarged Group provided guarantees in respect of mortgage facilities granted by certain banks of approximately HK$1,975,153,000 relating to the mortgage loans arranged for certain purchasers of the Enlarged Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Enlarged Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Enlarged Group is entitled to take over the legal title and possession of the related properties. The Enlarged Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Enlarged Group obtained the "property title certificate" for the mortgagees, or when the Enlarged Group obtained the "master property title certificate" upon completion of construction.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on the Latest Practicable Date.

BUSINESS AND INTEREST IN SHARE CAPITAL ACQUIRED AFTER THE DATE OF THE LATEST PUBLISHED ACCOUNTS OF THE GROUP

After 30 April 2007, being the date of the latest published accounts of the Group, the Group has acquired the following business and interest in share capital of the following companies:–

(a) Acquisition of 100% Equity Interest in 天津市億嘉合置業有限公司 (Tianjin City Yi Jia He Zhi Ye Company Limited)

(i) On 22 January 2007, the Company and the Company's wholly owned subsidiary, 中置(北京)企業管理有限公司 (Zhongzhi (Beijing) Enterprise Management Company Limited) (as the purchasers as such acquisitions) entered into two Share Transfer Agreements for the acquisition of 100% equity interest in 天津市億嘉合置業有限公司 (Tianjin City Yi Jia He Zhi Ye Company Limited) ("**Tianjin City Yi Jai He**") with:

(1) under agreement I, Parsonturham Consulting Limited (北辰端拱顧問有限公司) for the acquisition of 100% of the registered capital of Wah Po Holding Limited (華寶控股有限公司), which is holding 95% equity interest in上海雅閣麗星裝飾有限公司 (Shanghai Yage Lixing Zhangshi Company Limited) ("**Lixing**"), which in turn holds 70% of the equity interest in Tianjin City Yi Jia He;

(2) under agreement II, 青島亞星置業有限公司 (Qingdao Yaxing Zhi Ye Company Limited) for the acquisition of 30% of the registered capital of Tianjin City Yi Jia, and 青島北辰端拱地產顧問有限公司 (Qingdao Beichen Duan Gong Real Estate Consultancy Company Limited) for the acquisition of 5% of the equity interest in Lixing, which in turn holds 70% of the equity interest in Tianjin City Yi Jia He.

Tianjin City Yi Jia He, a company, incorporated in PRC, is carrying out a property development project named "天津北辰區宜興埠舊村改造項目" (Tianjin Beichen Qu Yi Xing Bu Jiu Cun Redevelopment Project)", situated at 天津北辰區宜興埠舊村 (Tianjin Beichen Qu Yi Xing Bu Jiu Cun), the PRC.

(ii) Consideration of the acquisition under agreement I was HK$655,170,000, which were satisfied by (1) in cash in the amount of HK$205,170,000 and (2) the allotment and issue by the Company to the vendor 250,000,000 new consideration shares (before the 4 to 1 consolidation of the shares in the Company effected on 29 October 2007) at the issue price of HK$1.80 each.

On 24th August, 2007, the parties further agreed that the 250,000,000 consideration shares (before the 4 to 1 consolidation of the shares in the Company effected on 29 October 2007) are to be satisfied as follows:–

(a) instead of 110,000,000 consideration shares being issued, the Company would instead pay cash in an amount of HK$198,000,000. Such cash payment has been made from internal resources of the Company; and

(b) the remaining 140,000,000 consideration shares has been issued as such issuance was approved at the special general meeting of the Company held on 17 October 2007.

(iii) Details of the acquisitions of 100% equity interest in Tianjin City Yi Jia He were announced by the Company on 26 January 2007 and as further disclosed by the circular issued by the Company on 24 September 2007.

(b) Acquisition of 100% equity interest in One Alliance Investment Limited

On 26 March 2007, Invest Gain Limited (a company wholly owned by Mr. Li Song Xiao, the chairman and an executive director of the Company) as vendor, Neo-China Investment Limited (a wholly-owned subsidiary of the Company) as purchaser and the Company as issuer entered into an agreement for the acquisition of 100% equity interest in One Alliance Investment Limited at a consideration of HK$505,000,000 (which was to be satisfied in full by the allotment and issue of 467,592,592 shares of HK$0.01 each in the capital of the Company at the issue price of HK$1.08 each) (equivalent to 116,898,148 Shares after the 4 to 1 consolidation of the shares of the Company effected on 29 October 2007).

Details of the acquisition of 100% equity interest in One Alliance Investment Limited was disclosed in the circular issued by the Company on 8 May 2007.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular and received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their valuation of the property as at 30 September 2007.

savills
第一太平戴維斯

T: (852) 2801 6100
F: (852) 2501 5590

23/F Two Exchange Square
Central, Hong Kong

EA Licence: C-023750
savills.com

28 December 2007

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

Dear Sirs,

In accordance with the instructions from Neo-China Land Group (Holdings) Limited (the "Company") for us to value the property held by 珠海市淇洲島影視城有限公司 (Zhuhai City Qi Zhou Island Movie Town Company Limited) (the "Project Company") in the PRC, we confirm that we have carried out an inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of such property as at 30 September 2007 ("date of valuation") for inclusion in a public circular issued by the Company.

Our valuation of the property 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 and estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, 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 property, we have adopted the direct comparison approach by making reference to the comparable market transactions as available in the market.

We have been shown copies of various title documents including Real Estate Title Certificate and Construction Land Use Permit provided by the Company relating to the property. However, we have not inspected the original documents to verify the ownership or to verify any amendments which may not appear on the copies provided to us. In the course of our valuation, we have relied to a considerable extent on the information given by the Company and its PRC legal advisers, Guangdong Asian-Pacific Time Laws Firm, regarding the title to the property.

We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided by the Company to us and are therefore only approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

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

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property, we have complied with 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 monetary amounts stated in this report are in Renminbi (RMB).

We enclose herewith our valuation certificate.

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., FRICS, FHKIS, MCIArb, RPS (GP), is a qualified valuer and has about 23 years' experience in the valuation of properties in Hong Kong and has 18 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2007
One parcel of land located at east of Qi'ao Road East, Chi Ling Mountain Group Area, Zhuhai City, Guangdong Province, PRC	The property comprises a site with an area of approximately 2,215,516.28 sq.m. (23,847,817 sq.ft.) which is located in the eastern part of Qi'ao Island. According to the latest development proposal provided by the Company, the property is planned to be developed into a residential development accommodating villas, townhouses, low-rise apartments and other tourism ancillary facilities with a total saleable gross floor area of approximately 770,000 sq.m. (8,288,280 sq.ft.). As advised by the Company, the development is expected to be completed in five years. The land use rights of portion of the property with a site area of 2,015,131.23 sq.m. (21,690,873 sq.ft.) have been granted to the Project Company for terms of 40 and 70 years expiring on 30 November 2044 and 30 November 2074 for tourism and residential uses respectively.	The property is currently a vacant site.	RMB5,500,000,000

Notes:

1. Pursuant to Real Estate Title Certificate No. Yue Fang Di Zheng Zi Di C4701761 (粵房地証字第C4701761號) issued by the People's Government of Guangdong Province on 4 September 2006, the land use rights of a parcel of land with a site area of approximately 2,015,131.23 sq.m. have been granted to the Project Company for terms of 40 years expiring on 30 November 2044 for tourism use and 70 years expiring on 30 November 2074 for residential use.

2. Pursuant to Construction Land Use Permit No. 2006 Yong Di Zi (Xiang Zhou) Di 088（2006用地字（香洲）第088號）issued by Zhuhai City Planning Bureau on 6 September 2006, a parcel of land with a site area of approximately 2,215,516.28 sq.m. is permitted for tourism and real estate development.

3. We have been provided a legal opinion issued by the Company's PRC legal adviser, Guangdong Asian-Pacific Time Laws Firm, on 30 September 2007 regarding the title to the property, which contains, inter alias, the following information:

   i. the Project Company has obtained the Real Estate Title Certificate legally. The Project Company has the rights to use, transfer, mortgage or lease the land use rights of the property as stated in Note (1) above under the PRC laws;

   ii. the land premium of the land as stated in Note (1) has been fully settled. The land use rights as stated in Note (1) above are not subject to any mortgages or other encumbrances;

   iii. there will be no legal impediment for the Project Company to obtain the land use rights of the remaining site area of approximately 200,385.05 sq.m. after resettlement of the land occupied by army and villagers is resolved. The Project Company has made application to Zhuhai Land and Resources Administration Bureau ("Land Authority") for the processing of the State-owned Land Use Certificate for the remaining site area and it is expected to get reply from Land Authority by end of 2007; and

   iv. as advised by Land Authority, the resettlement fee for the remaining site area occupied by army and villagers is expected to be not over RMB8 million.

4. As advised by the Company, the resettlement fee for the remaining site area of approximately 200,385.05 sq.m. is expected to be not over RMB8 million. The said amount has been taken into account in our valuation accordingly.

RESPONSIBILITY STATEMENT

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 contained herein misleading.

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	1,061,376,995		
		Beneficial owner	2,407,500	1,063,784,495 *(Note)*	54.68%
Liu Yan	long	Beneficial owner		800,000	0.04%
Niu Xiao Rong	long	Beneficial owner		1,375,000	0.07%

Note: Mr. Li Song Xiao was deemed to be interested in 911,376,995 Shares and 150,000,000 Shares in the Company by virtue of his 100% interest in Invest Gain Limited and Sinoeagle Pacific Limited respectively. Mr. Li is also a director of Invest gain Limited and Sinoeagle Pacific Limited. These 2,407,500 Shares are held directly by Mr. Li himself.

(2) Options outstanding under the share option scheme of the Company

Name of Director	Capacity	Number of underlying shares in respect of share option granted	Percentage of the underlying shares over the Company's issued share capital
Li Song Xiao	Beneficial owner	750,000	0.04%
Liu Yan	Beneficial owner	10,700,000	0.55%
Liu Yi	Beneficial owner	10,000,000	0.51%
Niu Xiao Rong	Beneficial owner	8,625,000	0.44%
Yuan Kun	Beneficial owner	6,000,000	0.30%

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% 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:

(1) Long/short positions in the issued Shares of the Company

Name of substantial shareholder	Long/ short position	Capacity		No. of Shares	Percentage of issued share capital
Invest Gain Limited	Long	Beneficial owner *(note a)*		911,376,995	46.85%
Sinoeagle Pacific Limited	Long	Beneficial owner *(note b)*		150,000,000	7.71%
Ms. Liu Hui	Long	Spouse *(note c)*		1,063,784,495	54.68%
Deutsche Bank Aktiengesellschaft	Long	Beneficial owner	69,851,987		
	Long	Person having a security interest in shares	89,699,534	159,551,521	8.20%
	Short	Beneficial owner	11,003,500		
	Short	Person having a security interest in shares	28,901,798	39,905,298	2.05%

Notes:

(a) These Shares held by Invest Gain Limited which were beneficially owned by Mr. Li Song Xiao. Such interest was also disclosed as the interest of Mr. Li Song Xiao in the above section headed "Interests of Directors".

(b) These Shares held by Sinoeagle Pacific Limited which were beneficially owned by Mr. Li Song Xiao. Such interest was also disclosed as the interest of Mr. Li Song Xiao in the above section headed "Interests of Directors".

(c) Ms. Liu Hui is deemed to be interested in 1,063,784,495 ordinary Shares of the Company, being the interests held beneficially by her spouse, Mr. Li Song Xiao.

(2) Long positions in the underlying Shares of the Company – physically settled unlisted equity derivatives

Name of substantial shareholder	Capacity	No. of Shares	Percentage of issued share capital
Liu Hui	Interest of spouse *(note)*	750,000	0.04%

Note: Ms. Liu Hui was deemed to be interested in 750,000 share options of the Company owed by her spouse, Mr. Li Song Xiao, pursuant to Part XV of the SFO. Such interest was also disclosed as the interest of Mr. Li Song Xiao in the above section headed "Interests of Directors".

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% 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

None of the Directors has entered (or proposed to enter) into, with any member of the Group, any service agreement which does not expire and is not terminable within one year without payment of compensation (other than statutory compensation).

MATERIAL CONTRACTS

In addition to the Agreement I and the Agreement II for the Acquisition, the following contracts have been entered into by the Enlarged Group within the 2 years before the date of this circular otherwise than in the ordinary course of business which are or may be material:–

(1) 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.

(2) On 31 December 2006, the company's subsidiary 中國綿世（成都）建設開發有限公司 (China Mianshi (Chengdu) Construction Development Company Limited) entered into an agreement with 郫縣土地儲備中心 (Pi Xian Land Reserve Centre) of the PRC Government to jointly develop Pi Xian Xi Pu Town Longzi Wanpian District（郫縣犀浦鎮龍梓萬片區）in Chengdu City（成都市）with the investment amount of RMB700,000,000 for the first stage. The particulars were announced by the Company on 9 January 2007.

(3) On 3 January 2007, the Company entered into an agreement with 成都中泰交通建設發展有限公司 (Chengdu Zhongtai Communication Construction Development Company Limited) to form a project company for the purpose of developing jointly develop the cooperation project in Wen Jiang Xin Cheng District（溫江新城區）in Chengdu City（成都市）with the investment amount of RMB200,000,000, RMB140,000,000 for the share capital of the project company and RMB60,000,000 for shareholder loan to the project company. The particulars were announced by the Company on 9 January 2007.

(4) On 11 and 22 November 2007, the Company's wholly-owned subsidiaries, 榮鑫（北京）企業管理有限公司 (Rongxin (Beijing) Enterprises Management Company Limited) entered into an agreement and a supplemental agreement for the acquisition of 90% equity interest in 中歐城開有限公司 (Zhongou Chengkai Company Limited), a project company established to carry out the property development project named "河北省燕郊經濟技術開發區冶金路綜合用地項目(Hebei Province, Yanjiao Economic Technology Development District, Yejin Road Composition Land Use Project)" in Hebei Province（河北省）, the PRC. The particulars were announced by the Company on 13 December 2007.

(5) On 13 November 2007, the Company's wholly-owned subsidiaries Neo-China Property Limited as purchaser entered into an agreement with Sky East Resources Limited and Star Platinum Limited for the acquisition of 40% interest in a property development project in Haibin, the PRC at a consideration of RMB756,040,000.

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 Enlarged 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 Enlarged 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
CCIF CPA Limited	Certified Public Accountants
Savills Valuation and Professional Services Limited	Chartered estate surveyors and property valuers
Guangdong Asian-Pacific Time Laws Firm	Licensed legal adviser on PRC laws

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 Enlarged 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 Enlarged Group.

CONSENT

Each of CCIF CPA Limited, being the reporting accountants of the Company, Savills Valuation and Professional Services Limited, being the independent valuer, and Guangdong Asian-Pacific Time Law Firm, being the PRC legal advisor of the Company, 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' INTEREST

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 Enlarged 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 Enlarged Group nor (save as disclosed below) 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.

Invest Gain Limited, a company wholly-owned by Mr. Li Song Xiao (a director of the Company) has sold the entire issued share capital of One Alliance Investment Limited to Neo-China Investment Limited (a wholly-owned subsidiary of the Company) for an aggregate consideration of HK$505,000,000 pursuant to an agreement dated 26 March 2007. Details of such transaction was disclosed in the circular of the Company issued on 8 May 2007.

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.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Neo-China Land Group (Holdings) Limited, Units 1908-09, 19th Floor, Office Tower, Convention Plaza, 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 14 January 2008;

(a) the Agreement I;

(b) the Agreement II;

(c) the Memorandum of Association and bye-laws of the Company;

(d) the annual reports of the Group for the two financial years ended 30 April 2007;

(e) the written consents from CCIF CPA Limited, Savills Valuation and Professional Services Limited and Guangdong Asian-Pacific Time Law Firm;

(f) the property valuation report prepared by Savills Valuation and Professional Services Limited the text of which is set out in Appendix VI to this circular;

(g) the accountants' reports of Moral Luck and the Project Company, which are set out in Appendices II and III of this circular;

(h) the material contracts referred to in paragraph headed "Material Contracts" in this circular;

(i) a copy of the circular issued by the Company on 8 May 2007 in relation to a major and connected transaction for the acquisition of 100% equity interest in One Alliance Investment Limited which holds 100% equity interest in a property project with gross floor area of 216,500 square metres in Shanghai, the PRC;

(j) a copy of the circular issued by the Company on 21 May 2007 in relation to a discloseable transaction for the disposal of 100% equity interest in 中住佳展地產（徐州）有限公司 (Zhongzhu Jiazhan Real Estate (Xuzhou) Company Limited);

(k) the capital vertification report dated 20 December 2007 prepared by 珠海中拓正泰會計師事務所有限公司 in relation to the capital injection of the Project Company; and

(l) the legal opinion dated 30 September 2007 issued by Guangdong Asian-Pacific Time Laws Firm in respect of the due diligence conducted on the Project Company and the Land.

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 at 6 Front Street, Hamilton HM12, Bermuda and its principal place of business is at Units 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.