THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your securities in or issued by Neo-China Land Group (Holdings) Limited, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This document should be read in conjunction with the Forms of Acceptance, the contents of which form part of the terms of the relevant Offers.

上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 363)

中新地产
NEO CHINA LAND

NEO-CHINA LAND GROUP (HOLDINGS) LIMITED
中新地產集團(控股)有限公司*
(Incorporated in Bermuda with limited liability)
(Shares – Stock Code: 563;
Convertible Bonds Due 2011 – Stock Code: 2528
and ISIN: XS0254896169)

NOVEL GOOD LIMITED
穎佳有限公司
(Incorporated in the British Virgin Islands with limited liability)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO MANDATORY CONDITIONAL CASH OFFERS BY UBS AG, HONG KONG BRANCH AND NOMURA INTERNATIONAL (HONG KONG) LIMITED FOR AND ON BEHALF OF NOVEL GOOD LIMITED FOR ALL OF THE ISSUED SHARES IN, AND ALL OF THE OUTSTANDING CONVERTIBLE BONDS AND WARRANTS OF, NEO-CHINA LAND GROUP (HOLDINGS) LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO BE ACQUIRED OR SUBSCRIBED BY NOVEL GOOD LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

Joint Financial Advisers to Shanghai Industrial Holdings Limited and Novel Good Limited

UBS Investment Bank

NOMURA

Independent Financial Adviser to the Independent Board Committee of Neo-China

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
英高

A letter from UBS and Nomura containing, amongst other things, the details of the terms of and condition to the Offers is set out on pages 11 to 25 of this Composite Document.

A letter from the Neo-China Board is set out on pages 26 to 37 of this Composite Document.

A letter from the Independent Board Committee containing its recommendations to the Shareholders, CB Holders, Warrant Holders and Option Holders is set out on pages 38 to 39 of this Composite Document. A letter from Anglo Chinese, containing its opinion on the Offers and its advice to the Independent Board Committee, the Shareholders, CB Holders, Warrant Holders and the Option Holders is set out on pages 40 to 62 of this Composite Document.

The procedures for acceptance and other related information are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances should be received by no later than 4:00 p.m. on Monday, 26 July 2010 (or such other time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code).

* *for identification only*

2 July 2010

CONTENTS

The expected timetable is indicative only and is subject to change. Further announcement(s) will be made by the Offeror and/or the Company if there is any change to the following expected timetable.

	2010
Commencement date of the Offers *(Note 1)*	Friday, 2 July
Latest time and date for acceptance of the Offers	4:00 p.m. on Monday, 26 July
First Closing Date *(Note 2)*	Monday, 26 July
Announcement of the results of the Offers, or as to whether the Offers have been revised or extended, on the website of the Stock Exchange	by 7:00 p.m. on Monday, 26 July
Latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances received under the Offers (assuming the Offers are declared unconditional on Monday, 26 July 2010) *(Note 3)*	Thursday, 5 August
Latest time and date by which the Offers can become unconditional *(Note 4)*	7:00 p.m. on Wednesday, 31 August

Notes:

1. The Offers are made on 2 July 2010, the date of this Composite Document, and are capable of acceptance on and from that date until the close of the Offer Period. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code.

2. The latest time and date for acceptances to be lodged under the Offers is 26 July 2010, being 24 days from the date of this Composite Document, unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. If the Offeror decides to extend the Offers, an announcement will be made on the websites of the Stock Exchange, SIH and the Company by 7:00 p.m. on the First Closing Date stating the results of the Offers and whether the Offers have been revised, extended or have expired or have become or been declared unconditional. In any announcement of a revision or an extension of the Offers, either the next closing day will be stated or, if the Offers become or are declared unconditional as to acceptances, a statement will be made that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to those Shareholders, CB Holders, Warrant Holders and Option Holders who have not yet accepted the Offers before the Offers are closed.

3. Remittances in respect of the consideration payable for the Shares, Convertible Bonds or Warrants tendered or Share Options cancelled under the Offers will be despatched by: (i) (in the case of the Shares and Share Options) ordinary post to the relevant Shareholders or Option Holders or, in the case of joint Shareholders, to the Shareholder whose name stands first in the relevant register of the Company, at their respective addresses as they appear on the register of members or register of Option Holders of the Company; or (ii) (in the case of the Convertible Bonds) payment to the accounts of the CB Holders through the CB Agent in accordance with the standard payment procedures for the CB Clearing Systems; or (iii) (in the case of the Warrants) payment to the accounts of the Warrant Holders through the Warrant Agent in accordance with the normal payment procedures for the DTC, in each case as soon as possible but in any event within 10 days of the later of the date on which the Offers become, or are declared, unconditional and the date of the receipt by the Registrar, the Company, CB Agent and Warrant Agent (as applicable) of a duly completed acceptance from Shareholders, CB Holders, Warrant Holders or Option Holders accepting the Offers.

4. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the date of this Composite Document. Accordingly, unless the Offers have previously become unconditional as to acceptances, the Offers will lapse after 7:00 p.m. on 31 August 2010 unless extended with the consent of the Executive.

   Unless otherwise specified, all time references contained in this Composite Document are to Hong Kong time.

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement (as supplemented and amended by the Supplemental Agreement)
"acting in concert"	the meaning ascribed to it under the Takeovers Code
"Allbright"	Allbright Law Offices, the PRC legal advisers to SIH
"Anglo Chinese"	Anglo Chinese Corporate Finance, Limited, the independent financial adviser to the Independent Board Committee in respect of the Offers and a corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities
"associates"	the meaning ascribed to it under the Takeovers Code
"Business Day"	a day other than a Saturday or Sunday, on which banks in Hong Kong are open for business generally
"CB Agent"	The Bank of New York Mellon (formerly The Bank of New York), the tender agent for the CB Offer
"CB Clearing Systems"	collectively, (i) Clearstream Banking, societe anonyme, and (ii) Euroclear S.A./N.V., or any of their successor securities clearing agencies
"CB Holders"	holders of Convertible Bonds
"CB Offer"	the mandatory conditional cash offer for all the Convertible Bonds (other than those already owned or agreed to be acquired by Novel Good and parties acting in concert with it) now being made by UBS and Nomura for and on behalf of Novel Good
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CCIF"	CCIF CPA Limited

"Company" or "Neo-China"	Neo-China Land Group (Holdings) Limited, a company incorporated in Bermuda with limited liability, the Shares and Convertible Bonds of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition and the Subscription
"Composite Document"	this composite offer and response document dated 2 July 2010 issued in connection with the Offers
"connected person(s)"	the meaning ascribed to it under the Listing Rules
"Convertible Bonds"	HK$1,340,000,000 zero coupon convertible bonds due 2011 issued by Neo-China of which HK$52,160,000 principal amount remains outstanding
"Crowe Horwath"	Crowe Horwath (HK) CPA Limited
"Directors" or "Neo-China Board"	the board of directors of Neo-China
"DTC"	the Depository Trust Company
"DTC ATOP"	the automated tender offer program provided by DTC
"DTZ"	DTZ Debenham Tie Leung Limited
"Encumbrances"	any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect and any agreement or obligation to create or grant any of the aforesaid
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"First Closing Date"	26 July 2010 (or any subsequent date as may be decided and announced by the Offeror and approved by the Executive), being the first closing date of the Offers

"Forms of Acceptance"	collectively the **WHITE** form of acceptance and transfer of the Shares and the **YELLOW** form of acceptance and cancellation of the Share Options in respect of the Share Offer and the Option Offer respectively which accompany this Composite Document and "Form of Acceptance" means any of them
"Group" or "Neo-China Group"	Neo-China and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee established to advise holders of relevant securities of Neo-China in respect of the Offers for the purposes of the Takeovers Code, comprising Mr. Lai Leong, who is a non-executive Director and both the independent non-executive Directors, Ms. Nie Mei Sheng and Mr. Gao Ling
"Independent Neo-China Shareholders" or "Independent Shareholders"	the holders of Neo-China Shares other than Mr. Li, connected persons of Mr. Li and persons acting in concert with any of them
"Initial Announcement"	the announcement dated 19 January 2010 issued jointly by SIH, the Offeror and the Company in relation to, among other things, the entering into of the Sale and Purchase Agreement, the Subscription and the Offers
"Internal Control Report"	the internal control review report in respect of Neo-China Group prepared by an independent internal control consultant
"Last Pre-suspension Trading Day"	22 January 2008, the last trading day immediately prior to the suspension of trading in the Neo-China Shares
"Latest Practicable Date"	29 June 2010, being the latest practicable date prior to the date of this Composite Document for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Mr. Li"	Mr. Li Song Xiao, a former executive director and chairman of Neo-China, who resigned with effect from 22 August 2009
"Nomura"	Nomura International (Hong Kong) Limited, an entity licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities
"Offer Period"	the period from 19 January 2010, being the date of the Initial Announcement, to 4:00 p.m. on 26 July 2010, or such other time or date to which the Offeror may decide to extend the Offers in accordance with the Takeovers Code
"Offeror" or "Novel Good"	Novel Good Limited 穎佳有限公司, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of SIH
"Offeror Parties"	the Offeror, SIH and other parties acting in concert with either of them
"Offers"	collectively, the Share Offer, the CB Offer, the Warrant Offer and the Option Offer
"Option Holders"	holders of Share Options
"Option Offer"	the mandatory conditional cash offer for the cancellation of all the outstanding Share Options now being made by UBS and Nomura for and on behalf of Novel Good
"Overseas CB Holder(s)"	CB Holder(s) whose registered address(es) is/are in jurisdiction(s) outside Hong Kong
"Overseas Option Holder(s)"	Option Holder(s) whose registered address(es) is/are in jurisdiction(s) outside Hong Kong
"Overseas Shareholder(s)"	Shareholder(s) whose registered address(es) is/are in jurisdiction(s) outside Hong Kong
"Overseas Warrant Holder(s)"	Warrant Holder(s) whose registered address(es) is/are in jurisdiction(s) outside Hong Kong

"PRC"	the People's Republic of China (for the purposes of this Composite Document, excluding Hong Kong, the Macao Special Administrative Region and Taiwan)
"Qi Ao Agreement"	an agreement dated 19 January 2010 between Turbo Wise and Neo-China relating to the sale and purchase of the Neo-China Group's interest in Qi Ao Island Project and the related shareholders' loans
"Qi Ao Island Project"	all that plot of land situated at Lot No. A0203001 at east of Qi Ao East Line Road, Wangchiling Hills, Qi Ao Island, Zhuhai, Guangdong Province of the PRC occupying an area of approximately 2.2 million square metres
"Qi Ao Loan Agreement"	a RMB1,500,000,000 equivalent Term Loan Agreement dated 29 November 2007 in relation to financing for the Qi Ao Island Project between Moral Luck Group Limited (運德集團有限公司), Rich Win Investments Limited (富勝投資有限公司), both of which are wholly-owned subsidiaries of Neo-China and will remain wholly-owned subsidiaries of Neo-China immediately after Completion, and Oceana Assets Corp., as amended and supplemented by an amendment agreement dated 27 August 2008, a second amendment agreement dated 2 December 2009 and a letter dated 23 June 2010
"Receiving Agent" or "Registrar"	Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, being the branch share registrar of the Company and the receiving agent for receiving and processing the acceptances of the Share Offer
"Relevant Period"	the period from 19 July 2009, being the date falling six months prior to 19 January 2010 (being the commencement of the Offer Period), to the Latest Practicable Date
"Retained Shares"	554,170,495 Neo-China Shares, which represented approximately 21.08% of the issued share capital of Neo-China as at the Latest Practicable Date
"RMB"	renminbi, the lawful currency of the PRC
"Sale Shares"	500,000,000 Neo-China Shares, legally and beneficially owned by the Vendor prior to Completion

"Sale and Purchase Agreement"	the sale and purchase agreement dated 19 January 2010 and entered into between the Vendor, Novel Good and Mr. Li in relation to the acquisition by Novel Good of the Sale Shares from the Vendor (as supplemented and amended by the Supplemental Agreement)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders" or "Neo-China Shareholders"	the holders of Neo-China Shares
"Shares" or "Neo-China Shares"	ordinary shares of HK$0.04 each in the share capital of Neo-China
"Share Offer"	the mandatory conditional cash offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired or subscribed by Novel Good and parties acting in concert with it) made by UBS and Nomura for and on behalf of Novel Good
"Share Option Scheme"	the share option scheme adopted by Neo-China on 12 December 2002
"Share Options"	the outstanding share options granted under the Share Option Scheme
"SIH"	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribed Shares"	683,692,000 Neo-China Shares subscribed by Novel Good at completion of the Subscription
"Subscription"	the subscription of the Subscribed Shares pursuant to the terms and conditions of the Subscription Agreement (as supplemented and amended by the Supplemental Agreement)

"Subscription Agreement"	the subscription agreement dated 19 January 2010 and entered into between Neo-China and Novel Good in relation to the subscription of the Subscribed Shares by Novel Good (as supplemented and amended by the Supplemental Agreement)
"Subscription Price"	HK$1,586,165,440, which is the aggregate subscription price for the whole of the Subscribed Shares
"subsidiaries"	the meaning ascribed to it in Section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Supplemental Agreement"	the agreement dated 11 May 2010 and entered into between Neo-China, the Offeror, the Vendor and Mr. Li mainly to supplement, amend and waive certain terms and conditions of the Sale and Purchase Agreement and the Subscription Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Termination Agreement"	the agreement dated 11 May 2010 and entered into between Neo-China and Turbo Wise in relation to the termination of the Qi Ao Agreement
"Transactions"	collectively, the Acquisition, the Subscription and the Offers
"Turbo Wise"	Turbo Wise Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Li
"UBS"	UBS AG, Hong Kong branch, an entity licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities
"Vendor"	Invest Gain Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Li
"Warrant Agent"	Citibank N.A., London branch, the tender agent for the Warrant Offer
"Warrant Holders"	the holders of the Warrants

"Warrant Offer"	the mandatory conditional cash offer for all the outstanding Warrants (other than those already owned or agreed to be acquired by Novel Good and parties acting in concert with it) now being made by UBS and Nomura for and on behalf of Novel Good
"Warrants"	66,000,000 warrants expiring on 22 July 2012 to subscribe new Neo-China Shares at a price of HK$6.72 per Neo-China Share, subject to adjustments, with the ISIN: US64045P1158 and CUSIP: 64045P115 (for the Rule 144a tranche), and ISIN: BMG6419E1122 and CUSIP: G6419E112 (for the Regulation S tranche)
"%"	per cent

In this Composite Document, unless otherwise stated, amounts in RMB have been translated to HK$ at the rate of RMB0.8804 to HK$1 for illustration only. No representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

UBS Investment Bank

52nd Floor
Two International Finance Centre
8 Finance Sheet
Central
Hong Kong

NOMURA

30th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

2 July 2010

To the Shareholders, CB Holders, Warrant Holders and Option Holders

Dear Sir or Madam,

MANDATORY CONDITIONAL CASH OFFERS BY UBS AG, HONG KONG BRANCH AND NOMURA INTERNATIONAL (HONG KONG) LIMITED FOR AND ON BEHALF OF NOVEL GOOD LIMITED FOR ALL OF THE ISSUED SHARES IN, AND ALL OF THE OUTSTANDING CONVERTIBLE BONDS AND WARRANTS OF, NEO-CHINA LAND GROUP (HOLDINGS) LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO BE ACQUIRED OR SUBSCRIBED BY NOVEL GOOD LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

1. INTRODUCTION

On 19 January 2010, SIH, the Offeror and Neo-China jointly announced, amongst other things, the following:

(1) Sale and Purchase Agreement

On 19 January 2010, the Offeror entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Vendor conditionally agreed to sell, and the Offeror conditionally agreed to purchase, the Sale Shares at a total consideration of

HK$1,160,000,000, equivalent to approximately HK$2.32 per Sale Share. The Sale Shares represented approximately 19.02% of the issued share capital of Neo-China as enlarged by the issue of the Subscribed Shares.

(2) Subscription Agreement

On 19 January 2010, the Offeror entered into the Subscription Agreement with Neo-China, pursuant to which, amongst other things, subject to completion of the Sale and Purchase Agreement, the Offeror conditionally agreed to subscribe and Neo-China conditionally agreed to allot and issue to the Offeror, the Subscribed Shares at the Subscription Price, which is the same as the price being paid for each Sale Share. The Subscribed Shares represent approximately 26.00% of the issued share capital of Neo-China as enlarged by the issue of the Subscribed Shares.

(3) Qi Ao Agreement

On 19 January 2010, Turbo Wise, an entity wholly owned by Mr. Li, entered into the Qi Ao Agreement with Neo-China, pursuant to which, amongst other things, Neo-China conditionally agreed, subject to completion of the Sale and Purchase Agreement and the Subscription Agreement, to sell to Turbo Wise Neo-China's entire interest in the Qi Ao Island Project at a consideration of HK$2,500 million, whilst retaining certain liabilities related to the Qi Ao Island Project, including the liability to pay unpaid principal and accrued interest under the Qi Ao Loan Agreement, which amounted to approximately RMB1,570 million (approximately HK$1,789.80 million) as at the date of the Qi Ao Agreement.

The Termination Agreement and the Supplemental Agreement

On 11 May 2010, SIH, the Offeror and Neo-China jointly announced that the Qi Ao Agreement was terminated on 11 May 2010 by the Termination Agreement. In light of the Termination Agreement, Neo-China, Novel Good, the Vendor and Mr. Li entered into the Supplemental Agreement mainly to supplement, amend and waive certain terms and conditions of the Sale and Purchase Agreement and the Subscription Agreement that relate to the Qi Ao Agreement. In particular, pursuant to the Supplemental Agreement, Completion was not conditional on:

(a) the Qi Ao Agreement having been approved by the Independent Neo-China Shareholders;

(b) the Qi Ao Agreement having become unconditional; and

(c) the consents relating to the Qi Ao Agreement having been obtained.

Conditional Cash Offers

Completion took place on 24 June 2010. Immediately after Completion, and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 1,183,692,000 Neo-China Shares, representing approximately 45.02% of the issued share capital of Neo-China as enlarged by the issue of the Subscribed Shares. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired or subscribed by it and parties acting in concert with it). Under Rule 13.1 of the Takeovers Code and subject to and conditional on the Share Offer becoming unconditional in all respects, the Offeror is also required to make appropriate offers to acquire or cancel all the outstanding Convertible Bonds, Warrants and Share Options.

At completion of the Acquisition and pursuant to the terms of the Sale and Purchase Agreement, the Vendor equitably mortgaged and charged 50 million of its shares in Neo-China to Novel Good to secure the compliance of the Vendor in respect of a final judgment or settlement agreement and all amounts payable under such share charge if there is a breach by the Vendor of the Sale and Purchase Agreement.

It was stated in the Initial Announcement that Mr. Li and the Vendor and parties acting in concert with either of them will together hold 554,920,495 Neo-China Shares upon Completion. Mr. Li later clarified that such figure includes 750,000 unexercised Share Options held by him and that accordingly the number of Neo-China Shares held by the Vendor and him and parties acting in concert with either of them was in fact 554,170,495 as at the date of the Initial Announcement.

As at the Latest Practicable Date, Mr. Li and the Vendor and parties acting in concert with either of them together held the Retained Shares, representing approximately 21.08% of the issued share capital of Neo-China as enlarged by the Subscribed Shares, and Mr. Li himself held 750,000 Share Options. Each of Mr. Li and the Vendor has undertaken with Novel Good that they will not, amongst other things, accept (i) the Share Offer in respect of the Retained Shares or any Shares issued upon the exercise of any of the 750,000 Share Options held by Mr. Li or (ii) the Option Offer in respect of any of the 750,000 Share Options held by Mr. Li, and that they will not dispose of or otherwise deal with the Retained Shares or Mr. Li's Share Options.

This letter, together with Appendix I to this Composite Document and the accompanying Forms of Acceptance, sets out the terms and condition of the Offers and certain related information.

2. TERMS AND CONDITION OF THE OFFERS

UBS and Nomura, on behalf of the Offeror, on the terms and subject to the condition set out in this Composite Document and in the accompanying Forms of Acceptance, hereby make the Offers in compliance with the Takeovers Code on the following basis:

Share Offer

For each Neo-China Share . . . . HK$2.32 in cash

CB Offer

For each HK$10,000 nominal amount of the Convertible Bonds . . . . HK$4,092.72 in cash

Warrant Offer

For each Warrant . . . . HK$0.01 in cash

Option Offer

For cancellation of each Share Option . . . . HK$0.01 in cash

The Offers are conditional only on valid acceptances being received in respect of the Share Offer (and not, where permitted, withdrawn) by not later than 4:00 p.m. on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the rules of the Takeovers Code, decide), which, together with the Shares already held by the Offeror Parties, represent more than 50% of the voting rights of the Company. The latest time and date by which the Offers can become unconditional is 7:00 p.m. on 31 August 2010.

The condition to which the Offers are subject, and their respective terms, are set out in Appendix I to this Composite Document.

As at the Latest Practicable Date, there were 2,629,332,189 Neo-China Shares in issue, outstanding Share Options to subscribe for 125,625,000 Neo-China Shares, 66,000,000 outstanding Warrants and outstanding Convertible Bonds at principal amount of HK$52,160,000. Other than the above, Neo-China has no other options, warrants, convertible bonds or other securities that carry a right to subscribe for or which are convertible into Neo-China Shares.

Comparisons of value

Share Offer

The offer price for the Neo-China Shares under the Share Offer of HK$2.32 per Neo-China Share is the same as the price paid for each Neo-China Share under the Acquisition and the subscription price paid for each Neo-China Share under the Subscription.

The offer price of HK$2.32 per Neo-China Share under the Share Offer represents:

(i) a discount of approximately 25.88% to the closing price of HK$3.13 per Neo-China Share, as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 54.51% to the closing price of HK$5.10 per Neo-China Share, as quoted on the Stock Exchange on the Last Pre-suspension Trading Day;

(iii) a discount of approximately 53.13% to the closing price of HK$4.95 per Neo-China Share, after the declaration of a final dividend of HK14 cents per Neo-China Share, as quoted on the Stock Exchange on 11 September 2008 (adjusted due to the aforesaid declaration of a final dividend, notwithstanding the suspension of trading in the Neo-China Shares and the Convertible Bonds since 22 January 2008);

(iv) a discount of approximately 59.23% to the average closing price of approximately HK$5.69 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Pre-suspension Trading Day;

(v) a discount of approximately 61.27% to the average closing price of approximately HK$5.99 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Pre-suspension Trading Day;

(vi) a discount of approximately 64.09% to the average closing price of approximately HK$6.46 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Pre-suspension Trading Day;

(vii) a discount of approximately 32.16% to the Neo-China Group's audited consolidated net assets of approximately HK$3.42 per Neo-China Share calculated based on the Neo-China Group's audited consolidated net assets (including minority interest) of approximately HK$6,659.98 million as at 31 December 2009 and 1,945,640,189 Neo-China Shares in issue as at 31 December 2009; and

(viii) a discount of approximately 20.27% to the Neo-China Group's adjusted audited consolidated attributable net tangible assets of approximately HK$2.91 per Neo-China Share, calculated based on the Neo-China Group's audited consolidated attributable net tangible assets (not including minority interest) of approximately HK$6,073 million as at 31 December 2009 and 2,629,332,189 Neo-China Shares in issue as at the Latest Practicable Date.

The Shares to be acquired under the Share Offer shall be acquired fully paid and free from all Encumbrances whatsoever and together with all rights accruing or attaching thereto as at the date of the despatch of the Composite Document, including, without limitation, the right to receive all future dividends or other distributions declared, paid or made, if any, on or after the date of the despatch of the Composite Document.

CB Offer

The offer price for the Convertible Bonds under the CB Offer is HK$4,092.72 per HK$10,000 nominal amount of the Convertible Bonds. This has been determined by reference to the adjusted conversion price of the Convertible Bonds of HK$5.6686 per Convertible Bond, and the date on which a change of control occurs, that is, 24 June 2010, being the date of Completion, and represents the offer price under the Share Offer of HK$2.32 multiplied by the number of Neo-China Shares that would be issued upon conversion of HK$10,000 nominal amount of each Convertible Bond based on the adjusted conversion price of the Convertible Bonds.

Warrant Offer

The exercise price of the Warrants is HK$6.72, which is higher than the offer price of HK$2.32 per Neo-China Share under the Share Offer, and the Warrants are therefore "out of the money". In the circumstances, the Warrant Offer is being made only at a nominal price of HK$0.01 for each Warrant.

Option Offer

As at the Latest Practicable Date, there were outstanding Share Options exercisable in respect of 125,625,000 Shares and the exercise prices of these options are as follows:

	Number of Share Options outstanding as at the Latest Practicable Date	**Exercise price**
		(HK$)
	13,125,000	3.60
	65,000,000	3.72
	47,500,000	3.92
Total	**125,625,000**	

The exercise price of each of the Share Options is higher than the offer price of HK$2.32 per Neo-China Share under the Share Offer. In the circumstances, the Option Offer is being made only at a nominal price of HK$0.01 for the cancellation of each Share Option.

Following due acceptance of the Option Offer, the relevant Share Options together with the rights attaching thereto will be cancelled and will cease to be exercisable.

As stated in the Letter from the Neo-China Board contained in this Composite Document, unless an Option Holder has already accepted the Option Offer, in accordance with the terms of the Share Option Scheme, the Company will give notice to the Option Holders to permit them to exercise their Share Options in full (to the extent not already exercised) at any time within one month immediately following the date on which the Share Offer is declared unconditional, after which the Options shall lapse according to the terms of the Share Option Scheme. Where applicable, such notice shall be given to the Option Holders on the day the Share Offer is declared unconditional.

Highest and lowest Neo-China Share prices

The highest and lowest closing prices of the Neo-China Shares as quoted on the Stock Exchange during (i) the six-month period preceding the Last Pre-suspension Trading Day were respectively HK$10.08 on 9 October 2007 and HK$5.68 on 18 January 2008; and (ii) the Relevant Period were respectively HK$3.33 on 28 June 2010 and HK$2.84 on 25 June 2010.

3. TOTAL CONSIDERATION

As at the Latest Practicable Date, there were 2,629,332,189 Neo-China Shares in issue, outstanding Share Options exercisable in respect of 125,625,000 Shares, 66,000,000 outstanding Warrants and outstanding Convertible Bonds at the principal amount of HK$52,160,000. On the basis of the respective offer prices for the Offers, the total consideration payable under each of the Offers, assuming no conversion or subscription rights under the outstanding Convertible Bonds, Warrants or Share Options are exercised and all of the Offers are accepted in full, is approximately as follows:

Share Offer	HK$3,353.89 million
CB Offer	HK$21.35 million
Warrant Offer	HK$0.66 million
Option Offer	HK$1.26 million
Aggregate consideration	**HK$3,377.16 million**

Mr. Li and the Vendor have irrevocably undertaken not to accept (i) the Share Offer in respect of the Retained Shares or any Shares issued upon the exercise of any of the 750,000 Share Options held by Mr. Li; and (ii) the Option Offer in respect of any of the 750,000 Share Options held by Mr. Li, and that they will not dispose of or otherwise deal with the Retained Shares or Mr. Li's Share Options. Therefore, the consideration payable for the Share Offer and the Option Offer, assuming acceptance in full (but excluding the Retained Shares, the 750,000 Share Options owned by Mr. Li and any Shares issued upon the exercise of such Share Options) is HK$2,068.21 million and HK$1.25 million respectively. Accordingly, the aggregate consideration payable under the Offers is HK$2,091.47 million, assuming no conversion or subscription rights under the outstanding Convertible Bonds, Warrants and Share Options are exercised and all of the Offers are accepted in full (excluding the Retained Shares, the 750,000 Share Options owned by Mr. Li and any Shares issued upon the exercise of such Share Options).

4. CONFIRMATION OF FINANCIAL RESOURCES

The Offeror intends to finance the Offers from the loan proceeds made available to it by Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, Industrial and Commercial Bank of China (Asia) Limited, China Construction Bank Corporation, Hong Kong Branch, Sumitomo Mitsui Banking Corporation, Calyon, Hong Kong Branch, and The HongKong and Shanghai Banking Corporation Limited. UBS and Nomura, the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers (save in respect of the Retained Shares, the 750,000 Share Options owned by Mr. Li and any Shares issued upon the exercise of such Share Options).

The Offeror confirms that it does not intend that the payment of interest on, repayment or security for the liability (contingent or otherwise) arising from, the use of the aforesaid loan facility will depend to any significant extent on the business of the Neo-China Group.

5. INFORMATION ON THE OFFEROR AND SIH

SIH and its subsidiaries are principally engaged in the business of infrastructure facilities, real estate and consumer products. The Offeror is a wholly-owned subsidiary of SIH and is an investment holding company acquired for the purpose of making the Offers.

6. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

SIH is committed to optimising its business structure and strengthening its core businesses, with a focus on its infrastructure facilities, real estate and consumer products segments, making them key growth drivers and sources of income for SIH in the future.

Currently, the real estate segment comprises property development, property investment and hotel operations, featuring both residential and commercial properties and SIH is also actively pursuing opportunities to acquire more land reserves and high quality projects for further expansion. The acquisition of a significant stake in Neo-China through the Acquisition, the Subscription and the Offers is therefore in line with SIH's strategy of building up its core businesses and optimising its business structure.

In addition, the acquisition of a significant stake in Neo-China allows SIH to build up a more concrete platform for the future through the acquisition of an interest in the quality assets of Neo-China. SIH will also be able to optimise its property assets resources which will in turn contribute to SIH's earnings and add value to the business of SIH. There is a strong commitment from SIH to assist in further developing Neo-China's land reserves and its existing development projects.

7. INTENTIONS OF THE OFFEROR AND SIH

The Offeror and SIH intend that Neo-China will continue to carry on its current business, subject to a continuing review of its operations and the development of a plan to realise synergies with SIH's real estate business in the PRC. Subject to due compliance with the Listing Rules, this may or may not include the injection of assets or businesses into the

Neo-China Group by SIH or the acquisition or disposal of assets by Neo-China. SIH will make announcements if it decides on anything that requires disclosure pursuant to the Takeovers Code or the Listing Rules, as applicable.

The Offeror and SIH also intend to continue the employment of the existing employees of the Neo-China Group save for those current Directors who have agreed to resign as disclosed in this letter.

8. PROPOSED CHANGE OF BOARD COMPOSITION OF NEO-CHINA

The Neo-China Board currently comprises seven executive directors, one non executive director and two independent non-executive directors. All of the existing Directors (with the exception of Mr. Jia Bo Wei) have tendered their resignations, which will take effect from the First Closing Date of the Offers or the date when the Offers become unconditional, whichever is later, or such other date as approved by the Executive.

It is the intention of the Offeror to nominate six additional executive Directors and four independent non-executive Directors effective on the day immediately following the date of this Composite Document.

Particulars of the proposed executive Directors are set out below:

Mr. CAI Yu Tian, aged 60, is the vice-chairman, chief executive officer and an executive director of SIH and also the president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("**SIIC**"). Concurrently, he is the chairman of Shanghai Urban Development (Holdings) Co. Ltd. ("**Shanghai Urban Development**"), Shanghai SIIC South Pacific Hotel Co. Ltd. and General Water of China Co. Ltd. Mr. Cai obtained a master's degree from East China Normal University with a major in world economics, and was a research associate. Mr. Cai was the chief executive officer of Zhong Hua Enterprises Co. During the period from September 1987 to November 2005, he was the deputy director and the director of the Shanghai Municipal Housing Administration Bureau, the director of the Shanghai Municipal Housing and Land Administration Bureau and the director of the Shanghai Municipal Housing, Land and Resources Administration Bureau respectively. Mr. Cai has more than 20 years' experience in real estate, economic and administrative management.

Mr. NI Jian Da, aged 47, is a deputy chief executive officer of SIH. He is also a director and president of Shanghai Urban Development. He graduated from Shanghai University and La Trobe University of Australia with a master's degree in business administration. Mr. Ni was the general manager of Shanghai Xuhui Real Estate Management Co. Ltd., a deputy general manager of Shanghai Urban Development and the general manager of the real estate department of China Huayuan Group Ltd., and has more than 20 years' experience in real estate, economics and management. Mr. Ni was elected member of the Shanghai Municipal People's Congress in 2003, and was honoured as one of the 25 Chinese Entrepreneurs with Most Reforming Ideas, among the Top Ten Persons of the Year elected by the 2006 China International Real Estate and Archi-tech Fair, one of the 2007 Boao Forum-Most Influential Persons in China's Real Estate Industry in 20 Years and one of the Top Ten Entrepreneurs in the Shanghai Real Estate Sector in 18 Years in 2005. He was a vice chairman of Shanghai Youth Federation and is currently the chairman of Shanghai Young Entrepreneurs Association and a vice chairman of Shanghai Real Estate Association.

Mr. QIAN Shi Zheng, aged 57, is an executive director and a deputy chief executive officer of SIH. He is also a vice president of SIIC and a director of Shanghai Urban Development. He graduated from Fudan University with a master's degree in economics and a doctorate degree in management and had taught at Fudan University. He joined SIIC in January 1998. Currently, he is the vice chairman of Haitong Securities Co. Ltd. and an independent non-executive director of Lonking Holdings Limited. He has over 20 years' experience in theory and practice of finance and accounting.

Mr. ZHOU Jun, aged 41, is an executive director and a deputy chief executive officer of SIH. He is also the chairman of Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd., Shanghai Luqiao Development Co. Ltd. and Shanghai Shen-Yu Development Co., Ltd., and a director of Shanghai Urban Development and General Water of China Co. Ltd. He graduated from Nanjing University and Fudan University with a bachelor's and a master's degree in economics (international finance), and is designated an economist. Mr. Zhou is currently a vice president of SIIC, the chairman of Shanghai Galaxy Investment Co. Ltd., and a member of the Shanghai Municipal People's Congress. He worked for Guotai Securities Co. Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. Mr. Zhou has more than 10 years' professional experience in securities, finance, real estate and project planning.

Mr. YANG Biao, aged 46, is the vice-chairman of Shanghai Urban Development. Mr. Yang had taught at Shanghai Normal University and was a deputy director of the Audit Bureau of Xuhui District in Shanghai and a director of the Xuhui District State-owned Assets Administrative Committee. He has many years of teaching, administration and management experience.

Mr. CHEN An Min, aged 59, is a director and executive vice president of Shanghai Urban Development. He is also a director of China Haisum Engineering Co., Ltd. He is designated a senior economist. Mr. Chen was the vice chairman of Shanghai Xingye Housing Co., Ltd. and a director of Ningbo Fubang Precision Industry Group Stock Co., Ltd. He has over 30 years of experience in the construction and property development industry.

Particulars of the proposed independent non-executive Directors are set out below:

Mr. DOO Wai-Hoi, William, J.P., aged 65, is the vice-chairman of New World China Land Limited and deputy chairman of NWS Holdings Limited, as well as an executive director of Lifestyle International Holdings Limited and an independent non-executive director of The Bank of East Asia, Limited, all being listed public companies in Hong Kong. He is also a director of New World Hotels (Holdings) Limited and Fung Seng Diamond Company, Limited. Mr. Doo has served as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. In addition, he is a Member of the Standing Committee of the Eleventh Chinese People's Political Consultative Conference in Shanghai, and the Convener of the Shanghai Committee in Hong Kong and Macau. In June 2005, he was appointed as the Honorary Consul of the Kingdom of Morocco in Hong Kong.

Dr. WONG Ying Ho, Kennedy, BBS, J.P., aged 47, is a solicitor, China Appointed Attesting Officer and a director of the China Law Society. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. Dr. Wong is also a director of Hong Kong Resources Holdings Company Limited, Asia Cement (China) Holdings Corporation, China Overseas Land & Investment Limited, Goldlion Holdings Limited, Qin Jia Yuan Media Services Company Limited, Pacific Alliance Asia Opportunity Fund Limited, Bohai Industrial Investment Fund Management Company Limited and Hong Kong Airlines Limited, all of which are listed companies or multi-national companies with substantial investments in the PRC or Asia. Dr. Wong is a National Committee Member of the Chinese People's Political Consultative Conference. He is also a member of the Election Committee of Hong Kong responsible for electing Hong Kong's Chief Executive and a deputy convenor of the New Century Forum. He is also a co-founder of the Hong Kong Legal Forum. Dr. Wong served on Hong Kong's legislature from 1996 to 1998 and was selected as one of the Ten Outstanding Young Persons of Hong Kong in 1998 and one of the Ten Outstanding Young Persons of the World in 2003.

Mr. FAN Ren Da, Anthony, aged 50, is the chairman and managing director of AsiaLink Capital Limited. His expertise lies in the field of general management, corporate finance, mergers and acquisitions, venture capital, company consolidation and restructuring. Mr. Fan held senior positions in a number of international financial institutions and was the managing director of a public company listed on the Stock Exchange. Mr. Fan received his master of business administration degree from the University of Dallas in the United States of America and is now a doctor of philosophy candidate in Shanghai Jiao Tong University. Mr. Fan is an independent non-executive director of Hong Kong Resources Holdings Company Limited, Uni-President China Holdings Limited, Raymond Industrial Limited, Chinney Alliance Group Limited, Renhe Commercial Holdings Company Limited and CITIC Resources Holdings Limited, companies listed on the Stock Exchange.

Mr. LI Ka Fai, David, aged 55, is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, United Kingdom as well as The Institute of Chartered Secretaries and Administrators, United Kingdom and an associate member of The Institute of Chartered Accountants in England and Wales. He is an independent director and chairman of the audit committee of China Vanke Co., Ltd., a company listed on the Shenzhen Stock Exchange, an independent non-executive director and chairman of the audit committee of China-Hongkong Photo Products Holdings Limited and Cosmopolitan International Holdings Limited, both of which are listed on the Stock Exchange. Mr. Li is an independent non-executive director and member of the audit committee of AVIC International Holding (HK) Limited (formerly known as CATIC International Holdings Limited) and China Merchants Holdings (International) Company Limited, both of which are listed on the Stock Exchange.

9. COMPULSORY ACQUISITION

The Offeror does not intend to apply any right which may be available to it to acquire compulsorily any Shares outstanding after closing of the Offers.

10. MAINTAINING THE LISTING

The Offeror intends Neo-China shall remain listed on the Main Board of the Stock Exchange after the closing of the Offers. The Directors, for so long as they remain Directors, and the new directors to be appointed to the Neo-China Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Neo-China Shares.

The Offeror and SIH will, together with Neo-China, use reasonable endeavours to maintain the listing of the Neo-China Shares on the Stock Exchange and will ensure that not less than 25% of the Neo-China Shares will be held by the public in compliance with the Listing Rules.

If, at the close of the Offers, less than 25% of the Neo-China Shares are held by the public or if the Stock Exchange believes that:

– a false market exists or may exist in the trading of the Neo-China Shares, or

– there are insufficient Neo-China Shares in public hands to maintain an orderly market,

then the Stock Exchange may exercise its discretion to suspend dealings in the Neo-China Shares. In this connection, it should be noted that upon completion of the Offers, there may be insufficient public float for the Neo-China Shares and, therefore, trading in the Neo-China Shares may be suspended until a prescribed level of public float is attained.

11. CONDITION AND FURTHER TERMS OF THE OFFERS

Condition and further terms

The Offers are conditional only on valid acceptances being received in respect of the Share Offer (and not, where permitted, withdrawn) by not later than 4:00 p.m. on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the rules of the Takeovers Code, decide) which together with the Shares already held by the Offeror Parties represent more than 50% of the voting rights of the Company. The latest time and date by which the Offers can become unconditional is 7:00 p.m. on 31 August 2010.

Further terms of the Offers (including procedures for acceptance and settlement, the acceptance period, revisions of the Offers and stamp duty payable) are set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

Shareholders should note that if the total number of Shares in respect of which the Offeror receives valid acceptances under the Share Offer, together with the Shares already owned or to be acquired by the Offeror Parties before or during the Offer Period, will result in the Offeror holding less than 50% of the voting rights of the Company, the Share Offer will not become unconditional and will lapse unless the Share Offer is extended as permitted by the Executive in accordance with the Takeovers Code. In such circumstances, pursuant to Rule 20.2 of the Takeovers Code, the Offeror must, as soon as possible but in any event within 10 days thereof, post the Share certificates lodged with the **WHITE** Forms of Acceptance to, or make such Share certificates available for collection by, those Shareholders who have accepted the Share Offer.

Effect of accepting the Offers

Acceptance of the Share Offer by any Neo-China Shareholder will be deemed to constitute a warranty by such person that all the Neo-China Shares to be sold by such person under the Share Offer will be sold free from Encumbrances. Similarly, acceptances of the CB Offer, the Warrant Offer and the Option Offer by any CB Holder, any Warrant Holder and any Option Holder respectively will be deemed to constitute a warranty by such person that the Convertible Bonds, the Warrants or the Share Options (as the case may be) sold by them or cancelled under the CB Offer, the Warrant Offer or the Option Offer (as the case may be) will be free from Encumbrances.

The Share Offer extends to Neo-China Shares issued and unconditionally allotted while the Offers remain open for acceptance, including any Neo-China Shares allotted and issued pursuant to the exercise of rights under the Convertible Bonds, Warrants and the Share Options.

Under the terms of the Option Offer, the Share Options held by the accepting Option Holders, together with all rights attaching thereto, will be cancelled and cease to be exercisable.

Hong Kong stamp duty

Seller's ad valorem stamp duty for transfer of Shares registered on the relevant register in Hong Kong arising in connection with acceptance of the Share Offer will be payable by each accepting Shareholder at the rate of HK$1.00 for every HK$1,000 (or part thereof) of the greater of (i) the consideration payable by the Offeror in respect of the relevant acceptance; and (ii) the value of the Shares, and will be deducted from the cash amount due to such person under the Share Offer. The Offeror will arrange payment of the seller's ad valorem stamp duty on behalf of accepting Shareholders and will pay the buyer's ad valorem stamp duty in respect of the Shares in respect of which the Share Offer are accepted.

No stamp duty will be deducted from the amount paid to the CB Holders, the Warrant Holders and the Option Holders who accept the CB Offer, the Warrant Offer and the Option Offer (as the case may be).

12. SHAREHOLDERS, CB HOLDERS, WARRANT HOLDERS AND OPTION HOLDERS OUTSIDE HONG KONG

The making of the Offers to the Overseas Shareholders, Overseas CB Holders, Overseas Warrant Holders and Overseas Option Holders may be affected by the applicable laws of the relevant jurisdictions. The Overseas Shareholders, Overseas CB Holders, Overseas Warrant Holders and Overseas Option Holders who wish to accept the relevant Offer are recommended to consult their professional advisers and ensure that all applicable legal and regulatory requirements in their own jurisdictions have been complied with when accepting the relevant Offer.

13. TAXATION AND INDEPENDENT ADVICE

Independent Shareholders, CB Holders, Warrant Holders and Option Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. None of the Company, the Offeror Parties, UBS, Nomura, Anglo Chinese or any of their respective directors nor any persons involved in the Offers accepts responsibility for any taxation effects, or liabilities of, any person or persons as a result of their acceptance of the Offers.

14. GENERAL

Disclosure of dealings in the securities of Neo-China

The respective associates of the Offeror and Neo-China are hereby reminded to disclose their dealings in the securities of Neo-China under Rule 22 of the Takeovers Code.

All documents and remittances sent by or to Shareholders and Option Holders through the post will be sent by or to them at their own risk. Such documents and remittances will be sent to Shareholders or Option Holders at their respective addresses as stated on the relevant Forms of Acceptance or if no such address is stated, as they appear in the registers of members or Option Holders, of Neo-China or, in the case of joint Shareholders, to the person whose name appears first on such register. All documents and payments sent by or to CB Holders and Warrant Holders pursuant to the CB Offer and the Warrant Offer will be sent by or to them (in the case of CB Holders) in the CB Clearing Systems through the CB Agent, or (in the case of Warrant Holders) in the DTC through the Warrant Agent.

None of the Offeror, SIH, UBS, Nomura, nor any of their respective directors or officers or any other person involved in the Offer will be responsible for any loss or delay in transmission or other liabilities that may arise as a result thereof.

15. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Neo-China Board; (ii) the letter from the Independent Board Committee; (iii) the letter from Anglo Chinese; and (iv) the additional information set out in the appendices, which form part of this Composite Document.

16. RECOMMENDATION

Your attention is drawn to the recommendations in the letters from the Neo-China Board, the Independent Board Committee and from Anglo Chinese set out in this Composite Document.

Yours faithfully,

For and on behalf of
UBS AG, Hong Kong branch
David Chin
Joint-Head of
Investment Banking, Asia
Managing Director

UBS AG, Hong Kong branch
Patrick Tsang
Executive Director

For and on behalf of
Nomura International (Hong Kong) Limited
Yue Zhiming
Vice-chairman of China
Managing Director

NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

中新地產集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Shares – Stock Code: 563; Convertible Bonds Due 2011 – Stock Code: 2528 and ISIN: XS0254896169)

Executive Directors:
Mr. Liu Yi *(Chairman)*
Ms. Niu Xiao Rong
Mr. Yuan Kun
Ms. Liu Yan
Mr. Jia Bo Wei
Ms. Bao Jing Tao
Mr. Lam Kwan Sing

Non-Executive Director:
Mr. Lai Leong *(Vice-Chairman)*

Independent Non-Executive Directors:
Ms. Nie Mei Sheng
Mr. Gao Ling

Registered office:
Clarendon House Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Suites 3005-3007,
30th Floor,
Great Eagle Centre,
23 Harbour Road,
Wanchai,
Hong Kong

2 July 2010

To the Shareholders, CB Holders, Warrant Holders and Option Holders

Dear Sir or Madam,

MANDATORY CONDITIONAL CASH OFFERS BY UBS AG, HONG KONG BRANCH AND NOMURA INTERNATIONAL (HONG KONG) LIMITED FOR AND ON BEHALF OF NOVEL GOOD LIMITED FOR ALL OF THE ISSUED SHARES IN, AND ALL OF THE OUTSTANDING CONVERTIBLE BONDS AND WARRANTS OF, NEO-CHINA LAND GROUP (HOLDINGS) LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO BE ACQUIRED OR SUBSCRIBED BY NOVEL GOOD LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

* *for identification only*

INTRODUCTION

On 19 January 2010, SIH, the Offeror and Neo-China jointly announced, amongst other things, the following:

(1) Sale and Purchase Agreement

On 19 January 2010, the Offeror entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Vendor conditionally agreed to sell, and the Offeror conditionally agreed to purchase, the Sale Shares at a total consideration of HK$1,160,000,000, equivalent to approximately HK$2.32 per Sale Share. The Sale Shares represented approximately 19.02% of the issued share capital of Neo-China as enlarged by the issue of the Subscribed Shares.

(2) Subscription Agreement

On 19 January 2010, the Offeror entered into the Subscription Agreement with Neo-China, pursuant to which, amongst other things, subject to completion of the Sale and Purchase Agreement, the Offeror conditionally agreed to subscribe and Neo-China conditionally agreed to allot and issue to the Offeror the Subscribed Shares at the Subscription Price, which is the same as the price paid for such Sale Share. The Subscribed Shares represented approximately 26.00% of the issued share capital of Neo-China as enlarged by the issue of the Subscribed Shares.

(3) Qi Ao Agreement

On 19 January 2010, Turbo Wise, an entity wholly owned by Mr. Li, entered into the Qi Ao Agreement with Neo-China, pursuant to which, amongst other things, Neo-China conditionally agreed, subject to completion of the Sale and Purchase Agreement and the Subscription Agreement, to sell to Turbo Wise Neo-China's entire interest in the Qi Ao Island Project at a consideration of HK$2,500 million, whilst retaining certain liabilities related to the Qi Ao Island Project, including the liability to pay unpaid principal and accrued interest under the Qi Ao Loan Agreement, which amounted to approximately RMB1,570 million (approximately HK$1,789.80 million) as at the date of the Qi Ao Agreement.

The Termination Agreement and the Supplemental Agreement

On 11 May 2010, SIH, the Offeror and Neo-China jointly announced that the Qi Ao Agreement was terminated on 11 May 2010 by the Termination Agreement. In light of the Termination Agreement, Neo-China, Novel Good, the Vendor and Mr. Li entered into the Supplemental Agreement mainly to supplement, amend and waive certain terms and conditions of the Sale and Purchase Agreement and the Subscription Agreement that relate to the Qi Ao Agreement. In particular, pursuant to the Supplemental Agreement, Completion was not conditional on:

(a) the Qi Ao Agreement having been approved by the Independent Shareholders;

(b) the Qi Ao Agreement having become unconditional; and

(c) the consents relating to the Qi Ao Agreement having been obtained.

Conditional Cash Offers

Completion took place on 24 June 2010. Immediately after Completion and at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 1,183,692,000 Neo-China Shares, representing approximately 45.02% of the issued share capital of Neo-China as enlarged by the issue of the Subscribed Shares. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is making the Share Offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired or subscribed by it and parties acting in concert with it). Under Rule 13.1 of the Takeovers Code and subject to and conditional on the Share Offer becoming unconditional in all respects, the Offeror is also required to make an appropriate offers to acquire or cancel all the outstanding Convertible Bonds, Warrants and Share Options.

The purpose of the Composite Document is to provide you with, among other things, information in relation to the Company, the Offeror and the Offers, to set out the "Letter from the Independent Board Committee" containing its advice to the Shareholders and the "Letter from Anglo Chinese" containing its advice to the Independent Board Committee in respect of the Offers.

The Independent Board Committee has been established to advise holders of relevant securities of Neo-China in respect of the Offers for the purposes of the Takeovers Code. Its members comprise Mr. Lai Leong, who is a non-executive Director and both the independent non-executive Directors, Ms. Nie Mei Sheng and Mr. Gao Ling. Anglo Chinese has been appointed independent financial adviser to advise the Independent Board Committee regarding the Offers.

TERMS AND CONDITION OF THE OFFERS

UBS and Nomura, on behalf of the Offeror, are conditionally making the Offers, on the terms and subject to the condition set out in this Composite Document and in the accompanying Forms of Acceptance, in compliance with the Takeovers Code on the following basis:

Share Offer

For each Neo-China Share .... HK$2.32 in cash

CB Offer

For each HK$10,000 nominal amount of the Convertible Bonds .... HK$4,092.72 in cash

Warrant Offer

For each Warrant .... HK$0.01 in cash

Option Offer

For cancellation of each Share Option .... HK$0.01 in cash

The Offers are conditional only on valid acceptances being received in respect of the Share Offer (and not, where permitted, withdrawn) by not later than 4:00 p.m. on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the rules of the Takeovers Code, decide) which, together with the Shares already held by the Offeror Parties, represent more than 50% of the voting rights of the Company. The latest time and date by which the Offers can become unconditional is 7:00 p.m. on 31 August 2010.

The condition to which the Offers are subject, and their respective terms are set out in Appendix I to this Composite Document.

At the Latest Practicable Date, there were 2,629,332,189 Neo-China Shares in issue, 125,625,000 outstanding Share Options, 66,000,000 outstanding Warrants and outstanding Convertible Bonds with an aggregate principal amount of HK$52,160,000. Other than the above, Neo-China has no other options, warrants, convertible bonds or other securities that carry a right to subscribe for or which are convertible into Neo-China Shares.

Comparisons of value

Share Offer

The offer price for the Neo-China Shares under the Share Offer of HK$2.32 per Neo-China Share is the same as the price paid for each Neo-China Share under the Acquisition and the subscription price paid for each Neo-China Share under the Subscription.

CB Offer

The offer price for the Convertible Bonds under the CB Offer is HK$4,092.72 per HK$10,000 nominal amount of the Convertible Bonds. Novel Good has advised Neo-China that this has been determined by reference to the adjusted conversion price of the Convertible Bonds of HK$5.6686 per Convertible Bond, and the date on which a change of control occurs, that is, 24 June 2010, being the date of Completion, and represents the offer price under the Share Offer of HK$2.32 multiplied by the number of Neo-China Shares that would be issued upon conversion of HK$10,000 nominal amount of each Convertible Bond based on the adjusted conversion price of the Convertible Bonds.

Warrant Offer

The exercise price of the Warrants is HK$6.72, which is higher than the Offer price of HK$2.32 per Neo-China Share under the Share Offer, and the Warrants are therefore "out of the money". In the circumstances, Novel Good has advised Neo-China that the Warrant Offer is being made only at a nominal price of HK$0.01 for each Warrant.

Option Offer

As at the Latest Practicable Date, there were 125,625,000 Share Options outstanding and the exercise prices of these Share Options are as follows:

	Number of Share Options outstanding as at the Latest Practicable Date	**Exercise price** *(HK$)*
	13,125,000	3.60
	65,000,000	3.72
	47,500,000	3.92
Total	**125,625,000**	

The exercise price of each of the Share Options is higher than the offer price of HK$2.32 per Neo-China Share under the Share Offer. In the circumstances, Novel Good has advised Neo-China that the Option Offer is being made only at a nominal price of HK$0.01 for the cancellation of each Share Option.

Following due acceptance of the Option Offer, the relevant Share Options together with the rights attaching thereto will be cancelled and will cease to be exercisable.

Unless an Option Holder has already accepted the Option Offer, in accordance with the Share Option Scheme, the Company will give notice to the Option Holders to permit them to exercise their Share Options in full (to the extent not already exercised) at any time within one month immediately following the date on which the Share Offer is declared unconditional, after which the Share Options shall lapse according to the terms of the Share Option Scheme. Where applicable, such notice shall be given to the Option Holders on the day the Share Offer is declared unconditional.

TOTAL CONSIDERATION

As at the Latest Practicable Date, there were 2,629,332,189 Neo-China Shares in issue, outstanding Share Options exercisable in respect of 125,625,000 Shares, 66,000,000 outstanding Warrants and outstanding Convertible Bonds at the principal amount of HK$52,160,000. On the basis of the respective offer prices for the Offers, the total consideration payable under each of the Offers, assuming no conversion or subscription rights under the outstanding Convertible Bonds, Warrants or Share Options are exercised and all of the Offers are accepted in full, is approximately as follows:

Share Offer	HK$3,353.89 million
CB Offer	HK$21.35 million
Warrant Offer	HK$0.66 million
Option Offer	HK$1.26 million
Aggregate consideration	**HK$3,377.16 million**

Mr. Li and the Vendor have irrevocably undertaken not to accept (i) the Share Offer in respect of the Retained Shares or any Shares issued upon the exercise of any of the 750,000 Share Options held by Mr. Li; and (ii) the Option Offer in respect of any of the 750,000 Share Options held by Mr. Li, and that they will not dispose of or otherwise deal with the Retained Shares or Mr. Li Share Options. Therefore, the consideration payable for the Share Offer and the Option Offer, assuming acceptance in full (but excluding the Retained Shares, the 750,000 Share Options owned by Mr. Li and any Shares issued upon the exercise of such Share Options) is HK$2,068.21 million and HK$1.25 million respectively. In such case, the aggregate consideration payable under the Offers is HK$2,091.47 million, assuming no conversion or subscription rights under the outstanding Convertible Bonds, Warrants and Share Options are exercised and all of the Offers are accepted in full (excluding the Retained Shares, the 750,000 Share Options owned by Mr. Li and any Shares issued upon the exercise of such Share Options).

INFORMATION ON THE OFFEROR AND SIH

Your attention is drawn to the section headed "Information on the Offeror and SIH" in the "Letter from UBS and Nomura" set out on pages 11 to 25 of the Composite Document.

INFORMATION ON THE NEO-CHINA GROUP

The Neo-China Group is principally engaged in the business of property development, property investment and hotel operations.

As at 31 December 2009, the audited net asset value of Neo-China Group was approximately HK$6,660 million. For the financial years ended 30 April 2008 and 30 April 2009, and for the eight months ended 31 December 2009, the audited consolidated net profits (both before and after taxation and extraordinary items) of the Neo-China Group were approximately as follows:

Audited net profits/(loss) before taxation and extraordinary items *(HK$ million)*			**Audited net profits/(loss) after taxation and extraordinary items** *(HK$ million)*		
For the financial year ended 30 April		**For the eight months ended 31 December**	**For the financial year ended 30 April**		**For the eight months ended 31 December**
2008	**2009**	**2009**	**2008**	**2009**	**2009**
2,376	339	(2,035)	1,567	90	(2,184)

For the financial years ended 30 April 2008 and 30 April 2009, and for the eight months ended 31 December 2009, the audited earnings/(loss) per Neo-China Share were approximately as follows:

Audited earnings/(loss) – basic *(Hong Kong cents)*			**Audited earnings/(loss) – diluted** *(Hong Kong cents)*		
For the financial year ended 30 April		**For the eight months ended 31 December**	**For the financial year ended 30 April**		**For the eight months ended 31 December**
2008	**2009**	**2009**	**2008**	**2009**	**2009**
84.23	6.51	(108.26)	68.19	5.56	(127.94)

INTENTION OF THE OFFEROR AND SIH

It is stated in the "Letter from UBS and Nomura" that the Offeror and SIH intend that Neo-China will continue to carry on its current business, subject to a continuing review of its operations and the development of a plan to realise synergies with SIH's real estate business in the PRC. Subject to due compliance with the Listing Rules, this may or may not include the injection of assets or businesses into the Neo-China Group by SIH or the acquisition or disposal of assets by Neo-China. The Board notes the intentions of the Offeror and SIH and is willing to render reasonable co-operation to the Offeror for the smooth running of the business of the Group.

CHANGE OF BOARD COMPOSITION AND SENIOR MANAGEMENT OF NEO-CHINA

All of the existing Directors (with the exception of Mr. Jia Bo Wei) have tendered their resignations, which will take effect from the First Closing Date of the Offers or the date when the Offers become or are declared unconditional, whichever is later, or such other date as may be approved by the Executive.

The Offeror has stated that the Offeror intends to nominate six additional executive Directors and four independent non-executive Directors effective on the day immediately following the date of this Composite Document. Further details can be found in the "Letter from UBS and Nomura" set out on pages 11 to 25 of the Composite Document.

Following Completion, certain nominees of the SIH Group have been appointed to senior management positions in Neo-China to take control of the operations and financial management of Neo-China, with instructions to focus on managing and controlling the high risk areas identified in the Internal Control Report referred to below.

COMPULSORY ACQUISITION

The Offeror has stated that it does not intend to apply any right which may be available to it to acquire compulsorily any Shares outstanding after closing of the Offers.

FORENSIC REVIEW/INTERNAL CONTROL REVIEW REPORT

As a result of concerns arising from the suspension of trading in the Neo-China Shares and the Convertible Bonds on the Main Board of the Stock Exchange with effect from 10:10 a.m. on 22 January 2008 at the request of Neo-China pending the release of an announcement in respect of certain price sensitive information, and the ICAC investigation referred to in its announcement of 11 May 2009, the Neo-China Board decided that it would be appropriate to seek assistance from an independent professional advisor to look into its affairs and internal controls.

The Neo-China Board commissioned an independent accounting firm to prepare a forensic report on the documents seized by the ICAC and other available records of Neo-China for the years ended 30 April 2003 to 30 April 2009. This focused investigation involved certain selected procedures in specific areas as agreed by Neo-China. The independent accounting firm reviewed the available financial information and business records that it considered relevant to its work and performed a high-level review of accounts and checking of supporting documents on a sample basis to confirm its understanding of the issues. It also made enquiries of management and staff of Neo-China in order to obtain an understanding of the Neo-China Group's operating activities, significant transactions and assets. The report identified certain issues relating to valuation of assets (and Neo-China has subsequently revalued those assets and made provision for the relevant assets in its financial statements for the financial period ended 31 December 2009).

The Neo-China Board also commissioned an independent internal control consultant to carry out a review of its internal controls. The scope of review of the independent internal control consultant, which was determined by the management of the Neo-China Group, covered certain selected procedures in the areas of (i) entity wide and corporate level controls such as conflict of interest policy, composition and function of the Board and Audit Committee, risk assessment policies and procedures, information and communication policies and procedures and internal audit function, etc. and (ii) certain selected business process level controls including revenue and receivables, purchase and payables (for property development only), treasury and cash management, gift, travelling and entertainment and financial reporting at the Neo-China Group Headquarters and certain selected subsidiaries of the Neo-China Group. The review period was from 1 May 2009 to 31 December 2009.

The Internal Control Report indicated there were weaknesses in, amongst other things, (i) access to the Neo-China Group control systems for financial reporting; (ii) control over contracts for material transactions; (iii) authorisation of cash payments; (iv) compliance and disclosure under the Listing Rules and accounting standards; (v) anti-fraud policies and procedures; (vi) internal audit; (vii) job description, responsibilities and reporting line of key functional departments and management positions; (viii) staff code of conduct; and (ix) risk assessment.

Before Completion, and to address the findings of the forensic review report and internal control review mentioned above, Neo-China has taken steps to improve its corporate governance and internal controls in order to address the internal control weaknesses, including the following:–

– reinforced its internal controls over payments by improving the cross-checking and approval processes and spreading them among different responsible persons;

– approved terms of reference of the remuneration committee;

– enhanced its procedures to ensure the proper disclosure of related party and connected party transactions. The new procedures now require the identification of any property purchases by the Directors in Neo-China's monthly sales reports;

– enhanced its anti-fraud policies and procedures as well as reporting mechanisms;

– enhanced its internal control department and made it an independent department that reports to the audit committee directly; clarified the job description, responsibilities and reporting line of key functional departments and management positions;

– developed a code of conduct and formally communicated it to all personnel;

– established a risk management committee and developed risk assessment mechanisms; and

– enhanced controls over various things such as tax identification and payment, staff loans document preparation and retention, cash and treasury management, access to its financial records and systems, accounting policies and procedures, consolidation policies and procedures.

SIH is satisfied with the above steps taken by Neo-China to improve its corporate governance and internal controls prior to Completion.

After Completion, there has been changes in the senior management of Neo-China and there will be changes in the board composition as further detailed in the "Letter from UBS and Nomura". In addition, SIH will adopt the corporate governance standards of the SIH Group as appropriate, and strengthen the risk areas identified in the Internal Control Report. SIH will also procure that after Completion, the Company will (a) appoint an independent professional firm to conduct a follow-up internal control review within six months after the resumption of trading in the Neo-China Shares and the Convertible Bonds on the Main Board of the Stock Exchange, and to confirm that all the weaknesses identified by an independent internal control consultant in the Internal Control Report have been rectified, and (b) to report the results of such follow-up internal control review in the next interim report or the annual report of Neo-China.

MAINTAINING THE LISTING

The Offeror has stated that it intends Neo-China shall remain listed on the Main Board of the Stock Exchange after the closing of the Offers. The Directors, for so long as they remain Directors, and the new directors appointed to the Neo-China Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Neo-China Shares.

The Offeror has stated that the Offeror and SIH will use reasonable endeavours to maintain the listing of the Neo-China Shares on the Stock Exchange and will ensure that not less than 25% of the Neo-China Shares will be held by the public in compliance with the Listing Rules.

If, at the close of the Offers, less than 25% of the Neo-China Shares are held by the public or if the Stock Exchange believes that:

– a false market exists or may exist in the trading of the Neo-China Shares, or

– there are insufficient Neo-China Shares in public hands to maintain an orderly market,

then the Stock Exchange may exercise its discretion to suspend dealings in the Neo-China Shares. In this connection, it should be noted that upon completion of the Offers, there may be insufficient public float for the Neo-China Shares and therefore, trading in the Neo-China Shares may be suspended until a prescribed level of public float is attained.

TAXATION AND INDEPENDENT ADVICE

Independent Shareholders, CB Holders, Warrant Holders and Option Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. None of the Company and its Directors nor any other person involved in the Offers accepts responsibility for any taxation effects, or liabilities of, any person as a result of acceptances of the Offers or any of them.

ANALYSIS OF THE PROJECTS OF THE GROUP ON INDIVIDUAL BASIS

No.	Project Name	City	Valuation by DTZ as at 31 January 2010	Carrying amount as at 31 December 2009	Surplus/ shortfall
			HK$'000	*HK$'000*	*HK$'000*
1	American Rock	Beijing	74,328	49,706	24,622
2	Youngman Point	Beijing	811,680	536,556	275,124
3	Xidiaoyutai	Beijing	1,047,888	771,616	276,272
4	Laochengxiang	Tianjin	4,700,220	4,266,840	433,380
5	Yanjiao	Sanhe	723,900	718,554	5,346
6	Tai Yuan Street	Shenyang	923,400	810,479	112,921
7	Gongyuandadao	Chengdu	1,495,680	1,317,404	178,276
8	Jiujiu Youth City	Shanghai	1,425,000	1,221,751	203,249
9	Yanjiagang	Chongqing	3,249,456	3,198,158	51,298
10	Neo Water City	Xian	4,887,750	4,116,541	771,209
11	Qi Ao Island	Zhuhai	2,565,000	2,732,108	(167,108)[Note (a)]
12	Phoenix Tower	Shenzhen	57,935	36,742	21,193
13	Neo-China Forest Garden	Changsha	795,720	633,874	161,846
		Total	**22,757,957**	**20,410,330**	**2,347,627**

Notes:

(a) The audited value of the Qi Ao Island Project in the balance sheet as at 31 December 2009 is approximately HK$2,732 million, which is the net asset value of the Qi Ao Island Project (after taking into account the impairment loss of HK$1,790 million) as included in "Assets/Liabilities of disposal group/ non-current assets classified as held as sale", comprising (i) the Consideration of approximately HK$2,500 million; and (ii) the related foreign exchange reserve of approximately HK$232 million, which would be reclassified to profit or loss upon the completion of disposal of the Qi Ao Island Project, which is in accordance with the Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements" and the Group's accounting policy.

(b) The above 13 projects cover all of the Neo-China Group's properties and the valuations performed by DTZ, the report of which is set out in Appendix III to this Composite Document. For the avoidance of doubt, the above analysis does not cover the project located at Beichen District, Tianjin (property no. 30 of the valuation report of DTZ in Appendix III to this Composite Document, the "Beichen Project"), in which the Neo-China Group held only a 40% attributable interest, and which is accounted for as an associate by the equity method. Taking into consideration the total market value of the Beichen Project in its existing state as at 31 January 2010 of RMB1,254 million (approximately HK$1,429.56 million, adopting an exchange rate of RMB1 = HK$1.14 as at 31 December 2009), being the valuation of the Beichen Project as set out in the valuation report of DTZ in Appendix III to this Composite Document, the value of all the properties of the Neo-China Group as appraised by DTZ as at 31 January 2010 would be HK$24,187,517,000 (approximately RMB21,217.12 million, adopting an exchange rate of RMB1 = HK$1.14 as at 31 December 2009), which conforms with the value of all the projects of the Neo-China Group as set out in the valuation report of DTZ in Appendix III to this Composite Document.

RECOMMENDATIONS

Your attention is drawn to the "Letter from the Independent Board Committee" set out on pages 38 to 39 of the Composite Document, which contains its recommendations regarding the Offers and the "Letter from Anglo Chinese" set out on pages 40 to 62 of the Composite Document, which sets out its advice to the Independent Board Committee in respect of the terms of the Offers, and the principal factors which it has considered before arriving at its advice to the Independent Board Committee.

ADDITIONAL INFORMATION

Your attention is also drawn to the "Letter from UBS and Nomura" set out on pages 11 to 25 of and, Appendix I to the Composite Document and the Forms of Acceptance, which contain details of the Offers. Your attention is also drawn to the information set out in the appendices to the Composite Document.

Yours faithfully,
For and on behalf of the Board
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED
Liu Yi
Chairman

The following is the text of a letter prepared for the purpose of incorporation in this Composite Document received from the Independent Board Committee containing its advice in respect of the Offers for the purposes of the Takeovers Code.

NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

中新地產集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Shares – Stock Code: 563; Convertible Bonds Due 2011 – Stock Code: 2528 and ISIN: XS0254896169)

2 July 2010

To the Shareholders, CB Holders, Warrant Holders and Option Holders

Dear Sir or Madam,

MANDATORY CONDITIONAL CASH OFFERS BY UBS AG, HONG KONG BRANCH AND NOMURA INTERNATIONAL (HONG KONG) LIMITED FOR AND ON BEHALF OF NOVEL GOOD LIMITED FOR ALL OF THE ISSUED SHARES IN, AND ALL OF THE OUTSTANDING CONVERTIBLE BONDS AND WARRANTS OF, NEO-CHINA LAND GROUP (HOLDINGS) LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO BE ACQUIRED OR SUBSCRIBED BY NOVEL GOOD LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

We refer to the Composite Document dated 2 July 2010 of which this letter forms part. Unless the context requires otherwise, terms defined in the Composite Document are used herein with those defined meanings.

We are the Independent Board Committee established to advise holders of relevant securities of Neo-China in respect of the Offers for the purposes of the Takeovers Code.

* *for identification only*

We have been appointed by the Neo-China Board to consider and to make recommendations to the Shareholders, CB Holders, Warrant Holders and Option Holders as to whether or not the terms of the Offers are fair and reasonable and as to acceptance of the Offers. Anglo Chinese has been appointed the independent financial adviser to advise us in this respect. Details of its advice, together with the principal factors and reasons taken into account in arriving at such advice, are set out in the "Letter from Anglo Chinese" set out on pages 40 to 62 of the Composite Document.

We also draw your attention to the "Letter from the Neo-China Board" and the "Letter from UBS and Nomura" set out in the Composite Document and the additional information set out in the appendices to the Composite Document.

Having taken into account the terms of the Offers, and the principal reasons and factors considered by and the advice and recommendation of Anglo Chinese, we consider that:–

- the terms of the Share Offer are not fair and reasonable so far as the Shareholders are concerned and recommend the Shareholders not to accept the Offer;

- the terms of the CB Offer are not fair and reasonable so far as the CB Holders are concerned and recommend CB Holders not to accept the CB Offer;

- the terms of the Warrant Offer are not fair and reasonable so far as the Warrant Holders are concerned and recommend Warrant Holders not to accept the Warrant Offer; and

- the terms of the Option Offer are not fair and reasonable so far as the Option Holders are concerned and recommend Option Holders not to accept the Option Offer.

Yours faithfully,
Independent Board Committee
Lai Leong
Non-Executive Director
Nie Mei Sheng **Gao Ling**
Independent Non-Executive Directors

The following is the text of the letter of advice from Anglo Chinese to the Independent Board Committee and the Independent Neo-China Shareholders prepared for inclusion in the Composite Document.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
www.anglochinesegroup.com
英高財務顧問有限公司

2 July, 2010

To the Independent Board Committee and the Independent Neo-China Shareholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER
BY UBS AG, HONG KONG BRANCH AND
NOMURA INTERNATIONAL (HONG KONG) LIMITED
FOR AND ON BEHALF OF NOVEL GOOD LIMITED
FOR ALL OF THE ISSUED SHARES IN, AND ALL OF THE
OUTSTANDING CONVERTIBLE BONDS AND WARRANTS OF,
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR
AGREED TO BE ACQUIRED OR SUBSCRIBED
BY NOVEL GOOD LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED**

INTRODUCTION

We refer to the joint announcements by SIH, Novel Good and Neo-China dated 19 January 2010, 11 May 2010 and 24 June 2010, the circular dated 14 May 2010 and the Composite Document of which this letter forms a part. The joint announcement dated 19 January 2010 set out information relating to the possible acquisition of Neo-China Shares by Novel Good, a wholly-owned subsidiary of SIH, the possible subscription of Neo-China Shares by Novel Good under the Subscription Agreement, the possible disposal of interests in the Qi Ao Island Project under the Qi Ao Agreement and a possible mandatory conditional cash offer on behalf of Novel Good for Neo-China Shares not already owned by Novel Good and persons acting in concert with it, and the other Offers. According to the joint announcement dated 11 May 2010, the Qi Ao Agreement was subsequently terminated by an agreement between Neo-China and Turbo Wise. In light of the Termination Agreement, Neo-China, Novel Good, the Vendor and Mr. Li entered into the Supplemental Agreement mainly to supplement, amend and waive certain terms and conditions of the Sale and Purchase Agreement and the Subscription Agreement that relate to the Qi Ao Agreement. Terms used in this letter shall have the meanings ascribed to them in the Composite Document unless the context requires otherwise.

As disclosed in the joint announcement dated 24 June 2010, completion of the Acquisition and the Subscription took place on 24 June 2010 in accordance with the Sale and Purchase Agreement and the Subscription Agreement. Prior to Completion, neither the Offeror nor parties acting in concert with it had any ownership interest in the share capital or voting rights of the Company. Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 1,183,692,000 Neo-China Shares, representing approximately 45.02% of the issued share capital of Neo-China as enlarged by the Subscribed Shares. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired or subscribed by it and parties acting in concert with it). Under Rule 13.1 of the Takeovers Code and subject to and conditional upon the Share Offer becoming unconditional in all respects, the Offeror is also required to make appropriate offers to acquire or cancel all the outstanding Convertible Bonds, Warrants and Share Options.

As at the Latest Practicable Date, Mr. Li and the Vendor and parties acting in concert with any of them together held the Retained Shares, representing approximately 21.08% of the issued share capital of Neo-China as enlarged by the Subscribed Shares, and Mr. Li himself held 750,000 Share Options. Each of Mr. Li and the Vendor has undertaken with Novel Good that they will not, amongst other things, accept (i) the Share Offer in respect of the Retained Shares or Shares issued upon the exercise of the 750,000 Share Options held by Mr. Li or (ii) the Option Offer in respect of the 750,000 Share Options held by Mr. Li, and that they will not dispose of or otherwise deal with the Retained Shares or Mr. Li's Share Options.

The Independent Board Committee, the members of which comprise Mr. Lai Leong, a non-executive Director of Neo-China and both the independent non-executive Directors of Neo-China, namely Ms. Nie Mei Sheng and Mr. Gao Ling, has been formed to consider whether the terms of the Offers are fair and reasonable and in the interests of the Company and its shareholders as a whole.

We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee as to whether the terms of the Offers are fair and reasonable. Our appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have relied on the information and the facts supplied to us by the Company. We have reviewed, among other things, the Sale and Purchase Agreement, the Subscription Agreement, the Termination Agreement, the Supplemental Agreement, the recently published information on the Company including its annual reports and accounts for the two years ended 30 April 2009 and the report for the eight months ended 31 December 2009 (Neo-China changed its year end date from 30 April to 31 December in late 2009), the unaudited interim accounts of the Company for the six months periods to 31 October 2008 and 2009 and the price data of the shares and certain broadly comparable companies listed on the Stock Exchange. We have also discussed with the management and members of the Board the business strategy for the Company, its performance and prospects.

We refer to the responsibility statement made by the Directors which confirms that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the SIH Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the SIH Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document (other than that relating to the SIH Group), the omission of which would make any statements in the Composite Document misleading. We have relied on the accuracy of the information, facts, representations and opinions expressed by the Company, the Directors and the Offeror contained in and as referred to in the Composite Document. We have assumed that the information, facts, representations and opinions were true at the time they were made and continue to be true at the date of the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Company, the Directors and the Offeror in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstances which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not been given information about the nature of the ICAC investigations other than (as announced) that investigations are being conducted of suspected offences under Section 9(1), 9(2) and 9(3) of the Prevention of Bribery Ordinance and therefore we have been unable to make any assessment as to the impact that the matters being investigated may have on the business and prospects of Neo-China. Save for this, we consider that we have reviewed sufficient information to reach the conclusions set out in this letter and have no reason to believe any of the information provided to us by the Directors is inaccurate or that any material information has been omitted or withheld from the information supplied or the opinions expressed in the Composite Document. We have not, however, conducted any independent investigation into the business and affairs of the Company.

We have not considered the taxation implications on the Independent Neo-China Shareholders, the CB Holders, the Warrant Holders and the Option Holders arising from acceptances or non-acceptances of the Offers as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offers. In particular, the Independent Neo-China Shareholders, the CB Holders, the Warrant Holders and the Option Holders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

BACKGROUND

The Neo-China Shares were suspended from trading on the Stock Exchange on 22 January 2008. We understand that the reason for the suspension was that the ICAC had executed a search warrant on the offices of the Company and in the light of the event a suspension of dealings in the Neo-China Shares was requested by the Company. Since then the Stock Exchange has not agreed to a resumption of dealing in the Neo-China Shares. An announcement was made on 11 May 2009 stating that on 10 January 2008, the ICAC executed a search warrant at the Company's offices in Hong Kong and seized certain documents and articles from the Company's premises. It was also announced that the ICAC was investigating suspected offences under Section 9(1), 9(2) and 9(3) of the Prevention of Bribery Ordinance and had asserted that it had reasonable cause to believe that there were documents and articles which were or contained evidence of the suspected offences at the Company's premises. Section 9 relates to corrupt transactions with agents. It is believed that the investigation by the ICAC is still continuing.

On 24 August 2009 it was announced that Mr. Li had resigned as an executive director and chairman of the Company and that Mr. Liu Yi, an executive director, had been appointed chairman of the Company.

TERMS OF THE OFFERS

UBS and Nomura, on behalf of the Offeror, are conditionally offering, on the terms set out in the Composite Document and in the accompanying Forms of Acceptance, make the Offers in compliance with the Takeovers Code on the following terms:

Share Offer
For each Neo-China Share . . . . HK$2.32 in cash

CB Offer
For each HK$10,000 nominal amount of
the Convertible Bonds . . . . HK$4,092.72 in cash

Warrant Offer
For each Warrant . . . . HK$0.01 in cash

Option Offer
For cancellation of each Share Option . . . . HK$0.01 in cash

The Offers are conditional only on valid acceptances being received in respect of the Share Offer (and not, where permitted, withdrawn) by not later than 4:00 p.m. on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the rules of the Takeovers Code, decide) which together with the Shares already held by the Offeror Parties represent more than 50% of the voting rights of the Company. The latest time and date by which the Offers can become unconditional is 7:00 p.m. on 31 August 2010.

As at the Latest Practicable Date, there were 2,629,332,189 Neo-China Shares in issue, outstanding Share Options in respect of 125,625,000 Shares, 66,000,000 outstanding Warrants and outstanding Convertible Bonds in the principal amount of HK$52,160,000. Other than the above, Neo-China has no other options, warrants, convertible bonds or other securities that carry a right to subscribe for or which are convertible into Neo-China Shares.

Further terms and conditions of the Share Offer, including the procedures for acceptance, are set out in the "Letter from UBS and Nomura" and Appendix I to the Composite Document.

PRINCIPAL FACTORS

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

Historical financial performance and prospects of Neo-China Group

The Neo-China Group is principally engaged in the business of property development, property investment and hotel operations.

Historical results of Neo-China Group

Set out below is a summary of Neo-China Group's results for the five years ended 30 April 2009, the results for the six months ended 31 October 2008 and 2009, together with the results for the eight months ended 31 December 2009.

	For 8 months ended 31 December	For the six months ended 31 October		For the year ended 30 April				
	2009	2009	2008	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(unaudited)	(unaudited)	(audited)	(audited)	(restated)	(audited)	(restated)
Revenue	513,086	398,486	57,802	2,534,580	5,029,260	2,779,845	671,140	476,472
Gross profit	64,948	84,889	19,470	490,493	968,686	341,616	60,568	222,663
Gross margin	*13%*	*21%*	*34%*	*19%*	*19%*	*12%*	*9%*	*47%*
Operating profit/(loss)	(868,210)	(347,754)	(174,564)	751,413	1,900,390	126,524	3,405	227,624
Operating margin	*N/A*	*N/A*	*N/A*	*30%*	*38%*	*5%*	*1%*	*48%*
Profit/(loss) attributable to equity holders of the Company	(2,106,392)	126,679	(271,426)	126,567	1,550,486	833,319	104,663	177,817
Net margin	*N/A*	*32%*	*N/A*	*5%*	*31%*	*30%*	*16%*	*37%*

	As at 31 December	As at 31 October		As at 30 April				
	2009	2009	2008	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(unaudited)	(unaudited)	(audited)	(audited)	(audited)	(audited)	(audited)
Net asset value	6,659,982	9,024,636	8,459,207	9,072,143	9,079,323	5,511,551	1,541,401	825,598
Net asset value attributable to equity holders of the Company	6,073,429	8,369,346	7,693,492	8,316,384	8,374,052	4,958,831	1,391,702	583,551
Attributable net asset per share (HK$)	3.12	4.30	3.95	4.27	4.30	2.88	1.36	0.94
Pre-sale receipts from customers	8,763,402	8,106,357	4,945,812	5,415,588	2,727,406	1,921,783	1,587,456	280,768

As the financial year end date of the Group and the Company has been changed from 30 April to 31 December in 2009 in late 2009, the figures (which cover a period of twelve months from 1 May 2008 to 30 April 2009) for the financial statements of the Group for the year ended 30 April 2009 are not comparable with those for the eight months ended 31 December 2009.

The turnover and profitability of Neo-China Group have been fluctuating over the past five financial years.

Eight months ended 31 December 2009 and financial year ended 30 April 2009

For the eight months period to 31 December 2009, Neo-China Group recorded a turnover of HK$513.09 million, the significant majority of which arose from the property development segment of Neo-China Group's business. According to the report of Neo-China for the eight months ended 31 December 2009, the lower turnover was due to fewer properties delivered and hence lower sales revenue recognised during the period. While pre-sale receipts from customers, being proceeds received on property units sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy, increased from approximately HK$5.42 billion as at 30 April 2009 to approximately HK$8.76 billion as at 31 December 2009, we note that the original property delivery plans of the Company could not match with the new accounting period as a result of the change of the financial year end date of the Group from 30 April to 31 December. Accordingly, fewer properties were delivered during the eight months ended 31 December 2009 than originally planned and the Company has to match the number of pre-sale properties delivered to customers in 2010 with the original property delivery plans to ensure that the corresponding pre-sale revenue can be recognised in the year ending 31 December 2010. Total saleable gross floor area (GFA) pre-sold by the Group for the eight months ended 31 December 2009 amounted to 623,000 square metres (for the year ended 30 April 2009: 769,000 square metres). Total recognised saleable GFA for the eight months ended 31 December 2009 amounted to 138,000 square metres (for the year ended 30 April 2009: 299,000 square metres).

The loss from operations of the Company of approximately HK$868.21 million for the eight months ended 31 December 2009 was partly due to (i) higher cost of sales; (ii) a net valuation loss of approximately HK$158.34 million as opposed to a net valuation gain of approximately HK$409.05 million for the twelve months ended 30 April 2009; (iii) the significantly larger amounts of fair value gains of derivative financial instruments and exchange gains on convertible notes and senior notes for the twelve months ended 30 April 2009, which were not recurring in the eight months ended 31 December 2009 and (iv) higher selling and distribution expenses as a result of higher advertising expenses for the eight months ended 31 December 2009 in respect of property development projects to be completed by the Group in various cities. The operating loss, together with, amongst others, an impairment loss of HK$1.79 billion on the Qi Ao Island Project and mitigated by lower finance costs, a gain of approximately HK$426.07 million on redemption of convertible notes and a gain of approximately HK$336.87 million on disposal of subsidiaries during the period, in turn led to a significant amount of loss attributable to equity shareholders of the Company of approximately HK$2.11 billion for the eight months ended 31 December 2009.

For the financial year ended 30 April 2009, the lower operating profit was primarily due to a significant decline in turnover in the year amid a market downturn and the realisation of a non-recurring fair value gain arising from the reclassification of completed properties held for sale to investment properties in the prior financial year. The fair value gain together with, amongst others, an exchange gain on convertible notes and senior notes in the financial year ended 30 April 2009 also contributed to the higher operating profit in the year compared to the financial year ended 30 April 2008.

Six months ended 31 October 2009 versus six months ended 31 October 2008

Overall profit attributable to the equity shareholders of Neo-China for the six months ended 31 October 2009 was approximately HK$126.68 million compared with a loss of approximately HK$271.43 million in respect of the comparable period in 2008. However the loss from operations for the six months period to 31 October 2009 was approximately HK$347.75 million compared with a loss of approximately HK$174.56 million for the corresponding period in 2008. The principle contributors to the net profit for the six months ended 31 October 2009 were the gain on the redemption of the Convertible Bonds of approximately HK$426.07 million and gain on the disposal of subsidiaries, Beijing Jun He Bai Nian Property Development Co., Ltd. and Tianjin City Yi Jia He Zhi Ye Co., Ltd., engaged in property development in Beijing and Tianjin respectively. While the profits arising from the disposal of the companies engaged in property development would be part of Neo-China Group's normal business, the approximately HK$426.07 million gain on the redemption of the convertible notes will not be repeated. Without this item the Neo-China Group would have incurred a loss before tax of approximately HK$179.94 million for the six months ended 31 October 2009.

Net asset value

Net asset value would generally be regarded as a key measure in assessing the value of an asset based company such as a property development and investment company. The value of land for or under development should reflect its saleable value taking into account various factors including uncertainty. We used, where available, the attributable net tangible assets of Neo-China and the comparable companies in the relevant analyses of this letter to take into account only the net value of tangible assets attributable to the owners of Neo-China and the comparable companies. The offer price of the Neo-China Shares represents a discount of 20.27% to the adjusted consolidated attributable net tangible assets of the Neo-China Group after the Subscription as shown below:

	HK$ million
Audited consolidated net tangible assets as at 31 December 2009	6,660
Less: Non-controlling interest	587
Audited consolidated attributable net tangible assets as at 31 December 2009	6,073
Subscription of new shares by Novel Good	1,586
Adjusted consolidated attributable net tangible assets after the Subscription	7,659
Number of shares in issue as at the Latest Practicable Date	2,629,332,189
Adjusted attributable net tangible assets per share	HK$2.91
Discount of the offer price of the Share Offer to the adjusted attributable net tangible assets per share	20.27%

We regard the discount to attributable net tangible assets of Neo China Group under the Share Offer to be high, particularly in respect of a property investment and development company. We set out below in greater detail selected comparable transactions and companies.

Dividend

In respect of the financial year ended 30 April 2008 the Company paid dividends to its shareholders but, since then, has not declared or recommended any dividend payment.

Liquidity and gearing

As shown in the report of Neo-China for the eight months ended 31 December 2009, the Group had focused on enhancing its cash inflows during the period under review with the launch of new projects or new phases in Xian, Chengdu, Tianjin and Shanghai. As at 31 December 2009, Neo-China Group had cash and bank balances of approximately HK$1.63 billion (equivalent to approximately HK$0.84 per share based on the number of shares in issue after completion of the Subscription) with a current ratio of approximately 1.50 times calculated by dividing current assets by current liabilities (as at 30 April 2009: approximately 1.86 times). On completion of the Subscription Agreement, a further

HK$1,586,165,440 was received by Neo-China. On the basis of the audited consolidated balance sheet of Neo-China for the eight months ended 31 December 2009, the result of the cash inflow from the Subscription would have increased the current ratio to approximately 1.61 times. The cash inflow of the Subscription will increase the available cash to the Company.

The Neo-China Group's gearing ratio as of 31 December 2009 stood at approximately 69.40% (as of 30 April 2009: approximately 79.10%) calculated by dividing net debt[1] by shareholders' funds of Neo-China. On the basis of the audited consolidated balance sheet of Neo-China for the eight months ended 31 December 2009, following the Subscription, the gearing ratio would decrease to approximately 55.03%.

Business prospects

As at 31 December 2009, the Group had 14 projects in 11 cities and a land bank of approximately 12.29 million square metres. The Company believes its existing land bank is sufficient to cater for its development needs in the coming three to four years. At the same time, the Company plans to launch new properties for sale in places such as Xian, Chengdu and Changsha and focus on enhancing its product quality and brand building with a view to long term development and improving profitability. It is also the intention of Neo-China to match the number pre-sale properties delivered to the customers by the Group in 2010 with the original property delivery plans and hence ensure that the corresponding pre-sale revenue can be recognised in the income statement of the Group for the year ending 31 December 2010.

Since 15 April 2010, the PRC central government has introduced a series of measures to curb rising home prices in the PRC and promote healthier development of the PRC property market. Such measures include, amongst other things, the State Council raising mortgage rates on second homes to 1.1 times the central bank's benchmark lending rate, up from the current 80 per cent and the mainland banks being asked not to approve loans for third home purchases. It is expected that home prices may be adversely affected in the short term as an immediate reaction to the measures. The following table summarises, amongst other things, the share performance and the average decline in share prices of all comparable companies selected on the basis that they:

(a) are engaged in property investment and development in the PRC;

(b) list their securities on the Stock Exchange; and

[1] *Net debt = total borrowings (including bank borrowings, loan payables, Senior Notes and Convertible Notes) – cash and cash equivalents – restricted bank deposits pledged to secure bank borrowings*

(c) have market capitalisations ranging from HK$6,000 million to HK$12,800 million (as at the Latest Practicable Date), which are comparable to the market capitalisation of Neo-China immediately before the suspension of trading of the Neo-China Shares,

from the day before the introduction of the above-mentioned measures to the Latest Practicable Date.

Company name	Stock code	Market capitalisation on the Latest Practicable Date	Closing price on 14th April, 2010	Closing price on the Latest Practicable Date	Price change	Premium/ (discount) of closing price on the Latest Practicable Date to attributable net tangible assets
		(HK$ million)	*(HK$)*	*(HK$)*		
Yuzhou Properties Company Limited	1628	6,048	2.42	2.52	4.05%	43.18%
Fantasia Holdings Group Co., Limited	1777	6,336	1.68	1.30	-22.43%	47.42%
China SCE Property Holdings Limited	1966	6,420	2.85	2.25	-21.05%	274.28%
China South City Holdings Limited	1668	7,175	1.38	1.20	-13.04%	-7.89%
Tian An China Investments Company Limited	28	7,534	5.10	5.00	-2.02%	-30.78%
Kaisa Group Holdings Ltd.	1638	7,553	2.80	1.54	-45.00%	-0.65%
Shenzhen Investment Limited	604	8,063	2.70	2.28	-15.68%	-32.69%
Powerlong Real Estate Holdings Limited	1238	9,439	2.55	2.32	-9.02%	0.94%
Yuexiu Property Company Limited	123	12,277	2.08	1.72	-17.31%	-7.70%
Beijing North Star Company Limited	588	12,724	2.43	1.92	-21.09%	-5.33%
				Maximum	4.05%	274.28%
				Minimum	-45.00%	-32.69%
				Average	-16.26%	28.08%
				Median	-16.49%	-2.99%

1RMB=1.14HK$
Source: Bloomberg and published annual reports or interim reports of the above companies

We note from the above table that the share prices of the comparable companies had on average dropped by 16.26% since 14 April 2010 up to the Latest Practicable Date, an indication that the PRC stock market and related stocks trading in Hong Kong have been affected by the PRC policies mentioned above and may be subject to short-term fluctuations. The recent market volatility and decline in the Hong Kong stock market as well as the negative impact of the introduction of those PRC policies on the share performance of PRC property companies listed in Hong Kong (including Neo-China) may cause the Independent Neo-China Shareholders to reconsider their exposure to equity investments generally and whether they want to divest themselves of their shareholding in Neo-China.

Those Independent Neo-China Shareholders who wish to realise part or all of their Neo-China Shares should have regard to the market price of the Neo-China Shares after the resumption of the trading of the Neo-China Shares and before the closing of the Share Offer.

The Share Offer

The offer price of the Neo-China Shares under the Share Offer is the same as the acquisition price per Neo-China Share under the Acquisition and the subscription price per Neo-China Share under the Subscription, i.e. HK$2.32.

The offer price of HK$2.32 per Neo-China Share under the Share Offer represents:

(i) a discount of approximately 25.88% to the closing price of HK$3.13 per Neo-China Share, as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 18.31% to the closing price of HK$2.84 per Neo-China Share, as quoted on the Stock Exchange on 25 June 2010, the first day of trading since the suspension of trading in the Neo-China Shares on 22 January 2008;

(iii) a discount of approximately 54.51% over the closing price of HK$5.10 per Neo-China Share, as quoted on the Stock Exchange on the Last Pre-suspension Trading Day;

(iv) a discount of approximately 53.13% over the closing price of HK$4.95 per Neo-China Share, after the declaration of a final dividend of HK14 cents per Neo-China Share, as quoted on the Stock Exchange on 11 September 2008 (adjusted due to the aforesaid declaration of a final dividend, notwithstanding the suspension of trading in the Neo-China Shares and the Convertible Bonds since 22 January 2008);

(v) a discount of approximately 59.23% over the average closing price of approximately HK$5.69 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Pre-suspension Trading Day;

(vi) a discount of approximately 61.27% over the average closing price of approximately HK$5.99 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Pre-suspension Trading Day;

(vii) a discount of approximately 64.09% to the average closing price of approximately HK$6.46 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Pre-suspension Trading Day;

(viii) a discount of approximately 32.16% to the Neo-China Group's audited consolidated net assets of approximately HK$3.42 per Neo-China Share calculated based on the Neo-China Group's audited consolidated net assets (including minority interest) of approximately HK$6,660 million as at 31 December 2009 and 1,945,640,289 Neo-China Shares as at 31 December 2009; and

(ix) a discount of approximately 20.27% to the Neo-China Group's adjusted audited consolidated attributable net tangible assets of approximately HK$2.91 per Neo-China Share, calculated based on the Neo-China Group's audited consolidated attributable net tangible assets (not including minority interest) of approximately HK$6,073 million as at 31 December 2009 and 2,629,332,189 Neo-China Shares in issue as at the Latest Practicable Date.

The Shares to be acquired under the Share Offer shall be acquired fully paid and free from all Encumbrances whatsoever and together with all rights accruing or attaching thereto as at the date of the despatch of the Composite Document, including, without limitation, the right to receive all future dividends or other distributions declared, paid or made, if any, on or after the date of the despatch of the Composite Document.

On the basis of the respective offer prices for the Offers, the aggregate consideration payable under the Offers, assuming no conversion or subscription rights under the outstanding Convertible Bonds, Warrants or Share Options are exercised and all of the Offers are accepted in full, is approximatelyHK$3,377.16 million.

Mr. Li and the Vendor have irrevocably undertaken not to accept (i) the Share Offer in respect of the Retained Shares or any Shares issued upon the exercise of any of the 750,000 Share Options held by Mr. Li; and (ii) the Option Offer in respect of any of the 750,000 Share Options held by Mr. Li, and that they will not dispose of or otherwise deal with the Retained Shares or Mr. Li's Share Options. Therefore, the consideration payable for the Share Offer and the Option Offer, assuming acceptance in full (but excluding the Retained Shares, the 750,000 Share Options owned by Mr. Li and any Shares issued upon the exercise of such Share Options) is HK$2,068.21 million and HK$1.25 million respectively. Accordingly, the aggregate consideration payable under the Offers is HK$2,091.47 million, assuming no conversion or subscription rights under the outstanding Convertible Bonds, Warrants and Share Options are exercised and all of the Offers are accepted in full (excluding the Retained Shares, the 750,000 Share Options owned by Mr. Li and any Shares issued upon the exercise of such Share Options).

Historical share price performance of the Neo-China Shares

Trading in the Neo-China Shares has been suspended for a prolonged period and only resumed on 25 June 2010. The closing prices of the Neo-China Shares on 25 June 2010 and the Latest Practicable Date were HK$2.84 and HK$3.13 respectively. The number of Neo-China Shares traded on 25 June 2010 and the Latest Practicable Date was 146.05 million shares and 21.44 million shares, representing 16.38% and 2.40% of the number of Neo-China Shares held by public shareholders respectively. The offer price of HK$2.32 per share under the Share Offer represents discounts of approximately 18.31% and 25.88% to the closing prices of the Neo-China Shares on 25 June 2010 and the Latest Practicable Date respectively. We consider the discounts to be large with reference to premiums of the offer/cancellation prices to the closing prices on last trading day in respect of the privatisation proposals announced by listed property companies set out below.

The Share Offer allows the Neo-China Shareholders to sell their existing Neo-China Shares at HK$2.32 per share. As mentioned above, the offer price represents a 20.27% discount to the adjusted attributable net tangible assets of Neo-China after the Subscription. We have identified and reviewed a list of all mandatory conditional cash offers disclosed in the Fact Book of the Stock Exchange for the years 2007 to 2009 to analyse the discounts/premiums to attributable net tangible assets of such companies when comparing to 20.27% discount of the price of the Share Offer to the adjusted attributable net tangible assets of Neo China after Completion.

Composite document date	Stock code	Company	Offer price per share *(HK$)*	Premium/ (discount) of offer price to closing price on the last trading day before the announcement	Premium/ (discount) to reported net assets	Result
6-Mar-2007	2379	Zhongtian International Ltd.	0.10	-42.86%	-73.12%	unconditional
14-May-2007	729	Carico Holdings Ltd.	0.265	23.30%	242.78%	unconditional
4-Jun-2007	669	Techtronic Industries Co., Ltd.	3.60	-66.91%	-24.69%	expired and lapsed
13-Jun-2007	1229	Artfield Group Ltd.	0.55	-62.59%	-2.65%	lapsed
19-Jul-2007	310	Prosperity Investment Holdings Ltd.	0.135	-55.74%	-68.60%	unconditional
19-Sep-2007	147	Graneagle Holdings Ltd.	0.599	-47.91%	15.75%	lapsed
20-Sep-2007	646	Yardway Group Ltd.	0.50	-27.50%	31.60%	unconditional
21-Sep-2007	3899	Enric Energy Equipment Holdings Ltd.	5.92	-27.36%	413.57%	expired
4-Jan-2008	583	SCMP Group Ltd.	2.75	15.06%	131.09%	unconditional
22-Apr-2008	172	Goldbond Group Holdings Ltd.	0.69	32.69%	93.77%	unconditional
4-Dec-2008	380	China Pipe Group Ltd.	0.02	-23.10%	-47.40%	unconditional
			Maximum	32.69%	413.57%	
			Minimum	-66.91%	-73.12%	
			Average	-25.72%	64.74%	
			Median	-27.50%	15.75%	
	563	Neo-China	2.32	-54.51%	-20.27%	

Source: Published circulars/documents or announcements relating to the above proposals

As shown in the above table, four offers lapsed or expired while all other offers became unconditional. However, following the closing of those unconditional offers, sufficient shares continued to be held in public hands (save for the case of SCMP Group Ltd. whose public float fell below 25% after the closing of the offer and the trading of its shares had since been suspended for about one year until 2 March 2009 pending the restoration of public float) and therefore those companies remained listed. Based on the above table, the range of premiums/discounts of offer prices to reported net assets is between a premium of 413.57% and a discount of 73.12% and of the eleven mandatory conditional cash offers identified by us during the relevant period, the offer prices of six of them represented premiums to the reported net assets. As price of the Share Offer represents a 20.7% discount to the attributable net tangible assets of Neo-China, such discount is considered significant in comparison to the average premium and median premium of 64.74% and 15.75% respectively of the comparable companies set out in the table of mandatory conditional cash offers above.

If the three outliners, Enric Energy Equipment Holdings Ltd., Carico Holdings Ltd. and Zhongtian International Ltd., are excluded from the above comparable analysis of mandatory conditional cash offers, the closing prices of the remaining eight comparable companies on the last trading day before the announcement of the offers would still represent an average premium of approximately 16.11% and a median premium of approximately 6.55% to the reported net assets and therefore our view on the 20.7% discount of the price of the Share Offer to the attributable net tangible assets of Neo-China stated above remains the same.

As none of the companies in the above list of mandatory conditional cash offers are engaged in the business of property development in the PRC, we have identified below all privatisation proposals for property companies listed on the Main Board of the Stock Exchange which were announced since 1 January 2005 and up to the Latest Practicable Date on a best efforts basis for the purpose of comparing the discounts/premiums of the offer/ cancellation prices to the adjusted consolidated net asset value per share.

Date of initial announcement	**Stock code**	**Company**	**Offer/ cancellation price per share** *(HK$)*	**Premium/ (discount) of offer price to closing price on last trading date**	**Adjusted consolidated net asset value per share** *(HK$)*	**Premium/ (discount) to adjusted consolidated net asset value per share**	**Result**
19-May-2005	246	Henderson China Holdings Limited	8.00	66.67%	12.51	-36.05%	Successful
8-Nov-2005	97	Henderson Investment Limited	13.76	29.20%	16.42	-16.20%	Failed
19-Apr-2007	649	Shimao International Holdings Limited	1.05	50.00%	1.31	-19.85%	Successful
13-Feb-2008	432	Pacific Century Premium Developments Limited	2.85	26.10%	3.25	-12.31%	Failed
27-Apr-2010	49	Wheelock Properties Limited	13.00	143.90%	14.79	-12.10%	Approved
			Maximum	143.90%	16.42	-12.10%	
			Minimum	26.10%	1.31	-36.05%	
			Average	63.17%	9.66	-19.30%	
			Median	50.00%	12.51	-16.20%	
19-Jan-2010	563	Neo-China Land Group Holdings Limited	2.32	-54.51%	2.91	-20.27%	

Source: Published circulars/documents or announcements relating to the above proposals

As shown in the above table, all of the offer/cancellation prices offered by the privatisation proposals of the comparable listed property companies represented premiums to the closing prices on last trading day and discounts to adjusted consolidated net asset value per share. With exception of Henderson China Holdings Limited, all other offer/cancellation prices offered by the privatisation proposals of the comparable listed property companies represented smaller discounts to the adjusted consolidated net asset value per share than the Share Offer. We note that in the privatisation offers of Henderson Investment Limited and Pacific Century Premium Developments Limited, the offer/cancellation prices represented discounts to the adjusted consolidated net asset value per share of approximately 16.20% and 12.31% respectively. However, both privatisation proposals were voted down by the shareholders. In the case of Henderson China Holdings Limited, the cancellation price, which was increased from HK$7.5 per share to HK$8.00 per share, represented a discount of 36.05% which fell within the trading range of premiums/discounts to adjusted consolidated net asset value per share of the then comparable companies as set out in the circular in relation to that privatisation. As regards the price of the Share Offer, as illustrated above and in contrast to the offer/cancellation prices of the listed property companies in the privatisation proposals set out immediately above, we note that it is the only case which represents a discount to both the closing price on last trading date and adjusted consolidated net asset value per share.

Finally, we have reviewed the extent of the premiums/discounts of the current trading prices to their attributable net tangible asset values of the comparable companies shown in the table set out in the paragraphs headed "Business Prospects" above. It is noted that while the current trading prices of these comparable companies were traded within a range of a premium of 274.28% and a discount of 32.69% to attributable net tangible asset value per share, they represented an average premium of approximately 28.08% and a median discount of approximately 2.99% to the attributable net tangible assets. In addition, compared to the 20.27% discount to the adjusted attributable net tangible assets represented by the offer price of HK$2.32 per share under the Share Offer, of the ten comparable companies and with the exception of Tian An China Investment Company Limited and Shenzhen Investment Limited, the closing prices on the Latest Practicable Date of four comparable companies showed a smaller discount to the attributable net tangible assets and the closing prices of four other comparable companies showed premiums of 0.94% to 274.28% over the attributable net tangible assets. If the two outliners, China SCE Property Holdings Limited and Shenzhen Investment Limited, are excluded from the comparable analysis, the closing prices of the remaining eight comparable companies on the Latest Practicable Date would still represent an average premium of approximately 4.90% and a median discount of approximately 2.99% to the attributable net tangible assets.

In the circumstances, we consider the offer price under the Share Offer which represents a discount of 20.27% to the adjusted attributable net tangible assets of Neo-China has not reflected the value of the Group's underlying net assets and is therefore inadequate. We are of the view that in the absence of the anticipation of an offer to acquire a consolidated control of a listed company, shares will generally trade at price which does not represent the premium that would be required if control were to be acquired or consolidated. In order for a price to consolidate control to be attractive to shareholders generally a premium to the market price will be required. The current proposals do not reflect such expected premium as evident in the closing price of HK$3.13 of the Neo-China Shares on the Latest Practicable Date.

It should be noted that since the market conditions at the time which the above comparable offers were made may differ from the current market conditions and the comparable companies set out in the tables above may be in different industries with different scales of operations, business activities and risk profile to those of Neo-China. The above analysis of comparable companies and transactions should be used for reference only. In forming our opinion, we have considered the results of the above comparisons together with all other factors stated in this letter as a whole.

The CB Offer

According to the Board, as at the Latest Practicable Date, there were outstanding Convertible Bonds at principal amount of HK$52,160,000. The offer price for the Convertible Bonds under the CB Offer has been determined with reference to the conversion price of the Convertible Bonds and the date on which a change of control occurs. Given that a change of control occurred on 24 June 2010, being the date of Completion, the offer price for the Convertible Bonds under the CB Offer will be HK$4,092.73 per HK$10,000 nominal amount of the Convertible Bonds, which values the CB Offer at approximately HK$21.35 million. Particulars of the Convertible Bonds are set out in the offer circular issued by Neo-China on 8 June 2006 and the report of Neo-China for the eight months ended 31 December 2009. Trading in the Convertible Bonds has been suspended since 22 January 2008.

Pursuant to Rules 13.1 and 13.4 of the Takeovers Code, subject to the Share Offer becoming unconditional, a comparable cash offer for the outstanding Convertible Bonds, on behalf of the Offeror, is also required to be made. The offer price of HK$4,092.73 per HK$10,000 nominal amount of the Convertible Bonds under the CB Offer represents the offer price under the Share Offer of HK$2.32 multiplied by the number of Neo-China Shares that would be issued upon conversion of HK$10,000 nominal amount of each Convertible Bonds based on an adjusted conversion price of HK$5.6686 per Neo-China Share. On this basis, each underlying Neo-China Share will be valued at HK$2.32 under the CB Offer, which is equivalent to the offer price of HK$2.32 per Neo-China Share.

Pursuant to the terms and conditions of the Convertible Bonds, the CB Holders of the outstanding Convertible Bonds will be able to redeem the Convertible Bonds at 135.72% of the principal amount of the Convertible Bonds on 12 June 2011, which is equivalent to a consideration of US$13,570 for each US$10,000 nominal amount of the outstanding Convertible Bonds. This represents a large premium to the amount of US$4,092.73 the CB Holders will be able to receive under the CB Offer for each US$10,000 nominal amount of the outstanding Convertible Bonds. On the basis of the working capital statement referred to in the circular dated 14 May 2010, we do not consider that Neo China would experience financial difficulty in meeting its obligations to redeem the Convertible Bonds in accordance with their terms. Accordingly we consider the terms of the CB Offer are not fair and reasonable and in the interests of the CB Holders and recommend them to consider not accepting the CB Offer.

The CB Holders are also reminded that, pursuant to the terms and conditions of the Convertible Bonds, on the change of control in Neo-China, they have the right to require Neo-China to redeem in whole or in part such outstanding Convertible Bonds on the fourteenth day after the expiry of the 30 days period following such change of control becoming effective or following the date upon which notice thereof is given to the CB Holders, as the case may be. The Company will then be obliged to pay the CB Holders an early redemption amount (representing a gross yield of 6.20% per annum, calculated on a semi-annual basis, for each US$10,000 principal amount as per the formula set out in the terms and conditions of the Convertible Bonds). In the event any CB Holder who did not accept the CB Offer exercises its right to require the Company to redeem his outstanding Convertible Bonds, Neo-China will be required to redeem the outstanding Convertible Bonds from such CB Holders at the early redemption amount as described above. By way of an example, were this accelerated redemption to have taken place on 12 June 2010, according to the terms and conditions of the Convertible Bonds, the redemption price would be approximately HK$12,766.43, an approximately 211.93% premium to the CB Offer.

The Warrant Offer

The exercise price of the Warrants is HK$6.72 per Neo-China Share, which is higher than the offer price of HK$2.32 per Neo-China Share under the Share Offer, and the Warrants are therefore "out of the money". In the circumstances, the consideration under the Warrant Offer, which accords with the requirements of the Takeovers Code, is only nominal at HK$0.01 for each Warrant. The subscription rights attaching to the warrants will expire on 22 July 2012. The Warrants are unlisted and therefore no public market is available to the Warrant Holders. Whether they should accept the nominal consideration will depend on their expectation of the performance of Neo-China Shares prior to the expiry of the Warrants.

The Option Offer

As at the Latest Practicable Date, there were outstanding Share Options exercisable in respect of 125,625,000 Neo-China Shares. The exercise price of these options is as follows:

	Number of Share Options outstanding as at the Latest Practicable Date	**Exercise price** *(HK$)*
	13,125,000	3.60
	65,000,000	3.72
	47,500,000	3.92
Total	**125,625,000**	

The exercise price of each of the Share Options is higher than the offer price of HK$2.32 per Neo-China Share under the Share Offer. In the circumstances, the consideration of the Option Offer is only nominal at a price of HK$0.01 for the cancellation of each Share Option.

Following due acceptance of the Option Offer, the relevant Share Options together with the rights attaching thereto will cancelled and will cease to be exercisable.

As stated in the Letter from the Neo-China Board contained in the Composite Document, unless an Option Holder has already accepted the Option Offer, in accordance with the terms of Share Option Scheme, the Company will give notice to the Option Holders to permit them to exercise their Share Options in full (to the extent not already exercised) at any time within one month immediately following the date on which the Share Offer is declared unconditional, after which the Share Options shall lapse according to the terms of the Share Option Scheme. Where applicable, such notice shall be given to the Option Holders on the day the Share Offer is declared unconditional.

The Option Holders can either take no action, in which case their Options will lapse as described above or accept the Option Offer or exercise their Options prior to their lapsing in accordance with the terms. The decision to exercise the Option will depend on the performance of the prices of Neo-China Shares prior to the closing of the Option Offer initially and thereafter prior to the lapsing of the Share Options.

Forensic review/internal control review report

As disclosed in the Letter from the Neo-China Board contained in the Composite Document, as a result of concerns arising from the suspension of trading in the Neo-China Shares and the Convertible Bonds on the Main Board of the Stock Exchange with effect from 10:10 a.m. on 22 January 2008 at the request of Neo-China pending the release of an announcement in respect of certain price sensitive information, and the ICAC investigation referred to in its announcement of 11 May 2009, the Neo-China Board decided that it would be appropriate to seek assistance from an independent professional advisor to look into its affairs and internal controls.

The Neo-China Board commissioned an independent accounting firm to prepare a forensic report on the documents seized by the ICAC and other available records of Neo-China for the years ended 30 April 2003 to 30 April 2009. The report identified certain issues relating to valuation of assets (and Neo-China has subsequently revalued those assets and made provision for the relevant assets in its financial statements for the financial period ended 31 December 2009).

The Neo-China Board also commissioned an independent internal control consultant to carry out a review of its internal controls. The Internal Control Report indicated there were weaknesses in, amongst other things, (i) access to the Neo-China Group control systems for financial reporting; (ii) control over contracts for material transactions; (iii) authorisation of cash payments; (iv) compliance and disclosure under the Listing Rules and accounting standards; (v) anti-fraud policies and procedures; (vi) internal audit; (vii) job description, responsibilities and reporting line of key functional departments and management positions; (viii) staff code of conduct; and (ix) risk assessment.

We note that before Completion, and to address the findings of the forensic review report and internal control review mentioned above, Neo-China has taken steps to improve its corporate governance and internal controls in order to address the internal control weaknesses and SIH is satisfied with such steps taken by Neo-China to improve its corporate governance and internal controls prior to Completion.

After Completion, there will be changes in the board composition and the senior management of Neo-China as further detailed below. In addition, we note that SIH will adopt the corporate governance standards of the SIH Group as appropriate, and strengthen the risk areas identified in the Internal Control Report. SIH will also procure that after Completion, the Company will (a) appoint an independent professional firm to conduct a follow-up internal control review within six months after the resumption of trading in the Neo-China Shares and the Convertible Bonds on the Main Board of the Stock Exchange, and to confirm that all the weaknesses identified by an independent internal control consultant in the Internal Control Report have been rectified, and (b) to report the results of such follow-up internal control review in the next interim report or the annual report of Neo-China.

We consider the commissioning of the Internal Control Report and the proposed steps to be taken by Neo-China and SIH to address the issues identified therein are conducive to improving the corporate governance and internal controls of Neo-China but do not change our view on the terms of the Offers in light of the financial analyses including the share price performance of Neo-China and review of comparable transactions and companies set out in the sections above.

SIH and its intentions in respect of Neo-China

SIH, a company incorporated in Hong Kong, is listed on the Stock Exchange. Based on the closing price of its shares on the Latest Practicable Date, it had a total market capitalisation of approximately HK$34,120.57 million. Approximately 52.5% of the issued share capital of SIH is owned by its parent company, Shanghai Industrial Investment (Holdings) Company Limited., which in turn is beneficially controlled by the Shanghai Municipal Government. Its activities are divided into three major segments comprising:

– infrastructure facilities, being investment in toll road projects and water related business;

– real estate, being property development and investment and hotel operations; and

– consumer products.

SIH is committed to optimising its business structure and strengthening its core businesses, with a focus on its infrastructure facilities, real estate and consumer products segments, making them key growth drivers and sources of income for SIH in the future.

For the financial year ended 31 December 2009 the consolidated turnover of SIH's continuing operations was HK$6,917.89 million (2008: HK$7,452.11 million) and the profit from continuing operations was HK$2,716.12 million (2008: HK$2,263.64 million), and the real estate business contributed 33.38% (2008: 39.75%) of the total turnover of SIH's continuing operations for the period.

At 31 December 2009 the consolidated net asset of SIH attributable to shareholders amounted to HK$24,891.25 million (at 31 December 2008: HK$23,401.36 million) and the SIH Group's bank balances and cash, including short-term unpledged bank deposits were HK$9,518.59 million (at 31 December 2008: HK$8,836.46 million).

SIH has stated that currently, its real estate segment comprises property development, property investment and hotel operations, featuring both residential and commercial properties. It is actively pursuing opportunities to acquire more land reserves and high quality projects for further expansion. The acquisition of a significant stake in Neo-China through the Acquisition, the Subscription and, potentially, the Offers is therefore in line with SIH's strategy of building up core business and optimising its business structure.

In addition, the acquisition of a significant stake in Neo-China would allow SIH to build up a more concrete platform for the future through the acquisition of an interest in the quality assets of Neo-China. SIH will also be able to optimise its property assets resources which will in turn contribute to SIH's earnings and add value to the business of SIH. There is a strong commitment from SIH to assist in further developing Neo-China's land reserves and its existing development projects.

The Offeror and SIH intend that Neo-China will continue to carry on its current business, subject to a continuing review of its operations and the development of a plan to realise synergies with SIH's real estate business in the PRC. Subject to due compliance with the Listing Rules, this may or may not include the injection of assets or businesses into the Neo-China Group by SIH or the acquisition or disposal of assets by Neo-China. The Offeror and SIH also intend to continue the employment of the existing employees of the Neo-China Group. In its announcement dated 31 March 2010 in respect of its annual results for the year ended 31 December 2009, SIH announced that upon completion of the acquisition of the controlling interest of Neo-China, it will be able to rapidly expand its real estate business development across the country, thereby maximizing the benefits of economies of scale and synergy effects, capitalizing on the opportunities for sustainable growth and creating robust growth momentum.

The Offeror intends Neo-China shall remain listed on the Main Board of the Stock Exchange after the closing of the Offers. The Offeror and SIH will, together with Neo-China, use reasonable endeavours to maintain the listing of the Neo-China Shares on the Stock Exchange and will ensure that not less than 25% of the Neo-China Shares will be held by the public in compliance with the Listing Rules. As such, we consider that there should not be any material changes to the business operations and listing status of the Neo-China Group immediately following the closing of the Offers.

Proposed change of board composition and senior management of Neo-China

The Neo-China Board currently comprises seven executive directors, one non executive director and two independent non-executive directors. All of the existing directors of Neo-China (with the exception of Mr. Jia Bo Wei) have tendered their resignation, which will take effect from the First Closing Date of the Offers or the date when the Offers become or are declared unconditional, whichever is later, or such other date as approved by the Executive.

It is the intention of Novel Good to nominate six executive Directors and four independent non-executive Directors effective on the day immediately following the date of the Composite Document. Further details can be found in the "Letter from UBS and Nomura" contained in the Composite Document.

Following Completion, certain nominees of the SIH Group have been appointed to senior management positions in Neo-China to take control of the operations and financial management of Neo-China, with instructions to focus on managing and controlling the high risk areas identified in the Internal Control Report.

We believe the proposed change of board composition and senior management of Neo-China will facilitate the integration of the operations of Neo-China and SIH and the future business development of Neo-China after Completion.

RECOMMENDATION

Trading in the Neo-China Shares has been suspended for a prolonged period and only resumed on 25 June 2010. The offer price of HK$2.32 per share under the Share Offer represents discounts of 18.31% and 25.88% to the closing prices of the Neo-China Shares of HK$2.84 and HK$3.13 on 25 June 2010 and the Latest Practicable Date respectively. On the contrary, we note that all of the offer/cancellation prices offered by listed property companies in the list of comparable privatisation proposals represented premiums to their closing prices on the respective last trading day. In the eleven mandatory conditional cash offers identified by us, the offer prices of six of them represented premiums to the attributable net tangible assets. Further, the price of the Share Offer represents a 20.7% discount to the attributable net tangible assets of Neo-China and such discount is considered significant in comparison to the extent of discounts/premiums of the offer prices to the reported net assets/adjusted consolidated net assets in the mandatory conditional cash offers and the privatisation proposals of comparable listed property companies reviewed by us as a whole.

In addition, while the current trading prices of the listed PRC property companies identified by us had on average dropped by 16.26% since 14 April 2010 when the PRC government introduced measures to dampen the domestic property market and they were traded within a range of a premium of 274.28% and a discounts of 32.69% to attributable net tangible asset value per share of these companies, the closing prices still represented an average premium of approximately 28.08% and a median discount of approximately 2.99% to the attributable net tangible assets (or, if excluding outliners, an average premium of approximately 4.90% and a median discount of approximately 2.99% to the attributable net tangible assets). Compared to the 20.27% discount to the adjusted attributable net tangible assets represented by the offer price of HK$2.32 per share under the Share Offer, of the ten comparable companies and with the exception of Tian An China Investment Company Limited and Shenzhen Investment Limited, the closing prices on the Latest Practicable Date of four comparable companies showed a smaller discount to the attributable net tangible assets and the closing prices of four other comparable companies showed premiums of 0.94% to 274.28% over the attributable net tangible assets. We therefore consider the offer price under the Share Offer has not reflected the value of the Group's underlying net assets as compared to the comparable transactions and companies reviewed by us. We consider that the price at which control of a public company is consolidated through a general offer will generally be at a premium to the pre-announcement market price of the shares of the relevant offeree company. Accordingly, having considered the principal factors and reasons discussed above, we are of the view that the terms of the Share Offer are not fair and reasonable so far as the Independent Shareholders are concerned. We recommend the Independent Board Committee to advise the Independent Neo-China Shareholders not to accept the Share Offer.

Owing to the redemption value of the Convertible Bonds, which is equivalent to a consideration of US$13,570 for each US$10,000 nominal amount of the outstanding Convertible Bonds, we do not consider that the terms of the CB Offer are fair and reasonable and therefore it is not in the interests of CB Holders to accept the CB Offer. We therefore recommend that the Independent Board Committee to advise the CB Holders not to accept the CB Offer.

The consideration being offered under the Warrant Offer and Option Offer is nominal. Warrant Holders and Option Holders who wish to realise their interests in Neo-China should follow closely the price of Neo-China Shares following the resumption in trading.

Although the Warrants are unlisted the subscription rights to which they are entitled do not expire for over two years and notwithstanding the Warrants subscription price is significantly higher than the Share Offer price, the nominal consideration being offered under the Warrant Offer may not reflect adequately the value of the rights which would still has more than two years prior to expiry. In the circumstances we do not believe the nominal consideration being offered under the Warrant Offer to be fair and reasonable. We recommend that the Independent Board Committee advise Warrant Holders not to accept the Warrant Offer.

Unless an Option Holder has already accepted the Option Offer, the terms of the Share Options enable the Company to give notice to the Option Holders to permit them to exercise their Share Options in full (to the extent not already exercised) at any time within one month of the Share Offer becoming unconditional, after which the Share Options shall lapse according to the terms of the Share Option Scheme. Where applicable, such notice shall be given to the Option Holders on the day the Share Offer is declared unconditional. The Share Offer will remain open for a minimum of 14 days after the Share Offer has become unconditional. Option Holders are advised to monitor the share price of Neo China Shares carefully to establish whether the net proceeds of exercising the Share Options and selling their Shares in the market will exceed the consideration payable under the Option Offer and in the absence of this being the case should accept the Option Offer.

We also refer the Independent Neo-China Shareholders, the CB Holders, the Warrant Holders and the Option Holders to the intention of SIH to continue to use the Neo-China platform to develop and expand its property business and maintain the listing of the Neo-China Shares on the Stock Exchange in assessing the future prospects of the Neo-China Group and considering whether or not to accept the Offers.

Independent Neo-China Shareholders, the CB Holders, the Warrant Holders and the Option Holders should note that the Offers are open for acceptances for not less than 21 days from the date of the Composite Document. They should closely monitor the market price of the Neo-China Shares prior to the closing of the Offers. Independent Neo-China Shareholders, the CB Holders, the Warrant Holders and the Option Holders who wish to take this opportunity to realise part or all of their Neo-China Shares and Convertible Bonds or Neo China Shares to which they would be entitled on exercise of the Warrants or Options (as the case may be) should have regard to the market price of the Neo-China Shares and the Convertible Bonds before the closing of the Offers and their own circumstances and should consider selling their Neo-China Shares and Convertible Bonds (as the case may be) in the open market rather than accepting the Share Offer if the net proceeds from the sale in the open market after deducting all transaction costs are more than the net amount to be received under the Offers.

Yours faithfully,
for and on behalf of
Anglo Chinese Corporate Finance, Limited
Dennis Cassidy
Director and Head of Corporate Finance

1. CONDITION TO THE OFFERS

The Offers are conditional only on valid acceptances being received in respect of the Share Offer (and not, where permitted, withdrawn) by not later than 4:00 p.m. on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the rules of the Takeovers Code, decide) which together with the Shares already held by the Offeror Parties represent more than 50% of the voting rights of the Company. The latest time and date by which the Offers can become unconditional is 7:00 p.m. on 31 August 2010.

2. FURTHER PROCEDURES FOR ACCEPTANCE

2.1 The Share Offer

This section shall be read together with the instructions on the **WHITE** Form of Acceptance. The instructions on such form are deemed to form part of the terms of the Share Offer.

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must forward the completed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by hand or by post, to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code).

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer, you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to forward the completed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by hand or by post, to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code);

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the completed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by hand or by post, to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code);

(iii) if your Shares have been lodged with your broker/custodian bank through CCASS, instruct your broker/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer in respect of your Shares on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker/custodian bank for the timing on processing your instruction, and submit your instruction to your broker/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Share Offer must be received by the Registrar). In order to meet the deadlines set by CCASS, you should check with CCASS for the timing on processing your instruction, and submit your instruction via the CCASS Phone System or CCASS Internet System.

(c) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer, the **WHITE** Form of Acceptance should nevertheless be completed and forwarded, by hand or by post, to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the **WHITE** Form of Acceptance and forward it, by hand or by post, to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to UBS, Nomura, the Offeror and their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/ they were delivered to the Registrar with the **WHITE** Form of Acceptance.

(e) Acceptance of the Share Offer will be treated as valid only if the duly completed **WHITE** Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the First Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce with the consent of the Executive and the Registrar has recorded that the acceptance and other relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares;

(ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph 2.1(e)); and

(iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(f) Seller's ad valorem stamp duty for transfer of Shares registered on the branch register in Hong Kong arising in connection with acceptance of the Share Offer will be payable by each accepting Shareholder at the rate of HK$1.00 for every HK$1,000 (or part thereof) of the greater of (i) the consideration payable by the Offeror in respect of the relevant acceptance; and (ii) the value of the Shares, and will be deducted from the cash amount due to such person under the Share Offer. The Offeror will arrange payment of the seller's ad valorem stamp duty on behalf of the accepting Shareholders and will pay the buyer's ad valorem stamp duty in respect of the Shares accepted under the Share Offer.

(g) If the Share Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the **WHITE** Form of Acceptance to the relevant Shareholder(s).

(h) No acknowledgement of receipt of any **WHITE** Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2.2 The CB Offer

The Convertible Bonds were issued in registered form in the denomination of HK$10,000 each or integral multiples thereof. Upon issue, the Convertible Bonds were represented by a global certificate with a common depository for, and representing the Convertible Bonds registered in the name of a common nominee of, the CB Clearing Systems. The CB Clearing Systems hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in accounts of such participants. The CB Clearing Systems provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Their participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations.

Transfers of interests in the Convertible Bonds will be effected through the records of the CB Clearing Systems and their participants in accordance with the rules of the CB Clearing Systems. Further procedures for accepting the CB Offer are set out as follows:

(a) The Offeror will only accept tenders of the Convertible Bonds in the CB Offer by way of the submission of valid instructions in accordance with the procedures set out in this section.

(b) To accept the CB Offer, a CB Holder should deliver, or arrange to have delivered on its behalf, through the CB Clearing Systems and in accordance with the requirements of the CB Clearing Systems, a valid tender instruction that is received by the CB Agent by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code). The Convertible Bonds can only be tendered in the CB Offer in minimum nominal amounts of HK$10,000.

(c) CB Holders are advised to check with any bank, securities broker or other intermediary through which they hold the Convertible Bonds whether such intermediary would require to receive instructions to participate in, or revoke their instruction to participate in, the CB Offer before the deadlines specified in this Composite Document. The deadlines set by the CB Clearing Systems for the submission and revocation of tender instructions for the CB Offer will be the same as the relevant deadlines specified in this Composite Document.

(d) Only direct participants of CB Clearing Systems (being the entities shown in the records of the CB Clearing Systems as a holder of the Convertible Bonds) may submit tender instructions for the CB Offer. Each CB Holder that is not a direct participant of CB Clearing Systems, must arrange for such direct participant through which it holds the relevant Convertible Bonds to submit a tender instruction for the CB Offer on its behalf to the CB Clearing Systems by the deadline specified in paragraph (b) of this section 2.2.

(e) By submitting a valid tender instruction for the CB Offer to the CB Clearing Systems in accordance with the standard procedures of the CB Clearing Systems, the CB Holders and any direct participant submitting such tender instruction on such CB Holder's behalf shall be deemed to agree to, acknowledge, represent, warrant and undertake to the Offeror and the CB Agent the following:

(i) it has received, reviewed and accepts the terms and conditions factors and other considerations of the CB Offer, and the offer and distribution restrictions, all as described in this Composite Document and has undertaken an appropriate analysis of the implications of the CB Offer;

(ii) by blocking the relevant Convertible Bonds in the CB Clearing Systems, it will be deemed to consent, in the case of a direct participant of the CB Clearing Systems, to have the CB Clearing Systems provide details concerning its identity to the CB Agent (and for the CB Agent to provide such details to the Offeror);

(iii) upon the terms and subject to the conditions of the CB Offer, it tenders in the CB Offer the nominal amount of the Convertible Bonds in its account blocked in the CB Clearing Systems and, subject to and effective on the purchase by the Offeror of the Convertible Bonds blocked in the CB Clearing Systems, it renounces all right, title and interest in and to all such Convertible Bonds purchased by or at the direction of the Offeror pursuant to the CB Offer and waives and releases any rights or claims it may have against the Offeror or the Company with respect to any such Convertible Bonds or the CB Offers;

(iv) all authority conferred or agreed to be conferred pursuant to its acknowledgements, agreements, representations, warranties and undertakings, and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives, and shall not be affected by, and shall survive, its death or incapacity; and

(v) no information has been provided to it by the Offeror, the Company or the CB Agent, or any of their respective directors or employees, with regard to the tax consequences for CB Holders arising from the tender of the Convertible Bonds in the Offer and the receipt of the consideration for the CB Offer, and it acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its tendering the Convertible Bonds in the CB Offer and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Offeror, the Company or the CB Agent, or any of their respective directors or employees, or any other person in respect of such taxes and payments.

(f) No stamp duty will be deducted from the amount paid to the CB Holders who accept the CB Offer.

(g) If the CB Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return the proceeds received from the CB Holders who accept CB Offers to the accounts of the CB Holders through the CB Agent in accordance with the standard payment procedures for the CB Clearing Systems.

(h) CB Holders who need assistance with respect to the procedures for participating in the CB Offer (including but not limited to the standard procedures for the CB Clearing Systems and the fees associated with using the CB Clearing Systems for accepting the CB Offer) should contact the CB Agent, whose telephone number is 44 207 964 4958 and e-mail address is Eventsadmin@bnymellon.com.

2.3 The Warrant Offer

The Warrants are in registered form. Upon issue, the Warrants were represented by a global certificate registered in the name of a nominee of the DTC and are deposited with the Warrant Agent as its custodian. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

Transfers of interests in the Warrants will only be effected through the records of the DTC and their participants in accordance with the applicable procedures of the DTC. Further procedures for accepting the Warrant Offer are set out as follows:

(a) The Offeror will only accept tenders of the Warrants in the Warrant Offer by way of the submission of valid instructions in accordance with the procedures set out in this section.

(b) To accept the Warrant Offer, a Warrant Holder should deliver, or arrange to have delivered on its behalf, through DTC and in accordance with the requirements of DTC, a valid acceptance that is received by the DTC by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code).

(c) Only DTC participants may electronically transmit their acceptance of the Warrant Offer by causing DTC to transfer their Warrants to the Warrant Agent in accordance with DTC ATOP procedures for such a transfer. Such electronic acceptance must be submitted by the DTC participants before the deadlines specified by the DTC.

(d) DTC will then send an Agent's Message to the Warrant Agent. The term "Agent's Message" means a message transmitted by DTC, received by the Warrant Agent through the DTC ATOP system and forming part of the process called "Book-Entry Confirmation" (details of which are set out in paragraph (e) of this section 2.3), which states that DTC has received an express acknowledgment from the DTC participant tendering Warrants that are the subject of such Book-Entry Confirmation that:–

(i) such DTC participant has received and agrees to be bound by the terms of the Warrant Offer as set forth in this Composite Document and that the Offeror may enforce such agreement against such participant;

(ii) such DTC participant has full power and authority to tender, exchange, assign and transfer the Warrants; and

(iii) when the tendered Warrants are accepted for payment by the Offeror, the Offeror will acquire good and marketable title thereto, free and clear of all Encumbrances and not subject to any adverse claim. Warrant Holders desiring to tender their Warrants on the First Closing Date should note that given there is a time difference between the United States and Hong Kong, such Warrant Holders must allow sufficient time for completion of the DTC ATOP procedures during normal business hours (i.e. from 9 a.m. to 5 p.m. New York time) of DTC on such date, and may have to arrange for inputting the Agent's Message not later than the last Business Day preceding the First Closing Date (i.e. on or before 5 p.m. New York time of 23 July 2010 (or 5 a.m. Hong Kong time of 24 July 2010)).

(e) The Warrant Agent will seek to establish a new account or utilise an existing account with respect to the Warrants at DTC promptly after the date of this Composite Document (to the extent such arrangements have not been made previously by the Warrant Agent). Any financial institution that is a participant in DTC and whose name appears on a security position listing as the owner of the Warrants may make book-entry delivery of the Warrants by causing DTC to transfer such Warrants into the Warrant Agent's account in accordance with DTC's procedures for such transfer. The confirmation of a book-entry transfer of the Warrants into the Warrant Agent's account at DTC as described above is referred to as a "Book-Entry Confirmation".

(f) No stamp duty will be deducted from the amount paid to the Warrant Holders who accept the Warrant Offer.

(g) If the Warrant Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return the proceeds received from the Warrant Holders who accept Warrant Offers to the accounts of the Warrant Holders through the Warrant Agent in accordance with the standard payment procedures for DTC.

(h) Warrant Holders who need assistance with respect to the procedures for participating in the Warrant Offer (including but not limited to the standard procedures for the DTC and the DTC ATOP system, the deadline for inputting the Agent's Message, and the fees associated with using the DTC and the DTC ATOP system for accepting the Warrant Offer) should contact the Warrant Agent, whose telephone number is 1 020 7508 3867 and e-mail address is exchange.gats@citi.com.

2.4 The Option Offer

This section shall be read together with the instructions on the **YELLOW** Form of Acceptance. The instructions on such form are deemed to form part of the terms of the Option Offer.

(a) If you wish to accept the Option Offer, you must forward the completed **YELLOW** Form of Acceptance together with the relevant letter(s) of grant of the Share Options, by hand or by post in an envelope marked "Mandatory Option Offer", to the Company Secretary at Suites 3005-7, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code).

(b) Acceptances of the Option Offer will be treated as valid only if the duly completed **YELLOW** Form of Acceptance is received by the Company Secretary no later than 4:00 p.m. on the First Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce with the consent of the Executive, and is:

(i) accompanied by the relevant letter(s) of grant of the Share Options; and

(ii) from a Option Holder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Share Options which are not taken into account under another sub-paragraph of this paragraph (b)).

(c) No stamp duty will be deducted from the amount paid to the Option Holders who accept the Option Offer.

(d) If the Option Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by hand or by ordinary post the certificate(s) of the Share Options lodged with the **YELLOW** Form of Acceptance to the relevant Option Holders.

(e) No acknowledgement of receipt of any **YELLOW** Form of Acceptance and/ or letter(s) of grant of the Share Options will be given.

3. SETTLEMENT OF THE OFFERS

3.1 The Share Offer

Provided that a valid **WHITE** Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each Shareholder less seller's ad valorem stamp duty in respect of the Shares tendered by him under the Share Offer will be despatched to the Shareholder by ordinary post at his own risk as soon as possible but in any event within 10 days of the date on which a duly completed acceptance are received by the Registrar to render such acceptance complete and valid, or the date on which the Share Offer is declared unconditional, whichever is the later.

3.2 The CB Offer

Provided that a valid acceptance by way of tender instructions have been received by the CB Agent no later than the latest time for acceptance, the amount due to each CB Holder tendered by him under the CB Offer will be despatched to the accounts of the CB Holders through the CB Agent in accordance with the standard payment procedures for the CB Clearing Systems as soon as possible, but in any event within 10 days of the date on which a duly completed acceptance is received by the CB Agent to render such acceptance complete and valid or the date on which the CB Offer is declared unconditional, whichever is the later.

3.3 The Warrant Offer

Provided that a valid acceptance has been received by the Warrant Agent no later than the latest time for acceptance, the amount due to each Warrant Holder in respect of the Warrants tendered by him under the Warrant Offer will be despatched to the accounts of the Warrant Holders through the Warrant Agent in accordance with the standard payment procedures for the DTC as soon as possible, but in any event within 10 days of the date on which a duly completed acceptance is received by the Warrant Agent to render such acceptance complete and valid or the date on which the Warrant Offer is declared unconditional, whichever is the later.

3.4 The Option Offer

Provided that a valid **YELLOW** Form of Acceptance and the relevant letter(s) of grant of the Share Options are complete and in good order and have been received by the Company Secretary no later than the latest time for acceptance, a cheque for the amount due to each Option Holder in respect of the Share Options surrendered by him under the Option Offer will be despatched to the Option Holder by ordinary post at his own risk as soon as possible but in any event within 10 days of the date on which a duly completed acceptance is received by the Company Secretary to render such acceptance complete and valid or the date on which the Option Offer is declared unconditional, whichever is the later.

Settlement of the consideration to which any Shareholder, CB Holder, Warrant Holder or Option Holder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder, CB Holder, Warrant Holder or Option Holder, as the case may be.

4. ACCEPTANCE PERIOD AND REVISIONS

(a) The Offers are made on 2 July 2010, namely the date of this Composite Document, and are capable of acceptance on and from this date.

(b) Unless the Offers have previously been extended with the consent of the Executive, to be valid all acceptances must be received by 4:00 p.m. on the First Closing Date in accordance with the instructions set out above and/or printed on the relevant Form(s) of Acceptance and the Offers will be closed on the First Closing Date.

(c) If in the course of the Offers, the Offeror revises the terms of the Offers, all Shareholders, CB Holders, Warrant Holders and Option Holders, whether or not they have already accepted the Offers, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the First Closing Date.

(d) If the Offers are extended, the announcement of such extension will state the next closing date or, if the Offers become unconditional, a statement may be made that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to those Shareholders, CB Holders, Warrant Holders and Option Holders who have not accepted the Offers and an announcement will be published.

(e) If the closing date of the Offers is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers so extended.

5. ANNOUNCEMENTS

(a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. (or such later time as the Executive may in exceptional circumstances permit) on the First Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offers. The Offeror must publish an announcement in accordance with the requirements of the Listing Rules by 7:00 p.m. on the First Closing Date stating the results of the Offers and whether the Offers have been revised or extended or have expired or have become unconditional. The announcement must state the following:

(i) the total number of Shares and rights over Shares for which acceptances of the Share Offer, and of Convertible Bonds, Warrants and Share Options for which acceptances of the CB Offer, the Warrant Offer and the Option Offer have been received;

(ii) the total number of Shares and rights over Shares, and of Convertible Bonds, Warrants and Share Options held, controlled or directed by the Offeror Parties before the Offer Period; and

(iii) the total number of Shares and rights over Shares, and of Convertible Bonds, Warrants and Share Options acquired or agreed to be acquired by the Offeror Parties during the Offer Period.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

(b) In computing the total number of acceptances for announcement purposes, only acceptances that are in all respects in complete and good order and which have been received by the Registrar, the Company Secretary, the CB Agent or the Warrant Agent no later than 4:00 p.m. on the First Closing Date, being the latest time and date for acceptance of the Offers, shall be included.

(c) As required under the Takeovers Code, any announcement in relation to the Offers, in respect of which the Executive has confirmed that it has no further comments, will be made in accordance with the requirements of the Listing Rules.

6. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offers tendered by the Shareholders, the CB Holders, the Warrant Holders and the Option Holders, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below or in compliance with Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his acceptance after 21 days from the First Closing Date, if the Offers have not by then become unconditional as to acceptances.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" in this Appendix, the Executive may require that the Shareholders, the CB Holders, the Warrant Holders and the Option Holders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

If the Offers are withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) lodged with the **WHITE** Form of Acceptance to the relevant Shareholder(s), or the letter(s) of grant of the Share Options lodged with the **YELLOW** Form of Acceptance to the relevant Option Holder(s). In the case of the Convertible Bonds, the Convertible Bonds will be credited back to the accounts of the relevant CB Holders electronically through the CB Agent in accordance with the standard procedures for the CB Clearing Systems, and in the case of the Warrants, the Warrants will be credited back to the accounts of the relevant Warrant Holders through the Warrant Agent in accordance with the normal procedures for the DTC, in each case as soon as possible but in any event within 10 days after the Offers are withdrawn with the consent of the Executive.

7. GENERAL

(a) All communications, notices, Form(s) of Acceptance, certificate(s) of Shares, or letter(s) of grant of Share Options, transfer receipt(s), other documents of title or indemnity and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Shareholders, CB Holders, Warrant Holders and the Option Holders through the procedures set out above will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Offeror Parties, UBS, Nomura, the Company, the Registrar nor any of their respective directors or other parties involved in the Offers or any of their respective agents accepts any liability for any loss in such procedures or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form(s) of Acceptance form part of the terms of the Offers.

(c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made or to the CB Agent or the Warrant Agent will not invalidate the Offers in any way. The deliberate omission, if any, to despatch this Composite Document and/or the Form(s) of Acceptance to the Overseas Shareholders, Overseas CB Holders, Overseas Warrant Holders and the Overseas Option Holders will not invalidate the Offers in any way.

(d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form(s) of Acceptance will constitute an authority to any of the Offeror or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person accepting the Offers and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct, the Shares, and the Share Options (as the case may be) in respect of which such person has accepted the Offers.

(f) Acceptance of the Offers by any person(s) will be deemed to constitute a warranty by such person(s) to the Offeror that the Shares, the Convertible Bonds, the Warrants acquired under the Offers and the Share Options to be cancelled under the Option Offer are sold by any such person(s) free from all Encumbrances whatsoever and together with all rights accruing or attaching thereto as at the date of the Composite Document, including, without limitation, in the case of the Shares, the right to receive all future dividends or other distributions declared, paid or made, if any, on or after the date of the despatch of the Composite Document. The Option Holders will surrender to the Company all of their existing rights, if any, in respect of their outstanding Share Options, following which such Share Options will be cancelled and extinguished.

(g) References to the Offers in this Composite Document and in the Form(s) of Acceptance shall include any extension or revision thereof.

(h) The making of the Offers to the Overseas Shareholders, the Overseas CB Holders, the Overseas Warrant Holders and the Overseas Option Holders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders, the Overseas CB Holders, the Overseas Warrant Holders and the Overseas Option Holders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder, Overseas CB Holder, Overseas Warrant Holder or Overseas Option Holder wishing to accept the Offers to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Any such Overseas Shareholder, Overseas CB Holder, Overseas Warrant Holder or Overseas Option Holder will be responsible for any such issue, transfer or other taxes by whomsoever payable and the Offeror Parties, the Company, UBS, Nomura and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such Overseas Shareholder, Overseas CB Holder, Overseas Warrant Holder or Overseas Option Holder for any such issue, transfer or other taxes as such person may be required to pay. Acceptances of the Offers by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

(i) In making their decision, the Shareholders, CB Holders, Warrant Holders and Option Holders must rely on their own examination of the Offeror, the Company and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, are not to be construed as any legal or business advice. The Shareholders, CB Holders, Warrant Holders and Option Holders should consult their own professional advisers for professional advice.

(j) The English texts of this Composite Document and the Forms of Acceptance shall prevail over their Chinese texts.

1. FINANCIAL INFORMATION

(I) The following is an extract of a report on the Group received from CCIF CPA Limited from the 2008 annual report of the Group.

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

To the shareholders of
Neo-China Land Group (Holdings) Limited
(formerly known as "Neo-China Group (Holdings) Limited")
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Neo-China Land Group (Holdings) Limited (formerly known as "Neo-China Group (Holdings) Limited") (the "Company") set out on pages 44 to 174, which comprise the consolidated balance sheet as at 30 April 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 April 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 22 August 2008

Yau Hok Hung
Practising Certificate Number P04911

CONSOLIDATED INCOME STATEMENT

For the year ended 30 April 2008 (Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000 (restated)
Turnover	3	5,029,260	2,779,845
Cost of sales		(4,060,574)	(2,237,616)
Gross profit		968,686	542,229
Other revenue	4	73,455	33,823
Other net income	4	416,528	39,270
Net valuation gain on investment properties	13	111,281	214,700
Fair value gain on transfer of completed properties held for sale to investment properties		972,403	323,083
Distribution and selling expenses		(299,321)	(90,604)
General and administrative expenses		(342,642)	(197,145)
Profit from operations		1,900,390	865,356
Finance costs	5(a)	(268,363)	(81,402)
Share of losses of associates		(3,853)	(5,258)
Gain on disposal of subsidiaries	34(b)	47,660	283,247
Gain on disposal of partial interests in subsidiaries	34(c)	699,680	–
Impairment loss on assets of a disposal group classified as held for sale		–	(20,000)
Profit before taxation	5	2,375,514	1,041,943
Income tax	6(a)	(808,990)	(223,703)
Profit for the year		1,566,524	818,240
Attributable to:			
Equity shareholders of the Company		1,550,486	833,319
Minority interests		16,038	(15,079)
Profit for the year		1,566,524	818,240
Dividends payable to equity shareholders of the Company attributable to the year:	10		
Interim dividend declared during the year		19,456	96,156
Final dividend proposed after the balance sheet date		272,390	90,453
		291,846	186,609
Earnings per share	11		
Basic		84.23 HK cents	58.69 HK cents
Diluted		68.19 HK cents	52.72 HK cents

CONSOLIDATED BALANCE SHEET

As at 30 April 2008 (Expressed in Hong Kong dollars))

		2008		2007	
	Note	*HK$'000*	*HK$'000*	*HK$'000* (restated)	*HK$'000* (restated)
Non-current assets					
Investment properties	*13*		3,395,620		1,475,834
Other property, plant and equipment	*14*		780,553		137,933
Interests in associates	*15*		1,445,771		–
Deposits for acquisition of subsidiaries	*16*		–		255,170
Restricted bank deposits	*17(a)*		104,495		84,125
Derivative financial instrument – Redemption Right of the Issuer	*28*		46,000		20,000
Deferred tax assets	*25(b)*		25,186		15,739
			5,797,625		1,988,801
Current assets					
Inventories	*18*	15,811,195		8,675,001	
Investments in securities held for trading	*19*	1,486		–	
Available-for-sale investment	*19*	–		90,900	
Trade and other receivables	*20*	1,458,957		1,553,555	
Income tax recoverable	*25(a)*	119,224		133,300	
Restricted bank deposits	*17(b)*	11,100		10,100	
Cash and cash equivalents	*21*	4,363,937		1,411,472	
		21,765,899		11,874,328	
Assets of a disposal group classified as held for sale	*22*	–		281,002	
		21,765,899		12,155,330	
Current liabilities					
Trade and other payables	*23*	3,928,235		1,320,712	
Pre-sale receipts from customers	*24*	2,727,406		1,921,783	
Bank borrowings	*26*	541,491		671,700	
Loan payables	*27*	2,394,346		170,422	
Derivative financial instrument – Warrants	*29*	158,000		–	
Income tax payable	*25(a)*	963,455		407,496	
Dividend payable		4,360		9	
		10,717,293		4,492,122	

		2008		2007	
	Note	*HK$'000*	*HK$'000*	*HK$'000* (restated)	*HK$'000* (restated)
Liabilities directly associated with assets of a disposal group classified as held for sale	*22*	–		39,035	
		10,717,293		4,531,157	
Net current assets			11,048,606		7,624,173
Total assets less current liabilities			16,846,231		9,612,974
Non-current liabilities					
Bank borrowings	*26*	2,772,558		1,401,880	
Loan payables	*27*	–		458,174	
Convertible notes	*28*	939,480		1,254,074	
Senior notes	*29*	2,897,838		–	
Derivative financial instrument – Redemption Right of the Holder	*28*	34,000		53,000	
Deferred tax liabilities	*25(b)*	1,123,032		934,295	
			7,766,908		4,101,423
NET ASSETS			9,079,323		5,511,551
CAPITAL AND RESERVES	*30*				
Share capital			77,826		68,754
Reserves			8,296,226		4,890,077
Total equity attributable to equity shareholders of the Company			8,374,052		4,958,831
Minority interest			705,271		552,720
TOTAL EQUITY			9,079,323		5,511,551

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2008 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company												
	Share capital	Share premium	Contributed surplus	Convertible notes equity reserve	Share options reserve	Investment revaluation reserve	Other revaluation reserve	Special reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	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*
At 1 May 2006	40,793	1,605,048	–	11,234	4,287	–	–	(13,813)	4,255	(260,102)	1,391,702	149,699	1,541,401
Exchange differences on translation into presentation currency	–	–	–	–	–	–	–	–	119,427	–	119,427	12,523	131,950
Changes in fair value of available-for-sale investments	–	–	–	–	–	57,927	–	–	–	–	57,927	–	57,927
Deferred tax liability on changes in fair value of available-for-sale investments	–	–	–	–	–	(8,080)	–	–	–	–	(8,080)	–	(8,080)
Net income recognised in equity	–	–	–	–	–	49,847	–	–	119,427	–	169,274	12,523	181,797
Transfer to profit or loss on sales of properties	–	–	–	–	–	–	(52,433)	31,272	(285)	–	(21,446)	–	(21,446)
Transfer to retained profits upon forfeiture of share options	–	–	–	–	(957)	–	–	–	–	957	–	–	–
Profit for the year	–	–	–	–	–	–	–	–	–	833,319	833,319	(15,079)	818,240
Total recognised income and expense for the year	–	–	–	–	(957)	49,847	(52,433)	31,272	119,142	834,276	981,147	(2,556)	978,591
Shares issued under a private placement	6,880	771,936	–	–	–	–	–	–	–	–	778,816	–	778,816
Shares issued under conversion of convertible notes	4,000	106,541	–	(11,234)	–	–	–	–	–	–	99,307	–	99,307
Shares issued 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)
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)
Capital contribution received by non-wholly-owned subsidiaries from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	45,000	45,000
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	571,053	571,053
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	(40,528)	–	–	(40,528)	(210,476)	(251,004)
Revaluation reserve recognised upon acquisition of subsidiaries from interest in associates	–	–	–	–	–	–	140,228	–	–	–	140,228	–	140,228
Equity settled share-based transactions	–	–	–	–	97,840	–	–	–	–	–	97,840	–	97,840
Deemed contribution (restated)	–	–	331,149	–	–	–	–	–	–	–	331,149	–	331,149
Dividend declared in respect of the current year *(note 10)*	–	–	–	–	–	–	–	–	–	(96,156)	(96,156)	–	(96,156)
At 30 April 2007	68,754	3,673,938	331,149	67,832	101,170	49,847	87,795	(23,069)	123,397	478,018	4,958,831	552,720	5,511,551

	Attributable to equity shareholders of the Company												
	Share capital	**Share premium**	**Contributed surplus**	**Convertible notes equity reserve**	**Share options reserve**	**Investment revaluation reserve**	**Other revaluation reserve**	**Special reserve**	**Exchange reserve**	**Retained profits**	**Total**	**Minority interests**	**Total equity**
	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*
At 1 May 2007	68,754	3,673,938	331,149	67,832	101,170	49,847	87,795	(23,069)	123,397	478,018	4,958,831	552,720	5,511,551
Exchange differences on translation into presentation currency	–	–	–	–	–	–	–	–	614,857	–	614,857	40,379	655,236
Changes in fair value of available-for-sale investments	–	–	–	–	–	4,018	–	–	–	–	4,018	–	4,018
Reversal of deferred tax liability on changes in fair value of available-for-sale investments	–	–	–	–	–	8,080	–	–	–	–	8,080	–	8,080
Deferred tax effect on equity component of convertible notes	–	–	–	7,993	–	–	–	–	–	–	7,993	–	7,993
Net income recognised in equity	–	–	–	7,993	–	12,098	–	–	614,857	–	634,948	40,379	675,327
Transfer to profit or loss on sales of properties	–	–	–	–	–	–	(41,254)	23,069	–	–	(18,185)	–	(18,185)
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	(61,945)	–	–	–	–	(61,945)	–	(61,945)
Profit for the year	–	–	–	–	–	–	–	–	–	1,550,486	1,550,486	16,038	1,566,524
Total recognised income and expense for the year	–	–	–	7,993	–	(49,847)	(41,254)	23,069	614,857	1,550,486	2,105,304	56,417	2,161,721
Shares issued under conversion of convertible notes	2,811	440,864	–	(31,460)	–	–	–	–	–	–	412,215	–	412,215
Shares issued for the acquisition of subsidiaries	6,076	1,377,583	–	–	–	–	–	–	–	–	1,383,659	–	1,383,659
Shares issued under exercise of share options	185	23,166	–	–	(6,551)	–	–	–	–	–	16,800	–	16,800
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	131,083	131,083
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(48,335)	(48,335)
Disposal of partial interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	13,386	13,386
Equity settled share-based transactions	–	–	–	–	92,942	–	–	–	–	–	92,942	–	92,942
Deemed distribution	–	–	(331,149)	–	–	–	–	–	–	(154,641)	(485,790)	–	(485,790)
Dividend approved in respect of the previous year	–	–	–	–	–	–	–	–	–	(90,453)	(90,453)	–	(90,453)
Dividend declared in respect of the current year *(note 10)*	–	–	–	–	–	–	–	–	–	(19,456)	(19,456)	–	(19,456)
At 30 April 2008	77,826	5,515,551	–	44,365	187,561	–	46,541	–	738,254	1,763,954	8,374,052	705,271	9,079,323

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2008 (Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2008 HK$'000	2007 HK$'000 (restated)	2007 HK$'000 (restated)
Operating activities					
Profit before taxation		2,375,514		1,041,943	
Adjustments for:					
Net valuation gain on investment properties	*13*	(111,281)		(214,700)	
Fair value gain on transfer of completed properties held for sale to investment properties		(972,403)		(323,083)	
Depreciation	*5(c)*	10,792		3,270	
Impairment loss on assets classified as held for sale		–		20,000	
Finance costs	*5(a)*	268,363		81,402	
Interest income	*4*	(28,721)		(18,845)	
Dividend income from unlisted investments held for trading	*4*	(37,366)		(14,286)	
Gain on disposal of investment properties	*4*	(32,453)		–	
Changes in fair values of derivative financial instruments	*4*	(48,802)		(436)	
Gain on disposal of subsidiaries	*34(b)*	(47,660)		(283,247)	
Gain on disposal of partial interests in subsidiaries	*34(c)*	(699,680)		–	
Gain on disposal of other investments		–		(149)	
Share of losses of associates		3,853		5,258	
Transfer from equity on disposal of available-for-sale investments	*4*	(61,945)		–	
Transfer from equity on sales of properties		(18,185)		(21,161)	
Equity-settled share-based payment expenses	*5(b)*	92,942		97,840	
Foreign exchange (gain)/ loss		(51,604)		–	

	Note	2008 HK$'000	2008 HK$'000	2007 HK$'000 (restated)	2007 HK$'000 (restated)
Operating profit before changes in working capital		641,364		373,806	
Increase in inventories		(970,109)		(941,176)	
Decrease in trade and other receivables		279,538		459,753	
Increase in trade and other payables		268,936		118,144	
Increase/(decrease) in pre-sale receipts from customers		615,347		(926,857)	
Cash generated from operations		835,076		(916,330)	
Tax paid					
The People's Republic of China (the "PRC") Income Tax paid		(121,031)		(173,459)	
Land Appreciation Tax paid		(52,074)		(5,740)	
Net cash generated from/(used in) operating activities			661,971		(1,095,529)
Investing activities					
Payments for acquisition of subsidiaries, net of cash acquired	*33(d)*	(4,336,032)		(763,032)	
Payments for acquisition of additional interests in subsidiaries		–		(249,900)	
Deposits paid for acquisition of subsidiaries		–		(230,337)	
Advances to subsidiaries prior to acquisitions		(260,146)		(222,552)	
Proceeds from disposal of subsidiaries	*34(b)*	188,595		64,623	
Proceeds from disposal of partial interests in subsidiaries	*34(c)*	888,000		–	
Payments for acquisition of associates		(1,142,607)		–	
Payment for acquisition of additional interest in an associate		–		(128,713)	

	Note	2008 HK$'000	2008 HK$'000	2007 HK$'000 (restated)	2007 HK$'000 (restated)
(Advances to)/repayments from associates		(6,856)		135,696	
Payments for the acquisition of investment properties		–		(62,290)	
Payments for purchases of other property, plant and equipment		(21,271)		(35,935)	
Proceeds from disposal of investment properties		147,300		–	
Increase in restricted bank deposits		(12,041)		(5,869)	
Advances to related companies		–		(2,397)	
Decrease in long-term receivable		–		272,661	
Increase in investments in securities held for trading		(1,486)		–	
Proceeds from sale of available-for-sale investments		94,918		9,620	
Interest received		28,721		18,845	
Dividend received from unlisted investments in securities held for trading		37,366		14,286	
Net cash used in investing activities			(4,395,539)		(1,185,294)
Financing activities					
Proceeds from new bank loans		1,890,360		1,565,651	
Repayments of bank loans		(530,301)		(492,038)	
Increase in loan payables		1,464,791		420,110	
Repayments to former shareholders of the Company's subsidiaries		(171,945)		–	
Repayment to a shareholder		–		(1,488)	
Repayments to related companies		(132,510)		–	
Advances from associates		75,816		–	
Advances from minority shareholders		1,246,984		53,081	
Proceeds on issue of convertible notes		–		1,340,000	

	Note	2008 HK$'000	2008 HK$'000	2007 HK$'000 (restated)	2007 HK$'000 (restated)
Expenses on issue of convertible notes		–		(48,787)	
Proceeds from issue of senior notes		3,120,000		–	
Expenses on issue of senior notes		(78,904)		–	
Proceeds from issue of shares		16,800		778,816	
Expenses on issue of shares		–		(11,108)	
Capital injection by minority shareholders		–		45,000	
Interest paid		(296,728)		(83,014)	
Dividends paid to equity shareholders of the Company		(105,558)		(119,268)	
Net cash generated from financing activities			6,498,805		3,446,955
Net increase in cash and cash equivalents			2,765,237		1,166,132
Cash and cash equivalents at the beginning of the year	*21*		1,490,701		315,664
Effect of foreign exchange rate changes			107,999		8,905
Cash and cash equivalents at the end of the year	*21*		4,363,937		1,490,701

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2008 (Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

(i) Basis of measurement

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

– investment properties (see note 1(f)); and

– financial instruments classified as available-for-sale or as trading investments (see note 1(d)); and

– derivative financial instruments (see note 1(e)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(v)).

(ii) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries and associates are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renminbi ("RMB"). For the purposes of presenting the consolidated financial statements, the Group adopted Hong Kong dollars as its presentation currency for the convenience of the readers.

(iii) Use of estimates and judgement

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

(c) Basis of consolidation

The consolidated financial statements for the year ended 30 April 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(i) Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, 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 noncurrent 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 (see note 1(v)).

(ii) Acquisition of subsidiaries and businesses 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 the contributed surplus 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 deemed distribution to the controlling shareholder as an adjustment to the contributed surplus in equity.

(iii) Acquisition of additional interests in subsidiaries

Goodwill arising on the acquisition of additional interests in subsidiaries represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interests 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 the special reserve.

(iv) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1 (l), (m) or (n) depending on the nature of the liability.

(v) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investments in associates recognised for the year (see note 1(c)(vi) and (j)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal and constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(vi) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(j)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) Other investments in debt and equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(s)(iii) and (iv).

Investments in equity securities that do not have a listed market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(j)).

Investments in securities, which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(s)(iii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(s)(iv). When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet due the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

Property that is being constructed or developed for future use as investment property is classified as property under development and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(g) Other property, plant and equipment

Other items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation (see below) and impairment losses (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Leasehold improvements	5 years
–	Furniture and fixtures	3 – 5 years
–	Computer and office equipment	3 years
–	Motor vehicles	5 – 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress comprises direct costs of construction during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the relevant class of property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(f)).

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(f)) or is held for development for sale (see note 1(k)(i)).

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries and associates: see note 1(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unlisted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment

– investments in subsidiaries and associates (except for those classified as being held for sale (or included in a disposal group that is classified as held for sale)) (see note 1(v)); and

– goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, "Interim financial reporting", in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(t)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed property held for resale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(l) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain a liability component, an equity component and an embedded derivative which is not closely related to the host contract.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. The equity component is recognised initially as the difference between the proceeds of the issue of the convertible notes and the fair values of the liability component and the embedded derivative. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components and the embedded derivative in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible note equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible note equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible note equity reserve is released directly to retained profits.

The embedded derivative is measured in accordance with note 1(e).

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) 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 Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plan

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(r)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(r)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of properties

Revenue arising from the sale of properties held for sale is recognised in profit or loss 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.

Revenue from sales of properties excludes business tax and is after deduction of any trade discount. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under pre-sale receipts from customers.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

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

(v) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

(t) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

For the purposes of presenting the consolidated financial statements, the results of the Group's operations not denominated in Hong Kong dollars are translated into Hong Kong dollars, i.e. the presentation currency of the Group, at the average exchange rates for the year. Balance sheet items, including goodwill on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. On disposal of a foreign operation, the cumulative amount of exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(v) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, financial assets which have already been carried at fair value with changes in fair value recognised in profit or loss and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(w) Related parties

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

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

(ii) the Group and the party are subject to common control;

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

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of 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 Group or of any entity that is a related party of the Group.

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.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format. As the operation of the Group are all in the People's Republic of China (the "PRC"), no geographical segment information is presented for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables, investment properties and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF PRIOR PERIODS AND OPENING BALANCES

(a) Change in accounting policies

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7 "*Financial instruments: Disclosures*" and the amendment to HKAS 1 "*Presentation of financial statements: Capital disclosures*", there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 "*Financial instruments: Disclosure and presentation*". These disclosures are provided throughout these financial statements, in particular in note 32.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are set out in note 30(e).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 41).

(b) Restatement of prior periods and opening balances

In prior years, the Group classified Land Appreciation Tax in the People's Republic of China (the" PRC") as part of cost of sales, with the related prepaid Land Appreciation Tax included in trade and other receivables and Land Appreciation Tax payable included in trade and other payables.

In September 2007, the HKICPA's Financial Reporting Standards Committee has clarified that the Land Appreciation Tax is a form of income tax and is within the scope of HKAS 12 "Income Taxes". Accordingly, Land Appreciation Tax charge has been reclassified from cost of sales to income tax expense on the consolidated income statement and the related prepaid Land Appreciation Tax and Land Appreciation Tax payable shall be grouped under income tax recoverable and income tax payable on the face of the consolidated balance sheet.

These changes in accounting treatment have been adjusted retrospectively by restating the comparative information for the year.

The financial statements for the year ended 30 April 2008 include a restatement of the 2007 financial statements to the effect of the change in accounting treatment described above. The effects of the restatement on the 2007 financial statements are summarised below:

Effect on the consolidated financial statements

Consolidated income statements for the year ended 30 April 2007

	2007	**Effect of restatement: increase/(decrease) Reclassification**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
	(as previously reported)		(as restated)
Turnover	2,779,845	–	2,779,845
Cost of sales	(2,438,229)	200,613	(2,237,616)
Gross profit	341,616	200,613	542,229
Other revenue	33,823	–	33,823
Other net income	39,270	–	39,270
Net valuation gain on investment properties	214,700	–	214,700
Fair value gain on transfer of completed properties held for sale to investment properties	323,083	–	323,083
Distribution and selling expenses	(90,604)	–	(90,604)
General and administrative expenses	(197,145)	–	(197,145)
Profit from operations	664,743	200,613	865,356
Finance costs	(81,402)	–	(81,402)
Share of profits less losses of associates	(5,258)	–	(5,258)
Gain on disposals of subsidiaries	283,247	–	283,247
Impairment loss on assets of a disposal group classified as held for sale	(20,000)	–	(20,000)
Profit before taxation	841,330	200,613	1,041,943
Income tax	(23,090)	(200,613)	(223,703)
Profit for the year	818,240	–	818,240
Attributable to:			
Equity shareholders of the Company	833,319	–	833,319
Minority interests	(15,079)	–	(15,079)
Profit for the year	818,240	–	818,240

Consolidated balance sheet at 30 April 2007

	2007	Effect of restatement: increase/(decrease) Reclassification	2007
	HK$'000 (as previously reported)	*HK$'000*	*HK$'000* (as restated)
Non-current assets			
Investment property	1,475,834	–	1,475,834
Other property, plant and equipment	137,933	–	137,933
Interest in associate	–	–	–
Deposit for acquisition of subsidiaries	255,170	–	255,170
Restricted bank deposits	94,225	(10,100)	84,125
Derivative financial instrument	20,000	–	20,000
Deferred tax assets	15,739	–	15,739
	1,998,901	(10,100)	1,988,801
Current assets			
Inventories	8,675,001	–	8,675,001
Available-for-sale investments	90,900	–	90,900
Trade and other receivables	1,562,948	(9,393)	1,553,555
Income tax recoverable	123,907	9,393	133,300
Restricted bank deposits	–	10,100	10,100
Cash and cash equivalents	1,411,472	–	1,411,472
	11,864,228	10,100	11,874,328
Assets of a disposal group classified as held for sale	281,002	–	281,002
	12,145,230	10,100	12,155,330
Current liabilities			
Trade and other payables	1,526,984	(206,272)	1,320,712
Pre-sale receipts from customers	1,921,783	–	1,921,783
Bank borrowings	671,700	–	671,700
Loan payables	170,422	–	170,422
Income tax payable	201,224	206,272	407,496
Dividend payable	9	–	9
	4,492,122	–	4,492,122
Liabilities directly associated with assets of a disposal group classified as held for sale	39,035	–	39,035
	4,531,157	–	4,531,157

	2007	Effect of restatement: increase/(decrease) Reclassification	2007
	HK$'000	*HK$'000*	*HK$'000*
	(as previously reported)		(as restated)
Net current assets	7,614,073	10,100	7,624,173
Total assets less current liabilities	9,612,974	–	9,612,974
Non-current liabilities			
Bank borrowings	1,401,880	–	1,401,880
Loan payables	458,174	–	458,174
Convertible notes	1,254,074	–	1,254,074
Derivative financial instrument	53,000	–	53,000
Deferred tax liabilities	934,295	–	934,295
	4,101,423	–	4,101,423
NET ASSETS	5,511,551	–	5,511,551
CAPITAL AND RESERVES			
Share capital	68,754	–	68,754
Contributed surplus	331,149	–	331,149
Exchange reserve	123,397	–	123,397
Other reserves	4,435,531	–	4,435,531
Total equity attributable to equity shareholders of the Company	4,958,831	–	4,958,831
Minority interest	552,720	–	552,720
TOTAL EQUITY	5,511,551	–	5,511,551

Such change in accounting treatment had no significant impact to the financial position of the Group prior to 1 May 2006.

3. TURNOVER

The principal activities of the Group are property development and property investment.

Turnover represents revenue from sale of property units (net of business tax) and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
Revenue from sale of property	5,018,642	2,779,642
Gross rentals from investment properties	10,618	203
	5,029,260	2,779,845

4. OTHER REVENUE AND NET INCOME

	2008 HK$'000	2007 HK$'000
Other revenue		
Interest income from bank deposits	28,721	6,749
Interest income from loan to an associate	–	5,494
Other interest income	–	6,602
Total interest income on financial assets not at fair value through profit or loss	28,721	18,845
Dividend income from unlisted investments held for trading	37,366	14,286
Bad debts recovered	4,793	–
PRC government subsidies	765	545
Forfeiture of customers' deposits	496	–
Others	1,314	147
	73,455	33,823
Other net income		
Net gain on disposal of investment properties	32,453	–
Available-for-sale investments: transfer from equity – on disposal	61,945	–
Changes in fair values of derivative financial instruments	48,802	436
Exchange gain on convertible notes	108,355	24,291
Exchange gain on senior notes	97,595	–
Other net exchange gain	67,378	14,394
Others	–	149
	416,528	39,270

5. PROFIT BEFORE TAXATION

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

	2008 HK$'000	2007 HK$'000
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	158,748	88,842
Interest on bank borrowings wholly repayable after five years	17,163	–
Interest on loan payables	238,722	37,712
Interest on convertible notes	97,622	96,007
Interest on senior notes	254,128	–
Interest on loan from a minority shareholder	6,241	–
Interest on amount due to a related company	–	5,770
Total interest expense on financial liabilities not at fair value through profit or loss	772,624	228,331
Less: interest expense capitalised into properties under development*	(504,261)	(146,929)
	268,363	81,402

* The borrowing costs have been capitalised at a rate of 5.91% – 19.66% (2007: 7.48%) per annum.

		2008	2007
		HK$'000	*HK$'000*
			(restated)
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	3,290	1,571
	Equity-settled share-based payment expense	92,942	97,840
	Salaries, wages and other benefits	103,314	38,980
		199,546	138,391
	Less: Staff costs capitalised into properties under development	(22,914)	(10,081)
		176,632	128,310
(c)	Other items:		
	Depreciation	11,163	3,712
	Less: depreciation capitalised into properties under development	(371)	(442)
		10,792	3,270
	Operating lease charges: minimum lease payments		
	– property rentals	11,219	5,464
	Auditors' remuneration		
	– audit services	3,500	3,131
	– other services	720	6,664
	Cost of properties sold	4,060,574	2,237,616

6. INCOME TAX IN THE INCOME STATEMENT

(a) Taxation in the income statement represents:

	2008	2007
	HK$'000	*HK$'000*
		(restated)
Current tax		
Provision for the year		
– PRC Enterprise Income Tax	440,378	171,678
– Land Appreciation Tax	265,112	200,613
	705,490	372,291
Deferred tax		
Origination and reversal of temporary differences		
– Current year	102,114	(24,915)
– Attributed to a change in tax rate	1,386	(123,673)
	103,500	(148,588)
	808,990	223,703

The provision for income tax comprised PRC Enterprise Income Tax and Land Appreciation Tax.

No provision for Hong Kong Profits Tax has been made in the consolidated income statement as the Group did not derive any assessable profits in Hong Kong for the years ended 30 April 2007 and 2008.

The provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rates of 15% to 33% of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC on or before 31 December 2007.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which takes effect on 1 January 2008. As a result of the New Tax Law, the PRC Enterprise Income Tax rate applicable to the Company's subsidiaries in the PRC except for Shenzhen Phoenix Real Estates Co., Ltd. is reduced from 33% to 25%, while that applicable to Shenzhen Phoenix Real Estates Co., Ltd. increases gradually from 15% to standard rate of 25% over a five-year transitional period commencing from January 2008.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is charged on the appreciated amount of the properties developed by the Group for sale in the PRC at progressive rates

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008	**2007**
	HK$'000	*HK$'000*
		(restated)
Profit before taxation	2,375,514	1,041,943
Notional tax on profit before taxation calculated at the rates applicable to profits in the tax jurisdictions concerned	593,878	343,841
Tax effect of Land Appreciation Tax deductible for PRC Enterprise Income Tax	(66,278)	(66,202)
Tax effect of non-deductible expenses	374,592	85,814
Tax effect of non-taxable income	(355,663)	(109,524)
Tax effect of unused tax losses not recognised	40,964	11,024
Tax effect of prior years' tax losses utilised this year	(5,276)	(6,280)
Income tax of concessionary rate	(36,925)	(113,415)
Decrease in deferred tax liabilities resulting from decrease in applicable tax rate	1,386	(123,673)
Others	(3,763)	(230)
Provision for Land Appreciation tax for the year	265,112	200,613
Tax effect of share of results of associates	963	1,735
Actual tax expense	808,990	223,703

7. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	2008					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Retirement scheme contributions**	**Sub-total**	**Share-based payments (note)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Li Song Xiao	–	2,259	–	2,259	114	2,373
Liu Yi	–	1,251	–	1,251	4,916	6,167
Niu Xiao Rong	–	1,300	–	1,300	4,916	6,216
Yuan Kun	–	1,100	–	1,100	3,176	4,276
Liu Yan	–	910	–	910	8,491	9,401
Jia Bo Wei (appointed on 24 January 2008)	–	175	–	175	2,013	2,188
Lu Zhao Qun (appointed on 24 January 2008)	–	105	–	105	–	105
Bao Jing Tao (appointed on 24 January 2008)	–	105	–	105	201	306
Independent non-executive directors:						
Nie Mei Sheng	–	–	–	–	–	–
Zhang Qing Lin	–	–	–	–	–	–
Gao Ling	–	–	–	–	–	–
Lai Man Leung (appointed on 31 March 2008)	–	–	–	–	–	–
	–	7,205	–	7,205	23,827	31,032

Details of directors' remuneration are as follows:

	2007					
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-total	Share-based payments (note)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Li Song Xiao	–	2,028	4	2,032	262	2,294
Liu Yi	–	1,420	4	1,424	6,511	7,935
Niu Xiao Rong	–	1,100	4	1,104	6,511	7,615
Yuan Kun	–	900	4	904	4,108	5,012
Liu Yan (appointed on 31 July 2006)	–	770	4	774	10,736	11,510
Song Xuan (resigned on 15 June 2006)	–	–	–	–	1,395	1,395
Independent non-executive directors:						
Nie Mei Sheng	–	–	–	–	–	–
Zhang Qing Lin (appointed on 3 November 2006)	–	–	–	–	–	–
Gao Ling (appointed on 16 April 2007)	–	–	–	–	–	–
Wang Shi Yong (resigned on 16 April 2007)	–	–	–	–	–	–
Zheng Kuan (resigned on 3 November 2006)	–	–	–	–	–	–
	–	6,218	20	6,238	29,523	35,761

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any remuneration during the year.

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(p)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share options" in the directors' report and note 31.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2007: two) is director of the Company whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2007: three) individuals are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries and other benefits	863	684
Share-based payments	41,046	39,070
Retirement schemes contributions	10	11
	41,919	39,765

The emoluments of four (2007: three) individuals with the highest emoluments are within the following bands:

	2008	**2007**
	No. of employees	*No. of employees*
HK$9,500,001 to HK$10,000,000	1	–
HK$10,000,001 to HK$10,500,000	1	–
HK$10,500,001 to HK$11,000,000	1	–
HK$11,000,001 to HK$11,500,000	1	–
HK$12,500,001 to HK$13,000,000	–	1
HK$13,500,001 to HK$14,000,000	–	2

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organized by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at a rate ranging from 18% to 22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

10. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2008	**2007**
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK1.0 cent per ordinary share (2007: HK6.0 cents)	19,456	96,156
Final dividend proposed after the balance sheet date of HK14.0 cents per ordinary share (2007: HK4.8 cents)	272,390	90,453
	291,846	186,609

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

Note: The figures for dividends per share have been adjusted by the effect of Share Consolidation. Further details for Share Consolidation are set out in note 30(b)(i).

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

	2008	**2007**
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK4.8 cents per ordinary share (2007: HK nil cents per ordinary share)	90,453	–

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,550,486,000 (2007: HK$833,319,000) and the weighted average number of 1,840,767,124 ordinary shares (2007 (restated): 1,419,831,298 ordinary shares) in issue during the year calculated as follows:

Weighted averaged number of ordinary shares

	2008	**2007**
		(restated)
Issued ordinary shares at 1 May	1,718,843,585	1,019,834,872
Effect of shares issued under a private placement	–	65,972,603
Effect of conversion of convertible notes	38,848,716	99,726,027
Effect of shares issued for acquisition of subsidiaries	80,420,588	234,297,796
Effect of share options exercised	2,654,235	–
Weighted average number of ordinary shares at 30 April	1,840,767,124	1,419,831,298

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share have been adjusted by the effect of Share Consolidation. Further details for Share Consolidation are set out in note 30(b)(i).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,410,830,000 (2007: HK$853,287,000) and the weighted average number of ordinary shares of 2,069,070,162 ordinary shares (2007 (restated): 1,618,619,511 ordinary shares) calculated as follows:

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

	2008	**2007**
	HK$'000	*HK$'000*
Profit attributable to ordinary equity shareholders	1,550,486	833,319
After tax effect of effective interest on liability component of convertible notes	13,699	44,695
After tax effect of exchange gain on liability component of convertible notes	(108,355)	(24,291)
After tax effect of gains/losses recognised on the derivative component of convertible notes	(45,000)	(436)
Profit attributable to ordinary equity shareholders (diluted)	1,410,830	853,287

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

	2008	**2007**
		(restated)
Weighted average number of ordinary shares at 30 April	1,840,767,124	1,419,831,298
Effect of conversion of convertible notes	183,772,228	197,888,183
Effect of deemed issue of shares under the Company's share option scheme	44,530,810	900,030
Weighted average number of ordinary shares (diluted) at 30 April	2,069,070,162	1,618,619,511

During the year ended 30 April 2008, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding warrants since the exercise would result in an increase in diluted earnings per share.

Note: The weighted average number of ordinary shares for the purpose of diluted earnings per share have been adjusted by the effect of Share Consolidation. Further details for Share Consolidation are set out in note 30(b)(i).

12. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

As the operations of the Group are all in the PRC, no geographical segment information is presented.

Business segments

The Group comprises the following main business segments:

Property development: the development and sale of commercial and residential properties.

Property investment: the leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term.

	Property development		Property investment		Unallocated		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)						(restated)
Revenue								
External sales	5,018,642	2,779,642	10,618	203	–	–	5,029,260	2,779,845
Result								
Segment result	1,441,913	720,667	172,265	208,737	–	–	1,614,178	929,404
Unallocated corporate income/(expenses), net							286,212	(64,048)
Profit from operations							1,900,390	865,356
Finance costs							(268,363)	(81,402)
Share of losses of associates							(3,853)	(5,258)
Gain on disposal of subsidiaries	47,660	283,247	–	–	–	–	47,660	283,247
Gain on disposal of partial interests in subsidiaries	699,680	–	–	–	–	–	699,680	–
Impairment loss on assets of a disposal group classified as held for sale							–	(20,000)
Income tax							(808,990)	(223,703)
Profit for the year							1,566,524	818,240
Other information								
Capital expenditure								
– acquisition of subsidiaries	2,441	7,767	–	560,924	962	90,000	3,403	658,691
– others	12,858	9,055	3,202	62,366	5,211	26,804	21,271	98,225
Depreciation	7,449	2,501	1,039	740	2,675	471	11,163	3,712
Valuation gain on investment properties	–	–	111,281	214,700	–	–	111,281	214,700
Fair value gain on transfer of completed properties held for sale to investment properties	972,403	323,083	–	–	–	–	972,403	323,083

	Property development		Property investment		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Segments assets	19,047,714	10,210,885	1,706,567	1,483,296	20,754,281	11,694,181
Unallocated corporate assets					6,809,243	2,449,950
Consolidated total assets					27,563,524	14,144,131
Liabilities						
Segment liabilities	6,250,145	3,133,869	62,070	172,669	6,312,215	3,306,538
Unallocated corporate liabilities					12,171,986	5,326,042
Consolidated total liabilities					18,484,201	8,632,580

13. INVESTMENT PROPERTIES

	2008	2007
	HK$'000	*HK$'000*
Balance at the beginning of year	1,475,834	–
Exchange adjustments	225,664	18,079
Additions		
– through acquisition of subsidiaries	–	560,924
– others	–	62,290
Transfer from completed properties held for sale	1,697,688	619,841
Disposals	(114,847)	–
Fair value adjustments	111,281	214,700
Balance at the end of year	3,395,620	1,475,834

(a) Valuation of investment properties

All the investment properties of the Group were stated at fair value as at 30 April 2008. The fair values were arrived at based on the valuations carried out by an independent firm of qualified professional valuers, Savills Valuation and Professional Service Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuations, which conform to the Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors, have been determined by reference to recent market transactions in comparable properties.

(b) The analysis of carrying amount of investment properties is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
In the PRC		
– medium-term leases	3,395,620	1,475,834

(c) Investment properties leased out under operating leases

The Group leases out investment properties. The leases typically run for an initial period of 3 to 20 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Within 1 year	5,254	3,359
After 1 year but within 5 years	85,471	13,077
After 5 years	222,139	1,462
	312,864	17,898

(d) Pledge of investment properties

As at 30 April 2008, investment properties with a total carrying amount of HK$3,395,620,000 (2007: HK$1,475,834,000) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 26.

14. OTHER PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost:					
At 1 May 2006	–	6,078	6,453	–	12,531
Exchange adjustments	17	251	462	1,339	2,069
Additions					
– through acquisition of subsidiaries	685	3,020	4,062	90,000	97,767
– others	297	4,489	9,258	21,891	35,935
Disposal of subsidiary	–	(374)	(258)	–	(632)
At 30 April 2007	999	13,464	19,977	113,230	147,670
At 1 May 2007	999	13,464	19,977	113,230	147,670
Exchange adjustments	107	1,160	1,681	11,212	14,160
Transfer from properties under development	–	–	–	616,127	616,127
Additions					
– through acquisition of subsidiaries	117	1,578	1,708	–	3,403
– others	754	5,857	14,660	–	21,271
Disposal through disposal of subsidiaries	–	(117)	(117)	–	(234)
At 30 April 2008	1,977	21,942	37,909	740,569	802,397
Accumulated amortisation and depreciation:					
At 1 May 2006	–	3,815	2,018	–	5,833
Exchange adjustments	6	67	141	–	214
Charge for the year	291	1,253	2,168	–	3,712
Written back on disposals	–	(12)	(10)	–	(22)
At 30 April 2007	297	5,123	4,317	–	9,737
At 1 May 2007	297	5,123	4,317	–	9,737
Exchange adjustments	54	350	571	–	975
Charge for the year	742	3,903	6,518	–	11,163
Written back on disposals	–	(16)	(15)	–	(31)
At 30 April 2008	1,093	9,360	11,391	–	21,844
Net book value:					
At 30 April 2008	884	12,582	26,518	740,569	780,553
At 30 April 2007	702	8,341	15,660	113,230	137,933

Note: Construction in progress represents the Group's hotel properties under construction in Xian and Chongqing, the PRC.

15. INTEREST IN ASSOCIATES

	The Group 2008 HK$'000	The Group 2007 HK$'000
Share of net assets	1,445,771	–

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activity
Beijing Jun He Bai Nian Property Development Co., Ltd *(note (a))* (「北京君合百年房地產開發有限公司」)**	Incorporated	The PRC	RMB165,000,000	43.95%	43.95%	Property development
Invest Online Limited *(note (b))*	Incorporated	British Virgin Islands	US$1	40%	40%	Investment holding
哈爾濱亞麻房地產開發有限公司* *(note (b))*	Incorporated	The PRC	US$12,100,000	40%	40%	Property development

* The company is registered as a wholly-owned foreign enterprise in the PRC.

** The company is registered as a limited liability company in the PRC.

Note:

(a) In November and December 2007, the Group entered into purchase agreements with independent third parties for the acquisition of aggregate 43.95% equity interest in Beijing Jun He Bai Nian Property Development Co., Ltd. ("Jun He Bai Nian"), a company established in the PRC and owns the right to develop a property development project in Beijing City Tong Zhou Qu Li Yuan District, Beijing, the PRC for a total consideration of approximately HK$610 million. Upon the transfer of the 43.95% equity interest in Jun He Bai Nian to the Group, Jun He Bai Nian became an associate of the Group as the Group has the power to appoint directors in Jun He Bai Nian and can exercise significant influence.

In May 2008, the Group acquired a further 12% equity interest in Jun He Bai Nian. The consideration of such 12% equity interest is approximately RMB82 million. Upon the transfer of 12% equity interest in Jun He Bai Nian to the Group, the Group holds approximately 56% of the entire equity interest in Jun He Bai Nian and Jun He Bai Nian become a subsidiary of the Group. The transaction has been completed up to the date of this report. (note 38(b)).

(b) In November 2007, the Group entered into purchase agreements with independent third parties to acquire a 40% equity interest in Invest Online Limited ("Invest Online"), a company incorporated in the British Virgin Islands. Invest Online owns 100% equity interest in 哈爾濱亞麻房地產開發有限公司 (「哈爾濱亞麻」), a company is established in the PRC and engaged in property development at Nan Gang District, Harbin, the PRC. The total purchase consideration is approximately HK$839 million. Upon the transfer of the 40% equity interest in Invest Online to the Group, Invest Online and 哈爾濱亞麻 became associates of the Group as the Group has the power to appoint directors in Invest Online and can exercise significant influence.

Summary of financial information on associates

	Assets	Liabilities	Equity	Revenues	Profit/(loss)
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
2008					
100 percent	4,834,125	1,356,619	3,477,506	3,045	(9,385)
Group's effective interest	2,028,148	582,377	1,445,771	1,218	(3,853)

16. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

The amount as at 30 April 2007 represented deposits paid for the acquisition of certain subsidiaries for which certain conditions had not yet been satisfied at the balance sheet date. During the year ended 30 April 2008, such acquisition had been completed.

17. RESTRICTED BANK DEPOSITS

a) The Group has entered into agreements with certain banks with respect to mortgage loans provided to the buyers of the Group's property units. As at 30 April 2008, the Group made deposits of RMB94,140,000 (equivalent to approximately HK$104,495,000) (2007: RMB83,292,000 (equivalent to approximately HK$84,125,000) as security for the settlement of the mortgage instalments by the mortgagors under these agreements. Should the mortgagors fail to pay the mortgage instalments, the banks can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. These restricted bank deposits will be released when the property title deeds are pledged to banks as security for respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers.

The directors of the Company are in view that the above restricted bank deposits are not expected to be released within one year.

b) As at 30 April 2008, the Group's bank deposits of RMB10,000,000 (equivalent to approximately HK$11,100,000) (2007: RMB10,000,000 (equivalent to approximately HK$10,100,000) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 26.

18. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2008	2007
	HK$'000	*HK$'000*
Properties under development	15,277,716	8,299,508
Completed properties held for sale	533,479	375,493
	15,811,195	8,675,001

All of the properties under development and completed properties held for sale are located in the PRC.

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

	2008	2007
	HK$'000	*HK$'000*
Properties under development	13,573,435	6,105,928

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

(c) Cost of properties sold

The cost of properties sold for the year ended 30 April 2008 amounted to HK$4,060,574,000 (2007: HK$2,237,616,000).

(d) Pledge of inventories

Certain of the Group's properties under development and completed properties held for sale were pledged as collateral for amount due to a minority shareholder and the Group's bank borrowings, details of which are set out in notes 23(b) and 26 respectively.

19. INVESTMENTS

	2008	**2007**
	HK$'000	*HK$'000*
Unlisted investments in securities held for trading, at fair value	1,486	–
Available-for-sale investment *(see note below)*	–	90,900
	1,486	90,900

Note: Available-for-sale investment as at 30 April 2007 represented an unlisted equity security measured at fair value with reference to current market transaction. During the year ended 30 April 2008, the Group has disposal of this investment, resulting in a gain of approximately HK$61,945,000.

20. TRADE AND OTHER RECEIVABLES

	2008	**2007**
	HK$'000	*HK$'000*
Trade debtors	139,197	46,346
Less: Allowance for doubtful debts	–	–
	139,197	46,346
Consideration receivable for disposal of subsidiaries	–	512,430
Amount due from a former shareholder of a subsidiary *(see note below)*	54,390	–
Amounts due from associates *(see note below)*	6,856	–
Other debtors	8,143	–
Loans and receivables	208,586	558,776
Advance payments to contractors	701,502	690,612
Deposits paid for acquisition of project companies	309,246	78,287
Deferred sales commission	18,450	122,741
Other taxes recoverable	129,114	42,601
Deposits and prepayments	92,059	60,538
	1,458,957	1,553,555

Note: The amounts due from a former shareholder of a subsidiary and associates are unsecured, non-interest bearing and have no fixed terms of repayment.

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Less than 90 days	128,786	24,080
More than 90 days but less than 180 days	–	22,266
More than 180 days	10,411	–
	46,346	139,197

Trade debtors are generally due within 90 days from the dates of the sale and purchase agreements. Further details on the Group's credit policy are set out in note 32(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	128,786	24,080
Less than 3 months past due	–	22,266
More than 3 months past due	10,411	–
	46,346	139,197

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers. However, the Group would not release the property title deeds to the customers before the customers fully settle for purchase consideration of the relevant property units sold. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. CASH AND CASH EQUIVALENTS

	2008	2007
	HK$'000	*HK$'000*
Cash at banks and in hand	4,479,532	1,505,697
Less: Restricted bank deposits *(see note 17)*	(115,595)	(94,225)
Cash and cash equivalents in the consolidated balance sheet	4,363,937	1,411,472
Add: Bank balances and cash included in assets classified as held for sale *(see note 22)*	–	79,229
Cash and cash equivalents in the consolidated cash flow statement	4,363,937	1,490,701

22. NON-CURRENT ASSETS HELD FOR SALE

The carrying amount of major classes of assets and liabilities classified as held for sale are analysed as follows:

	2007
	HK$'000
Assets of a disposal group classified as held for sale	
Properties under development	201,773
Bank balances and cash	79,229
	281,002
Liabilities directly associated with assets of a disposal group classified as held for sale	
Deferred tax liabilities associated with these assets	(39,035)
	241,967

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 天津中新名仕地產開發有限公司 ("Tianjin Zhongxin Mingshi"). The transaction had not been completed as at 30 April 2007 and was subject to the approval of the relevant authorities in the PRC. The assets and liabilities attributable to Tianjin Zhongxin Mingshi have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet as at 30 April 2007. The operations are included in property development for segment reporting purposes (see note 12).

As the proceeds of disposal were less than the net carrying amount of the relevant assets and liabilities, an impairment loss of approximately HK$20,000,000 has been recognised in the consolidated income statement for the year ended 30 April 2007. The disposal was completed in October 2007, with the resulting loss on disposal of HK$35,400,000 debited to profit or loss (see note 34(a)(i)).

23. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Accrued expenditure on properties under development	1,161,342	590,041
Retentions payable to contractors	98,623	28,081
Consideration payables for acquisition of subsidiaries	381,396	109,876
Consideration payable for acquisition of associates	307,131	–
Interest payable	128,928	7,920
Accrued charges and other payables	205,033	193,415
Amounts due to former shareholders of the Company's subsidiaries *(note 23(a))*	156,187	–
Amounts due to related companies *(note 23(a))*	84,018	214,379
Amount due to a shareholder *(note 23(a))*	20,412	20,412
Amounts due to associates *(note 23(a))*	75,816	–
Amounts due to minority shareholders *(note 23(b))*	201,165	53,081
Financial liabilities measured at amortised cost	2,820,051	1,217,205
Advance payment from a minority shareholder for the property development project *(note 23(c))*	1,098,900	–
Deposits received for disposal of a subsidiary	–	61,562
Other taxes payables *(note 23(d))*	9,284	41,945
	3,928,235	1,320,712

(a) The amounts due to former shareholders of the Company's subsidiaries, a shareholder and associates are interest free, unsecured and have no fixed terms of repayment. The amounts due to related companies are interest free unsecured and have no fixed terms of repayment. These related companies are controlled by Mr. Li Song Xiao, the controlling shareholder of the Company.

(b) Included in the amounts due to minority shareholders is an amount of RMB140,000,000 (equivalent to approximately HK$155,400,000), which is secured by certain properties under development of the Group located in the PRC with a total carrying amount of approximately HK$386,132,000, bears interest at 7.02% per annum and is repayable within one year.

All other amounts due to minority shareholders are unsecured, interest free and have no fixed terms of repayment.

(c) Advance payment of RMB990,000,000 (equivalent to approximately HK$1,098,900,000) from a minority shareholder is secured by 20% equity interest in the registered capital of Tianjin City Yi Jia He Zhi Ye Co., Ltd., a subsidiary of the Company established in the PRC, interest free and has no fixed terms of repayment.

(d) Other taxes payable comprise urban real estate tax payable, real estate tax payable and business tax payable.

24. PRE-SALE RECEIPTS FROM CUSTOMERS

Pre-sale receipts from customers represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy (see note 1(s)(i)). Included in the pre-sale receipts from customers is an amount of HK$nil (2007: HK$273,063,000) which is not expected to be recognised as revenue after more than one year.

25. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Income tax in the consolidated balance sheet represents:

	2008	2007
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
At the beginning of the year	77,317	95,661
Exchange adjustments	10,775	4,650
Provision for the year	440,378	171,678
Tax paid	(121,031)	(173,459)
Acquisition of subsidiaries	(3)	(21,213)
At the end of the year	407,436	77,317
Land Appreciation Tax		
At the beginning of the year	196,879	–
Exchange adjustments	26,878	2,006
Provision for the year	265,112	200,613
Tax paid	(52,074)	(5,740)
At the end of the year	436,795	196,879

	2008			2007		
	PRC Enterprise Income Tax	Land Appreciation Tax	Total	PRC Enterprise Income Tax	Land Appreciation Tax	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Income tax recoverable recognised in the consolidated balance sheet	(83,968)	(35,256)	(119,224)	(123,907)	(9,393)	(133,300)
Income tax payable recognised in the consolidated balance sheet	491,404	472,051	963,455	201,224	206,272	407,496
	407,436	436,795	844,231	77,317	196,879	274,196

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	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*
Deferred tax arising from:							
At 1 May 2006	–	–	–	59,309	–	–	59,309
Exchange adjustments	–	–	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)
Charged to reserves	31,830	8,080	–	–	–	–	39,910
(Credited)/charged to profit or loss	(3,763)	–	96,149	(101,872)	–	(15,429)	(24,915)
Disposal of a subsidiary	–	–	–	(44,904)	–	–	(44,904)
Reclassify to liabilities associated with assets of a disposal group 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
At 1 May 2007	28,067	8,080	149,530	771,535	(22,917)	(15,739)	918,556
Exchange adjustments	–	–	25,594	69,473	(2,269)	(935)	91,863
Effect of changes in tax rate	–	–	39,934	(38,548)	–	–	1,386
Charged/(credited) to profit or loss	(3,763)	–	248,657	(159,454)	–	16,674	102,114
Credited to reserves	(7,993)	(8,080)	–	–	–	–	(16,073)
At 30 April 2008	16,311	–	463,715	643,006	(25,186)	–	1,097,846

	2008	2007
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated balance sheet	(25,186)	(15,739)
Net deferred tax liabilities recognised in the consolidated balance sheet	1,123,032	934,295
	1,097,846	918,556

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$313,314,000 (2007: HK$160,532,000) as at 30 April 2008 as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

26. BANK BORROWINGS

At 30 April 2008, the bank loans were repayable as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Within 1 year or on demand	541,491	671,700
After 1 year but within 2 years	1,980,240	614,080
After 2 years but within 5 years	363,525	787,800
After 5 years	428,793	–
Total bank loans	3,314,049	2,073,580
Less: repayable within 1 year or on demand as classified under current liabilities	(541,491)	(671,700)
Repayable after 1 year as classified under non-current liabilities	2,772,558	1,401,880

During the year, the Group obtained new bank borrowings amounting to HK$1,890,360,000 (2007: HK$1,565,651,000) and assumed bank borrowings of HK$67,600,000 (2007: HK$711,631,000) through acquisitions of subsidiaries (see note 33(d)). The proceeds were used to finance the development of properties.

Except for bank borrowings of HK$nil (2007: HK$500,000,000) denominated in Hong Kong dollars, all the remaining bank borrowings are denominated in Renminbi ("RMB").

The bank borrowings are variable-rate borrowings which carry commercial interest rates in the PRC except for the bank borrowings denominated in Hong Kong dollars which carry interest at Hong Kong Interbank Offering Rate plus 2%.

The effective interest rates (being the People's Bank of China's lending rate) on the Group's bank borrowings denominated in RMB are ranging from 5.91% to 8.32% (2007: 6.03% to 6.80%) per annum.

Except for unsecured bank borrowings of approximately HK$310,800,000 (2007: HK$282,800,000), the remaining bank borrowings are secured by:

(i) certain properties under development, certain completed properties held for sale and all the investment properties of the Group located in the PRC with total carrying amounts of approximately HK$2,755,744,000 (2007: HK$2,137,157,000), HK$288,891,000 (2007: HK$nil) and HK$3,395,620,000 (2007: HK$1,475,834,000) respectively.

(ii) certain bank deposits of the Group amounting to approximately HK$11,100,000 (2007: HK$10,100,000), which have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

27. LOAN PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Loan Payable denominated in RMB *(see note (a))*	1,665,000	–
Loan Payable A *(see note (b))*	197,025	271,481
Loan Payable B *(see note (c))*	532,321	186,693
Loan Payable Xian *(see note (d))*	–	170,422
	2,394,346	628,596
Less: Amounts classified under current liabilities		
– Loan Payable denominated in RMB	1,665,000	–
– Loan Payable A	197,025	–
– Loan Payable B	532,321	–
– Loan Payable Xian	–	170,422
	2,394,346	170,422
Amounts as classified under non-current liabilities	–	458,174

(a) Loan Payable denominated in RMB

On 29 November 2007, the Group entered into a term loan agreement with an independent third party whereby the independent third party granted a term loan facility of RMB1,500,000,000 to the Group to finance the acquisition by the Group of a property development project in Zhuhai, the PRC ("Qi Ao Island Project").

In December 2007, an amount of RMB1,500,000,000 (equivalent to approximately HK$1,665,000,000) ("Loan Payable denominated in RMB") was drawn down.

Loan Payable denominated in RMB bears interest at 20% per annum and is secured by:

(i) share mortgage over the issued capital of Moral Luck Group Limited, a wholly-owned subsidiary of the Company incorporated in the BVI;

(ii) equity pledge over the registered capital of Zhuhai City Qi Zhou Island Movie Town Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC;

(iii) subordination of intra-group's balances between certain wholly-owned subsidiaries of the Company in favour of this independent third party; and

(iv) corporate guarantees given by the Company and certain of the Company's subsidiaries.

The Company's directors expect the Loan Payable to be settled within one year.

(b) Loan Payable A

According to an agreement in May 2006 and supplement agreements in July 2006 and August 2006, an independent third party ("Lender A") contributed an amount of RMB250,000,000 ("Loan Payable A") for the 26.3% of the registered capital in a group entity. However, under the agreements, Lender A has no right to share any profits of this group entity other than a 7% guaranteed annual amount. The Group is obliged to purchase from Lender A the 26.3% registered capital in August 2008 in accordance with the contractual arrangement at a price of approximately RMB285,000,000 (equivalent to approximately HK$316,350,000) (2007: RMB285,000,000 (equivalent to approximately HK$287,850,000)) inclusive of the 7% annual amount payable.

As the Group has contractual obligations to deliver cash in accordance with the agreements of Loan Payable A and Lender A has no profit sharing rights in the group entity irrespective of his equity ownership, Loan Payable A is classified as a financial liability. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(m) and accordingly the 7% guaranteed annual amount is recognised on an accrual basis in profit or loss as finance costs.

During the year, the Group repaid approximately RMB90,000,000 (equivalent to approximately HK$99,900,000) (2007: Nil) on Loan Payable A plus interest of approximately RMB17,500,000 (equivalent to approximately HK$18,725,000) (2007: Nil). As at 30 April 2008, the carrying amount of Loan Payable A was RMB177,500,000 (equivalent to approximately HK$197,025,000) (2007: RMB268,793,000 (equivalent to approximately HK$271,481,000) inclusive of the 7% annual amount payable.

The effective interest rate of Loan Payable A is 7.14% (2007: 7.27%) per annum.

(c) Loan Payable B

According to an agreement in February 2007 (the "Agreement"), another independent third party ("Lender B") contributed an amount of RMB60,000,000 in respect of 30.0% of the registered capital in another group entity (the "Project Company") plus a loan facility of RMB240,000,000 ("Loan Payable B"). However, under the agreement, Lender B has no right to share any profits of the Project Company. The Group is obliged to purchase from Lender B the 30.0% registered capital of the Project Company at a consideration of RMB60,000,000 and repay the relevant loan of RMB240,000,000 plus a guaranteed additional amount of RMB100,000,000 (the exact amount of which is determined with reference to the market situation in and the city development of a project in Chengdu, the PRC and the potential increase in the market value of the properties in Chengdu, the PRC) within 24 months from the date of the Agreement.

As the Group has contractual obligations to deliver cash in accordance with the agreements of Loan Payable B and Lender B has no profit sharing rights in the Project Company irrespective of his equity ownership, Loan Payable B is classified as a financial liability. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(m).

During the year, Lender B advanced an amount of approximately RMB326,110,000 (equivalent to approximately HK$361,982,000) (2007: RMB110,110,000 (equivalent to approximately HK$111,211,000)) to the Project Company. As at 30 April 2008, the carrying amount of Loan Payable A was RMB479,568,000 (equivalent to approximately HK$532,321,000) (2007: RMB184,845,000 (equivalent to approximately HK$186,693,000)) inclusive of the effective interest payable.

Subsequent to the balance sheet date on 1 June 2008, the Group entered into an agreement with Lender B whereby the Group exercised its right under the Agreement and purchased the total capital contribution made by Lender B of RMB60,000,000 (equivalent to approximately HK$66,600,000) and the related loan of RMB326,110,000 (equivalent to approximately HK$361,982,000) in the Project Company plus the guaranteed additional amount of RMB100,000,000 (equivalent to approximately HK$111,000,000) at a total consideration of RMB486,000,000 (equivalent to approximately HK$539,460,000).

The effective interest rate of Loan Payable A is 16.37% (2007: 14.47%) per annum.

(d) Loan Payable Xian

The loan payable of HK$170,422,000 ("Loan Payable Xian") was raised as part of the consideration for the acquisition of 西安滻霸建設開發有限公司 during the year ended 30 April 2007 and the outstanding balance at 30 April 2007 was fully settled during the year ended 30 April 2008.

The effective interest rate of Loan Payable Xian is 3.88% (2007: 3.88%) per annum.

28. CONVERTIBLE NOTES

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 the 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 derivative financial instrument. The fair value of the Redemption Right of the Holder at 30 April 2008 was HK$34,000,000 (2007: HK$53,000,000). Accordingly, a change in the fair value of the derivative financial instrument of approximately HK$19,000,000 was credited (2007: HK$19,564,000 was 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 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 a derivative financial instrument. The fair value of the Redemption Right of the Issuer at 30 April 2008 was HK$46,000,000 (2007: HK$20,000,000). Accordingly, a change in the fair value of the derivative financial instrument of HK$26,000,000 (2007: HK$20,000,000) was credited to the consolidated income statement for the year.

In the event that the Company's Shares cease to be listed or admitted to trading on the Stock Exchange, each holder of Convertible Note 2011 shall have a 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 a derivative financial instrument. The fair value of the Delisted Put Right is insignificant as at both 30 April 2008 and 30 April 2007.

During the year, the holders of the Convertible Note 2011 converted part of the Convertible Note 2011 with principal amount of HK$422,990,000 (2007: HK$nil) into shares of the Company (see note 30(b)).

Convertible Note 2011 contains a liability element, Redemption Right of the Holder, Redemption Right of the Issuer, Delisted Put Right and equity element. The equity element is represented in equity heading "convertible note equity reserve". The effective interest rate of the liability element is 9.44%.

Pursuant to the terms and conditions of the Convertible Note 2011, the conversion price of the conversion right to the holders was adjusted with the consolidation of shares effective on 29 October 2007. The holders are now entitled to convert the Convertible Note 2011 for a fully paid share at the adjusted conversion price of HK$6.0193 per share. The number of shares issuable on the exercise of the conversion right is reduced to one-fourth of the outstanding shares issuable under the Convertible Note 2011 with effect from 29 October 2007.

29. SENIOR NOTES/WARRANTS

On 23 July 2007, the Company issued 4,000 units consisting in aggregate of senior notes at a par value of US$400,000,000, (equivalent to approximately HK$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bear interest at 9.75% and will mature on 23 July 2014 ("Notes Maturity Date"). The Senior Notes 2014 are guaranteed by all of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 are separated immediately upon their issuance and the Warrants 2012 are detachable from the Senior Notes 2014.

The Warrants 2012 are exercisable at any time from the date of issue to 23 July 2012 at an exercise price of HK$1.68 per share, subject to anti-dilutive adjustment, to subscribe for shares of the Company. The Warrants 2012 are denominated in Hong Kong dollars and will be settled in net share settlement upon exercise. As the Warrants 2012 may be settled other than by exchange of a fixed amount of cash for a fixed number of the Company's shares, the Warrants 2012 are classified as a derivative financial liability and measured at fair value with changes in fair value recognised in the consolidated income statement.

The fair value of Warrants 2012 at 23 July 2007, the date of issue, and 30 April 2008 were HK$161,802,000 and HK$158,000,000 respectively. Accordingly, a change in fair value of warrants of HK$3,802,000 was debited to the consolidated income statement for the year.

Pursuant to the terms and conditions of Warrants 2012, on 29 October 2007, the subscription price of Warrants 2012 was adjusted following the consolidation of the Company's shares. Warrants 2012 holders were entitled to subscribe in cash for fully paid shares at the adjusted subscription price of HK$6.72 per share. The number of shares issuable on the exercise of the Warrants 2012 was reduced to one-fourth of the outstanding shares issuable under Warrants 2012 as at 29 October 2007.

As at 30 April 2008, 66,000,000 of Warrants 2012 were outstanding. Exercise in full of the outstanding Warrants 2012 would result in the issue of 66,000,000 additional shares with an aggregate subscription value of HK$443,520,000.

At any time prior to the Notes Maturity Date, the Company may redeem the Senior Notes 2014, in whole or in part, at a redemption price equal to 100% of the principal amount plus the greater of (1) 1% of the principal amount of Senior Notes 2014 being redeemed and (2) the excess of (A) the present value at such redemption date of (i) 100% of the principal amount of the Senior Notes 2014 plus (ii) all required remaining scheduled interest payments due on Senior Notes 2014 through to the Notes Maturity Date, computed using a discount rate equal to the comparable treasury issue plus 100 basis points, over (B) the principal amount of Senior Notes 2014 on such redemption date ("100% Redemption Right of the Issuer – Senior Notes 2014"). As the economic characteristics and risks of the 100% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 100% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 100% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at both 23 July 2007 and 30 April 2008.

At any time prior to 23 July 2011, the Company may redeem up to 35% of the principal amount of the Senior Notes 2014 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 109.75% of the principal amount of the Senior Notes 2014 ("35% Redemption Right of the Issuer – Senior Note 2014"). As the economic characteristics and risk of the 35% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 35% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 35% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at both 23 July 2007 and 30 April 2008.

The Senior Notes 2014 contain a liability element, Warrants 2012, 100% Redemption Right of the Issuer – Senior Notes 2014 and 35% Redemption Right of the Issuer – Senior Notes 2014. The effective interest rate of the liability element is 11.35%.

30. CAPITAL AND RESERVES

(a) The Group

Details of movements in capital and reserves of the Group are set out in the consolidated statement of changes in equity on page 47 and 48.

(b) Share capital

Authorised and issued share capital

	2008 Number of shares	Nominal value HK$'000	2007 Number of shares	Nominal value HK$'000
Authorised:				
At 1 May 2007 – ordinary shares of HK$0.01 each	40,000,000,000	400,000	40,000,000,000	400,000
Effect of Share Consolidation on 29 October 2007	(30,000,000,000)	–	–	–
At 30 April 2008 – ordinary shares of HK$0.04 each (2007: ordinary shares of HK$0.01 each)	10,000,000,000	400,000	40,000,000,000	400,000
Ordinary shares, issued and fully paid:				
At 1 May 2007 – ordinary shares of HK$0.01 each	6,875,374,340	68,754	4,079,339,487	40,793
Before Share Consolidation:				
Issue of shares upon a private placement	–	–	688,000,000	6,880
Issue of shares upon conversion of convertible note 2005	–	–	400,000,000	4,000
Issue of shares upon conversion of Convertible Note 2011	267,803,024	2,678	–	–
Issue of shares by exercise of share options	15,100,000	151		
Issue of shares for acquisition of subsidiaries *(note 33)*	467,592,592	4,676	1,708,034,853	17,081
Effect on share consolidation on 29 October 2007	(5,719,402,467)	–	–	–
After Share Consolidation:				
Issue of shares for acquisition of subsidiaries *(note 33)*	35,000,000	1,400	–	–
Issue of shares upon conversion of Convertible Note 2011	3,322,700	133	–	–
Issue of shares by exercise of share options	850,000	34	–	–
At 30 April 2008 – ordinary shares of HK$0.04 each (2007: ordinary shares of HK$0.01 each)	1,945,640,189	77,826	6,875,374,340	68,754

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

(i) Consolidation of shares ("Share Consolidation")

On 17 October 2007, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company pursuant to which four shares of HK$0.01 each in the existing issued and unissued shares of share capital of the Company were consolidated into one share of HK$0.04 each ("Consolidated Shares") with effect from 29 October 2007.

(ii) Terms of unexpired and unexercised share options at the balance sheet date

Exercise period	**Exercise price**	**2008 Number**	**2007 Number** *(see note below)*
4 April 2006 – 3 April 2016	HK$3.60	13,125,000	17,500,000
17 November 2006 – 22 October 2006	HK$3.72	72,250,000	77,500,000
14 March 2007 – 6 March 2017	HK$3.92	47,500,000	47,500,000
		132,875,000	142,500,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 31 to the consolidated financial statements.

Note: The number of unexpired and unexercised share options at 30 April 2007 were adjusted by the effect of Share Consolidation.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 90 of the Bermuda Companies Act 1981.

(ii) Contributed surplus

The contributed surplus comprises the following:

– 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 in accordance with the accounting policy adopted for business combination under common control in note 1(c)(ii); and

– 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 from the controlling shareholder in accordance with the accounting policy adopted for business combination under common control in note 1(c)(ii).

(iii) Convertible note equity reserve

The convertible note equity reserve comprises the value of the unexercised equity component of convertible notes issued by the Group recognised in accordance with the accounting policy adopted for convertible notes in note 1(l).

(iv) Share options reserve

The share options reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share based payments in note 1(p)(ii).

(v) Investment valuation reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in note 1(d).

(vi) Other revaluation reserve

The other revaluation reserve comprises 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 Company. This other 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.

(vii) Special reserve

The special reserve comprises 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 in accordance with the accounting policy adopted for acquisition of additional interests in subsidiaries in note 1(c)(iii). 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.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate projects, and continue to provide returns for shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if the project development can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, convertible notes and senior notes) less cash and cash equivalents. Capital comprises total equity attributable to equity shareholders of the Company.

During the year, the Group's strategy, which was unchanged from last year, was to maintain a net debt-to-capital ratio of no more than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 30 April 2008 and 2007 was as follows:

	Note	2008 HK$'000	2007 HK$'000
Current liabilities:			
– Bank borrowings	26	541,491	671,700
– Loan payables	27	2,394,346	170,422
		2,935,837	842,122
Non-current liabilities:			
– Bank borrowings	26	2,772,558	1,401,880
– Loan payables	27	–	458,174
– Convertible notes	28	939,480	1,254,074
– Senior notes	29	2,897,838	–
Total debt		9,545,713	3,956,250
Less: Cash and cash equivalents	21	(4,363,937)	(1,411,472)
Net debt		5,181,776	2,544,778
Capital		8,374,052	4,958,831
Net debt-to-capital ratio		61.9%	51.3%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 12 December 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the group, to take up options at a consideration of HK$1 to subscribe for shares of the Company. The exercise period of the share options granted is determinable by the directors of the Company, but no later than 10 years from the date of the offer. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants that existed during the years ended 30 April 2008 and 2007 are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 17 November 2006	20,000,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant	10 years

	Number of instruments	Vesting conditions	Contractual life of options
		– up to 100% immediately after 4 years from the date of grant	
– on 14 March 2007	7,500,000	– up to 50% immediately from the date of grant – up to 100% immediately after 1 year from the date of grant	10 years
Options granted to employees:			
– on 17 November 2006	2,250,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	10 years
– on 17 November 2006	55,250,000	– up to 20% immediately after 1 year from the date of grant – up to 40% immediately after 2 years from the date of grant – up to 60% immediately after 3 years from the date of grant – up to 80% immediately after 4 years from the date of grant – up to 100% immediately after 5 years from the date of grant	10 years
– on 14 March 2007	40,000,000	– up to 50% immediately from the date of grant – up to 100% immediately after 1 year from the date of grant	10 years
Total share options	125,000,000		

Note: Upon the Share Consolidation became effective on 29 October 2007, the above share options granted were consolidated on the basis of 4 share options into 1 share option.

(b) The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Weighted average exercise price	*Number of options*	*Weighted average exercise price*	*Number of options*
Outstanding at the beginning of the year	HK$3.772	142,500,000	HK$3.600	21,500,000
Granted during the year	–	–	HK$3.796	125,000,000
Exercised during the year	HK$3.644	(4,625,000)	–	–
Forfeited during the year	HK$3.696	(5,000,000)	HK$3.600	(4,000,000)
Outstanding at the end of the year	HK$3.780	132,875,000	HK$3.772	142,500,000
Exercisable at the end of the year	HK$3.906	71,825,000	HK$3.832	35,200,000

Note: the above number of share options and weighted average price before Share Consolidation were adjusted by the effect of Share Consolidation.

The weighted average share price at the date of exercise for shares options exercised during the year was HK$7.81 (2007: not applicable).

The options outstanding at 30 April 2008 had exercise prices of HK$3.60, HK$3.72 or HK$3.92 (2007: HK$3.60, HK$3.72 or HK$3.92) after adjusting for the effect of the Share Consolidation and weighted average remaining contractual lives of 8 years, 8.5 years and 9 years (2007: 9 years, 9.5 years and 10 years), respectively.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

	17 November 2006	**14 March 2007**
Fair value at measurement date *(see note below)*	HK$2.20	HK$1.72
Share price *(see note below)*	HK$4.32	HK$3.96
Exercise price *(see note below)*	HK$3.72	HK$3.92
Expected volatility (expressed as weighted average volatility used in the modelling under binomial pricing model)	50%	50%
Option life (expressed as weighted average life used in the modelling under binomial pricing model)	4.3 to 8.3 years	4.7 to 5.7 years
Expected dividends	1.5%	1.1%
Risk-free interest rate	3.8%	4.1%

Note: Fair value at measurement date, share price and exercise price were adjusted by the effect of Share Consolidation.

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

32. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and market risks (including interest rate, currency risk and equity price risk) arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from:

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

– the amount of contingent liabilities as disclosed in note 36.

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 overdue 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 regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Cash and cash equivalents and restricted bank deposits are placed with banks and financial institutions with good credit ratings, the directors of the Company consider that the Group's credit risk on the cash and cash equivalent and restricted bank deposits is low.

In relation to the Group providing guarantees to secure obligations of the buyers of the property units for repayments, the legal title of the related properties and the customers' deposits are retained by the Group. In this regard, 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 36.

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

As at 30 April 2008 and 2007, the Group had no significant concentrations of credit risk within the property development business segment.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet after deducting any impairment allowance. Except for the guarantees given by the Group as set out in note 36, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the balance sheet date is disclosed in note 36.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2008					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	2,820,051	2,825,506	2,825,506	–	–	–
Bank borrowings	3,314,049	3,998,612	770,435	2,153,297	495,002	579,878
Loan payables	2,394,246	2,761,855	2,761,855	–	–	–
Convertible notes	939,480	1,244,401	–	–	1,244,401	–
Senior notes	2,897,838	5,096,983	304,250	304,250	913,433	3,575,050
	12,365,664	15,927,357	6,662,046	2,457,547	2,652,836	4,154,928

	2007					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or an demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	1,217,205	1,217,205	1,217,205	–	–	–
Bank borrowings	2,073,580	2,782,790	1,293,306	671,766	817,718	–
Loan payables	628,596	733,986	191,000	542,986	–	–
Convertible notes	1,254,074	1,818,822	–	–	1,818,822	–
	5,173,455	6,552,803	2,701,511	1,214,752	2,636,540	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings, loan payables, convertible notes, senior notes, cash and cash equivalents and restricted bank deposits.

Cash and cash equivalents and restricted bank deposits comprise mainly cash at banks, with the annual interest rates ranging from 0.79% to 1.53% as at 30 April 2008 (2007: 1.44% to 2.96%).

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes of interest rates. The interest rates of the Group's bank borrowings, loan payables, convertible notes and senior notes are disclosed in notes 26, 27, 28 and 29, respectively.

Sensitivity analysis

At 30 April 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates applicable to variable rate bank borrowings, with all other variables held constant, would decrease/ increase the Group's profit after tax and retained profits by approximately HK$25,000 (2007: HK$16,000). Other components of equity would not be affected (2007: HK$nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in respective interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(d) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the Group's functional currency.

	2008		**2007**	
	United States Dollars	**Hong Kong Dollars**	**United States Dollars**	**Hong Kong Dollars**
	'000	*'000*	*'000*	*'000*
Trade and other receivables	191	1,495	–	2,575
Cash and cash equivalents	30,203	279,633	5,162	313,699
Trade and other payables	(10,703)	(11,594)	–	(182,768)
Bank borrowing	–	–	–	(500,000)
Convertible notes	–	(939,480)	–	(1,254,074)
Senior notes	(371,518)	–	–	–
Overall exposure to currency risk	(351,827)	(669,946)	5,162	(1,620,568)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. Other components of equity would not be affected by changes in the foreign exchange rates.

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits**
		HK$'000		*HK$'000*
United States Dollars	2%	(54,869)	2%	805
	(2)%	54,869	(2)%	(805)
Hong Kong Dollars	5%	(34,962)	5%	(81,020)
	(5)%	34,962	(5)%	81,020

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group. As at the balance sheet date the Group is exposed to this risk through the warrants and redemption rights attached to the convertible notes issued by the Company as disclosed in notes 29 and 28, respectively.

(f) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 30 April 2008 and 2007.

(g) Estimation of fair values

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying values approximate fair values because of the short maturities of these instruments.

(ii) Interest-bearing loans and borrowings

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

(iii) Convertible notes

The Group selects appropriate valuation methods and makes assumptions with reference to market conditions existing at each balance sheet date, to determine the fair value of the embedded financial derivatives of the convertible notes that are separated from the host debt contract. The basis for determining the fair value is disclosed in note 28.

(iv) Financial guarantees issued

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantee not been available, where reliable estimates of such information can be made.

33. ACQUISITION OF SUBSIDIARIES

The Group acquired the following subsidiaries with details below:

(a) Acquisition of assets and liabilities through acquisition of subsidiaries

For the year ended 30 April 2008

(i) Beichen Project

In October 2007, the Group acquired a property project in Tianjin, the PRC ("Beichen Project") and its related assets and liabilities for a total consideration of approximately HK$743,205,000, which was satisfied by cash of approximately HK$416,305,000 and by the allotment and issue of 35,000,000 Consolidated Shares at HK$9.34 each of the Company. The purchase was by way of acquisition of the entire issued share capital of Wah Po Holdings Limited. This transaction has been reflected as a purchase of assets and liabilities.

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

	HK$'000
Net assets acquired	
Plant and equipment	334
Properties under development	979,061
Trade and other receivables and prepayments	525
Advances to suppliers	41,605
Tax recoverable	3
Amounts due from related companies	47
Bank balances and cash	35,477
Accruals and other payables	(4,907)
Amounts due to group companies	(308,940)
	743,205
Total consideration satisfied by:	
Cash consideration paid	(161,135)
Deposit for acquisition of subsidiaries in prior period	(255,170)
Equity instruments of the Company *(see note below)*	(326,900)
	(743,205)
Net cash outflow arising on acquisition:	
Cash consideration paid	(161,135)
Bank balances and cash acquired	35,477
	(125,658)

Note: Pursuant to the sales and purchase agreements for the acquisition of Beichen Project, 35,000,000 Consolidated Shares were issued. The fair value of the shares issued for the acquisition of Beichen Project amounting to approximately HK$326,900,000 was determined using the published closing price at the date of acquisition. The shares were allotted and the relevant registration with the share registrar was completed on 6 November 2007.

(ii) Tai Yuan Street Project

In November 2007, the Group entered into purchase agreements with independent third parties to acquire in aggregate a 80% equity interest in 沈陽向明陽益置業有限公司 ("Tai Yuan Street Project"), a company established in the PRC to carry out a property development project in Shenyang, the PRC, for a total cash consideration of approximately HK$609,800,000.

Details of the net assets acquired in respect of the acquisition of Tai Yuan Street Project are summarised below:

	HK$'000
Net assets acquired	
Plant and equipment	108
Properties under development	721,691
Trade and other receivables and prepayments	7,621
Amounts due from group companies	245,890
Bank balances and cash	9,294
Accruals and other payables	(1)
Amounts due to a shareholder	(267,447)
	717,156
Minority interests	(107,356)
	609,800
Total consideration satisfied by:	
Cash consideration paid	(513,200)
Payables for acquisition of subsidiaries	(96,600)
	(609,800)
Net cash outflow arising on acquisition:	
Cash consideration paid	(513,200)
Bank balances and cash acquired	9,294
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(503,906)

(iii) Qi Ao Island Project

In November 2007, the Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in Zhuhai City Qi Zhou Island Movie Town Co., (珠海市淇州島影視城有限公司) ("Qi Ao Island Project"), a company established in the PRC to carry out a property development project in Zhuhai, the PRC, for a total cash consideration of approximately HK$3,076,232,000.

Details of the net assets acquired in respect of the acquisition of Qi Ao Island Project are summarised below:

	HK$'000
Net assets acquired	
Plant and equipment	168
Properties under development	3,290,810
Trade and other receivables and prepayments	2,889
Bank balances and cash	1,110
Amounts due to group companies	(165,951)
Accruals and other payables	(52,794)
	3,076,232
Total consideration satisfied by:	
Cash consideration paid	(2,942,396)
Payables for acquisition of subsidiaries	(133,836)
	(3,076,232)
Net cash outflow arising on acquisition:	
Cash consideration paid	(2,942,396)
Bank balances and cash acquired	1,110
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(2,941,286)

(iv) Yanjiao Project

In December 2007, the Group entered into purchase agreements with independent third parties to acquire a 90% equity interest in Zhongou Chengkai Co., Ltd. (中歐城開有限公司) ("Yanjiao Project"), a company established in the PRC to carry out a property development project in Hebei Province, the PRC, for a total cash consideration of approximately HK$547,260,000.

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

	HK$'000
Net assets acquired	
Plant and equipment	124
Properties under development	581,968
Trade and other receivables and prepayments	5,048
Bank balances and cash	4,172
Accruals and other payables	(37,059)
	554,253
Minority interests	(6,993)
	547,260
Total consideration satisfied by:	
Cash consideration paid	(396,300)
Payables for acquisition of a subsidiary	(150,960)
	(547,260)
Net cash outflow arising on acquisition:	
Cash consideration paid	(396,300)
Bank balances and cash acquired	4,172
Net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(392,128)

(v) *天津凱津房地產開發有限公司*

In November 2007, the Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in 天津凱津房地產開發有限公司 ("天津凱津"), a company established in the PRC to carry out a property development project in Tianjin, the PRC, at a total cash consideration of approximately HK$222,000,000.

Details of the net assets acquired in respect of the acquisition of 天津凱津 are summarised below:

	HK$'000
Net assets acquired	
Properties under development	345,698
Bank balances and cash	932
Accruals and other payables	(124,630)
	222,000
Total consideration satisfied by:	
Cash consideration paid	(222,000)
Net cash outflow arising on acquisition:	
Cash consideration paid	(222,000)
Bank balances and cash acquired	932
Net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(221,068)

(vi) *北京淺野水泥有限公司*

In December 2007, the Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in 北京淺野水泥有限公司 ("淺野水泥"), a company established in the PRC to carry out a property development project in Beijing, the PRC, for a total cash consideration of approximately HK$100,468,000.

Details of the net assets acquired in respect of the acquisition of 淺野水泥 are summarised below:

	HK$'000
Net assets acquired	
Properties under development	31,205
Trade and other receivables and prepayments	66,560
Bank balances and cash	2,956
Accruals and other payables	(253)
	100,468
Total consideration satisfied by:	
Cash consideration paid	(100,468)
Net cash outflow arising on acquisition:	
Cash consideration paid	(100,468)
Bank balances and cash acquired	2,956
Net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(97,512)

(vii) 北京盈通房地產開發有限公司

In December 2007, the Group entered into purchase agreements with independent third parties to acquire in aggregate 100% equity interest in Win Early Investments Limited ("Win Early"), a company incorporated in the British Virgin Islands to carry out a primary land development project in Beijing, the PRC, for a total cash consideration of approximately HK$90,000,000. Win Early owns 67.5% equity interest in 北京盈通房地產開發有限公司("北京盈通"), a company established in the PRC and engaged in primary land development project in Beijing.

Details of the net assets acquired in respect of the acquisition of 北京盈通 are summarised below:

	HK$'000
Net assets acquired	
Plant and equipment	72
Properties under development	125,046
Trade and other receivables and prepayments	1
Bank balances and cash	754
Accruals and other payables	(12,841)
Amounts due to a related company	(3)
Amounts due to a shareholder	(6,295)
	106,734
Minority interests	(16,734)
	90,000
Total consideration satisfied by:	
Cash consideration paid	(90,000)
Net cash outflow arising on acquisition:	
Cash consideration paid	(90,000)
Bank balances and cash acquired	754
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(89,246)

(b) Acquisition of subsidiaries and businesses under common control

For the year ended 30 April 2008

(i) 北京中新沃克建築裝飾工程有限公司 and 北京新松建築研究發展有限公司

In May 2007, 100% equity interest in 北京中新沃克建築裝飾工程有限公司(“中新沃克”) and 北京新松建築研究發展有限公司(“新松建築研發”) were transferred into the Group for a total consideration of HK$2,020,000 from the controlling shareholder, Mr. Li Song Xiao. 中新沃克 and 新松建築研發 are engaged in the design and construction business in the PRC. These acquisitions have been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisitions of 中新沃克 and 新松建築研發 are summarised below:

	Acquiree's carrying amount before combination and fair value
	HK$'000
Net assets acquired	
Plant and equipment	962
Properties under development	9,016
Trade and other receivables	1,104
Amounts due from group companies	303
Bank balances and cash	5,844
Accruals and other payables	(2,768)
Amounts due to related companies	(2,193)
Amounts due to group companies	(14,788)
	(2,520)
Deemed distribution to the controlling shareholder *(see note below)*	4,540
	2,020
Total consideration satisfied by:	
Cash consideration paid	(2,020)
Net cash inflow arising on acquisition:	
Cash Consideration paid	(2,020)
Bank balances and cash acquired	5,844
Net cash inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	3,824

Note: 中新沃克 and 新松建築研發 were acquired from the controlling shareholder. The deemed distribution represented the excess of the fair value of the consideration, which was an insignificant amount, over the fair value of the net assets acquired.

(ii) Jiujiu Youth City Project

In October 2007, the Group acquired from the controlling shareholder, Mr. Li Song Xiao, a property project in Shanghai, the PRC ("Jiujiu Youth City Project") and its related assets and liabilities for a consideration of approximately HK$1,056,759,000, which was settled by the issue of 467,592,592 ordinary shares at HK$2.26 each of the Company. The purchase was by way of the acquisition of 100% interest in One Alliance Investment Limited. This transaction has been reflected as a purchase of assets and liabilities.

Details of the net assets acquired in respect of the acquisition of Jiujiu Youth City Project are summarised below:

	HK$'000
Net assets acquired	
Plant and equipment	1,635
Properties under development	617,625
Trade and other receivables and prepayments	2,369
Amounts due from group companies	10
Bank balances and cash	30,948
Accruals and other payables	(9,204)
Amounts due to group companies	(274)
Bank borrowings	(67,600)
	575,509
Deemed distribution to the controlling shareholder *(see note (a) below)*	481,250
Total consideration satisfied by equity instruments of the Company *(see note (b) below)*	1,056,759
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	30,948

Notes:

(a) Jiujiu Youth City Project was acquired from the controlling shareholder. The deemed distribution represented the excess of the fair value of the consideration over the fair value of net assets acquired.

(b) Pursuant to the sale and purchase agreements for the acquisition of Jiujiu Youth City Project, 467,592,592 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of the shares issued for the acquisition of Jiujiu Youth City Project amounting to approximately HK$1,056,759,000 was determined using the published closing price at the date of the acquisition.

For the year ended 30 April 2007

(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") for a consideration of HK$758,252,000 which was settled by the issue of 1,243,034,853 ordinary shares of the Company.

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 were acquired from the controlling shareholder. The acquisitions of Lead Mix and DIVO Success gave rise to a deemed contribution from the controlling shareholder of HK$305,611,000, which represented 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 summarised 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)
Amounts 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			(305,611)
			758,252
Total consideration satisfied by:			
Equity instruments of the Company *(see note below)*			(758,252)

Note: 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 value of the shares issued for the acquisition of Lead Mix and DIVO Success amounting to approximately HK$758,252,000 was determined using the quoted bid price at the date of the acquisition.

(iv) 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 was acquired from the controlling shareholder. The acquisition of Hunan Qianshuiwan Shuangya gave rise to a deemed contribution of HK$24,474,000, which represented the shortfall of the fair value of the consideration below the fair value of the net assets acquired.

Details of the net assets acquired in respect of the acquisition of Hunan Qianshuiwan Shuangya are summarised 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	980	–	980
Properties under development	144,106	295,894	440,000
Trade and other receivables and prepayments	696	–	696
Advances to suppliers	20,000	–	20,000
Bank balances and cash	36,086	–	36,086
Accruals and other payables	(9,321)	–	(9,321)
Amounts due to related companies	(59,000)	–	(59,000)
Amounts due to group companies	(33,000)	–	(33,000)
Deferred tax liabilities	–	(73,973)	(73,973)
	100,547	221,921	322,468
Minority interests			(81,994)
Deemed contribution from the controlling shareholder *(see note below)*			(24,474)
			216,000
Total consideration satisfied by:			
Cash consideration paid			(216,000)

(c) Business combination

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, for 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 for a cash consideration of HK$59,900,000. This acquisition has been accounted for as the 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 summarised 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
Total consideration 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 an additional 25% equity interest in Beijing New Shine Land Investment on 30 June 2006 for 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 for 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 summarised 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
Total consideration satisfied by:			
Cash consideration paid			(257,426)

(iii) 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 for a total consideration of approximately HK$921,600,000, satisfied by cash of HK$416,000,000, 340,000,000 shares of the Company and the issuance of Loan Payable Xian with a fair value of HK$169,000,000 (note 27(d)), from independent third 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 summarised 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
Total consideration satisfied by:			
Cash consideration paid			(380,000)
Payables for acquisition of a subsidiary			(36,000)
Loan Payable Xian *(see note below)*			(169,000)
Equity instruments of the Company *(see note below)*			(336,600)
			(921,600)

Note:

Pursuant to the sale 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 an independent 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 were HK$336,600,000 and HK$169,000,000 respectively, which were 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, an independent professional valuer, at the date of the acquisition, respectively.

(iv) 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, for a cash consideration of HK$150,000,000 plus the issuance of 125,000,000 of the Company's shares. This acquisition has been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisition of Zhongzhu Jiazhan Real Estate 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	580	–	580
Properties under development	199,690	177,837	377,527
Trade and other receivables and prepayments	6,542	–	6,542
Bank balances and cash	1,715	–	1,715
Accruals and other payables	(12,440)	–	(12,440)
Amounts due to group companies	(55,715)	–	(55,715)
Deferred tax liabilities	–	(44,459)	(44,459)
	140,372	133,378	273,750
Total consideration satisfied by:			
Cash consideration paid			150,000
Equity instruments of the Company *(see note below)*			123,750
			273,750

Note:

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 value of the shares issued for the acquisition of Zhongzhu Jiazhan amounting to approximately HK$123,750,000 was determined using the quoted bid price at the date of the acquisition.

(d) Summary of acquisition of subsidiaries

For the year ended 30 April 2008

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

	HK$'000
Net assets acquired	
Plant and equipment	3,403
Properties under development	6,702,120
Trade and other receivables and prepayments	127,722
Tax recoverable	3
Amounts due from group companies	246,203
Amount due from related companies	47
Bank balances and cash	91,487
Accruals and other payables	(244,457)
Bank borrowings	(67,600)
Amounts due to related companies	(2,196)
Amounts due to group companies	(489,953)
Amounts due to shareholders	(273,742)
	6,093,037
Minority interests	(131,083)
Deemed distribution to the controlling shareholder	485,790
	6,447,744
Total purchase consideration satisfied by:	
Cash consideration paid	(4,427,519)
Payables for acquisition of subsidiaries	(381,396)
Deposit for acquisition of subsidiaries in prior period	(255,170)
Equity instrument of the Company	
– Beichen Project *(Note 33(a)(i))*	(326,900)
– Jiujiu Youth City Project *(Note 33(b)(ii))*	(1,056,759)
	(6,447,744)
Net cash outflow arising on acquisition:	
Cash consideration paid	(4,427,519)
Bank balances and cash acquired	91,487
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(4,336,032)

The subsidiaries acquired during the year contributed a loss of approximately HK$61,361,000 to the Group's result.

If the acquisitions had been completed on 1 May 2007, the Group's total revenue for the year would have been HK$5,029,260,000 and profit for the year would have been HK$1,493,431,000. The pro forma 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 2007, nor is it intended to be a projection of future results.

For the year ended 30 April 2007

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

	Acquirees' carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*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)
Amounts 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 *(see note 33(b)(iii) and (iv))*			(330,085)
			3,256,450
Less: interest held prior to the acquisition interests in associates			(244,308)
revaluation reserve			(140,228)
			2,871,914

	Acquirees' carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Total purchase consideration 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 33(c)(iii))*			(169,000)
Equity instruments of the Company			
– Lead Mix Limited and DIVO Success Limited *(note 33(b)(iii))*			(758,252)
– Xian Chan Ba Construction *(note 33(c)(iii))*			(336,600)
– Zhongzhu Jiazhan Real Estate *(note 33(c)(iv))*			(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 pro forma 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.

(e) Acquisition of additional interest in subsidiaries

For the year ended 30 April 2007

(i) On 28 February 2007, the Group completed the acquisition of a further 15% equity interest in 北京金馬文華園房地產開發有限公司 ("Beijing Jinma") for a cash consideration of HK$100,000,000 from an independent third party. Prior to the acquisition, the Group had a 85% equity interest in Beijing Jinma and Beijing Jinma then became a wholly-owned subsidiary of the Group. The acquisition in Beijing Jinma gave rise to a special reserve of HK$33,860,000, which represented 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 interests decreased by HK$66,140,000.

(ii) On 28 February 2007, the Group completed the acquisition of a further 22.1% equity interest 北京新松房地產開發有限公司 ("Beijing Newshine") for a cash consideration of HK$90,000,000 from a related company controlled by the controlling shareholder. Prior to the acquisition, the Group had a 51.6% equity 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 gave 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 interests decreased by HK$80,428,000.

34. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

For the year ended 30 April 2008

(i) Tianjin Zhongxin Mingshi

During the year, the Group completed the disposal of the entire interest in Tianjin Zhongxin Mingshi for a consideration of approximately HK$223,086,000. A loss on disposal of HK$35,400,000 arose from this disposal.

The assets and liabilities associated with the disposed subsidiary were classified as assets as held for sale and liabilities directly associated with assets classified as held for sale in the consolidated balance sheet at 30 April 2007.

Details of the net assets disposed of in respect of the disposal of Tianjin Zhongxin Mingshi are summarised below:

	2008
	HK$'000
NET ASSETS DISPOSED OF	
Properties under development	201,774
Bank balances and cash	79,229
Amounts due from group companies	16,518
Deferred tax liabilities	(39,035)
	258,486
Loss on disposal of subsidiary	(35,400)
	223,086
Total consideration satisfied by	
Cash received	161,524
Deposit received for disposal of a subsidiary in prior period	61,562
	223,086
Net cash inflow arising on disposal:	
Cash consideration received	161,524
Bank balances and cash disposed of	(79,229)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiary	82,295

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

(ii) 中新綿世(成都)建設發展有限公司

In March 2008, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest in 中新綿世(成都)建設發展有限公司("中新綿世") for a consideration of approximately HK$142,080,000, and this transaction was completed on April 2008. A gain on disposal on HK$83,060,000 arose from this disposal.

Details of the net assets disposed of in respect of the disposal of 中新綿世 are summarised below:

	2008
	HK$'000
NET ASSETS DISPOSED OF	
Plant and equipment	203
Properties under development	412,925
Trade and other receivables and prepayments	4,028
Bank balances and cash	35,780
Accruals and other payables	(2,469)
Bank borrowings	(342,990)
Amounts due to group companies	(122)
	107,355
Minority interests	(48,335)
	59,020
Gain on disposal of subsidiaries	83,060
	142,080
Total consideration satisfied by:	
Cash received	142,080
Net cash inflow arising on disposal:	
Cash consideration received	142,080
Bank balances and cash disposed of	(35,780)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	106,300

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

For the year ended 30 April 2007

(iii) Zhongzhu Jiazhan Real Estate

In April 2007, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest in Well Development Investment Limited together with its 90% equity 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 on disposal of HK$283,247,000 arose from this disposal.

(b) Summary of disposal of subsidiaries

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

	2008	2007
	HK$'000	*HK$'000*
NET ASSETS DISPOSED OF		
Property, plant and equipment	203	610
Properties under development	614,699	388,196
Trade and other receivables and prepayments	4,028	2,692
Bank balances and cash	115,009	2,947
Amounts due from group companies	16,518	–
Other payables and accruals	(2,469)	(14,536)
Bank borrowings	(342,990)	–
Amounts due to group companies	(122)	(5,279)
Deferred tax liability	(39,035)	(44,904)
	365,841	329,726
Minority interests	(48,335)	–
Available-for-sale investment	–	(32,973)
	317,506	296,753
Gain on disposal of subsidiaries	47,660	283,247
	365,166	580,000
Satisfied by:		
Cash consideration received	303,604	67,570
Consideration receivable for disposal of subsidiaries	–	512,430
Deposit received for disposal of a subsidiary in prior period	61,562	–
	365,166	580,000
Net cash inflow arising on disposal:		
Cash received	303,604	67,570
Bank balances and cash disposed of	(115,009)	(2,947)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	188,595	64,623

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

(c) Disposal of partial interest in subsidiaries

For the year ended 30 April 2008

In April 2008, the Group completed the disposal of 20% equity interest in in Tianjin City Yi Jia He Zhi Ye Co., Ltd ("Tianjin Yi Jia He") and its subsidiaries at a cash consideration of approximately HK$888,000,000 to an independent third party. Prior to the disposal, Tianjin Yi Jia He was a wholly-owned subsidiary of the Group. The disposal gave rise to a gain on disposal of HK$699,680,000. Due to the disposal of partial equity interest in Tianjin Yi Jia He and its subsidiaries, the minority interests were increased by HK$13,386,000.

35. COMMITMENTS

(a) Commitments in respect of properties under development outstanding at 30 April not provided for in the consolidated financial statements were as follows:

	The Group 2008 HK$'000	2007 HK$'000
Authorised and contracted for but not provided for	3,720,684	5,100,526

(b) Other capital commitment outstanding at 30 April not provided for in the consolidated financial statements were as follows:

	2008 HK$'000	2007 HK$'000
Capital expenditure in respect of acquisitions of subsidiaries *(note)*	–	44,830
Capital expenditure in respect of acquisitions of property, plant and equipment	–	12,225
	–	57,055

Note: During the year ended 30 April 2007, the Group entered into sale and purchase agreements with independent third parties for the acquisitions of equity interests of several companies. The total purchase consideration was 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 and recognised as "Deposits for acquisition of subsidiaries" in the consolidated balance sheet as at 30 April 2007, resulting in a capital commitment of approximately HK$44,830,000. These transactions were completed in October 2007.

(c) At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008 HK$'000	2007 HK$'000
Within one year	5,526	3,814
After one year but within five years	2,926	2,010
	8,452	5,824

Operating lease payments represent rentals payable by the Group for its office properties. The leases typically run for an initial period of three months to three years, with an option to renew the lease when all terms are renegotiated.

36. CONTINGENT ASSETS AND LIABILITIES

(a) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was HK$2,131,318,000 as at 30 April 2008 (2007: HK$1,278,429,000).

In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the parties involved is remote, and in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for guarantees.

(b) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties with terms ranging one to two years against certain specified defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

37. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Short-term employee benefits	8,068	6,916
Post-employment benefits	10	31
Equity compensation benefits	64,873	74,831
	72,951	81,778

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Balances with related parties

Details of the balances with related parties as at 30 April 2008 and 2007 are set out in the notes 20 and 23.

(c) Transactions with other related parties

(i) 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		**Decoration income**		**Interest expenses**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Related companies	1,070	15,746	18,271	–	–	5,770

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

Decoration income were received from related companies for providing design and decoration services by the Group.

(ii) The Group acquired certain subsidiaries from Mr. Li Song Xiao. Details of such acquisitions are set out in note 33.

(iii) The Group entered into an agreement with 天津中新建業投資有限公司 (「中新建業」), with a total contracted amount of HK$535,000 (2007: HK$nil) for provision of surveying services. Pursuant to the agreement, 中新建業 will provide surveying services for the properties under development held by the Group. At 30 April 2008, HK$515,000 (2007: HK$nil) for surveying services has been paid to 中新建業 and were included in property under development.

(iv) During the year ended and as at 30 April 2008, 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, provide corporate guarantees to secure the Group's bank loan facilities to the extent of approximately HK$342,400,000 (2007: HK$323,200,000) and HK$188,320,000 (2007: HK$177,600,000) respectively at no charge.

38. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 10.

(b) On 28 May 2008, Beijing Guo Rui Min He Investment Company Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Yuanan Jing Gu Lin Ye Gu Fen Co., Ltd., an independent third party, to acquire a further 12% equity interest in Beijing Jun He Bai Nian Property Development Co., Ltd. ("Jun He Bai Nian"), an associate of the Group as at 30 April 2008, for a consideration of RMB82,090,000 in cash. Upon the transfer of 12% equity interest Jun He Bai Nian to the Group, the Group holds approximately 56% of the entire equity interest in Jun He Bai Nian and Jun He Bai Nian become a subsidiary of the Group. Details of the transaction are included in a circular of the Company dated 4 July 2008. Up to the date of issue of these financial statements, the transaction was completed.

(c) On 1 June 2008, the Group entered into an agreement whereby the Group exercised its right to purchase a further 30% equity interest in 成都中新錦泰房地產開發有限公司 (「中新錦泰」). Upon the transfer of such 30% equity interest in 中新錦泰 to the Group, the Group holds 100% equity interest in 中新錦泰. Details of the transaction are included in a circular of the Company dated 18 July 2008. Up to the date of issue of these financial statements, the transaction has not yet been completed.

39. COMPARATIVE FIGURES

As a result of adopting HKFRS 7 "*Financial instruments: Disclosures*" and the amendments to HKAS 1 "*Presentation of financial statements: Capital disclosures*", certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008. Further details of these developments are disclosed in note 2.

In addition, certain comparative figures have been adjusted or reclassified as a result of the restatement of prior period and opening balances. Further details are disclosed in note 2.

40. CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) 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 tax in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain property development projects of the Group. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. 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 income tax and deferred income tax provisions in the period in which such determination is made.

(b) Provision for properties under development and completed properties held for sale

As explained in Note 1(k), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(d) Impairment for property, plant and equipment

If circumstances indicate that the net book value of property, plant and equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with the accounting policy for impairment of property, plant and equipment as described in Note 1(j)(ii)). The carrying amounts of property, plant and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of selling price and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(e) Impairment for trade and loan receivables

The Group estimates impairment losses for trade and loan receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and loan receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(f) Derivative financial instruments

In determining the fair value of the derivative financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 APRIL 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 April 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, HKFRS 8 "Operating Segments", which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the consolidated financial statements.

42. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 30 April 2008, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be Invest Gain Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

43. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30 April 2008 are set out below:

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/ and paid-up 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	–	80%	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
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

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/ and paid-up registered capital held Directly	Indirectly	Principal activities
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	–	82%	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 (a)*)	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 (d))*	Property development
天津中新水城置地有限公司 *(note (a))*	The PRC	US$15,000,000	–	65%	Primary land development
北京御水苑房地產開發有限責任公司 *(note (c))*	The PRC	RMB20,000,000	–	90%	Property development
北京新松置地投資顧問有限公司 *(note (c))*	The PRC	RMB30,000,000	–	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 (e))*	Property development
西安滻霸建設開發有限公司 *(note (a))*	The PRC	US$86,880,000	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 *(note (c))*	The PRC	RMB30,000,000	–	67%	Property development
重慶中華企業房地產發展有限公司 *(note (c))*	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
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
天津中新信捷房地產開發有限公司 *(note (b))*	The PRC	RMB240,000,000	–	100%	Property development

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/ and paid-up registered capital held Directly	Indirectly	Principal activities
上海九久廣場投資開發有限公司 *(note (c))*	The PRC	RMB226,160,000	–	100%	Property development
天津市億嘉合置業有限公司 *(note (c))*	The PRC	RMB38,000,000	–	80%	Property development
瀋陽向明長益置業有限公司 *(note (a))*	The PRC	USD63,750,000	–	80%	Property development
珠海市淇洲島影視城有限公司 *(note (a))*	The PRC	RMB90,000,000	–	100%	Property development
中歐城開有限公司 *(note (c))*	The PRC	RMB63,000,000	–	90%	Property development
北京盈通房地產開發有限公司 *(note (a))*	The PRC	USD6,000,000	–	67.5%	Primary land development
天津凱津房地產開發有限公司 *(note (c))*	The PRC	RMB30,000,000	–	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) This company was established in the PRC in the form of a limited liability company.

(d) 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 a fixed rate of return at 6.5% per annum. The Group shall purchase from the independent third party the 26.3% registered capital in August 2008 at a mutually-agreed price. (see Loan Payable A in note 27(b))

(e) 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 from the independent third party the 30% registered capital in January 2009 at a mutually-agreed price. (see Loan Payable B in note 27(c))

The above table only includes those subsidiaries which, in the opinion of the Company's 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 Company's directors, result in particulars of excessive length.

(II) The following is an extract of a report on the Group received from Crowe Horwath (HK) CPA Limited, the Group's reporting accountants, from the 2009 annual report of Neo-China.

Crowe Horwath™

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

34/F The Lee Gardens,
33 Hysan Avenue,
Causeway Bay, Hong Kong

To the shareholders of
Neo-China Land Group (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Neo-China Land Group (Holdings) Limited (the "Company") set out on pages 41 to 137, which comprise the consolidated balance sheet as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the eight-month period then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's loss and cash flows for the eight-month period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 9 April 2010

Yau Hok Hung
Practising Certificate Number P04911

Consolidated Income Statement
for the eight-month period from 1 May 2009 to 31 December 2009

	Note	8 months ended 31 December 2009 HK$'000	Year ended 30 April 2009 HK$'000
Turnover	3	513,086	2,534,580
Cost of sales		(448,138)	(2,044,087)
Gross profit		64,948	490,493
Other revenue	4	20,450	47,080
Other net (loss)/income	4	(23,943)	289,477
Net valuation (loss)/gain on investment properties	12	(158,337)	409,047
Write down of inventories	16(b)	(124,398)	–
Distribution and selling expenses		(252,359)	(121,029)
General and administrative expenses		(394,571)	(363,655)
(Loss)/profit from operations		(868,210)	751,413
Finance costs	5(a)	(132,342)	(210,224)
Gain on redemption of convertible notes	26	426,074	–
Share of losses of associates		(1,789)	(477)
Gain on disposal of subsidiaries	33(b)	336,866	–
Loss on disposal of associate		(5,100)	(1,014)
Impairment loss on assets of disposal group/ non-current assets classified as held for sale	28	(1,790,000)	(201,000)
(Loss)/profit before taxation	5	(2,034,501)	338,698
Income tax	6(a)	(149,798)	(249,142)
(Loss)/profit for the period/year		(2,184,299)	89,556
Attributable to:			
Equity shareholders of the Company		(2,106,392)	126,567
Minority interests		(77,907)	(37,011)
(Loss)/profit for the period/year		(2,184,299)	89,556
(Loss)/earnings per share	10		
Basic		(108.26) HK cents	6.51 HK cents
Diluted		(127.94) HK cents	5.56 HK cents

Consolidated Statement of Comprehensive Income
for the eight-month period from 1 May 2009 to 31 December 2009

	Note	8 months ended 31 December 2009 HK$'000	Year ended 30 April 2009 HK$'000
(Loss)/profit for the period/year		(2,184,299)	89,556
Other comprehensive (loss)/income for the period/ year (after tax and reclassification adjustments)	6(c)		
Exchange differences on translation into presentation currency		(1,235)	77,110
Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interests in subsidiaries		(145,234)	–
Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interest in an associate		(22,681)	–
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held for sale		(270)	(312)
Other comprehensive (loss)/income for the period/ year		(169,420)	76,798
Total comprehensive (loss)/income for the period/ year		(2,353,719)	166,354
Attributable to:			
Equity shareholders of the Company		(2,275,812)	184,776
Minority interests		(77,907)	(18,422)
Total comprehensive (loss)/income for the period/ year		(2,353,719)	166,354

Consolidated Balance Sheet
as at 31 December 2009

	Note	31 December 2009 HK$'000	31 December 2009 HK$'000	30 April 2009 HK$'000	30 April 2009 HK$'000
Non-current assets					
Fixed assets					
– Investment properties	12		2,949,328		3,313,447
– Other property, plant and equipment	13		827,900		641,308
			3,777,228		3,954,755
Interests in associates	14		328,380		–
Restricted bank deposits	15(a)		55,023		173,399
Derivative financial instrument – Redemption Right of the Issuer	26		600		–
Deferred tax assets	23(b)		24,142		24,832
			4,185,373		4,152,986
Current assets					
Inventories	16	14,462,055		20,908,384	
Investments in securities held for trading	17	–		1,513	
Loan receivables	18	412,626		–	
Trade and other receivables	19	2,231,914		707,980	
Prepaid income tax	23(a)	339,673		231,172	
Restricted bank deposits	15(b)	–		19,030	
Cash and cash equivalents	20(a)	1,627,196		2,618,105	
		19,073,464		24,486,184	
Assets of disposal group/ non-current assets classified as held for sale	28	2,732,943		656,578	
		21,806,407		25,142,762	
Current liabilities					
Trade and other payables	21	2,413,007		3,286,936	
Pre-sale receipts from customers	22	8,763,402		5,415,588	
Bank borrowings	24	702,240		971,656	
Loan payables	25	1,402,200		2,737,281	
Derivative financial instrument – Warrants	27	29,600		32,100	
Income tax payable	23(a)	1,238,927		1,093,457	
Dividend payable		6,473		6,473	
		14,555,849		13,543,491	
Liabilities of disposal group classified as held for sale	28	835		–	
		14,556,684		13,543,491	
Net current assets			7,249,723		11,599,271

		31 December 2009		30 April 2009	
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets less current liabilities			11,435,096		15,752,257
Non-current liabilities					
Bank borrowings	*24*	768,064		1,554,048	
Convertible notes	*26*	62,136		1,028,195	
Senior notes	*27*	2,942,803		2,923,895	
Deferred tax liabilities	*23(b)*	1,002,111		1,173,976	
			4,775,114		6,680,114
NET ASSETS			6,659,982		9,072,143
CAPITAL AND RESERVES	*29*				
Share capital			77,826		77,826
Reserves			5,995,603		8,238,558
Total equity attributable to equity shareholders of the Company			6,073,429		8,316,384
Minority interest			586,553		755,759
TOTAL EQUITY			6,659,982		9,072,143

Consolidated Statement of Changes in Equity

for the eight-month period from 1 May 2009 to 31 December 2009

	Attributable to equity shareholders of the Company									
	Share capital	**Share premium**	**Convertible notes equity reserve**	**Share options reserve**	**Other revaluation reserve**	**Exchange reserve**	**Retained profits**	**Total**	**Minority interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 May 2008	77,826	5,515,551	44,365	187,561	46,541	738,254	1,763,954	8,374,052	705,271	9,079,323
Profit for the year	–	–	–	–	–	–	126,567	126,567	(37,011)	89,556
Other comprehensive income for the year:										
– Exchange differences on translation into presentation currency	–	–	–	–	–	58,521	–	58,521	18,589	77,110
– Realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	–	–	–	–	(312)	–	–	(312)	–	(312)
Total comprehensive income for the year	–	–	–	–	(312)	58,521	126,567	184,776	(18,422)	166,354
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	68,910	68,910
Equity settled share-based transactions	–	–	–	29,946	–	–	–	29,946	–	29,946
Transfer to retained profits upon forfeiture of share options	–	–	–	(9,123)	–	–	9,123	–	–	–
Dividend approved in respect of the previous year	–	–	–	–	–	–	(272,390)	(272,390)	–	(272,390)
Balance at 30 April 2009	77,826	5,515,551	44,365	208,384	46,229	796,775	1,627,254	8,316,384	755,759	9,072,143

	Attributable to equity shareholders of the Company									
	Share capital	**Share premium**	**Convertible notes equity reserve**	**Share options reserve**	**Other revaluation reserve**	**Exchange reserve**	**(Accumulated losses)/ retained profits**	**Total**	**Minority interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 May 2009	77,826	5,515,551	44,365	208,384	46,229	796,775	1,627,254	8,316,384	755,759	9,072,143
Loss for the period	–	–	–	–	–	–	(2,106,392)	(2,106,392)	(77,907)	(2,184,299)
Other comprehensive loss for the period:										
– Exchange differences on translation into presentation currency	–	–	–	–	–	(1,235)	–	(1,235)	–	(1,235)
– Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interests in subsidiaries	–	–	–	–	–	(145,234)	–	(145,234)	–	(145,234)
– Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interest in an associate	–	–	–	–	–	(22,681)	–	(22,681)	–	(22,681)
– Reclassification adjustment for realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	–	–	–	–	(270)	–	–	(270)	–	(270)
Total comprehensive loss for the period	–	–	–	–	(270)	(169,150)	(2,106,392)	(2,275,812)	(77,907)	(2,353,719)
Transfer to retained profits upon the redemption of convertible notes	–	–	(41,785)	–	–	–	61,566	19,781	–	19,781
Decrease in minority interests										
– upon disposal of subsidiaries	–	–	–	–	–	–	–	–	(79,914)	(79,914)
– upon acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(11,385)	(11,385)
Equity settled share-based transactions	–	–	–	13,076	–	–	–	13,076	–	13,076
Balance at 31 December 2009	77,826	5,515,551	2,580	221,460	45,959	627,625	(417,572)	6,073,429	586,553	6,659,982

Consolidated Cash Flow Statement

for the eight-month period from 1 May 2009 to 31 December 2009

		8 months ended 31 December 2009		Year ended 30 April 2009	
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities					
Cash generated from operations	*20(b)*	577,184		949,300	
Tax paid					
The People's Republic of China (the "PRC") Income Tax paid		(151,121)		(176,463)	
PRC Land Appreciation Tax paid		(40,431)		(55,751)	
Net cash generated from operating activities			385,632		717,086
Investing activities					
Payments for acquisition of subsidiaries, net of cash acquired	*32(a)*	–		(92,089)	
Refund of deposits paid for acquisition of project companies		–		309,246	
Repayment from a former shareholder of a subsidiary		–		54,390	
Proceeds from disposal of subsidiaries	*33(b)*	1,767,782		–	
Proceeds from disposal of interest in an associate		120,897		–	
Advances to associates		(74,857)		(989)	
Payments for acquisition of additional interest in a subsidiary		(22,800)		–	
Payments for the acquisition of investment properties		–		(1,457)	
Payments for purchases of other property, plant and equipment		(222,815)		(486,868)	
Proceeds from disposal of investment properties		160,911		550,181	
Proceeds from disposal of other property, plant and equipment		54		1,822	
Decrease/(Increase) in restricted bank deposits		137,406		(72,417)	
Increase in loan receivables		(412,626)		–	
Interest received		13,231		45,873	
Net cash generated from investing activities			1,467,183		307,692

		8 months ended 31 December 2009		Year ended 30 April 2009	
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financing activities					
Proceeds from new bank loans		302,100		772,800	
Repayments of bank loans		(1,357,500)		(1,635,312)	
Payment for redemption of convertible notes		(544,856)		–	
Decrease in loan payables		(604,200)		(1,050,847)	
Repayments to former shareholders of the Company's subsidiaries		–		(134,243)	
Repayment to a shareholder		–		(20,412)	
Repayments to related companies		(415)		(81,137)	
Repayments to associates		–		(75,816)	
Advances from minority shareholders		–		2,290	
Interest paid		(603,357)		(346,637)	
Dividends paid to equity shareholders of the Company		–		(270,277)	
Net cash used in financing activities			(2,808,228)		(2,839,591)
Net decrease in cash and cash equivalents			(955,413)		(1,814,813)
Cash and cash equivalents at the beginning of the period/year	*20(a)*		2,618,105		4,363,937
Effect of foreign exchange rate changes			–		68,981
Cash and cash equivalents at the end of the period/year	*20(a)*		1,662,692		2,618,105

Notes to the Financial Statements

for the eight-month period from 1 May 2009 to 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

(i) Basis of measurement

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

– investment properties (see note 1(f)); and

– financial instruments classified as available-for-sale or as trading investments (see note 1(d)); and

– derivative financial instruments (see note 1(e)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(v)).

(ii) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries and associates are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in Hong Kong dollars, rounded to the nearest thousand, which is different from the functional currency of the Company, Renminbi ("RMB") as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong and therefore, the directors of the Company consider that Hong Kong dollars is preferable in presenting the operating result and financial position of the Group. The majority of the Company's subsidiaries are operating in the People's Republic of China (the "PRC") with RMB as their functional currency.

(iii) Use of estimates and judgement

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 38.

(iv) Change of year end date

Pursuant to the board of directors' meeting on 11 December 2009, the financial year end date of the Group and the Company has been changed from 30 April to 31 December in order to a conterminous financial year end as that of its major operating subsidiaries engaged in the business of property development. As a result, the consolidated financial statements are presented covering a period of eight months from 1 May 2009 to 31 December 2009. Accordingly, the comparative figures (which cover a period of twelve months from 1 May 2008 to 30 April 2009) for the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and related notes to financial statements are not comparable with those of the current period.

(c) Basis of consolidation

The consolidated financial statements for the eight-month period from 1 May 2009 to 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(i) Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, 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 (see note 1(v)).

(ii) Acquisition of subsidiaries and businesses 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 the contributed surplus 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 deemed distribution to the controlling shareholder as an adjustment to the contributed surplus in equity.

(iii) Acquisition of additional interests in subsidiaries

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

(iv) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1 (l), (m) or (n) depending on the nature of the liability.

(v) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(v)). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see notes 1(c)(vi) and 1(j)). The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associates' other reserves is recognised in the consolidated statement of changes in equity.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal and constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(vi) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and the entire carrying amount of the investment is tested for impairment whenever there is objective evidence of impairment (see note 1(j)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) Investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(s)(iv) and (v).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(j)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment valuation reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(s)(iv). When these investments are derecognised or impaired (see note 1(j)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately to profit or loss.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

Property that is being constructed or developed for future use as investment property is classified as construction in progress and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(g) Other property, plant and equipment

Items of other property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation (see below) and impairment losses (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of the following items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Hotel buildings and improvements	25 years
– Hotel furniture and equipment	5 – 20 years
– Leasehold improvements	5 years
– Other furniture and equipment	3 – 5 years
– Motor vehicles	5 – 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress comprises direct costs of construction during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the relevant class of property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(f)).

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(f)) or is held for development for sale (see note 1(k)(i)).

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 1(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates recognised using the equity method (see note 1(c)(v)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(j)(ii)). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– investments in subsidiaries (except for those classified as being held for sale (or included in a disposal group that is classified as held for sale)) (see note 1(v)); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim financial reporting" in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised directly in other comprehensive income and not profit or loss.

(k) Inventories

(i) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– *Property under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(t)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– *Completed property held for sale*

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less estimated costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(ii) Hotel operations

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain a liability component, an equity component and a derivative component which is not closely related to the host contract.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option, and the derivative component of the convertible notes is measured at fair value and presented as derivative financial instruments (see note 1(e)). Any excess of the proceeds over the amounts initially recognised as the liability and derivative components is recognised as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability component, equity component and the derivative component in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The derivative component is subsequently remeasured in accordance with 1(e). The equity component is recognised in the convertible note equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible note equity reserve, together with the carrying amounts of the liability and derivative components at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible note equity reserve is released directly to retained profits, and any difference between the amount paid relating to the liability component and the carrying amounts of the liability and derivative components is recognised in profit or loss.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) 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 Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plan

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires or is forfeited (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(r)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(r)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised in profit or loss 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.

Revenue from sale of properties excludes business tax and is after deduction of any trade discount. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under pre-sale receipts from customers.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Revenue from hotel operations

Revenue from hotel operations which includes room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(iv) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

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

(vi) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

For the purposes of presenting the consolidated financial statements, the results of the Group's operations not denominated in Hong Kong dollars are translated into Hong Kong dollars, i.e. the presentation currency of the Group, at the average exchange rates for the year. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of the Group's operations not denominated in Hong Kong dollars, the cumulative amount of exchange differences relating to these operations is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, financial assets which have already been carried at fair value with changes in fair value recognised in profit or loss and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(w) Related parties

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

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

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of 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 Group or of any entity that is a related party of the Group.

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.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 8 "Operating Segments"
- HKAS 1 (revised) "Presentation of Financial Statements"
- Amendments to HKFRS 7 "Financial Instruments: Disclosures" – *Improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27 "Consolidated and Separate Financial Statements" – *cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007) "Borrowing Costs"
- Amendments to HKFRS 2 "Share-Based Payment" – *vesting conditions and cancellations*

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amount reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 11). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 31(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following two amendments have resulted in changes to the Group's accounting policies:

  – As a result of amendments to HKAS 28 "Investments in Associates", impairment losses recognised in respect of the associates carried under the equity method are no longer allocated to the goodwill inherent in that carrying amount. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

  – As a result of amendment to HKAS 40 "Investment Property", investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 May 2009, all dividends receivable from subsidiaries and associates, whether out of pre- or post-acquisition profits, will be recognised in the Group's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Group would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. TURNOVER

The principal activities of the Group are property development, property investment and hotel operations.

Turnover represents revenue from sale of properties (net of business tax), rental income from leasing of properties (net of business tax) and revenue from hotel operations (net of business tax). The amount of each significant category of revenue recognised in turnover during the period/year is as follows:

	8 months ended 31 December 2009	Year ended 30 April 2009
	HK$'000	*HK$'000*
Revenue from sale of properties	477,796	2,498,107
Rental income from leasing of properties	7,345	14,734
Revenue from hotel operations	27,945	21,739
	513,086	2,534,580

4. OTHER REVENUE AND NET (LOSS)/INCOME

	8 months ended 31 December 2009	Year ended 30 April 2009
	HK$'000	*HK$'000*
Other revenue		
Interest income from bank deposits	9,469	25,153
Interest income on the delay for refund of deposits in respect of the cancellation of acquisition of a project company	3,762	20,720
Total interest income on financial assets not at fair value through profit or loss	13,231	45,873
Dividend income from unlisted investments held for trading	–	27
PRC government subsidies	5,980	–
Others	1,239	1,180
	20,450	47,080
Other net (loss)/income		
Net loss on disposal of investment properties	(23,639)	(31,218)
Net loss on disposal of other property, plant and equipment	(51)	(113)
Impairment loss for a long outstanding debtor *(see note below)*	(6,840)	–
Bad debts recovered	–	9,535
Changes in fair values of derivative financial instruments	3,100	113,900
Exchange gain on convertible notes	–	26,502
Exchange gain on senior notes	–	81,441
Other net exchange gain	3,487	89,430
	(23,943)	289,477

Note: This debtor was outstanding for more than one year, and the directors of the Company assessed that this debtor is expected to be irrecoverable. Consequently, specific allowance for doubtful debt of approximately HK$6,840,000 was recognised.

5. (LOSS)/PROFIT BEFORE TAXATION

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

	8 months ended 31 December 2009 2009	Year ended 30 April 2009
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	66,025	167,969
Interest on bank borrowings wholly repayable after five years	18,728	31,812
Interest on loan payables	227,785	451,105
Interest on convertible notes	14,015	88,715
Interest on senior notes	223,097	329,700
Total interest expense on financial liabilities not at fair value through profit or loss	549,650	1,069,301
Less: interest expense capitalised into properties under development*	(417,308)	(859,077)
	132,342	210,224

* The borrowing costs have been capitalised at an interest rate of 5.40% – 20.00% (year ended 30 April 2009: 5.13% – 20.00%) per annum.

	8 months ended 31 December 2009	Year ended 30 April 2009
	HK$'000	*HK$'000*
(b) Staff costs:		
Contributions to defined contribution retirement plans	6,327	17,684
Equity-settled share-based payment expense	13,076	29,946
Salaries, wages and other benefits	97,612	144,698
	117,015	192,328
Less: staff costs capitalised into properties under development	(20,020)	(54,113)
	96,995	138,215

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
(c) Other items:		
Depreciation	29,805	36,325
Less: depreciation capitalised into properties under development	(937)	(1,712)
	28,868	34,613
Amortisation of land lease premium	1,533	3,340
Operating lease charges: minimum lease payments		
– property rentals	14,674	13,604
Auditors' remuneration		
– audit services	3,000	3,500
– other services	1,100	1,180
Rental income from investment properties less direct outgoings of HK$2,780,000 (year ended 30 April 2009: HK$2,640,000)	(4,246)	(11,764)
Other rental income	(319)	(330)
Cost of properties sold	437,015	2,038,681

6. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
Current tax		
Provision for the year		
– PRC Enterprise Income Tax	196,940	135,410
– PRC Land Appreciation Tax	32,129	92,125
	229,069	227,535
Deferred tax		
Origination and reversal of temporary differences	(79,271)	21,607
	149,798	249,142

(i) PRC Enterprise Income Tax

The provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rates of 20% to 25% (year ended 30 April 2009: 18% to 25%) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

(iii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax for the eight-month period from 1 May 2009 to 31 December 2009 has been made as the Group has no estimated assessable profits arising in Hong Kong for this period (year ended 30 April 2009: Nil).

(iv) Other Income Tax

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the eight-month period from 1 May 2009 to 31 December 2009 (year ended 30 April 2009: Nil).

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	8 months ended 31 December 2009	**Year ended 30 April 2009**
	HK$'000	*HK$'000*
(Loss)/profit before taxation	(2,034,501)	338,698
Notional tax on (loss)/profit before taxation calculated at the rates applicable to (losses)/profits in the tax jurisdictions concerned	(530,632)	83,033
Tax effect of Land Appreciation Tax deductible for PRC Enterprise Income Tax	(8,032)	(23,031)
Tax effect of non-deductible expenses	891,158	249,974
Tax effect of non-taxable income	(357,559)	(194,455)
Tax effect of unused tax losses not recognised	122,130	76,448
Tax effect of prior years' tax losses utilised this year	–	(29,074)
Tax effect of concessionary rate	(1,173)	(6,181)
Provision for Land Appreciation tax for the period/year	32,129	92,125
Others	1,777	303
Actual tax expense	149,798	249,142

(c) The effects relating to each component of other comprehensive (loss)/income:

	8 months ended 31 December 2009			**Year ended 30 April 2009**		
	Before-tax amount	**Tax (expense)/ benefit**	**Net-of-tax amount**	**Before-tax amount**	**Tax (expense)/ benefit**	**Net-of-tax amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translation into presentation currency	(1,235)	–	(1,235)	77,110	–	77,110
Realisation of exchange differences upon disposal of interests in subsidiaries	(145,234)	–	(145,234)	–	–	–
Realisation of exchange differences upon disposal of interest in an associate	(22,681)	–	(22,681)	–	–	–
Realisation of fair value gains upon sales of properties	(360)	90	(270)	(416)	104	(312)
Other comprehensive (loss)/income	(169,510)	90	(169,420)	76,694	104	76,798

7. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	8 months ended 31 December 2009					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Retirement Scheme contributions**	**Sub-total**	**Share-based Payments** *(note)*	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Li Song Xiao (resigned on 22 August 2009)	–	900	–	900	14	914
Liu Yi	–	1,800	–	1,800	996	2,796
Niu Xiao Rong	–	1,200	–	1,200	996	2,196
Yuan Kun	–	1,420	–	1,420	652	2,072
Liu Yan	–	1,200	–	1,200	615	1,815
Jia Bo Wei	–	2,000	–	2,000	531	2,531
Bao Jing Tao	–	910	–	910	53	963
Lam Kwan Sing	–	1,400	8	1,408	–	1,408
Non-executive director:						
Lai Leong	–	–	–	–	–	–
Independent non-executive directors:						
Nie Mei Sheng	–	–	–	–	–	–
Gao Ling	–	–	–	–	–	–
Zhang Qing Lin (passed away on 19 February 2010)	–	–	–	–	–	–
Lai Man Leung (resigned on 9 May 2009)	–	–	–	–	–	–
	–	10,830	8	10,838	3,857	14,695

Details of directors' remuneration are as follows:

	Year ended 30 April 2009					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Retirement Scheme contributions**	**Sub-total**	**Share-based Payments** *(note)*	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Li Song Xiao (resigned on 22 August 2009)	–	2,070	–	2,070	52	2,122
Liu Yi	–	2,090	–	2,090	2,539	4,629
Niu Xiao Rong	–	1,590	–	1,590	2,539	4,129
Yuan Kun	–	1,450	–	1,450	1,646	3,096
Liu Yan	–	1,160	–	1,160	1,506	2,666
Jia Bo Wei	–	1,860	–	1,860	1,160	3,020
Bao Jing Tao	–	845	–	845	116	961
Lam Kwan Sing (appointed on 7 May 2008)	–	1,257	11	1,268	–	1,268
Lu Zhao Qun (resigned on 21 April 2009)	–	490	–	490	–	490
Non-executive director:						
Lai Leong	–	–	–	–	–	–
Independent non-executive directors:						
Nie Mei Sheng	–	–	–	–	–	–
Gao Ling	–	–	–	–	–	–
Zhang Qing Lin (passed away on 19 February 2010)	–	–	–	–	–	–
Lai Man Leung (resigned on 9 May 2009)	–	–	–	–	–	–
	–	12,812	11	12,823	9,558	22,381

During the period, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any remuneration during the period (year ended 30 April 2009: Nil).

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(p)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share options" in the directors' report and note 30.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (year ended 30 April 2009: four) are directors of the Company whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (year ended 30 April 2009: one) individual are as follows:

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
Salaries and other benefits	189	112
Share-based payments	2,656	5,800
Retirement schemes contributions	5	7
	2,850	5,919

The emoluments of one individual (year ended 30 April 2009: one individual) with the highest emoluments are within the following bands:

	8 months ended 31 December 2009 *No. of employees*	Year ended 30 April 2009 *No. of employees*
HK$2,500,001 to HK$3,000,000	1	–
HK$5,500,001 to HK$6,000,000	–	1

During the period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (year ended 30 April 2009: Nil).

9. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organized by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at rates ranging from 18% to 22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$2,106,392,000 (year ended 30 April 2009: profit of HK$126,567,000) and the weighted average number of 1,945,640,189 ordinary shares (year ended 30 April 2009: 1,945,640,189 ordinary shares) in issue during the period.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$2,532,627,000 (year ended 30 April 2009: profit of HK$117,827,000) and the weighted average number of 1,979,523,429 ordinary shares (year ended 30 April 2009: 2,118,654,012 ordinary shares), calculated as follows:

(i) (Loss)/profit attributable to ordinary equity shareholders of the Company (diluted)

	8 months ended 31 December 2009 *HK$'000*	**Year ended 30 April 2009** *HK$'000*
(Loss)/profit attributable to ordinary equity shareholders	(2,106,392)	126,567
After tax effect of effective interest on the liability component of convertible notes	439	5,762
After tax effect of exchange gain on the liability component of convertible notes	–	(26,502)
After tax effect of (gains)/losses recognised on the derivative component of convertible notes	(600)	12,000
Effect of gain recognised on redemption of convertible notes	(426,074)	–
(Loss)/profit attributable to ordinary equity shareholders (diluted)	(2,532,627)	117,827

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

	8 months ended 31 December 2009	**Year ended 30 April 2009**
Weighted average number of ordinary shares (basic) at 31 December/30 April	1,945,640,189	1,945,640,189
Effect of conversion of convertible notes	33,883,240	152,347,488
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	–	20,666,335
Weighted average number of ordinary shares (diluted) at 31 December/30 April	1,979,523,429	2,118,654,012

During the eight-month period ended 31 December 2009, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since the exercise would result in a decrease in diluted loss per share.

During the eight-month period ended 31 December 2009 and the year ended 30 April 2009, the computation of diluted (loss)/earnings per share did not assume the exercise of the Company's outstanding warrants since the exercise price of the warrants exceeded the average market price of ordinary shares during the period/year.

11. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by a mixture of both products and services and geography. On first-time adoption of HKFRS 8 "Operating Segments" and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property leasing: this segment leases office and residential premises to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located in Mainland China.

- Property development: this segment develops and sells commercial and residential properties. Currently the Group's activities in this regard are carried out in Mainland China.

- Hotel operations: this segment is engaged in renting of hotel room accommodation, leasing of commercial shopping arcades and the provision of food and beverage at restaurant outlets and other services and facilities such as telephone, guest transportation and laundry within hotel premises. Currently the Group's activities in this regard are carried out in Mainland China.

(a) Segment Results, Assets and Liabilities

For the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and current assets with the exception of investments in financial assets, deferred tax assets, prepaid income tax and other corporate assets. Segment liabilities include trade and other payables attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

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

The measure used for reporting segment profit/(loss) is "adjusted operating profit/(loss)". To arrive at "adjusted operating profit/(loss)", the Group's profit/(loss) are further adjusted for items not specifically attributable to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs. Taxation charge is not allocated to reporting segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the eight-month period from 1 May 2009 to 31 December 2009 and the year ended 30 April 2009 is set out below.

	Property development		**Property leasing**		**Hotel operations**		**Total**	
	8 months ended 31 December 2009	**Year ended 30 April 2009**	**8 months ended 31 December 2009**	**Year ended 30 April 2009**	**8 months ended 31 December 2009**	**Year ended 30 April 2009**	**8 months ended 31 December 2009**	**Year ended 30 April 2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	478,116	2,498,437	7,025	14,404	27,945	21,739	513,086	2,534,580
Inter-segment revenue	3,397	3,040	–	–	4,591	1,130	7,988	4,170
Reportable segment revenue	481,513	2,501,477	7,025	14,404	32,536	22,869	521,074	2,538,750
Reportable segment (loss)/ profit	(578,084)	227,434	(219,772)	340,099	(44,561)	(52,557)	(842,417)	514,976
Finance income	4,308	18,098	700	1,423	27	17	5,035	19,538
Finance costs	(10,283)	(21,379)	(18,729)	(32,636)	–	–	(29,012)	(54,015)
Net valuation (loss)/gain on investment properties	–	–	(158,337)	409,047	–	–	(158,337)	409,047
Depreciation and amortisation for the period/year	(4,984)	(7,510)	(706)	(1,279)	(23,779)	(27,590)	(29,469)	(36,379)
Share of losses of associates	(1,789)	(477)	–	–	–	–	(1,789)	(477)
Reportable segment assets	19,386,601	23,601,145	3,066,882	3,836,185	815,331	600,679	23,268,814	28,038,009
(including interests in associates)	328,380	–	–	–	–	–	328,380	–
Additions to associates during the period	330,169	–	–	–	–	–	330,169	–
Additions to non-current segment assets during the period/year	3,516	459,478	–	118	217,639	27,918	221,155	487,514
Reportable segment liabilities	12,844,227	12,638,546	435,098	464,771	44,377	49,700	13,323,702	13,153,017

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	8 month ended 31 December 2009	Year end 30 April 2009
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	521,074	2,538,750
Elimination of inter-segment revenue	(7,988)	(4,170)
Consolidated turnover	513,086	2,534,580
Profit or loss		
Reportable segment (loss)/profit	(842,417)	514,976
Elimination of inter-segment (profits)/loss	(5,150)	24,061
Reportable segment (loss)/profit derived from Group's external customers	(847,567)	539,037
Finance costs	(103,330)	(156,209)
Corporate finance income	8,196	26,335
Fair value changes on derivative financial instruments	3,100	113,900
Other revenue and net income	227	130,643
Unallocated depreciation	(932)	(1,574)
Unallocated head office and corporate expenses	(62,035)	(111,420)
Impairment loss on assets of disposal group/non-current assets classified as held for sales	(1,790,000)	(201,000)
Gain on redemption of convertible notes	426,074	–
Gain on disposal of subsidiaries	336,866	–
Loss on disposal of an associate	(5,100)	(1,014)
Consolidated (loss)/profit before taxation	(2,034,501)	338,698

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Assets		
Reportable segment assets	23,268,814	28,038,009
Deferred tax assets	24,142	24,832
Prepaid income tax	339,673	231,172
Derivative financial instrument	600	–
Investments in securities held for trading	–	1,513
Unallocated head office and corporate assets	2,358,551	1,000,222
Consolidated total assets	25,991,780	29,295,748
Liabilities		
Reportable segment liabilities	13,323,702	13,153,017
Convertible notes	62,136	1,028,195
Senior notes	2,942,803	2,923,895
Derivative financial instrument	29,600	32,100
Income tax payable	1,238,927	1,093,457
Deferred tax liabilities	1,002,111	1,173,976
Dividend payable	6,473	6,473
Unallocated head office and corporate liabilities	726,046	812,492
Consolidated total liabilities	19,331,798	20,223,605

(c) Geographical information

As all segments of the Group are operating in the People's Republic of China (the "PRC"), including Hong Kong, no geographical information has further been disclosed.

(d) Major customer

For the eight months ended 31 December 2009, revenue from any customer of the Group does not exceed 10% of the Group's total turnover (year ended 30 April 2009: Nil).

12. INVESTMENT PROPERTIES

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
Balance at the beginning of year	3,313,447	3,395,620
Exchange adjustments	–	88,722
Additions	–	1,457
Disposals	(205,782)	
Fair value adjustments	(158,337)	409,047
Balance at the end of year	2,949,328	3,313,447

(a) Revaluation of investment properties

All investment properties of the Group were revalued as at 31 December 2009 and 30 April 2009 at their open market value by reference to recent market transactions in comparable properties. The valuations were carried out by an independent firm of qualified professional valuers, Savills Valuation and Professional Services Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(b) The analysis of carrying amount of investment properties is as follows:

	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
In the PRC		
– medium-term leases	2,949,328	3,313,447

(c) Investment properties leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 2 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
Within 1 year	48,898	21,518
After 1 year but within 5 years	306,427	87,248
After 5 years	1,146,627	195,483
	1,501,952	304,249

(d) Pledge of investment properties

As at 31 December 2009, certain investment properties with a total carrying amount of HK$2,912,586,000 (at 30 April 2009: HK$2,754,532,000) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 24.

13. OTHER PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings and improvements	Hotel furniture and equipment	Leasehold improvements	Other furniture and equipment	Motor vehicles	Construction in progress	Sub-total	Interest in leasehold land held for own use under operating leases	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:									
At 1 May 2008	–	–	1,977	21,942	37,909	740,569	802,397	–	802,397
Exchange adjustments	3,755	4,494	53	567	945	18,954	28,768	1,262	30,030
Transfer upon completion	210,321	251,786	–	–	–	(553,302)	(91,195)	91,195	–
Reclassification to properties under development	–	–	–	–	–	(614,326)	(614,326)	–	(614,326)
Additions									
– through acquisition of subsidiaries	–	–	–	248	653	–	901	–	901
– others	–	–	–	4,207	9,289	473,372	486,868	–	486,868
Disposals	–	(105)	–	(428)	(1,733)	–	(2,266)	–	(2,266)
At 30 April 2009	214,076	256,175	2,030	26,536	47,063	65,267	611,147	92,457	703,604
At 1 May 2009	214,076	256,175	2,030	26,536	47,063	65,267	611,147	92,457	703,604
Transfer upon completion	21,999	10,601	–	–	–	(32,600)	–	–	–
Additions	–	3,053	1,342	967	2,926	214,527	222,815	–	222,815
Disposals									
– through disposal of subsidiaries	–	–	–	(3,418)	(2,246)	–	(5,664)	–	(5,664)
– others	–	(44)	–	–	(858)	–	(902)	–	(902)
Transfer to assets of disposal group classified as held for sale	–	–	–	(730)	(637)	–	(1,367)	–	(1,367)
31 December 2009	236,075	269,785	3,372	23,355	46,248	247,194	826,029	92,457	918,486
Accumulated amortisation and depreciation:									
At 1 May 2008	–	–	1,093	9,360	11,391	–	21,844	–	21,844
Exchange adjustments	137	292	44	240	359	–	1,072	46	1,118
Charge for the year	7,712	16,338	828	4,289	7,158	–	36,325	3,340	39,665
Written back on disposals	–	(2)	–	(75)	(254)	–	(331)	–	(331)
At 30 April 2009	7,849	16,628	1,965	13,814	18,654	–	58,910	3,386	62,296
At 1 May 2009	7,849	16,628	1,965	13,814	18,654	–	58,910	3,386	62,296
Charge for the period	6,106	15,941	131	2,688	4,939	–	29,805	1,533	31,338
Written back on disposals									
– through disposal of subsidiaries	–	–	–	(1,205)	(600)	–	(1,805)	–	(1,805)
– others	–	(12)	–	–	(785)	–	(797)	–	(797)
Transfer to assets of disposal group classified as held for sale	–	–	–	(234)	(212)	–	(446)	–	(446)
At 31 December 2009	13,955	32,557	2,096	15,063	21,996	–	85,667	4,919	90,586
Carrying amount:									
At 31 December 2009	222,120	237,228	1,276	8,292	24,252	247,194	740,362	87,538	827,900
At 30 April 2009	206,227	239,547	65	12,722	28,409	65,267	552,237	89,071	641,308

(a) The analysis of the carrying amount of leasehold land is as follows:

	At 31 December 2009	At 30 April 2009
	HK$'000	*HK$'000*
In the PRC		
– medium-term leases	87,538	89,071

(b) Pledge of hotel property

As at 31 December 2009, interest in leasehold land held for own use under operating leases and hotel buildings and improvements (hereinafter collectively referred to as the "hotel property") with a total carrying amount of HK$309,658,000 (at 30 April 2009: HK$295,298,000) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 24.

14. INTERESTS IN ASSOCIATES

	The Group	
	At 31 December 2009	At 30 April 2009
	HK$'000	*HK$'000*
Share of net assets	328,380	–

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of registered Capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Tianjin City Yi Jia He Zhi Ye Co., Ltd ("天津市億嘉合置業有限公司")	Incorporated	The PRC	RMB38,000,000	40% *(note(a))*	–	40%	Property development
五礦嘉合(天津)房地產開發有限公司 ("五礦嘉合")	Incorporated	The PRC	RMB20,000,000	64% *(note(b))*	–	64%	Property development

Note:

(a) During the eight-month period ended 31 December 2009, the Group entered into a sale and purchase agreement and supplemental agreement with Wukuang Zhiye Company ("Wukuang"), a company which was duly incorporated and is existing under the laws of the PRC, whereby the Group agreed to sell and Wukuang agreed to purchase the Group's 40% equity interest in Tianjin City Yi Jia He Zhi Ye Co., Ltd. ("Yi Jia He"), a company established in the PRC and engaged in property development in Tianjin. After the disposal, the Group holds 40% of interests in Yi Jia He, which became an associate of the Group. Prior to this disposal, the Group held 80% equity interest in Yi Jia He.

Upon the completion of disposal of 40% equity interest in Yi Jia He (the "Disposal"), the Group agreed to pledge of the Group's shareholdings in Yi Jia He after the Disposal to Wukuang during the period, the controlling shareholder of Yi Jia He, which owned 60% of the equity interest in Yi Jia He upon the completion of Disposal, as security for any possible breach of the responsibilities of the Group under the supplemental agreement. The main responsibilities of the Group are that (i) the Group is responsible for undertaking the preliminary development works of the property development project in respect of the piece of land (the "Land") situated at Tianjin Beichen Qu Yi Xing Bu Jiu Chun (the "Project") including demolishment and re-settlement and obtaining planning approval and land clearance; (ii) Wukuang is responsible for contributing a total amount of funds of RMB1,584 million (equivalent to approximately HK$1,796 million) ("Wukuang's Contribution") for the demolishment and re-settlement expenses of the land lot nos. 7 and 8 with a gross construction area of 800,000 square meters comprised in the Land and the Group is responsible for payment of any excess amount of the actual amount of the demolishment and re-settlement expenses over Wukuang's Contribution; and (iii) in the event that there is any change in the shareholding of the Project, the affected outgoing shareholder shall provide complete and full disclosure to the new shareholder of the Project of all relevant matters and legal documents, and agreed terms of co-operation among the parties with respect to the Project. Details of such Disposal and pledge of equity shares were set out in the circular as issued by the Company on 15 July 2009.

(b) The Group holds 64% of the registered capital of 五礦嘉合. However, under a shareholders' agreement, the other shareholder controls the composition of the board of directors of 五礦嘉合 and therefore the Group does not control 五礦嘉合. According to the shareholders' agreement, the Group does have significant influence over 五礦嘉合 and it is therefore classified as an associate of the Group.

Summary of financial information on associates

	Assets	**Liabilities**	**Equity**	**Revenues**	**Profit/(loss)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2009					
100 percent	1,756,267	1,391,675	364,592	–	(4,416)
Group's effective interest	883,687	555,307	328,380	–	(1,789)

15. RESTRICTED BANK DEPOSITS

(a) The Group has entered into agreements with certain banks with respect to mortgage loans provided to the buyers of the Group's property units. As at 31 December 2009, the Group made deposits of RMB48,266,000 (equivalent to approximately HK$55,023,000) (At 30 April 2009: RMB152,105,000 (equivalent to approximately HK$173,399,000)) as security for the settlement of the mortgage instalments by the mortgagors under these agreements. Should the mortgagors fail to pay the mortgage instalments, the banks can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. These restricted bank deposits will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers.

The directors of the Company are of the view that the above restricted bank deposits are not expected to be released within one year.

(b) As at 31 December 2009, the Group's bank deposits of RMBNil (equivalent to approximately HK$Nil) (at 30 April 2009: RMB16,693,000 (equivalent to approximately HK$19,030,000)) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 24.

16. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Property development		
Properties under development	13,677,143	20,058,563
Completed properties held for sale	780,952	841,432
	14,458,095	20,899,995
Hotel operations		
Food and beverage and others	3,960	8,389
	14,462,055	20,908,384

All of the properties under development and completed properties held for sale are located in Mainland China.

At 31 December 2009, properties under development of approximately HK$743,969,000 (at 30 April 2009: HK$Nil) and completed properties held for sale of approximately HK$172,083,000 (at 30 April 2009: HK$Nil) were carried at fair value less costs to sell.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
Carrying amount of properties sold	437,015	2,038,681
Carrying amount of food, beverage and others	11,123	5,406
Write down of inventories (property development)	124,398	–
	572,536	2,044,087

Write down of inventories made in the current period arose due to a decrease in the estimated net realisable value of properties under development and completed properties held for sale as a result of an unfavourable change in market conditions.

(c) The amount of properties under development expected to be recovered after more than one year is analysed as follows:

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Properties under development	9,130,420	13,254,159

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

(d) Pledge of inventories

Certain of the Group's properties under development and completed properties held for sale were pledged as collateral for the Group's bank borrowings and loan payables, details of which are set out in notes 24 and 25.

17. INVESTMENTS IN SECURITIES HELD FOR TRADING

	At 31 December 2009	At 30 April 2009
	HK$'000	*HK$'000*
Unlisted investments in securities held for trading, at fair value	–	1,513

18. LOAN RECEIVABLES

On 28 December 2009, the Group entered into two loan agreements with two independent third parties (the "Borrowers") whereby the Group lent RMB208,000,000 (equivalent to approximately HK$235,786,000) and RMB156,000,000 (equivalent to approximately HK$176,840,000) to these two independent third parties respectively for the three-month period commencing from 28 December 2009. The loans are non-trade in nature, unsecured, bear interest at 5% per annum and are repayable on 28 March 2010.

Subsequent to 31 December 2009, the loans were settled in full.

19. TRADE AND OTHER RECEIVABLES

	At 31 December 2009	At 30 April 2009
	HK$'000	*HK$'000*
Trade debtors	39,495	56,253
Consideration receivable for disposal of investment properties	21,232	37,426
Consideration receivable for disposal of an associate	513,000	–
Consideration receivable for disposal of subsidiaries *(see note 33(b))*	836,154	–
Amounts due from associates *(see note below)*	77,602	7,845
Other debtors	60,811	59,215
Loans and receivables	1,548,294	160,739
Advance payments to contractors	42,377	131,877
Prepaid sales commission	155,354	113,947
Prepaid other taxes	441,461	252,969
Deposits and prepayments	44,428	48,448
	2,231,914	707,980

Note: The amounts due from associates are non-trade in nature, unsecured, interest free and repayable on demand.

(a) Ageing analysis Included in trade and other receivables are trade debtors with the following ageing analysis as of the balance sheet date:

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Less than 90 days	16,442	40,908
More than 90 days but less than 180 days	6,284	2,235
More than 180 days	16,769	13,110
	23,053	15,345
	39,495	56,253

Trade debtors are generally due within 90 days from the date of the billing. Further details on the Group's credit policy are set out in note 31(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Neither past due nor impaired	16,442	40,908
Less than 3 months past due	6,284	2,235
More than 3 months past due	16,769	13,110
	23,053	15,345
	39,495	56,253

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers. However, the Group would not release the property title deeds to the customers before the customers fully settle the purchase consideration of the relevant property units sold. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 December 2009 *HK$'000*	At 30 April 2009 *HK$'000*
Cash at banks and in hand	1,645,845	2,410,534
Cash balance maintained with a securities company	36,374	400,000
Less: restricted bank deposits *(see note 15)*	(55,023)	
Cash and cash equivalents in the consolidated balance sheet	1,627,196	2,618,105
Add: bank balances and cash included in assets of disposal group classified as held for sale *(see note 28)*	35,496	–
Cash and cash equivalents in the consolidated cash flow statement	1,662,692	2,618,105

(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

	Note	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
(Loss)/profit before taxation		(2,034,501)	338,698
Adjustments for:			
Net valuation loss/(gain) on investment properties	*12*	158,337	(409,047)
Depreciation 5(c) 28,868 34,613			
Amortisation of land lease premium	*5(c)*	1,533	3,340
Impairment loss on assets of disposal group/ non-current assets classified as held for sale	*28*	1,790,000	201,000
Finance costs	*5(a)*	132,342	210,224
Interest income	*4*	(13,231)	(45,873)
Dividend income from unlisted investments held for trading	*4*	–	(27)
Loss on disposal of investment properties	*4*	23,639	31,218
Loss on disposal of other property, plant and equipment	*4*	51	113
Changes in fair values of derivative financial instruments	*4*	(3,100)	(113,900)
Gain on redemption of convertible notes	*26*	(426,074)	–
Write down of inventories	*16(b)*	124,398	–
Gain on disposal of subsidiaries	*33(b)*	(336,866)	–
Loss on disposal of associate	*28(b)*	5,100	1,014
Share of losses of associates		1,789	477
Impairment loss for a debtor	*4*	6,840	–
Transfer from equity on sales of completed properties held for sale		(270)	(312)
Equity-settled share-based payment expenses	*5(b)*	13,076	29,946
Foreign exchange gain		(1,235)	(107,943)
Changes in working capital:			
Increase in inventories		(2,615,522)	(1,717,813)
Decrease in investments in securities held for trading		1,513	–
(Increase)/decrease in trade and other receivables		(94,973)	412,880
Increase/(decrease) in trade and other payables		467,656	(487,908)
Increase in pre-sale receipts from customers		3,347,814	2,568,600
Cash generated from operations		577,184	949,300

21. TRADE AND OTHER PAYABLES

	At 31 December 2009	At 30 April 2009
	HK$'000	*HK$'000*
Accrued expenditure on properties under development	1,054,251	1,075,017
Retentions payable to contractors	1,712	1,485
Receipts from customers for payment of expenses on their behalf	98,168	176,545
Consideration payables for acquisition of subsidiaries and associates	443,592	578,271
Interest payable	199,085	285,715
Accrued charges and other payables	393,225	288,593
Amounts due to former shareholders of the Company's former subsidiaries *(note 21(a))*	137,039	21,944
Amounts due to minority shareholders *(note 21(a))*	48,055	48,055
Amounts due to related companies *(note 21(a))*	2,466	2,881
Financial liabilities measured at amortised cost	2,377,593	2,478,506
Advance payment from a minority shareholder for a property development project *(note 21(b))*	–	798,000
Other taxes payables *(note 21(c))*	35,414	10,430
	2,413,007	3,286,936

(a) The amounts due to former shareholders of the Company's former subsidiaries, minority shareholders and related companies are non-trade in nature, interest free, unsecured and repayable on demand. These related companies are controlled by Mr. Li Song Xiao, the controlling shareholder of the Company.

(b) At 30 April 2009, advance payment of RMB700,000,000 (equivalent to approximately HK$798,000,000) from a minority shareholder of Tianjin City Yi Jia Ye Co., Ltd. ("Yi Jia He"), a subsidiary of the Company established in the PRC, was secured by 20% equity interest in the registered capital of Yi Jia He, interest free and repayable on demand. During the eight months ended 31 December 2009, the Group disposed of 40% equity interest in Yi Jia He, and details of such disposal are disclosed in note 33(a)(iii).

(c) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

22. PRE-SALE RECEIPTS FROM CUSTOMERS

Pre-sale receipts from customers represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy (see note 1(s)(i)). Included in the pre-sale receipts from customers is an amount of HK$2,754,024,000 (at 30 April 2009: HK$2,178,414,000) which is expected to be recognised as revenue after more than one year.

23. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Income tax in the consolidated balance sheet represents:

(i) Movements in income tax payable

	8 months ended 31 December 2009 *HK$'000*	Year ended 30 April 2009 *HK$'000*
PRC Enterprise Income Tax		
At the beginning of the period/year	376,661	407,436
Exchange adjustments	–	10,278
Provision for the period/year	196,940	135,410
Tax paid	(151,121)	(176,463)
Transfer to liabilities of disposal group classified as held for sale *(see note 28)*	(550)	–
Disposal of subsidiaries *(see note 33(b))*	2	–
At the end of the period/year	421,932	376,661
Land Appreciation Tax		
At the beginning of the period/year	485,624	436,795
Exchange adjustments	–	12,455
Provision for the period/year	32,129	92,125
Tax paid	(40,431)	(55,751)
At the end of the period/year	477,322	485,624

(ii) Reconciliation to consolidated balance sheet

	At 31 December 2009			At 30 April 2009		
	PRC Enterprise Income Tax *HK$'000*	Land Appreciation Tax *HK$'000*	Total *HK$'000*	PRC Enterprise Income Tax *HK$'000*	Land Appreciation Tax *HK$'000*	Total *HK$'000*
Prepaid income tax recognised in the consolidated balance sheet	(243,636)	(96,037)	(339,673)	(161,535)	(69,637)	(231,172)
Income tax payable recognised in the consolidated balance sheet	665,568	573,359	1,238,927	538,196	555,261	1,093,457
	421,932	477,322	899,254	376,661	485,624	862,285

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the period/year are as follows:

	Convertible notes	Revaluation of investment properties	Fair value adjustment on properties under development/ properties held for sale	Fair value adjustment on hotel properties	Impairment on property, plant and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax arising from:						
At 1 May 2008	16,311	463,715	643,006	–	(25,186)	1,097,846
Exchange adjustments	–	13,533	16,470	351	(663)	29,691
Reclassification	–	–	(19,808)	19,808	–	–
Charged/(credited) to profit or loss	(4,146)	55,991	(31,070)	(185)	1,017	21,607
At 30 April 2009	12,165	533,239	608,598	19,974	(24,832)	1,149,144
At 1 May 2009	12,165	533,239	608,598	19,974	(24,832)	1,149,144
Disposal of subsidiaries	–	–	(81,267)	–	–	(81,267)
Redemption of convertible notes	(10,637)	–	–	–	–	(10,637)
Charged/(credited) to profit or loss	(1,090)	(66,637)	(12,097)	(137)	690	(79,271)
At 31 December 2009	438	466,602	515,234	19,837	(24,142)	977,969

(ii) Reconciliation to consolidated balance sheet

	At 31 December 2009	At 30 April 2009
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated balance sheet	(24,142)	(24,832)
Net deferred tax liabilities recognised in the consolidated balance sheet	1,002,111	1,173,976
	977,969	1,149,144

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$1,040,541,000 (at 30 April 2009: HK$526,577,000) as at 31 December 2009 as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

At 31 December 2009, the tax losses of approximately HK$801,723,000 (at 30 April 2009: HK$320,681,000) will expire at various dates up to 2014, and other tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 8 December 2006, the withholding income tax rate was reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25% equity interest. On 22 February 2008, the Minister of Finance and State Administration of Tax approved Caishui (2008) No.1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

As at 31 December 2009, temporary differences relating to the undistributed profits of certain subsidiaries amounted to HK$763,700,000 (at 30 April 2009: HK$426,420,000). Deferred tax liabilities of HK$38,800,000 (at 30 April 2009: HK$21,321,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group is able to control the timing of the reversal of the temporary differences and it is possible that the temporary differences will not reverse in the foreseeable future.

24. BANK BORROWINGS

At 31 December 2009, the bank loans were repayable as follows:

	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
Within 1 year or on demand	702,240	971,656
After 1 year but within 2 years	116,850	972,192
After 2 years but within 5 years	321,754	240,677
After 5 years	329,460	341,179
Total bank loans	1,470,304	2,525,704
Less: repayable within 1 year or on demand as classified under current liabilities	(702,240)	(971,656
Repayable after 1 year as classified under non-current liabilities	768,064	1,554,048

During the period, the Group obtained new bank borrowings amounting to HK$302,100,000 (year ended 30 April 2009: HK$772,800,000). The proceeds were used to finance the development of properties.

All bank borrowings are denominated in RMB and variable-rate borrowings which carry interest at commercial rates in the PRC.

At 31 December 2009, the effective interest rates on the Group's bank borrowings range from 5.40% to 6.43% (at 30 April 2009: 5.13% to 7.94%) per annum.

The bank borrowings are secured by:

(i) certain properties under development, certain completed properties held for sale, a hotel property and certain investment properties of the Group located in the PRC with total carrying amounts of approximately HK$2,011,311,000 (at 30 April 2009: HK$3,322,106,000), HK$Nil (at 30 April 2009: HK$11,940,000), HK$309,658,000 (at 30 April 2009: HK$295,298,000) and HK$2,912,586,000 (at 30 April 2009: HK$2,754,532,000) as at 31 December 2009, respectively.

(ii) certain bank deposits of the Group amounting to approximately HK$Nil (at 30 April 2009: HK$19,030,000), which have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

(iii) corporate guarantees given by 北京新松投資集團有限公司, in which the controlling shareholder of the Company, Mr. Li Song Xiao, has a controlling interest, to the extent of approximately HK$384,032,000 (30 April 2009: HK$420,314,000).

25. LOAN PAYABLES

	At 31 December 2009 *HK$'000*	**At 30 April 2009** *HK$'000*
Loan Payable denominated in RMB *(see note 25(a))*	1,368,000	1,710,000
Loan Payable B *(see note 25(b))*	34,200	296,400
Loan Payable C *(see note 25(c))*	–	730,881
	1,402,200	2,737,281

(a) Loan Payable denominated in RMB

On 29 November 2007, the Group entered into a term loan agreement with an independent third party whereby the independent third party granted a term loan facility of RMB1,500,000,000 to the Group to finance the acquisition by the Group of a property development project in Zhuhai, the PRC ("Qi Ao Island Project").

Loan Payable denominated in RMB bears interest at 20% per annum and is secured by:

(i) a share mortgage over the entire issued capital of Moral Luck Group Limited, a wholly-owned subsidiary of the Company incorporated in the BVI;

(ii) an equity pledge over the entire registered capital of Zhuhai City Qi Zhou Island Movie Town Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC;

(iii) a subordination of intra-group's balances between certain wholly-owned subsidiaries of the Company in favour of this independent third party; and

(iv) the corporate guarantees given by the Company and certain of the Company's subsidiaries.

On 2 December 2009, the Group has effectively refinanced the Loan Payable denominated in RMB in relation to a financing for the development project at Qi Ao East Road, Zhuhai City, Guangdong by agreeing amendments (i.e. both parties agreed to reschedule the repayment term) to the financing arrangements made in 2007 that were due to mature on 5 December 2009.

The Loan Payable denominated in RMB is repayable by nine instalments until 5 December 2011.

The Group may choose to prepay on the 5 December 2010 ("5th Repayment Date") or the 5 June 2011 ("7th Repayment Date") the whole of the Loan Payable denominated in RMB. Upon prepayment the Group may in certain circumstance be entitled to a prepayment rebate from the lender in an amount equal to (a) the amount of interest accrued on the Loan Payable denominated in RMB during the period from and including the 5 December 2009, 1st Repayment Date to but excluding the date of prepayment and actually paid by the Group less (b) the amount of such interest which would have been accrued for the same period had such interest been accrued and calculated at the relevant rate. The relevant rate means (a) (where the prepayment is made on the 5th Repayment Date) 12.5% per annum and (b) (where the prepayment is made on the 7th Repayment Date) 15% per annum.

During the eight months ended 31 December 2009, the Group failed to repay the loan according to the repayment schedule, therefore the whole loan amount became due as at 31 December 2009. However, the Group is in ongoing negotiation with the lender to reschedule the loan repayments. At the date of issue of these financial statements, the Group has obtained the lender's consent that all over-due instalments together with default interest must be repaid on or before 14 May 2010 and the remaining instalments will be repaid according to the relevant repayment schedule.

(b) Loan Payable B

An analysis of Loan Payable B is set out below:

	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
Loan Payable under the Agreement *(see note 25(b)(i))*	34,200	68,400
Loan Payable under the Arrangement *(see note 25(b)(ii))*	–	228,000
	34,200	296,400

(i) Loan Payable under the Agreement

According to an agreement in February 2007 (the "Agreement"), an independent third party ("Lender B") contributed an amount of RMB60,000,000 in respect of 30.0% of the registered capital in a subsidiary (the "Project Company") and granted a loan facility of RMB240,000,000 ("Loan Payable under the Agreement") to the Project Company. However, under the Agreement, Lender B has no right to share any profits of the Project Company. The Group is obliged to purchase from Lender B the 30.0% registered capital of the Project Company for a consideration of RMB60,000,000 and repay the relevant loan of RMB240,000,000 utilised plus a guaranteed additional amount of RMB100,000,000 (the exact amount of which is determined with reference to the market situation in and the city development of a project in Chengdu, the PRC and the potential increase in the market value of the properties in Chengdu, the PRC) within 24 months from the date of the Agreement.

As the Group has contractual obligations to deliver cash in accordance with the Agreement and Lender B has no profit sharing rights in the Project Company irrespective of his equity ownership, Loan Payable under the Agreement is classified as a financial liability. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(m).

On 1 June 2008, the Group entered into another agreement with Lender B whereby the Group exercised its right under the Agreement and purchased the total capital contribution made by Lender B of RMB60,000,000 (equivalent to approximately HK$67,000,000) and the related loan of RMB326,110,000 (equivalent to approximately HK$365,000,000) in the Project Company for a total consideration of RMB486,110,000 (equivalent to approximately HK$544,000,000), which included the payment of the guaranteed additional amount of RMB100,000,000 (equivalent to approximately HK$112,000,000).

During the year ended 30 April 2009, the Group settled the loan of RMB326,110,000 (equivalent to approximately HK$365,000,000) together with the guaranteed additional amount of RMB100,000,000 (equivalent to approximately HK$112,000,000). During the eight months ended 31 December 2009, the Group settled the loan of RMB30,000,000 (equivalent to approximately HK$34,200,000). As at 31 December 2009, the carrying amount of Loan Payable under the Agreement was RMB30,000,000 (equivalent to approximately HK$34,200,000) (at 30 April 2009: RMB60,000,000 (equivalent to approximately HK$68,400,000)).

(ii) Loan Payable under the Arrangement

As at 30 April 2009, the carrying amount of Loan Payable under the Arrangement was RMB200,000,000 (equivalent to approximately HK$228,000,000), which was secured by certain properties under development of the Group located in the PRC with a total carrying amount of approximately HK$624,722,000, bore interest at a rate of 7.02% per annum and was repayable on or before 1 August 2009.

During the eight months ended 31 December 2009, Loan Payable under the Arrangement was settled in full.

(c) Loan Payable C

The loan was from minority shareholders of a subsidiary. It bore interest at 12.5% per annum, was unsecured and repayable on demand. During the eight months ended 31 December 2009, Loan Payable C was derecognised through the disposal of subsidiaries.

26. CONVERTIBLE NOTES

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 a 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 the 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 a derivative financial instrument. The fair value of the Redemption Right of the Holder at 31 December 2009 was HK$Nil (at 30 April 2009: HK$Nil). Accordingly, a change in the fair value of the derivative financial instrument of approximately HK$Nil (year ended 30 April 2009: HK$34,000,000) was credited to the consolidated income statement for the period.

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 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 given 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 a derivative financial instrument. The fair value of the Redemption Right of the Issuer at 31 December 2009 was HK$600,000 (at 30 April 2009: HK$Nil). Accordingly, a change in the fair value of the derivative financial instrument of HK$600,000 was credited (year ended 30 April 2009: HK$46,000,000 was debited) to the consolidated income statement for the period.

In the event that the Company's Shares cease to be listed or admitted to trading on the Stock Exchange, each holder of Convertible Note 2011 shall have a 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 a derivative financial instrument. The fair value of the Delisted Put Right is insignificant as at both 31 December 2009 and 30 April 2009.

Convertible Note 2011 contains a liability element, Redemption Right of the Holder, Redemption Right of the Issuer, Delisted Put Right and equity element. The equity element is represented in the equity heading "convertible note equity reserve". The effective interest rate of the liability element is 9.44%.

Pursuant to the terms and conditions of the Convertible Note 2011, the conversion price of the conversion right to the holders was adjusted with the consolidation of shares effective on 29 October 2007, and the holders are entitled to convert the Convertible Note 2011 for a fully paid share at the adjusted conversion price of HK$6.0193 per share. The number of shares issuable on the exercise of the conversion right is reduced to one-fourth of the outstanding shares issuable under the Convertible Note 2011 with effect from 29 October 2007.

During the eight months ended 31 December 2009 and the year ended 30 April 2009, no Convertible Note 2011 was converted into the Company's new ordinary shares.

On 11 May 2009, the Company announced, among other things, that the Company proposed to amend the terms of the Redemption Right of the Holder, at the option of the holders of the Convertible Note 2011, so as to enable the holders of the Convertible Note 2011 to exercise the Redemption Right of the Holder requiring the Company to redeem all of the Convertible Note 2011 at a price of HK$6,300 for each HK$10,000 principal amount of the Convertible Note 2011 ("Amendments to the Terms of the Redemption Right of the Holder") on 12 June 2009.

The meeting of holders of the Convertible Note 2011 held on 13 May 2009 passed an extraordinary resolution of holders of the Convertible Note 2011 to approve the Amendments to the Terms of the Redemption Right of the Holder.

On 12 June 2009, the Company redeemed Convertible Note 2011 of total principal amount of HK$864,850,000 for a total consideration of HK$544,855,500 (the "Redemption"), pursuant to the terms and conditions of Convertible Note 2011. Immediately after the Redemption, the principal amount of HK$52,160,000 remained outstanding, and a gain of approximately HK$426,074,000 from the Redemption was recognised in profit or loss.

27. SENIOR NOTES/WARRANTS

On 23 July 2007, the Company issued 4,000 units of senior notes at a par value of US$400,000,000, (equivalent to approximately HK$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bear interest at 9.75% and will mature on 23 July 2014 ("Notes Maturity Date"). The Senior Notes 2014 are guaranteed by all of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 are separated immediately upon their issuance and the Warrants 2012 are detachable from the Senior Notes 2014.

The Warrants 2012 are exercisable at any time from the date of issue to 23 July 2012 at an exercise price of HK$1.68 per share, subject to anti-dilutive adjustment, to subscribe for shares of the Company. The Warrants 2012 are denominated in Hong Kong dollars and will be settled in net share settlement upon exercise. As the Warrants 2012 may be settled other than by exchange of a fixed amount of cash for a fixed number of the Company's shares, the Warrants 2012 are classified as a derivative financial liability and measured at fair value with changes in fair value recognised in the consolidated income statement.

The fair value of Warrants 2012 at 31 December 2009 was HK$29,600,000 (at 30 April 2009: HK$32,100,000). Accordingly, a change in fair value of warrants of HK$2,500,000 (year ended 30 April 2009: HK$125,900,000) was credited to the consolidated income statement for the period.

Pursuant to the terms and conditions of Warrants 2012, on 29 October 2007, the subscription price of Warrants 2012 was adjusted following the consolidation of the Company's shares. Warrants 2012 holders were entitled to subscribe in cash for fully paid shares at the adjusted subscription price of HK$6.72 per share. The number of shares issuable on the exercise of the Warrants 2012 was reduced to one-fourth of the outstanding number of shares issuable under Warrants 2012 as at 29 October 2007.

As at 31 December 2009, 66,000,000 (at 30 April 2009: 66,000,000) of Warrants 2012 were outstanding. Exercise in full of the outstanding Warrants 2012 would result in the issue of 66,000,000 (at 30 April 2009: 66,000,000) additional shares with an aggregate subscription value of HK$443,520,000 (at 30 April 2009: HK$443,520,000).

At any time prior to the Notes Maturity Date, the Company may redeem the Senior Notes 2014, in whole or in part, at a redemption price equal to 100% of the principal amount plus the greater of (1) 1% of the principal amount of Senior Notes 2014 being redeemed and (2) the excess of (A) the present value at such redemption date of (i) 100% of the principal amount of the Senior Notes 2014 plus (ii) all required remaining scheduled interest payments due on Senior Notes 2014 through to the Notes Maturity Date, computed using a discount rate equal to the comparable treasury issue plus 100 basis points, over (B) the principal amount of Senior Notes 2014 on such redemption date ("100% Redemption Right of the Issuer – Senior Notes 2014"). As the economic characteristics and risks of the 100% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 100% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 100% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at both 31 December 2009 and 30 April 2009.

At any time prior to 23 July 2011, the Company may redeem up to 35% of the principal amount of the Senior Notes 2014 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 109.75% of the principal amount of the Senior Notes 2014 ("35% Redemption Right of the Issuer – Senior Note 2014"). As the economic characteristics and risk of the 35% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 35% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 35% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at both 31 December 2009 and 30 April 2009.

The Senior Notes 2014 contain a liability element, Warrants 2012, 100% Redemption Right of the Issuer – Senior Notes 2014 and 35% Redemption Right of the Issuer – Senior Notes 2014. At 31 December 2009, the effective interest rate of the liability element is 11.35% (at 30 April 2009: 11.35%).

28. DISPOSAL GROUP/NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Disposal group and non-current assets classified as held for sale are as follows:

		At 31 December 2009	**At 30 April 2009**
	Note	*HK$'000*	*HK$'000*
Assets of a disposal group (net of impairment loss)	*(a)(i)*	2,732,943	–
Liabilities of a disposal group	*(a)(ii)*	(835)	–
Interest in the associate	*(b)*	–	857,578
Less: impairment loss		–	(201,000)
		2,732,108	656,578

(a) At the end of December 2009, the Group intended to dispose of a parcel of land, which is located at Qiao Island, Zhuhai, the PRC, through the disposal of 珠海市淇洲島影視城有限公司, a subsidiary of the Company, the assets and liabilities related to 珠海市淇洲島影視城有限公司 (the "Zhuhai Project Company") (part of property development) have been presented as held for sale. On 19 January 2010, the Group entered into an agreement with Turbo Wise Limited, a company wholly owned by Mr. Li

Song Xiao, the controlling shareholder of the Company, subject to certain conditions, to sell the Zhuhai Project Company for a consideration of HK$2,500,000,000. Further details of such disposal are disclosed in note 37.

The proceeds of the disposal are expected to be less than the net carrying amount of the interest in Zhuhai Project Company, and accordingly, an impairment loss of HK$1,790,000,000 for write-down of interest in Zhuhai Project Company to fair value less costs to sell was recognised in the consolidated income statement for the eight months ended 31 December 2009.

(i) Assets of disposal group classified as held for sale (net of impairment loss)

	At 31 December 2009 *HK$'000*
Properties under development, at cost	4,486,145
Less: impairment loss	(1,790,000)
Properties under development, at fair value less costs to sell	2,696,145
Property, plant and equipment	921
Trade and other receivables	381
Cash and cash equivalents	35,496
Total	2,732,943

(ii) Liabilities of disposal group classified as held for sale

	At 31 December 2009 *HK$'000*
Trade and other payables	285
Income tax payable	550
Total	835

(iii) Cumulative income or expense recognised directly in equity relating to disposal group classified as held for sale

	At 31 December 2009 *HK$'000*
Foreign exchange translation adjustments	232,008
Total	232,008

(b) During the year ended 30 April 2009, the director of the Company planned to sell a 40% equity interest in Invest Online, which owns a property development project in Harbin, the PRC, and has initiated an active programme to locate a buyer and complete the plan so as to increase the Group's working capital. Accordingly, the interest in this associate has been presented as non-current assets held for sale as at 30 April 2009. Subsequent to 30 April 2009, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser") whereby it was agreed that the Group shall sell and the Purchaser shall purchase the 40% equity interest in Invest Online for a total consideration of RMB556,000,000 (equivalent to approximately HK$633,000,000).

As the proceeds of disposal were less than the net carrying amount of the interest in this associate, an impairment loss of HK$201,000,000 for write-down of interest in the associate to fair value less costs to sell was recognised in the consolidated income statement for the year ended 30 April 2009. During the eight months ended 31 December 2009, this disposal transaction was completed, and loss of approximately HK$5,100,000 on disposal of this associate was recognised in the consolidated income statement.

29. CAPITAL AND RESERVES

(a) Movements in components of consolidated equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) Share capital

Authorised and issued share capital

	At 31 December 2009		At 30 April 2009	
	Number of shares	Nominal value *HK$'000*	Number of shares	Nominal value *HK$'000*
Authorised:				
Ordinary shares of HK$0.04 each	10,000,000,000	400,000	10,000,000,000	400,000
Issued and fully paid:				
Ordinary shares of HK$0.04 each	1,945,640,189	77,826	1,945,640,189	77,826

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

(i) Terms of unexpired and unexercised share options at the balance sheet date

Exercise period	Exercise price	At 31 December 2009 *Number*	At 30 April 2009 *Number*
4 April 2006 – 3 April 2016	HK$3.60	13,125,000	13,125,000
17 November 2006 – 22 October 2006	HK$3.72	65,000,000	65,000,000
14 March 2007 – 6 March 2017	HK$3.92	47,500,000	47,500,000
		125,625,000	125,625,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 30 to the consolidated financial statements.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 90 of the Bermuda Companies Act 1981.

(ii) Convertible note equity reserve

The convertible notes equity reserve comprises the value of the unexercised equity component of convertible notes issued by the Group recognised in accordance with the accounting policy adopted for convertible notes in note 1(l).

(iii) Share options reserve

The share options reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(p)(ii).

(iv) Other revaluation reserve

The other revaluation reserve comprises 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 Company. This 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.

(v) Exchange reserve

The exchange reserve comprises all exchange differences arising from the translation of the financial statements of the Group's operations not denominated in Hong Kong dollars. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate projects, and continue to provide returns for shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if the project development can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total equity attributable to the equity shareholders of the Company. For this purpose, the Group defines net debt as total debt (which includes loans and borrowings, convertible notes and senior notes) less cash and cash equivalents and restricted bank deposits secured against bank borrowings.

During the period, the Group's strategy, which was unchanged from last year, was to maintain a gearing ratio of not more than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The gearing ratio as at 31 December 2009 and 30 April 2009 was as follows:

	Note	At 31 December 2009 HK$'000	At 30 April 2009 HK$'000
Current liabilities:			
– Bank borrowings	*24*	702,240	971,656
– Loan payables	*25*	1,402,200	2,737,281
		2,104,440	3,708,937
Non-current liabilities:			
– Bank borrowings	*24*	768,064	1,554,048
– Convertible notes	*26*	62,136	1,028,195
– Senior notes	*27*	2,942,803	2,923,895
Total debt		5,877,443	9,215,075
Less: Cash and cash equivalents	*20*	(1,627,196)	(2,618,105)
Restricted bank deposits secured against bank borrowings	*15(b)*	–	(19,030)
Cash and cash equivalents of disposal group classified as held for sales	*28(a)(i)*	(35,498)	–
Net debt		4,214,749	6,577,940
Total equity attributable to the equity shareholders of the Company		6,073,429	8,316,384
Gearing ratio		69.4%	79.1%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 12 December 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the group, to take up options for a consideration of HK$1 to subscribe for shares of the Company. The exercise period of the share options granted is determined by the directors of the Company, but no later than 10 years from the date of the offer. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 4 April 2006	18,750,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant	10 years

	Number of instruments	Vesting conditions	Contractual life of options
		– up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	
– on 17 November 2006	20,000,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	10 years
– on 14 March 2007	7,500,000	– up to 50% immediately from the date of grant – up to 100% immediately after 1 year from the date of grant	10 years
Options granted to employees:			
– on 4 April 2006	2,750,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	10 years
– on 17 November 2006	2,250,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant	10 years

	Number of instruments	Vesting conditions	Contractual life of options
		– up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	
– on 17 November 2006	55,250,000	– up to 20% immediately after 1 year from the date of grant – up to 40% immediately after 2 years from the date of grant – up to 60% immediately after 3 years from the date of grant – up to 80% immediately after 4 years from the date of grant – up to 100% immediately after 5 years from the date of grant	10 years
– on 14 March 2007	40,000,000	– up to 50% immediately from the date of grant – up to 100% immediately after 1 year from the date of grant	10 years
Total share options granted	146,500,000		

(b) The number and weighted average exercise prices of share options are as follows:

	8 months ended 31 December 2009		**Year ended 30 April 2009**	
	Weighted average exercise price	*Number of options*	*Weighted average exercise price*	*Number of options*
Outstanding at the beginning of the period/year	HK$3.783	125,625,000	HK$3.780	132,875,000
Forfeited during the period/year	–	–	HK$3.720	(7,250,000
Outstanding at the end of the period/year	HK$3.783	125,625,000	HK$3.783	125,625,000
Exercisable at the end of the period/year	HK$3.803	101,525,000	HK$3.816	87,025,000

The options outstanding at 31 December 2009 had exercise prices of HK$3.60, HK$3.72 or HK$3.92 (at 30 April 2009: HK$3.60, HK$3.72 or HK$3.92) and a weighted average remaining contractual lives of 6.33 years, 6.83 years and 7.33 years (at 30 April 2009: 7 years, 7.5 years and 8 years), respectively.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and market risks (including interest rate, currency risk and equity price risk) arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from the movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from:

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

– the amount of contingent liabilities as disclosed in note 35.

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 actions are taken to recover overdue 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 regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Cash and cash equivalents and restricted bank deposits are placed with banks and financial institutions with good credit ratings. The directors of the Company consider that the Group's credit risk on the cash and cash equivalents and restricted bank deposits is low.

In relation to the Group providing guarantees to secure obligations of the buyers of the property units for the repayment of their mortgage loans, if there is a default in repayment by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposits, take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the Group to banks. In this regard, 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 35.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, the Group had no significant concentrations of credit risk within the property development business segment.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 35, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 35.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	At 31 December 2009					
		Contractual undiscounted cash outflow				
	Balance sheet carrying amount	**Total**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	2,377,593	2,377,593	2,377,593	–	–	–
Bank borrowings	1,470,304	1,700,348	773,508	160,392	387,108	379,340
Loan payables	1,402,200	1,675,800	1,675,800	–	–	–
Convertible notes	62,136	70,782	–	70,782	–	–
Senior notes	2,942,803	4,641,833	304,200	304,200	4,033,433	–
	8,255,036	10,466,356	5,131,101	535,374	4,420,541	379,340
Financial guarantees issued: Maximum amount guaranteed *(note 35(a))*	–	2,592,713	2,592,713	–	–	–

	At 30 April 2009					
	Contractual undiscounted cash outflow					
	Balance sheet carrying amount	**Total**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	2,478,506	2,478,506	2,478,506	–	–	–
Bank borrowings	2,525,704	2,851,170	1,083,149	1,143,165	258,227	366,629
Loan payables	2,737,281	3,172,155	3,172,155	–	–	–
Convertible notes	1,028,195	1,244,401	–	–	1,244,401	–
Senior notes	2,923,895	4,792,683	304,200	304,200	913,433	3,270,850
	11,693,581	14,538,915	7,038,010	1,447,365	2,416,061	3,637,479
Financial guarantees issued: Maximum amount guaranteed *(note 35(a))*	–	1,839,871	1,839,871	–	–	–

(c) Interest rate risk

(i) Exposure to interest rate risk

The Group's interest rate risk arises primarily from bank borrowings, loan payables, convertible notes, senior notes, cash and cash equivalents and restricted bank deposits. Cash and cash equivalents and restricted bank deposits comprise mainly cash at banks, with annual interest rates ranging from 0.001% to 0.360% as at 31 December 2009 (at 30 April 2009: 0.001% to 0.360%). The interest rates of the Group's bank borrowings, loan payables, convertible notes and senior notes are disclosed in notes 24, 25, 26 and 27, respectively.

Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest rate risk, and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not carry out any hedging activities to manage its interest rate exposure.

(ii) Sensitivity analysis

The Group does not anticipate there is any significant impact on its interest-bearing assets resulting from the changes in interest rates as the interest rates of bank deposits are not expected to change significantly.

As at 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates applicable to the Group's borrowings, with all other variables held constant, would decreased/increased the Group's profit after tax and retained profits by approximately HK$42,318,000 (at 30 April 2009: HK$24,838,000). Other components of consolidated equity would not be affected (at 30 April 2009: Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for the year ended 30 April 2009.

(d) Currency risk

Renminbi ("RMB") is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other financial institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of the entity within the Group into the Group's presentation currency are excluded.

	At 31 December 2009		**At 30 April 2009**	
	United States Dollars	**Hong Kong Dollars**	**United States Dollars**	**Hong Kong Dollars**
	'000	*'000*	*'000*	*'000*
Trade and other receivables	–	854,809	194	52,016
Cash and cash equivalents	249	79,737	31,680	417,641
Trade and other payables	(17,149)	(11,967)	(10,471)	
Convertible notes	–	(62,136)	–	(1,028,195
Senior notes	(377,282)	–	(374,858)	–
Overall exposure to currency risk	(394,182)	860,443	(353,455)	(570,810

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	At 31 December 2009		At 30 April 2009	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits** *HK$'000*	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits** *HK$'000*
United States Dollars	2%	(61,492)	2%	(55,139)
	(2)%	61,492	(2)%	55,139
Hong Kong Dollars	5%	43,022	5%	(28,541)
	(5)%	(43,022)	(5)%	28,541

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of the entity within the Group into the Group's presentation currency. The analysis is performed on the same basis for the year ended 30 April 2009.

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group. As at the balance sheet date, the Group is exposed to this risk through the warrants and redemption rights attached to the convertible notes issued by the Company as disclosed in notes 27 and 26, respectively.

(f) Fair value

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, "Financial Instruments: Disclosure" with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3: (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

Assets

	At 31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instrument – Redemption Right of the Issuer	–	600	–	600
	–	600	–	600

Liabilities

Derivative financial instrument – Warrants	–	29,600	–	29,600
	–	29,600	–	29,600

During the period, there were no significant transfer between instruments in level 1 and level 2.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 30 April 2009.

(g) Estimation of fair values

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying amounts approximate fair values because of the short maturities of these instruments.

(ii) Interest-bearing loans and borrowings

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

(iii) Derivatives

The Group selects appropriate valuation methods and makes assumptions with reference to market conditions existing at each balance sheet date to determine the fair value of the derivatives. The details of these derivatives are set out in notes 26 and 27.

(iv) Financial guarantees issued

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantee not been available, where reliable estimates of such information can be made.

32. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets and liabilities through the acquisition of subsidiaries

During the year ended 30 April 2009, the Group acquired assets and liabilities through the acquisition of a subsidiary with details below:

On 30 June 2008, the Group acquired a 12% equity interest in Beijing Jun He Bai Nian Property Development Co., Ltd. ("Jun He Bai Nian"), a company established in the PRC and engaged in property development in Beijing, the PRC, for a total consideration of RMB82,090,000 (equivalent to approximately HK$93,369,000). Prior to the acquisition, the Group held 43.95% interest in Jun He Bai Nian and this has been accounted for as interest in an associate. Jun He Bai Nian then became a 55.95% owned subsidiary of the Group subsequent to the acquisition.

Details of the net assets acquired in respect of the acquisition of Jun He Bai Nian are summarised below:

	Fair values on acquisition
	HK$'000
NET ASSETS ACQUIRED	
Plant and equipment	901
Properties under development	1,558,140
Trade and other receivables and prepayments	2,456
Bank balances and cash	1,280
Accruals and other payables	(63,478)
Amounts due to a shareholder	(710,786)
Amounts due to group companies	(1,912)
	786,601
Minority interests	(68,910)
	717,691
Less: interest in an associate held prior to the acquisition	(624,322)
	93,369
Total consideration satisfied by:	
Cash consideration paid	(93,369)
Net cash outflow arising on acquisition:	
Cash consideration paid	(93,369)
Bank balances and cash acquired	1,280
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	92,089

The subsidiary acquired did not contribute significantly to the Group's revenue and results during the year.

(b) Acquisition of assets and liabilities through the acquisition of additional interest in a subsidiary

On 31 December 2009, the Group completed the acquisition of a further 10% equity interest in Zhongou Chengkai Company Limited (中歐城開有限公司) ("Zhongou Chengkai"), a company established in the PRC to carry out a property development project in Hebei Province, the PRC, for a consideration of RMB25 million (equivalent to approximately HK$28.5 million) from the minority shareholder of Zhongou Chengkai. Prior to the acquisition, the Group had a 90% equity interest in Zhongou Chengkai, and Zhongou Chengkai then became a wholly-owned subsidiary of the Company. Due to the acquisition of additional interest in Zhongou Chengkai, the minority interests decreased by HK$11,385,000.

33. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

For the Period Ended 31 December 2009

(i) Beijing Jun He Bai Nian Property Development Co., Ltd ("Jun He Bai Nian")

In July 2009, the Group completed the disposal of its entire interest in 北京國銳民合投資有限公司 ("北京國銳") for a total cash consideration of approximately HK$1,175,397,000. 北京國銳 owns a 55.95% equity interest in Jun He Bai Nian, a company established in the PRC and engaged in property development in Beijing, the PRC. A gain on disposal of approximately HK$105,526,000 arose from this disposal.

Details of the net assets disposed of in respect of 北京國銳 and Jun He Bai Nian are summarised below:

	HK$'000
Net assets disposed of	
Plant and equipment	515
Properties under development	1,837,607
Trade and other receivables	2,290
Bank balance and cash	4,790
Accruals and other payables	(83,457)
Loan payables	(615,719)
Amounts due to group companies	(8,819)
	1,137,207
Minority interests	(67,202)
	1,070,005
Release of exchange reserve upon disposal	(134)
	1,069,871
Gain on disposal of subsidiary	105,526
	1,175,397
Total consideration satisfied by:	
Cash received	1,175,397
Net cash inflow arising on disposal:	
Cash consideration received	1,175,397
Bank balances and cash disposed of	(4,790)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiary	1,170,607

(ii) 北京新松建築研究發展有限公司

In August 2009, the Group completed the disposal of the entire equity interest in 北京新松建築研究發展有限公司 ("北京新松建築"), a company established in the PRC and engaged in design and construction business, for a cash consideration of approximately HK$1,129,000. A gain on disposal of approximately HK$1,815,000 arose from this disposal.

Details of the net assets disposed of in respect of 北京新松建築 are summarised below:

	HK$'000
Net assets disposed of	
Plant and equipment	1,358
Trade and other receivables	252
Bank balance and cash	4,139
Amount from group companies	2,504
Accruals and other payables	(8,679)
Income tax payables	(112)
	(538)
Release of exchange reserve upon disposal	(148)
	(686)
Gain on disposal of a subsidiary	1,815
	1,129
Total consideration satisfied by:	
Consideration receivable for disposal of a subsidiary	1,129
Net cash outflow arising on disposal:	
Cash consideration received	–
Bank balances and cash disposed of	(4,139)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(4,139)

(iii) Tianjin City Yi Jia He Zhi Ye Co., Ltd. ("Yi Jia He")

In June 2009, the Group completed the disposal of a 40% equity interest in Yi Jia He, a company established in the PRC and engaged in property development in Tianjin, for a cash consideration of approximately HK$410,400,000. After the disposal, the Group retains 40% interests in Yi Jia He, which became an associate of the Group. A gain on disposal of approximately HK$115,485,000 arose from this disposal.

Details of the net assets disposed of in respect of Yi Jia He are summarised below:

	HK$'000
Net assets disposed of	
Plant and equipment	1,713
Properties under development	1,849,771
Trade and other receivables	1,275
Bank balance and cash	79,645
Accruals and other payables	(1,450)
Income tax payable	(210)
Advance payment from a minority shareholder for the property development project	(798,000)
Amounts due to group companies	(466,109)
	666,635
Minority interests	(12,712)
	653,923
Net assets transferred to interests in associates	(330,169)
	323,754
Release of exchange reserve upon disposal	(28,839)
	294,915
Gain on disposal of subsidiary	115,485
	410,400
Total consideration satisfied by:	
Cash received	410,400
Net cash inflow arising on disposal:	
Cash consideration received	410,400
Bank balances and cash disposed of	(79,645)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiary	330,755

(iv) 天津新潤房地產開發有限公司 ("Tianjin Xin Run")

In December 2009, the Group completed the disposal of the entire equity interest in Star Profit Group Limited ("Star Profit") and its subsidiaries for a total consideration of approximately HK$1,120,000,000. Profit Kingsway Limited, a wholly-owned subsidiary of Star Profit, owns the entire equity interest in Tianjin Xin Run, a company established in the PRC and engaged in property development in Tianjin, the PRC. A gain on disposal of approximately HK$69,523,000 arose from this disposal.

Details of the net assets disposed of in respect of Star Profit and its subsidiaries are summarised below:

	HK$'000
Net assets disposed of	
Plant and equipment	273
Properties under development	1,199,290
Trade and other receivables	144
Prepaid income tax	324
Bank balance and cash	14,441
Accruals and other payables	(11,100)
Deferred tax liabilities	(81,267)
	1,122,105
Release of exchange reserve upon disposal	(71,628)
	1,050,477
Gain on disposal of subsidiaries	69,523
	1,120,000
Total consideration satisfied by:	
Cash received	285,000
Consideration receivable for disposal of subsidiaries	835,000
	1,120,000
Net cash inflow arising on disposal:	
Cash consideration received	285,000
Bank balances and cash disposed of	(14,441)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	270,559

(v) 北京世銘企業管理有限公司 ("北京世銘")

In December 2009, the Group completed the disposal of the entire equity interest in 北京世銘, a company established in the PRC and engaged in corporate management in Beijing, for a cash consideration of approximately HK$25,000. A gain on disposal of approximately HK$28,000 arose from this disposal.

Details of the net assets disposed of in respect of 北京世銘 are summarised below:

	HK$'000
Net assets disposed of	
Accruals and other payables	(7)
Release of exchange reserve upon disposal	4
	(3)
Gain on disposal of a subsidiary	28
	25
Total consideration satisfied by:	
Consideration receivable for disposal of a subsidiary	25
Net cash inflow arising on disposal:	
Cash consideration received	–
Bank balances and cash disposed of	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiaries	–

(vi) 榮鑫(北京)企業管理有限公司, 中新方圓科技(深圳)有限公司, 天津中新同城房地產開發有限公司, 天津中新泰華房地產開發有限公司 and 天津中新宜城房地產開發有限公司 ("deregistered subsidiaries").

During the eight months ended 31 December 2009, the Group applied for and completed the deregistration of the deregistered subsidiaries, which were established in the PRC and had not yet commenced any business. A gain on disposal of approximately HK$44,489,000 arose from this disposal due to the release of exchange reserve.

(b) Summary of disposal of subsidiaries

For the Period Ended 31 December 2009

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

	8 months ended 31 December 2009 *HK$'000*
Net assets disposed of	
Plant and equipment	3,859
Properties under development	4,886,668
Trade and other receivables	3,961
Prepaid income tax	324
Bank balance and cash	103,015
Accruals and other payables	(104,693)
Income tax payables	(322)
Deferred tax liabilities	(81,267)
Loan payables	(615,719)
Advance payment from a minority shareholder for the property development project	(798,000)
Amounts due to group companies	(472,424)
	2,925,402
Minority interests	(79,914)
	2,845,488
Net assets transferred to interests in associates	(330,169)
	2,515,319
Release of exchange reserve upon disposal	(145,234)
	2,370,085
Gain on disposal of subsidiaries	336,866
	2,706,951
Total consideration satisfied by:	
Cash received	1,870,797
Consideration receivable for disposal of subsidiaries	836,154
	2,706,951
Net cash inflow arising on disposal:	
Cash consideration received	1,870,797
Bank balances and cash disposed of	(103,015)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	1,767,782

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

34. COMMITMENTS

(a) Commitments in respect of properties under development outstanding at 31 December 2009 and 30 April 2009 not provided for in the consolidated financial statements were as follows:

	The Group	
	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
Authorised and contracted for but not provided for	3,210,742	6,064,142

(b) At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2009	**At 30 April 2009**
	HK$'000	*HK$'000*
Within one year	5,684	3,785
After one year but within five years	2,285	1,611
	7,969	5,396

Operating lease payments represent rentals payable by the Group for its office properties. The leases typically run for an initial period of three months to three years, with an option to renew the lease when all terms are renegotiated.

35. CONTINGENT ASSETS AND LIABILITIES

(a) Corporate guarantees

(i) Guarantees in respect of mortgage facilities for certain purchasers

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was approximately HK$2,377,313,000 as at 31 December 2009 (at 30 April 2009: HK$1,617,631,000).

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

(ii) Guarantees in respect of bank loans for a former subsidiary

The Company has entered into agreements with two banks to provide corporate guarantees with respect to bank loans granted to a former subsidiary. Pursuant to the terms of guarantees, upon default in payments of bank loans by the former subsidiary, the Company is responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the former subsidiary to the banks. The guarantees will be released when the bank loans of the former subsidiary are repaid in full. The maximum liability of the Company at the balance sheet date under such guarantees is the outstanding amount of the bank loans to the former subsidiary of RMB224,000,000 (equivalent to approximately HK$255,360,000) (at 30 April 2009: RMB230,000,000 (equivalent to approximately HK$262,200,000)).

As at 31 December 2009, the Company holds a deposit of RMB36,000,000 (equivalent to approximately HK$39,960,000) (at 30 April 2009: RMB36,000,000 (equivalent to approximately HK$39,960,000)) from the holding company of the former subsidiary as a collateral for the guarantees, and such deposit is included in "Trade and other payables".

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and, the directors of the Company consider that the possibility of default by the former subsidiary is remote and, in case of default in payments, the net realisable value of the net assets of the former subsidiary can recover the repayment of the outstanding principals of the bank loans together with the accrued interest and penalty. Accordingly, no provision has been made in respect of such guarantees.

(b) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties with terms ranging from one to two years against certain specified defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

(c) Legal proceedings initiated by a third party against the Company

According to a statement of claim filed in the High Court of the Hong Kong Special Administrative Region by a third party (the "plaintiff") on 25 November 2009, the plaintiff alleges that 中置(北京)企業管理有限公司 ("中置(北京)"), a wholly owned subsidiary of the Company, was in breach of a share transfer agreement. According to this agreement, the plaintiff agreed to transfer its 30% equity interest in 成都中新錦泰房地產開發有限公司 ("成都錦泰"), a subsidiary of the Company, to 中置(北京) for the consideration of RMB160,000,000, and that the Company was a guarantor guaranteeing the performance of 中置(北京)'s obligations under the share transfer agreement. If the Company is found to be liable, the total expected monetary sum may amount to approximately RMB102,000,000 (equivalent to approximately HK$116,280,000), which comprises the outstanding consideration of RMB70,000,000 (equivalent to approximately HK$79,800,000), which included an amount of RMB30,000,000 (equivalent to approximately HK$34,200,000) (which is included in "Loan Payable") (see note 25(b)(i)), and the compensation of RMB32,000,000 (equivalent to approximately HK$36,480,000), plus interest and legal costs.

The Company, having obtained advice from its legal counsellor, is of the view that the above claim is based on unreasonable and invalid grounds because the plaintiff, 中置(北京) and 成都錦泰 have on or about 24 April 2009 reached a settlement agreement through 成都市中級人民法院 on this matter. Therefore, no provision has been made in respect of this claim.

36. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

(i) Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	8 months ended 31 December 2009	Year ended 30 April 2009
	HK$'000	*HK$'000*
Short-term employee benefits	10,830	12,812
Post-employment benefits	8	11
Equity compensation benefits	3,857	9,558
	14,695	22,381

Total remuneration is included in "staff costs" (see note 5(b)).

(ii) During the eight months ended 31 December 2009, Mr. Liu Yi and Ms. Liu Yan, the directors of the Company, entered into sale and purchase agreements with the Company's subsidiaries for the purchase of the Group's properties for the total considerations of approximately HK$1,335,000 and HK$1,265,000, respectively. At 31 December 2009, the Group received an amount of approximately HK$6,000 from Ms. Liu Yan as deposits in accordance with these agreements. Up to the date of the issue of these financial statements, the remaining balances of the total considerations were settled in full, but these transactions are not yet completed.

During the year ended 30 April 2009, Ms. Liu Yan entered into sale and purchase agreements with the Company's subsidiaries for the purchase of the Group's properties for the total consideration of approximately HK$6,517,000, and these transactions were completed during the year.

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2009 and 30 April 2009 are set out in the notes 19, 21 and 25.

(c) Transactions with related parties

During the period, the Group entered into the following transactions with related companies:

(i) During the eight months ended 31 December 2009, the Group paid building management fee to 北京欣錦佳資產管理有限公司, in which Mr. Li Song Xiao, the controlling shareholder of Company, has controlling interest, for the Group's office. The amount of building management fee was agreed mutually by both parties. The amount of building management fee incurred in the period was HK$4,817,000 (year ended 30 April 2009: HK$5,611,000). An amount of HK$4,883,000 was outstanding (at 30 April 2009: HK$2,977,000) as at 31 December 2009 and was included in "Accrued charges and other payables" under "Trade and other payables" (note 21).

(ii) During the eight months ended 31 December 2009, agency fees were paid to 天津博華物業管理有限公司 ("博華物管") and 重慶中新嘉業物業服務有限公司 ("中新嘉業"), in which Mr. Li Song Xiao has controlling interest, 北京西宇嘉業物業管理有限公司深圳分公司 ("西宇嘉業"), in which Ms. Liu Yan, a director of the Company, has controlling interest, for providing property management services to the Company's subsidiaries. The amounts of agency fees charged were agreed mutually by both parties. The amounts of agency fees incurred in the period were HK$1,896,000 (year ended 30 April 2009: HK$2,808,000), HK$2,843,000 (year ended 30 April 2009: HK$971,000) and HK$1,334,000 (year ended 30 April 2009: HK$971,000), which were charged by 博華物管, 西宇嘉業 and 中新嘉業, respectively. An amount of HK$115,000 was outstanding and due to 西宇嘉業 as at 31 December 2009 (at 30 April 2009: HK$369,000 was outstanding and due to 中新嘉業) and was included in "Accrued charges and other payables" under "Trade and other payables" (note 21). No amount were outstanding and due to 中新嘉業 and 博華物管 as at 31 December 2009 (No amounts were outstanding and due to 博華物管 and 西宇嘉業 as at 30 April 2009).

(iii) During the eight months period ended and as at 31 December 2009, 北京新松投資集團有限公司 (新松投資集團), in which Mr. Li Song Xiao has a controlling interest, provided corporate guarantees to secure the Group's bank loan facilities to the extent of approximately HK$384,032,000 (at 30 April 2009: HK$420,314,000) at no charge.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

37. NON-ADJUSTING POST BALANCE SHEET EVENTS

On 19 January 2010, the Company entered into an agreement with Turbo Wise Limited ("Turbo Wise"), a company wholly owned by Mr. Li Song Xiao, the controlling shareholder of the Company, subject to certain conditions, to dispose of the entire interest in a parcel of land located in Qiao Island, Zhuhai, the PRC, for a total consideration of HK$2,500,000,000. Details of this transaction were set out in the announcement as issued by the Company on 19 January 2010. Further details of such disposal are disclosed in note 28(a).

38. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Current taxation and deferred taxation

The Group is subject to Enterprise Income Tax in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred taxation relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation in the periods in which such estimate is changed.

(b) PRC Land Appreciation Tax

PRC Land Appreciation Tax ("LAT") 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 borrowing costs and all property development expenditure.

The Group is subject to LAT in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain of its property development projects. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. 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 income tax and deferred income tax provisions in the period in which such determination is made.

(c) Write-down of properties under development and completed properties held for sale

As explained in Note 1(k), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in write-down of properties under development and completed properties held for sale. Such write-down requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying amount and write-down of properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the write-down of properties would affect profit or loss in future years.

(d) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(e) Impairment for property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss is recognised in accordance with the accounting policy for impairment of property, plant and equipment as described in Note 1(j)(ii). The carrying amounts of property, plant and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of selling price and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(f) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(g) Derivative financial instruments

In determining the fair value of the derivative financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised) "Business Combinations"	1 July 2009
Amendments to HKAS 27 "Consolidated and Separate Financial Statements"	1 July 2009
Amendments to HKAS 39 "Financial Instruments: Recognition And Measurement" – *Eligible hedged items*	1 July 2009
HK(IFRIC) – Int 17 "Distributions of Non-Cash Assets to Owners"	1 July 2009
Amendments to HKFRS 5 as part of improvements to HKFRSs 2008	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010
Amendments to HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards" – *Additional exemptions for First-time Adopters*	1 January 2010
Amendments to HKFRS 2 "Share-based Payment" – *Group cash-settled share-based payment transactions*	1 January 2010
Amendments to HKAS 32 "Financial Instruments – Presentation" – *Classification of rights issues*	1 February 2010
HKAS 24 (Revised) "Related Party Disclosures"	1 January 2011
Amendments to HK(IFRIC) – Int 14 "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – *Prepayments of a minimum funding requirement*	1 January 2011
HK(IFRIC) – Int 19 "Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010
HKFRS 9 "Financial Instruments"	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's results of operations and financial position.

40. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2009, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be Invest Gain Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

41. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2009 are set out below:

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held		Principal activities
			Directly	Indirectly	
Eastern Beauty Investment Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Golden Bull Investment Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Honest State Limited	British Virgin Islands/Hong Kong	10,000,000 ordinary shares of US$1 each	–	100%	Investment holding
Leadway Pacific Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Neo-China Land Group (China) 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
Neo-China Real Estate (Shanghai) Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
New Direction Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Phoenix Real Property Limited	British Virgin Islands/Hong Kong	200 ordinary shares of US$1 each	–	80%	Investment holding
Profit Mainland Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Profit Store Development Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Reliance Profit Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Rich Glory Investments Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Rich Win Investments Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held Directly	Indirectly	Principal activities
Speed Max Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Star Tech Development Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Wonder Bridge Company Limited	Hong Kong	4 ordinary shares of HK$100 each	–	75%	Investment holding
Shenzhen Phoenix Real Estates Company Limited 深圳鳳凰置業有限公司 *(note (a))*	The PRC	US$10,000,000	–	82%	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 *(note (a))*	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	–	100%	Property development
北京御水苑房地產開發有限責任公司 *(note (c))*	The PRC	RMB20,000,000	–	90%	Property development
北京新松置地投資顧問有限公司 *(note (c))*	The PRC	RMB30,000,000	–	100%	Investment holding
成都中新錦泰房地產開發有限公司 *(note (a))*	The PRC	RMB200,000,000	–	100%	Property development
西安滻灞建設開發有限公司 *(note (a))*	The PRC	US$86,880,000	–	71.5%	Property development
西安中新滻灞歐亞酒店發展有限公司 *(note (c))*	The PRC	RMB50,000,000	–	71.5%	Hotel operations
西安中新永榮房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新佳園房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新永佳房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新沁園房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新新柳域房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新華勝房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新榮景房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held Directly	Indirectly	Principal activities
西安中新濱河房地產開發 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新永景房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 *(note (c))*	The PRC	RMB30,000,000	–	67%	Property development
重慶中華企業房地產發展有限公司 *(note (c))*	The PRC	RMB200,000,000	–	100%	Property development
天津中新濱海房地產開發有限公司 *(note (b))*	The PRC	HK$100,000,000	–	100%	Property development
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
天津中新信捷房地產開發有限公司 *(note (b))*	The PRC	RMB240,000,000	–	100%	Property development
天津凱津房地產開發有限公司 *(note (c))*	The PRC	RMB210,000,000	–	100%	Property development
上海九久廣場投資開發有限公司 *(note (c))*	The PRC	RMB226,160,000	–	100%	Property development
瀋陽向明長益置業有限公司 *(note (a))*	The PRC	USD63,750,000	–	80%	Property development
珠海市淇洲島影視城有限公司 *(note (a))*	The PRC	RMB90,000,000	–	100%	Property development
中歐城開有限公司 *(note (c))*	The PRC	RMB100,000,000	–	100%	Property development
北京盈通房地產開發有限公司 *(note (a))*	The PRC	USD6,000,000	–	67.5%	Primary land 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) These companies were established in the PRC in the form of a limited liability company.

The above table only includes those subsidiaries which, in the opinion of the Company's directors, principally affected the results of the Group 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 the Company's directors, result in particulars of excessive length.

2. INDEBTEDNESS

STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 May 2010, being the latest practicable date for the sole purpose of this statement of indebtedness prior to the date of this Composite Document, the bank and other borrowings of the Neo-China Group comprise the following:

	HK$'000
Bank borrowings, secured	1,295,336
Other borrowing, secured	171,000
Loan payables, secured	1,306,248
Amounts due to related companies, unsecured	37,466
Amounts due to minority shareholders, unsecured	48,055
Amounts due to former shareholders of the Company's former subsidiaries, unsecured	137,039
Amortised cost of the liability component of unsecured convertible notes	64,506
Unsecured senior notes	2,955,388
	6,015,038
Analysed as	
Secured	2,772,584
Unsecured	3,242,454
	6,015,038

Securities and guarantees

As at 31 May 2010, the bank borrowings of approximately HK$1,295,336,000 of the Neo-China Group were secured by:

(i) certain properties under development, certain completed held for sale, a hotel property and certain investment properties of the Neo-China Group located in the PRC;

(ii) certain bank deposits of the Neo-China Group; and

(iii) corporate guarantees given by 北京新松投資集團有限公司, in which Mr. Li Song Xiao, the controlling shareholder of the Company, has controlling interest, to the extent of approximately HK$359,545,000.

As at 31 May 2010, the loan payable of approximately HK$1,306,248,000 of the Neo-China Group was secured by:

(i) share mortgage over the issue capital of Moral Luck Group Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands;

(ii) equity pledge over the registered capital of Zhuhai City Qi Zhou Island Movie Town Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC;

(iii) subordination of intra-group's balances between certain wholly-owned subsidiaries of the Company in favour of this independent third party; and

(iv) corporate guarantees given by the Company and certain of the Company's subsidiaries.

As at 31 May 2010, the other borrowing from a financial institution of approximately HK$171,000,000 of the Neo-China Group was secured by certain properties under development of the Neo-China Group located in the PRC, equity pledge over the registered capital of 天津中新濱海房地產開發有限公司, a wholly owned subsidiary of Company established in the PRC and a guarantee given by Golden Bull Investment Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong.

As at 31 May 2010, the Group agreed to pledge of the Group's shareholdings in Tianjin City Yi Jia He Zhi Ye Co., Ltd ("Yi Jia He"), to Wukuang Zhiye Company ("Wukuang"), the controlling shareholder of Yi Jia He, which was established in the PRC and owned 60% of the equity interest in the Yi Jia He, as security for any possible breach of the responsibilities of the Group under the supplementary agreement signed with Wukuang. The main responsibilities of the Group are that (i) the Group is undertaking the preliminary development works of the property development project in respect of the piece of land (the "Land") situated at Tianjin Beichen Qu Yi Xing Bu Jiu Chun (the "Project") including demolishment and re-settlement and obtaining planning approval and land clearance; (ii) Wukuang is responsible for contributing a total amount of funds of RMB1,584 million (equivalent to approximately HK$1,796 million) ("Wukang's Contribution") for demolition and re-settlement expenses of the land lot nos. 7 and 8 with a gross construction area of 800,000 square meters comprised part of the Land and the Group is responsible for payment of any excess amount of the actual amount of the demolition and re-settlement expenses over Wukuang's Contribution; and (iii) in the event that there is any change in the shareholding of the Project, the affected outgoing shareholder shall provide complete and full disclosure to the new shareholder of the Project of all relevant matters and legal documents, and agreed terms of co-operation among the parties with respect to the Project.

Contingent liabilities

(a) Financial guarantees issued in respect of bank loans for a former subsidiary

As at 31 May 2010, the Company has entered into agreements with two banks to provide corporate guarantees with respect to bank loans granted to a former subsidiary. Pursuant to the terms of guarantees, upon default in payments of bank loans by the former subsidiary, the Company is responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the former subsidiary to the banks. The guarantees will be released when the bank loans of the former subsidiary are repaid in full. The maximum liability of the Company as at 31 May 2010 under such guarantees is the outstanding amount of the bank loans to the former subsidiary of RMB105,000,000 (equivalent to approximately HK$119,700,000).

(b) Legal proceedings initiated by a third party against the Company

According to the statement of claim filed in the High Court of the Hong Kong Special Administrative Region by a third party (the "plaintiff") on 25 November 2009, the plaintiff alleges that 中置(北京)企業管理有限公司(「中置(北京)」), a wholly owned subsidiary of the Company, was in breach of a shares transfer agreement. According to this agreement, the plaintiff agreed to transfer its 30% equity interest in 成都中新錦泰房地產開發有限公司(「成都錦泰」), a subsidiary of the Company, to 中置(北京) at the consideration of RMB160,000,000, and that the Company was a guarantor guaranteeing the performance of 中置(北京)'s obligations under the shares transfer agreement. If the Company is found to be liable, the total expected monetary sum may amount to approximately RMB102,000,000 (equivalent to approximately HK$116,280,000).

The Company, having obtained advice from its legal counsellor, is of the view that the above claims are based on unreasonable and invalid grounds because the plaintiff, 中置(北京) and 成都錦泰 have on or about 24 April 2009 reached a settlement agreement through 成都市中級人民法院 on this matter. Therefore, no provision has been made in respect of this claim.

(c) Guarantees in respect of mortgage facilities of certain purchasers

The Neo-China Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Neo-China Group's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, the Neo-China Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Neo-China Group is entitled to take over the legal title and possession of the related properties. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. As at 31 May 2010, the total amount of mortgages outstanding which are guaranteed by the Neo-China Group was approximately HK$2,694,937,000.

Disclaimers

Save as aforesaid and apart from intra-group liabilities and liabilities arising in the normal course of business, at the close of business on 31 May 2010, the Neo-China Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors confirm that save as disclosed above, there have been no material changes in the indebtedness and contingent liabilities of the Neo-China Group since 31 May 2010, up to and including the Latest Practicable Date.

3. MATERIAL CHANGES

At as the Latest Practicable Date, the Directors confirm that there is no material change in the financial or trading position or outlook of the Neo-China Group since 31 December, 2009 being the date to which the latest audited financial statements of the Neo-China Group were made up.

4. NO QUALIFICATION CONFIRMATION

The reports of CCIF in respect of the Group’s accounts for the two financial years ended 30 April 2008 and 30 April 2009 and Crowe Horwath in respect of the financial period ended 31 December 2009 did not contain any qualification.

5. INFORMATION ON DIVIDENDS

Dividends per share

	For the year ended 30 April 2008 *HK cents*	**For the year ended 30 April 2007** *HK cents*
Interim dividend declared and paid	1.0	6.0
Final dividend proposed after the balance sheet date	14.0	4.8

Note: The figures for dividends per share have been adjusted by the effect of the share consolidation.

	For the eight months ended 31 December 2009 *HK$'000*	For the year ended 30 April 2009 *HK$'000*
Dividends payable to equity shareholders of the Company attributable to the period/year		
Interim dividend	Nil	Nil
Final dividend paid during the year	Nil	272,390

Dividends per share

	For the eight months ended 31 December 2009 *HK cents*	For the year ended 30 April 2009 *HK cents*
Interim dividend	Nil	Nil
Final dividend paid during the year	Nil	14.0

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this Composite Document received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties held in the PRC as at 31st January 2010.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

2nd July 2010

The Directors
Shanghai Industrial Holdings Limited
26th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

We refer to our valuation report dated 30th April 2010 in respect of the valuation of the market value of the properties ("Properties") held by Neo-China Land Group (Holdings) Limited ("Neo-China") and its subsidiaries and associate (together "Neo-China Group") in the People's Republic of China (the "PRC"), for the purpose of providing you (the "Company") with our opinion of the market values of the Properties in existing state as at 31st January 2010 (the "date of valuation"). As instructed by the Company, we have reviewed the valuation of the Properties as at 30th April 2010. Based on our findings after making further relevant enquiries, we consider that there were no material differences between the valuations of the Properties as at 31st January 2010 and those as at 30th April 2010 (except for the changes due to subsequent sold units and works progress, if applicable).

In compliance with Rule 11.4 of the Takeovers Code, the content of our previous valuation report dated 30th April 2010 in respect of the Properties with market value in existing state as at 31st January 2010 are extracted hereinafter.

Definition of Market Value

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "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."

Valuation Basis and Assumption

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties situated in the PRC, with reference to the PRC legal opinion of the legal adviser, Allbright Law Offices (上海市錦天城律師事務所) dated 30th April 2010, we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by Neo-China Group, regarding the title to the Properties and the interests in the Properties. In valuing the Properties, with reference to the PRC legal opinion, we have prepared our valuation on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

According to financial information of Neo-China Group, for indicate purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of the Properties in the PRC are PRC business tax (approximately 5%), PRC land appreciation tax (approximately 30%-60% of the appreciation amount) and withholding tax for foreign company (approximately 20%), if any. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. The precise tax implication will be subject to prevailing rules and regulation at the time of disposal.

The Properties in Group I held by Neo-China Group for sale, a potential tax liability attributable to the Neo-China Group estimated to be approximately RMB102,650,000 would arise if such Properties were to be sold at the amount of valuations. Depending on the sale status, there is likelihood of such liability referred to in above being crystallised.

The Properties in Group II, III, IV and V are held by Neo-China Group for investment, under development, future development and owner-occupation purposes respectively, the likelihood of the relevant tax liabilities being crystallized is remote in near future.

Method of Valuation

In valuing the Properties in Group I, II and IV, which are held by Neo-China Group for sale, investment and future development in the PRC respectively, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the Properties in Group III and V, which are held by Neo-China Group under development and owner-occupation in the PRC respectively, we have valued them on the basis that they will be developed and completed in accordance with Neo-China Group's latest development proposal provided to us. In arriving at our opinion of value of the land, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market and where appropriate, we have also taken into account the estimated total and expended construction costs.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases issued by Securities and Futures Commission and The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by Neo-China Group and the opinion of the PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, completion dates of building, construction cost, particulars of occupancy, development scheme, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by Neo-China Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by Neo-China Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exterior, and wherever possible, the interior of the Properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Properties are free of rot, infestation and any other structural defects; no tests were carried out to any of the services. Moreover, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

Remark

Please note that we are also appointed by Neo-China to prepare valuation of the same Properties for another public disclosure purposes. We have sought consent from the Company for us to carry out the valuation for Neo-China. The Company and Neo-China understand that our valuations are carried out on an impartial basis without bias to any party concerned.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 17 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31st January 2010	Neo-China Group's attributable interest	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group
		RMB	*%*	*RMB*
Group I – Properties held by Neo-China Group for sale in the PRC				
1.	The unsold portion of Phases 1 and 2 of Xidiaoyutai, Lot Nos. 1 and 2 of West Diaoyutai Village, Haidian District, Beijing	232,200,000	90	208,980,000
2.	The unsold portion of Phase 1 and 2 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	139,000,000	100	139,000,000
3.	The unsold portion of American Rock, No. 16 Baiziwan Road, Chaoyang District, Beijing	65,200,000	100	65,200,000
4.	The unsold portion of Lot No. 9 (excluding Block 12) at Laochengxiang, south of Beima Road, Laocheng Xiang Area, Nankai District, Tianjin	16,000,000	100	16,000,000
5.	The unsold portion of Lot No. A9, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing	81,000,000	100	81,000,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
6.	The unsold portion of Lot No. A5 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	3,500,000	71.5	2,502,500
7.	The unsold portion of Block 1 to 5, Block 10 to 24 of Lot No. A6 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	71,000,000	71.5	50,765,000
8.	The unsold portion of Phase 1 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	3,000,000	100	3,000,000
9.	The unsold portion of District A of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	23,000,000	67	15,410,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
10.	The unsold portion of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing (excluding unsold commercial portion of Lot No. B2)	807,700,000	100	807,700,000
	sub-total of Group I in RMB:	**1,441,600,000**		**1,389,557,500**

Group II – Properties held by Neo-China Group for investment in the PRC

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
11.	The unsold portion of Phoenix Tower, No. 2008 Shennan Road, Futian District, Shenzhen, Guangdong Province	50,820,000	90.6	46,042,920
12.	The unsold portion of Laochengxiang, Lot No. 11 of Laochengxiang Area, Nankai District, Tianjin	900,000,000	100	900,000,000
13.	The unsold commercial portion of Lot No. B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing	1,665,700,000	100	1,665,700,000
	sub-total of Group II in RMB:	**2,616,520,000**		**2,611,742,920**

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
Group III – Properties held by Neo-China Group under development in the PRC				
14.	Phase 3 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	573,000,000	100	573,000,000
15.	Lot No. 1 of Laochengxiang, west of Chengxiang Central Road, Laocheng Xiang Area, Nankai District, Tianjin	1,778,000,000	100	1,778,000,000
16.	Jinfeng Building at Lot No. 4 of Laochengxiang, north of Nanma Road, east of Chengxiang East Road, Laocheng Xiang Area, Nankai District, Tianjin	498,000,000	100	498,000,000
17.	Lot No. A10 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	606,000,000	71.5	433,290,000
18.	Lot No. A13 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	365,000,000	71.5	260,975,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
19.	Lot No. A14 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	507,000,000	71.5	362,505,000
20.	Lot No. A15 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	458,000,000	71.5	327,470,000
21.	District B to E of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	318,000,000	67	213,060,000
22.	Phase 1 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	736,000,000	100	736,000,000
23.	Phase 2 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	1,247,000,000	100	1,247,000,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
24.	Block 12 of Lot No. 9 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin,	263,000,000	100	263,000,000
25.	Lot No. A4 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	232,000,000	71.5	165,880,000
	sub-total of Group III in RMB:	**7,581,000,000**		**6,858,180,000**

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
Group IV – Properties held by Neo-China Group for future development in the PRC				
26.	Phase 3 of Xidiaoyutai, Lot Nos. 1 and 2 of West Diaoyutai Village, Haidian District, Beijing	687,000,000	90	618,300,000
27.	Yanjiao, East of Yingbin South Road, Yanjiao Economic Technology Development Zone, Hebei Province	635,000,000	100	635,000,000
28.	Lot No. 2 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	359,000,000	100	359,000,000
29.	The commercial portion of Lot No. 15 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	309,000,000	100	309,000,000
30.	Bichen Yixingfu, south of Pujihedong Road, west of Outer Ring North Road, Yixingfu Old Village, Beichen District, Tianjin	1,254,000,000	40	501,600,000
31.	Lot Nos. C1 and E4 Phase 2 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagong, Gaoxin District, Chongqing	296,000,000	100	296,000,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
32.	Lot Nos. A2 to A3 & A11 to A12 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	1,261,000,000	71.5	901,615,000
33.	District F of Phase 1 and Phase 2 of Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	357,000,000	67	239,190,000
34.	Phase 2 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	576,000,000	100	576,000,000
35.	Tai Yuan Street, west of Tianjin South Street, Heping District, Shenyang, Liaoning Province	810,000,000	80	648,000,000

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
36.	A plot of land Lot No. A0203001 at east of Qiao East Line Road, Wangchiling Hills, Qiao Island, Zhuhai, Guangdong Province	2,250,000,000	100	2,250,000,000
	sub-total of Group IV in RMB:	**8,794,000,000**		**7,333,705,000**

Group V – Property held by Neo-China Group for owner-occupation in the PRC

	Property	Market Value in existing state as at 31st January 2010 *RMB*	Neo-China Group's attributable interest *%*	Market Value in existing state as at 31st January 2010 attributable to Neo-China Group *RMB*
37.	Lot No. A1 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	784,000,000	71.5	560,560,000
	sub-total of Group V in RMB:	784,000,000		560,560,000
	Grand total:	**21,217,120,000**		**18,753,745,420**

Note: We have also issued a Valuation Report dated 18th January 2010 to Neo-China for the valuation of Property no. 36 as at 31st December 2009 for public disclosure purposes.

VALUATION CERTIFICATE

Group I – Properties held by Neo-China Group for sale in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
1.	The unsold portion of Phases 1 and 2 of Xidiaoyutai, Lot Nos. 1 and 2 of West Diaoyutai Village, Haidian District, Beijing	Xidiaoyutai is a large-scale residential and retail development erected on two parcels of land Lot Nos. 1 and 2 with a total site area of approximately 42,541.05 sq m. Phases 1 and 2 of Xidiaoyutai are erected upon Lot No. 1 and portion of Lot No. 2 and completed in 2006 and 2008. According to the information provided by Neo-China Group, the Property comprises unsold retail, residential and car park units of Phases 1 and 2 of Xidiaoyutai with a total gross floor area of 6,676.03 sq m. The land use rights of the Property have been granted for various terms due to expire on 18th February 2074, 18th February 2044 and 18th February 2054 for residential, ancillary facilities and carpark uses respectively.	The Property is currently vacant.	RMB232,200,000 (90% interest attributable to Neo-China Group: RMB208,980,000)

Notes:

(1) According to Certificate for the Use of State-owned Land Nos. (2004)3026 and (2005)3487, the land use rights of the development with a total site area of approximately 42,541.05 sq m have been granted to Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) with details as follows:–

Certificate No.	Location	Site Area *(sq m)*	Uses	Expiry Date
(2004)3026	Lot No. 1, West Diaoyutai Village, Haidian District	15,452.81	Residential, ancillary facilities and carpark	Residential: 18th February 2074 Ancillary facilities: 18th February 2044 Carpark: 18th February 2054

Certificate No.	Location	Site Area (sq m)	Uses	Expiry Date
(2005)3487	Lot No. 2, West Diaoyutai Village, Haidian District	27,088.24	Residential, ancillary facilities and carpark	Residential: 18th February 2074 Ancillary facilities: 18th February 2044 Carpark: 18th February 2054
	Total	**42,541.05**		

(2) According to three Building Ownership Certificates, a total gross floor area of approximately 678.97 sq m is held by Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司):

Certificate No.	Building No.	Room No.	Gross Floor Area (sq m)
008237	1 (underground)	B102	78.41
008237	1 (underground)	B105	93.57
008237	1 (underground)	B106	102.49
014366	2	2-1801	355.67
018347	1 (underground)	1 carpark	48.83
		Total	**678.97**

Note: Building Nos. 5, 7, 9 and 10 were not issued with Building Ownership Certificate yet.

Note: Unit B102, B105, B106 of Building No. 1 and Unit 1801 of Building No. 2 of the Property, were sealed up by a Court Order. We have assigned no commercial value to the said 4 sealed up units.

(3) According to Business Licence No.1101080064387, Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) was established as a limited liability company on 15th August 2003 with a registered capital of RMB20,000,000 for a valid operation period from 15th August 2003 to 14th August 2023.

(4) According to the PRC legal opinion:–

(i) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司), a 90% owned subsidiary of Neo-China, has legally obtained valid business licence and is legally established under the PRC law;

(ii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has fully settled all the land premium and obtained Certificate for the Use of State-owned Land and partly Building Ownership Certificate;

(iii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has right to transfer the Property with unsold gross floor area of 6,676.03 sq m;

(iv) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and

(v) Unit B102, B105, B106 of Building No. 1 and Unit 1801 of Building No. 2 of the Property, were sealed up by a Court Order and cannot be transferred or disposal of or pledged from 13th May 2009 to 12th May 2011.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)**
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

** Partly sealed up by a Court Order

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
2.	The unsold portion of Phases 1 and 2 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	Youngman Point is a large-scale retail and residential development erected on three parcels of land (one land under Certificates for the Use of State-owned Land No. (2006)0262 including portion of Phase 2 and Phase 3 of Youngman Point) with a total site area of approximately 87,373.15 sq m and completed in 2008. According to the information provided by Neo-China Group, the Property comprises unsold portion of Youngman Point with a total gross floor area of approximately 25,436.24 sq m. The land use rights of the Property have been granted for various terms due to expire on 20th June 2043 for ancillary facilities use, 20th June 2053 and 30th August 2054 for basement carpark use, 5th February 2044 and 30th August 2044 for commercial use and 20th June 2073 and 30th August 2074 for residential use.	The Property is currently vacant.	RMB139,000,000 (100% interest attributable to Neo-China Group: RMB139,000,000)

Notes:

(1) According to five Building Ownership Certificates, a total gross floor area of approximately 142,475.50 sq m of Phase 1 of Youngman Point is held by Beijing New Shine Properties Development Company Limited (北京新松房地產開發有限公司):–

Certificate No.	Location	Gross Floor Area *(sq m)*	Uses
00176	Buildings 2-5,8-10, Ganluyuan Zhongli, Chaoyang District	101,424.03	Residential and ancillary facilities
534178	Underground carpark, Ganluyuan Zhongli, Chaoyang District	12,979.18	Carpark

Certificate No.	Location	Gross Floor Area *(sq m)*	Uses
555067	Buildings 6, Ganluyuan Zhongli, Chaoyang District	14,622.76	Residential, ancillary facilities and public facilities
555068	Buildings 7, Ganluyuan Zhongli, Chaoyang District	12,012.74	Residential, ancillary facilities and public facilities
528560	Buildings 1, Ganluyuan Zhongli, Chaoyang District	1,436.79	Club
	Total	**142,475.50**	

The Property is part of the said gross floor area.

(2) According to two Building Ownership Certificates, a gross floor area of approximately 93,070.56 sq m of Phase 2 of Youngman Point is held by Beijing New Shine Properties Development Company Limited (北京新松房地產開發有限公司):–

Certificate No.	Location	Gross Floor Area *(sq m)*	Uses
625476	Two buildings in Ganluyuan Zhongli, Chaoyang District	45,167.31	Residential and commercial
625537	Buildings 106, 108, 110, 112 in Chaoyang North Street, Chaoyang District	47,903.25	Residential, commercial, carpark and others
	Total	93,070.56	

The Property is part of the said gross floor area.

(3) According to three Certificates for the Use of State-owned Land, the land use rights of Youngman Point, comprising a total site area of approximately 87,373.15 sq m, have been granted to Beijing New Shine Properties Development Company Limited (北京新松房地產開發有限公司):–

Certificate No.	Location	Site Area *(sq m)*	Uses	Expiry Date
(2004)0232	Phase 1	40,917.30	Ancillary facilities, basement carpark and residential	Ancillary facilities: 20th June 2043 Basement carpark: 20th June 2053 Residential: 20th June 2073
(2004)0459	Phase 2	17,472.30	Commercial	5th February 2044

Certificate No.	Location	Site Area (sq m)	Uses	Expiry Date
(2006)0262	Portion of Phase 2 and Phase 3	28,983.55	Residential, commercial, basement carpark and storage	Residential: 30th August 2074 Commercial: 30th August 2044 Basement carpark and storage: 30th August 2054
	Total	**87,373.15**		

(4) According to Business Licence No. 110000410267241, Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) was established as a limited liability company on 29th May 2000 with a registered capital of RMB190,000,000 for a valid operation period from 29th May 2000 to 17th August 2055.

(5) According to the PRC legal opinion:–

(i) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has fully settled all the land premium and obtained Certificate for the Use of State-owned Land and Building Ownership Certificate;

(iii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property with unsold gross floor area of 25,436.24 sq m;

(iv) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and

(v) The Property is not subject to any pledge.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
3.	The unsold portion of American Rock, No. 16 Baiziwan Road, Chaoyang District, Beijing	American Rock is a large-scale residential and commercial development erected on a land with a total site area of approximately 121,498.50 sq m and completed in 2006. According to the information provided by Neo-China Group, the Property comprises unsold portion of American Rock with a total gross floor area of approximately 15,209.41 sq m. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (2).	The Property is currently vacant.	RMB65,200,000 (100% interest attributable to Neo-China Group: RMB65,200,000)

Notes:

(1) According to five Building Ownership Certificates, a total gross floor area of approximately 15,554.81 sq m of the Property is held by Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司):–

Certificate No.	Location	Gross Floor Area *(sq m)*	Uses
05-0088	District A club	A-110: 63.45 A-204: 183.47	Commercial
04-0083	Building no. 4	004-A-103: 176.45 004-C-103: 76.61 004-A-302: 218.84	Commercial
06-501703	Building no. 16	16-102: 85.43 16-103: 85.43 16-104: 95.70	Reserve for Post Office, can sold
04-00075	Building no. 1	001-D-204: 157.72 001-D-205: 111.07	Community Office, cannot be sold

Certificate No.	Location	Gross Floor Area (*sq m*)	Uses
584402 & 05-0088	Car park space	Basement car park: 14,300.64	–
	Total	**15,554.81**	

The Property is part of the said gross floor area.

(2) According to four Certificates for the Use of State-owned Land, the land use rights of the development with a total site area of approximately 121,498.50 sq m have been granted to Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司):–

Certificate No.	Site Area (*sq m*)	Uses	Expiry Date
(2002) 0240	27,820.26	Residential, ancillary facilities, basement carpark	Residential: 9th February 2072 Ancillary facilities: 9th February 2042 Basement carpark: 9th February 2052
(2003) 0052	35,011.07	Residential and ancillary facilities	Residential: 14th January 2073 Ancillary facilities: 14th January 2043
(2003) 0125	22,922.77	Residential and basement carpark	Residential: 8th February 2073 Basement carpark: 8th February 2053
(2005) 0477	35,744.40	Residential and basement carpark	Residential: 8th February 2073 Basement carpark: 8th February 2053
Total	**121,498.50**		

(3) According to Business Licence No.110000410175777, Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司) was established as a limited liability company on 9th August 2000 with a registered capital of USD12,000,000 for a valid operation period from 9th August 2000 to 14th October 2022.

(4) According to the PRC legal opinion:–

(i) Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. ((北京金馬文華園房地產開發有限公司)) has fully settled all the land premium and obtained Certificate for the Use of State-owned Land and Building Ownership Certificate;

(iii) Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(iv) Beijing Jin Ma Wen Hua Yuan Properties Development co., Ltd. (北京金馬文華園房地產開發有限公司) has right to transfer, lease and pledge the land use rights of the Property with unsold gross floor area of 15,209.41 sq m.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
4.	The unsold portion of Lot No. 9 (excluding Block 12) at Laochengxiang, south of Beima Road, Laocheng Xiang Area, Nankai District, Tianjin	Lot No. 9 at Laochengxiang is a residential development with 12 blocks to be erected upon a parcel of land with a site area of approximately 41,107.10 sq m and Block 1 to 11 completed in 2009. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Block 1 to 11 of Lot No. 9 at Laochengxiang with a total gross floor area of approximately 1,048.87 sq m. The land use rights of the Property have been granted for a term due to expire on 30th December 2076 for mixed residential use.	The Property is currently vacant.	RMB16,000,000 (100% interest attributable to Neo-China Group: RMB16,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 060300000006, the land use rights of Lot No. 9, with a site area of approximately 41,107.10 sq m, have been granted to Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) for a term due to expire on 30th December 2076 for mixed residential use.

The Property comprises only the unsold portion of the whole residential development, whilst the documents stated here are for the whole residential development.

(2) According to Grant Contract of Land Use Rights No. 2004-024 dated 6th September 2004 and its Supplement Contract No. 1 for Lot No. 9 dated 29th September 2006:–

(i)	Grantee	:	Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司)
(ii)	Site Area	:	799,285.20 sq m (in which 239,786 sq m for public facilities and 559,499.20 sq m for residential)
(iii)	Land Use	:	Residential and public facilities
(iv)	Planned Gross Floor Area	:	Not exceeding 172,362 sq m (in which 146,362 sq m for residential and ancillary public facilities, 26,000 sq m for office and service apartment)
(v)	Land Premium	:	RMB388,473,147.06

(3) According to Planning Permit for Construction Use of Land No. (2006)0112 dated 31st October 2006, the construction land of Lot No. 9 was in compliance with the requirement of urban planning and was permitted to be developed with a site area of approximately 41,107.10 sq m.

(4) According to Planning Permit for Construction Works No. (2006)0110 dated 29th December 2006, the Property has been permitted for the construction with a total gross floor area of 146,362 sq m (underground 28,390 sq m).

(5) According to Permit for Commencement of Construction Works No. 1210420200702014, the Property has been permitted to commence construction works with a total gross floor area of 146,362 sq m (underground 28,390 sq m).

(6) According to 11 Pre-sale Permits for Commodity Housing, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 145,704.16 sq m.

(7) According to Business Licence No. 120000400078160, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) was established as a limited liability company with a registered capital of RMB240,000,000 for a valid operation period from 3rd June 2005 to 2nd June 2025.

(8) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) According to Planning Permit for Construction Works, the total gross floor area is 146,362.00 sq m in which underground gross floor area is 28,390.00 sq m;

(iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has fully settled all the land premium of the Property and obtained the Real Estate Title Certificate;

(iv) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 1,048.87 sq m; and

(v) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Supplement Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
5.	The unsold portion of Lot No. A9, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing	Lot No. A9, Phase 1 of Yuanjiagang is a commercial development erected upon a parcel of land with a site area of approximately 16,753.30 sq m and completed in 2009. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Lot No. A9, Phase 1 of Yuanjiagang with a total gross floor area of approximately 3,053.75 sq m. The land use rights of the Property have been granted for a term due to expire in February 2044 for commercial and February 2054 for residential uses.	The Property is currently vacant.	RMB81,000,000 (100% interest attributable to Neo-China Group: RMB81,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. 114-2008-37441, the land use rights of Lot No. A9, with a site area of approximately 16,753.30 sq m, have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for a term due to expire in February 2044 for commercial and February 2054 for residential uses.

(2) According to Planning Permit for Construction Use of Land No. (2004)0028 dated 17th September 2004, the construction site of a parcel of land with a total site area of approximately 16,741 sq m is in compliance with the requirements of urban planning requirement.

(3) According to Planning Permit for Construction Works No. (2005)0005 dated 22nd February 2005, the construction works of Lot No. A9, with a total gross floor area of approximately 31,967.55 sq m was in compliance with the requirement of urban planning and was permitted to be developed.

(4) According to Permit for Commencement of Construction Works No. 510202200708240101 dated 24th August 2007, the construction works of Lot No. A9 was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 31,967.55 sq m.

(5) According to Business Licence No. 500901000052947 1-1-1, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28th May 2003 to 28th May 2023.

(6) According to the PRC legal opinion:–

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has right to use, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 3,053.75 sq m;

(iv) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and

(v) According to Planning Permit for Construction Works, the total gross floor area of the Property is 31,967.55 sq m.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	No
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
6.	The unsold portion of Lot No. A5 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	Lot No. A5 of Neo Water City is a composite residential/ commercial development with 13 blocks erected upon a land with a site area of approximately 86,444.10 sq m and completed in 2008. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Lot No. A5 of Neo Water City with a total gross floor area of approximately 806.11 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2076 for residential use.	The Property is currently vacant.	RMB3,500,000 (71.5% interest attributable to Neo-China Group: RMB2,502,500)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)008 dated 28th August 2007, the land use rights of the Property, comprising a site area of 86,444.10 sq m, have been granted to Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) for a term due to expire on 30th March 2076 for residential use.

(2) According to Planning Permit for Construction Use of Land No. (2005)007 dated 5 April 2007, the construction site of land with a total site area of 154.908 mu (103,272 sq m) (in which 25.242 mu for road use) is in compliance with the requirements of urban planning requirement.

(3) According to Planning Permit for Construction Works No. (2005)013, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 181,686.47 sq m.

(4) According to Permit for Commencement of Construction Works No.(2007)003, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 181,686.47 sq m.

(5) According to Business Licence No. 610100400004748, Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) was established as a limited liability company on 24th November 2004 with a registered capital of USD86,880,000 for a valid operation period from 24th November 2004 to 24th November 2024

(6) According to the PRC legal opinion:–

(i) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has right to transfer, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 806.11 sq m;

(iv) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) According to Planning Permit for Construction Works, the total gross floor area of the Property is 181,686.47 sq m.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	No
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
7.	The unsold portion of Block 1 to 5, Block 10 to 24 of Lot No. A6 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	Lot No. A6 of Neo Water City is a composite residential/ commercial development with 24 blocks erected upon a land with a site area of 153,404.53 sq m. Block 1 to 5, 10 to 24 completed in 2008 whilst Block 6 to 9 are under construction. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Block 1 to 5, Block 10 to 24 with a total gross floor area of approximately 7,597.06 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2076 for residential, 30th March 2056 for commercial public facilities, green area and water facilities uses.	The Property is currently vacant.	RMB71,000,000 (71.5% interest attributable to Neo-China Group: RMB50,765,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)012, the land use rights of the Property, comprising a site area of approximately 153,404.53 sq m, have been granted to Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) for a term due to expire on 30th March 2076 for residential, 30th March 2056 for commercial public facilities, green area and water facilities uses.

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A6**
Grantee	Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司)
Supplement Contract No.	(CB) 718
Site Area	230 mu (153,333 sq m)
Land Use	Composite, residential
Plot Ratio	1.41

(3) According to Planning Permit for Construction Use of Land No. (2005)008 dated 5th April 2007, the construction site of a parcel of land with a total site area of 267.116 mu (178,077 sq m) is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. (2009)020 dated 27th August 2009, the construction works of Lot No. A6, with a total gross floor area of 232,800 sq m was in compliance with the requirement of urban planning and was permitted to be developed.

(5) According to Permit for Commencement of Construction Works No. (2009)018 dated 3rd June 2009, the construction works of Lot No. A6 was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 232,800 sq m.

(6) According to Business Licence No. 610100400004748, Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) was established as a limited liability company on 24th November 2004 with a registered capital of USD86,880,000 for a valid operation period from 24th November 2004 to 24th November 2024.

(7) According to the PRC legal opinion:–

(i) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has right to transfer, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 7,597.06 sq m;

(iv) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permits for Commodity Housing. The permits have not been revoked or modified; and

(v) According to Planning Permit for Construction Works, the total gross floor area of the Property is 232,800 sq m.

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
8.	The unsold portion of Phase 1 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	Phase 1 of Jiujiu Youth City comprises a composite development erected on a parcel of land with a site area of 16,782.00 sq m and completed in 2009. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Phase 1 of Jiujiu Youth City with a total gross floor area of approximately 165.46 sq m. The land use rights of the Property have been granted for a term from 9th July 2005 to 8th July 2055 for composite use.	The Property is currently vacant.	RMB3,000,000 (100% interest attributable to Neo-China Group: RMB3,000,000)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2009)007490 dated 23rd April 2009, the land use rights and building ownership of the Property, comprising a total site area of 16,782.00 sq m and a total gross floor area of 40,947.61 sq m, have been vested in Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) for a term from 9th July 2005 to 8th July 2055 for composite use.

The Property is part of the said gross floor area.

(2) According to Business Licence No.310227000954132 dated 30th September 2003, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was established as a limited liability company with a registered capital of RMB226,160,000 for a valid operation period from 30th September 2003 to 29th September 2013.

(3) According to the PRC legal opinion:–

(i) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has fully settled all the land premium of the Property and obtained Shanghai Certificate of Real Estate Ownership;

(iii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property with unsold gross floor area of 165.46 sq m; and

(iv) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permits for Commodity Housing. The permits have not been revoked or modified.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
9.	The unsold portion of District A of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	District A of Phase 1, Neo-China Forest Garden comprises a residential development erected on a parcel of land with a site area of approximately 35,945.80 sq m and completed in between 2008 and 2009. According to the information provided by Neo-China Group, the Property comprises the unsold units with a total gross floor area of approximately 5,947.58 sq m. The land use rights of the Property have been granted for a term due to expire on 21st October 2075 for residential use.	The Property is currently vacant.	RMB23,000,000 (67% interest attributable to Neo-China Group: RMB15,410,000)

Notes:

(1) According to twenty three Building Ownership Certificates dated 6th May 2009, a total gross floor area of approximately 49,694.30 sq m is held by Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for residential use.

The Property is part of the said gross floor area.

(2) According to Certificate for the Use of State-owned Land No. (2009)486, the land use rights of the land, comprising a total site area of 35,945.80 sq m, have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for a term due to expire on 21st October 2075 for residential use.

(3) According to twenty three Pre-sale Permits for Commodity Housing, the development was permitted to pre-sale with a total gross floor area of 49,809.66 sq m.

(4) According to the information provided by Neo-China, part of the total land premium was approximately RMB5,000,000.

(5) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14th September 2005 with a registered capital of RMB30,000,000 for a valid operation period of 30 years.

(6) According to the PRC legal opinion:–

(i) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium and obtained Real Estate Title Certificates and Certificate for the Use of State-owned Land;

(iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 5,947.58 sq m; and

(iv) The Property is not subject to any pledge.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Pre-sale Permits for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
10.	The unsold portion of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing (excluding unsold commercial portion of Lot No. B2)	Lot Nos. B1 and B2, Phase 1 of Yuanjiagang is a large-scale residential, office and commercial development erected on two parcels of land with a total site area of approximately 77,886.30 sq m and completed in between 2008 and 2009. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Lot Nos. B1 and B2 (excluding unsold commercial portion of Lot No. B2), Phase 1 of Yuanjiagang with a total gross floor area of approximately 157,458.97 sq m. The land use rights of the Property have been granted for various terms due to expire in February 2054 for residential use and February 2044 commercial use.	The Property is currently vacant.	RMB807,700,000 (100% interest attributable to Neo-China Group: RMB807,700,000)

Notes:

(1) According to two Certificates for the Use of State-owned Land, the land use rights of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang, with a total site area of approximately 77,886.30 sq m, have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司):–

Certificate No.	Location	Site Area *(sq m)*	Uses	Expiry Date
114-2008-046896	Chenshangchen Sport Centre Lot No. B1	16,488.60	Mixed residential	Commercial: February 2044 Residential: February 2054
114-2008-046897	Chenshangchen Sport Centre Lot No. B2	61,397.70	Mixed residential	Commercial: February 2044 Residential: February 2054
	Total	**77,886.30**		

The Property is under part of the said land.

(2) According to ten Real Estate Title Certificates, a total gross floor area of approximately 510,577.34 sq m of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang is held by Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司):–

Certificate No.	Land Uses	Site Area *(sq m)*	Building Uses	Gross Floor Area *(sq m)*	Expiry Date
114-2008-046898	Commercial service	47,217.80	Non-residential	282,361.86	August 2043
114-2008-042041	Composite residential	945.70	Residential	20,868.35	Residential: February 2054
114-2008-042042	Composite residential	920.60	Residential	20,283.50	Residential: February 2054
114-2008-042043	Composite residential	15,127.80	Residential	20,013.66	Residential: February 2054
114-2008-042044	Composite residential	906.10	Residential	20,869.04	Residential: February 2054
114-2008-042085	Composite residential	907.90	Residential	20,286.60	Residential: February 2054
114-2008-042086	Composite residential	909.30	Residential	19,421.58	Residential: February 2054
114-2009-050984	Composite residential	15,066.10	Residential and non-residential	50,621.13	Commercial: 29th February 2044 Residential: February 2054
114-2009-050985	Composite residential	1,422.50	Residential and non-residential	15,372.80	Commercial: 29th February 2044 Residential: February 2054
114-2009-059344	Other commercial service	1,437.70	Hotel- type apartment	40,478.82	Commercial: 29th February 2044
	Total	**84,861.50**		**510,577.34**	

The Property is part of the said gross floor area.

(3) According to the information provided by Neo-China, part of the total land premium was approximately RMB255,600,000.

(4) According to Business Licence No. 500901000052947 1-1-1, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28th May 2003 to 28th May 2023.

(5) According to the PRC legal opinion:–

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land and Real Estate Title Certificate;

(iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has right to use, lease, transfer and pledge the land use right of the Property with unsold gross floor area of 157,458.97 sq m;

(iv) Level 7 to 42 of building no. 5 of Lot No. B2 is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;

(v) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and

(vi) According to Planning Permit for Construction Works, the total gross floor area of the Property is 616,026.16 sq m.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by Neo-China Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
11.	The unsold portion of Phoenix Tower, No. 2008 Shennan Road, Futian District, Shenzhen, Guangdong Province	Phoenix Tower is a composite residential/commercial development erected upon a land with a site area of approximately 11,038.40 sq m and completed in 2006. According to the information provided by Neo-China Group, the Property comprises 4 unsold units of Phoenix Tower with a total gross floor area of approximately 1,048.17 sq m and Neo-China Group has the operation rights of 485 carparks of Phoenix Tower. The land use rights of the Property have been granted for a term of 50 years from 11th June 2001 to 10th June 2051 for office, business apartment and commercial uses.	Three unsold office units, with a total gross floor area of 857.25 sq m, are currently occupied by Neo-China Group for office use. One unsold apartment unit, with a gross floor area of 190.92 sq m, is currently vacant. The car parks are licensed on hourly or monthly basis.	RMB50,820,000 (90.6% interest attributable to Neo-China Group: RMB46,042,920)

Notes:

(1) According to four Real Estate Title Certificates, the land use rights of the Property for a term from 11th June 2001 to 10th June 2051 for office, business apartment and commercial uses and the building ownership rights of the Property have been granted to Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司):–

Certificate No.	Unit	Uses	Gross Floor Area *(sq m)*
3000465350	19B, Tower 1, China Phoenix Tower	Office	242.53
3000464951	25A, Tower 1, China Phoenix Tower	Office	435.67
3000464953	25E, Tower 1, China Phoenix Tower	Office	179.05
3000464954	24C, Tower 2, China Phoenix Tower	Apartment	190.92
		Total	**1,048.17**

(2) According to Business Licence No. 440301501119818 dated 9th January 2002, Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) was established as a limited liability company with a registered capital of USD10,000,000 for a valid operation period from 9th January 2002 to 9th January 2052.

(3) According to the PRC legal opinion:–

(i) Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司), a 90.6% owned subsidiary of Neo-China, has obtained valid business license and is legally established under the PRC law;

(ii) Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) has obtained Real Estate Title Certificates and has right to transfer, pledge and lease of the Property;

(iii) The Property is not subject to any pledge; and

(iv) The Property has 485 carparks and Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) has the right to operate and charge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser are as follows:–

Real Estate Title Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
12.	The unsold portion of Laochengxiang, Lot No. 11 of Laochengxiang Area, Nankai District, Tianjin	Lot No. 11 of Laochengxiang Area is a residential development erected upon a parcel of land with a site area of approximately 62,866.60 sq m and completed in 2007. According to the information provided by Neo-China Group, the Property comprises 166 unsold units of Lot No. 11 of Laochengxiang Area with a total gross floor area of approximately 43,692.74 sq m. The land use rights of the Property have been granted for a term due to expire on 29th March 2075 for residential use.	According to the information provided by Neo-China Group, portion of Property, with a total gross floor area of 220 sq m, is currently occupied by Neo-China Group as office use. Portion of Property with a total gross floor area of 3,600.24 sq m is rented by third party for the latest expiry date on 29th June 2014 at a total annual rental of approximately RMB3,858,210 for office use, exclusive of management fee. The remaining portion of Property with a total gross floor area of 39,872.50 sq m, is currently vacant.	RMB900,000,000 (100% interest attributable to Neo-China Group: RMB900,000,000)

Notes:

(1) According to one hundred and sixty-six Building Ownership Certificates, a total gross floor area of approximately 43,692.74 sq m is held by Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) for residential, non-residential, office and retail uses.

(2) According to Certificate for the Use of State-owned Land No. (2005)039, the land use rights of Lot No. 11 of Laochengxiang Area, comprising a site area of 62,866.60 sq m, have been vested in Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) for a term due to expire on 29th March 2075 for residential use.

(3) According to the information provided by Neo-China, the land premium was approximately RMB193,500,000.

(4) According to Business Licence No. 120000400032528, Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) was established as a limited liability company with a registered capital of RMB80,000,000 for a valid operation period from 23rd September 2004 to 2nd July 2026.

(5) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) According to Planning Permit for Construction Works, the total gross floor area of the Property is 44,081.74 sq m (underground 9,757.07 sq m);

(iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has fully settled all land premium and obtained Building Ownership Certificates and Certificate for the Use of State-owned Land;

(iv) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permits for Commodity Housing. The permits have not been revoked or modified;

(v) 145 units of the Property are pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and

(vi) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Building Ownership Certificates for another 13 protected historical units which could not be sold without government approval.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser-

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permits for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
13.	The unsold commercial portion of Lot No. B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing	Lot No. B2, Phase 1 of Yuanjiagang is a large-scale residential, office and commercial development erected upon a parcel of land with a site area of approximately 61,397.70 sq m and completed in between 2008 and 2009. According to the information provided by Neo-China Group, the Property comprises the unsold commercial portion of Lot No. B2, Phase 1 of Yuanjiagang with a total gross floor area of approximately 193,616.32 sq m. The land use rights of the Property have been granted for various terms due to expire in February 2054 for residential use and February 2044 commercial use.	Portion of Property with a total gross floor area of 150,144.61 sq m is rented by third party for the latest expiry date on 6th November 2029 at a total annual rental of approximately RMB12,000,000 for commercial use, exclusive of management fee. The remaining portion of property, with a total gross floor area of 43,471.71 sq m, is currently vacant.	RMB1,665,700,000 (100% interest attributable to Neo-China Group: RMB1,665,700,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No.114-2008-046897, the land use rights of the Property, with a site area of approximately 61,397.70 sq m, have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for a term due to expire in February 2054 for residential use and February 2044 for commercial use. The Property is part of the said land.

(2) According to Real Estate Title Certificate No. 114-2008-046898, a gross floor area of approximately 282,361.86 sq m of Lot No. B2, Phase 1 of Yuanjiagang is held by Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for non-residential use.

The Property is part of the said gross floor area.

(3) According to Business Licence No. 500901000052947 1-1-1, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28th May 2003 to 28th May 2023.

(4) According to the PRC legal opinion:–

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land and Real Estate Title Certificate;

(iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has right to use, lease, transfer and pledge the land use right of the Property with unsold gross floor area of 193,616.32 sq m;

(iv) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;

(v) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and

(vi) According to Planning Permit for Construction Works, the total gross floor area of Lot Nos. B1 and B2 is 616,026.16 sq m.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes (Partly)
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by Neo-China Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
14.	Phase 3 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	The Property comprises a composite residential/ commercial development under construction erected upon three parcels of land (one land under Certificates for the Use of State-owned Land No. (2006)0262 including portion of Phase 2 and Phase 3 of Youngman Point) with a total site area of approximately 54,776.60 sq m. According to the information provided by Neo-China Group, the Property upon completion will have a planned total gross floor area of approximately 101,053.50 sq m (including basement). The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).	The Property is under construction and scheduled to be completed in 2012.	RMB573,000,000 (100% interest attributable to Neo-China Group: RMB573,000,000)

Notes:

(1) According to three Certificates for the Use of State-owned Land, the land use rights of the development with a total site area of 54,776.60 sq m has been granted to Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司):–

Certificate No.	Location	Site Area *(sq m)*	Uses	Expiry Date
(2004) 0460	Phase 3	12,128.50	Commercial	5th February 2044
(2004) 0461	Phase 3	13,664.55	Residential, ancillary facilities and basement car parking	Residential: 5th February 2074 Ancillary facilities: 5th February 2044 Basement car parking: 5th February 2054

Certificate No.	Location	Site Area (sq m)	Uses	Expiry Date
(2006) 0262	Portion of Phase 2 and Phase 3	28,983.55	Residential, commercial and basement car parking and commercial storage	Residential: 30th August 2074 Commercial: 30th August 2044 Basement car parking and commercial storage uses: 30th August 2054
	Total	**54,776.60**		

(2) According to two Grant Contract of Land Use Rights Supplement Contracts, the land use rights of the Property have been granted to Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司)) for residential, ancillary facilities, basement car park and commercial storage uses:–

Contract No.	Site Area (sq m)	Land Premium (RMB)	Planned Gross Floor Area (sq m)
(2004) 137	16,600.00	20,618,620	47,700.00
(2004) 0839	29,389.10	33,597,510	79,841.50
Total	**45,989.10**	**54,216,130**	**127,541.50**

(3) According to five Planning Permits for Construction Works, the construction works of the Property, with a total gross floor area of 101,053.50 sq m was in compliance with the requirement of urban planning and was permitted to be developed.

(4) According to the information provided by Neo-China Group, 35,333 sq m has been pre-sold at a total consideration of RMB455,760,000 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(5) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB459,000,000; a construction cost of approximately RMB123,300,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(6) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB1,200,000,000.

(7) According to Business Licence No. 110000410267241 dated 29th May 2000, Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) was established as a limited liability company with a registered capital of RMB190,000,000 for a valid operation period from 29th May 2000 to 17th August 2055.

(8) According to the PRC legal opinion:–

(i) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;

(iv) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 101,054 sq m;

(v) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(vi) The Property is not subject to any pledge.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights Supplement Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
15.	Lot No. 1 of Laochengxiang, west of Chengxiang Central Road, Laocheng Xiang Area, Nankai District, Tianjin	The Property comprises a residential development under construction erected upon a parcel of land with a site area of approximately 55,423.40 sq m. According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 195,966.75 sq m. The land use rights of the Property have been granted for a term due to expire on 30th December 2076 for mixed residential use.	The Property is under construction and scheduled to be completed in mid 2010.	RMB1,778,000,000 (100% interest attributable to Neo-China Group: RMB1,778,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No.060300000008, the land use rights of the Property, comprising a site area of 55,423.40 sq m, have been vested in Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) for a term due to expire on 30th December 2076 for mixed residential use.

(2) According to Grant Contract of Land Use Rights No. 2004-024 dated 22nd July 2005 and its Supplement Contract No. 1 dated 8th September 2006:–

(i)	Grantee	:	Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司)
(ii)	Site Area	:	55,423.40 sq m to be developed by the Grantee
(iii)	Land Use	:	Residential, office and ancillary facilities
(iv)	Planned Gross Floor Area	:	Not exceeding 201,300 sq m above ground

According to the information provided by Neo-China, the land premium was approximately RMB463,500,000.

(3) According to Planning Permit for Construction Use of Land No. (2006)0113 dated 31st October 2006, the construction site of land with a total site area of 55,423.40 sq m is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permits for Construction Works No. (2007)0007 dated 1st August 2007, the Property has been permitted for the construction with the development scheme with a total gross floor area of approximately 193,600.00 sq m (underground gross floor area of 36,870 sq m).

(5) According to Permit for Commencement of Construction Works No. 1210420200708310 dated 22nd August 2007, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 193,600.00 sq m (underground gross floor area of 36,870 sq m).

(6) According to the information provided by Neo-China Group, 194,169.39 sq m has been pre-sold at a total consideration of RMB2,115,046,701 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB1,054,000,000; a construction cost of approximately RMB864,700,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB2,100,000,000.

(9) According to Business Licence No. 120000400078186, Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) was established as a limited liability company with a registered capital of RMB240,000,000 for a valid operation period from 3rd June 2005 to 2nd June 2025.

(10) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property; and

(iv) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
16.	Jinfeng Building at Lot No. 4 of Laochengxiang, north of Nanma Road, east of Chengxiang East Road, Laocheng Xiang Area, Nankai District, Tianjin	The Property comprises a composite residential/ commercial development under construction erected upon a parcel of land with a site area of approximately 19,007.90 sq m. According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 71,846.40 sq m. The land use rights of the Property have been granted for a term due to expire on 30th January 2075 for mixed residential use.	The Property is currently under construction and scheduled to be completed in mid 2010.	RMB498,000,000 (100% interest attributable to Neo-China Group: RMB498,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 104050800076 dated 19th September 2008, a site area of approximately 19,007.90 sq m of the Property is held by the Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) for a term due to expire on 30th January 2075 for mixed residential use.

(2) According to Project Cooperation Agreement dated 23rd July 2007, Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) had agreed to acquire the Property at a total consideration of RMB179,246,000.

(3) According to Grant Contract of Land Use Rights No. 2004-111 dated 29th September 2004 and its Supplement Contract No. 1 dated 8th September 2006:–

(i)	Site Area	:	19,007.90 sq m
(ii)	Land Use	:	Residential and public facilities
(iii)	Planned Gross Floor Area	:	32,000 sq m for residential 25,000 sq m for public facilities
(iv)	Building Covenant	:	To complete the construction before 31st December 2007

(4) According to Planning Permit for Construction Use of Land No. (2008)0276 dated 27th August 2008, the construction site of a parcel of land with a total site area of 19,007.90 sq m is in compliance with the requirements of urban planning.

(5) According to Planning Permit for Construction Works No. (2008)0008 dated 8th September 2008, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 56,999.98 sq m (underground 14,846.42 sq m).

(6) According to Permit for Commencement of Construction Works No. 12104021200809004 dated 26th September 2008, the construction works of the Property was in compliance with the requirement of works commencement and was permitted to be developed with a total gross floor area of approximately 71,846.40 sq m (public facilities: 24,999.99 sq m and residential: 31,999.99 sq m).

(7) According to the information provided by Neo-China Group, 53,554.23 sq m has been pre-sold at a total consideration of RMB652,203,960 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB361,300,000; a construction cost of approximately RMB222,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB690,000,000.

(10) According to Business Licence No. 120104000003855, Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) was established as a limited liability company on 19th July 2007 with a registered capital of RMB210,000,000 for a valid operation period from 19th July 2007 to 18th July 2027.

(11) According to the PRC legal opinion:–

(i) Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) has obtained Real Estate Title Certificate. Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property; and

(iii) Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) has obtained Real Estate Title Certificate, Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Real Estate Title Certificate	Yes
Project Cooperation Agreement	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
17.	Lot No. A10 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of 106,940.60 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite building including commercial and residential development with a planned total gross floor area of approximately 290,123.03 sq m. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).	The Property is under construction and scheduled to be completed in end 2010.	RMB606,000,000 (71.5% interest attributable to Neo-China Group: RMB433,290,000)

Notes:

(1) According to two Certificates for the Use of State-owned Land, the land use rights of the Property, comprising a site area of 106,940.60 sq m, have been granted to Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司):–

Certificate No.	Lot No.	Site Area *(sq m)*	Uses	Expiry Date
(2007)017	A10	89,427.70	Residential (Residential, commercial, public construction, green area, water facilities)	Residential: 30th March 2076 Commercial: 30th March 2046 Green area & Water facilities: 30th March 2056
(2008)009	A10	17,512.90	Composite	Residential: 30th March 2076 Commercial: 30th March 2046 Green area & Water facilities: 30th March 2056
	Total	**106,940.60**		

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A10**
Grantee	Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司)
Supplement Contract No.	(CB)711
Site Area	160 mu (106,667 sq m)
Land Use	Composite, residential
Plot Ratio	2.65

According to the information provided by Neo-China, the land premium was approximately RMB38,200,000.

(3) According to Planning Permit for Construction Use of Land No. (2007)13 dated 10th September 2007, the construction site of a parcel of land with a total site area of 186.816 mu is in compliance with the requirements of urban planning.

(4) According to Planning Permit for Construction Works No. (2007)007 dated 20th December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 323,650.00 sq m (above ground: 283,900.00 sq m and underground: 39,750.00 sq m).

(5) According to Permit for Commencement of Construction Works No. (2008)004 dated 8th April 2008, the construction works of the Property was in compliance with the requirement of works commencement and was permitted to be developed with a total gross floor area of approximately 323,650.00 sq m.

(6) According to the information provided by Neo-China Group, 255,653.97 sq m has been pre-sold at a total consideration of RMB1,003,907,100 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB730,600,000; a construction cost of approximately RMB442,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB1,100,000,000.

(9) According to Business Licence No. 610100400003735, Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) was established as a limited liability company on 2nd July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2nd July 2007 to 1st July 2037.

(10) According to the PRC legal opinion:–

(i) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;

(iii) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 323,650 sq m (aboveground: 283,900 sq m and underground: 39,750 sq m).

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
18.	Lot No. A13 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of approximately 118,077.40 sq m. According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 213,178.10 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2076 for residential use.	The Property is under construction and scheduled to be completed in mid 2010.	RMB365,000,000 (71.5% interest attributable to Neo-China Group: RMB260,975,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)005 dated 25th September 2007, the land use rights of the Property, comprising a site area of 118,077.40 sq m, have been granted to Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) for a term due to expire on 30th March 2076 for residential use.

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A13**
Grantee	Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司)
Supplement Contract No.	(CB)714
Site Area	177 mu (118,000 sq m)
Land Use	Residential
Plot Ratio	1.77

According to the information provided by Neo-China, the land premium was approximately RMB42,000,000.

(3) According to Planning Permit for Construction Use of Land No. (2007)16 dated 10th September 2007, the construction site of a parcel of land with a total site area of 204.674 mu is in compliance with the requirements of urban planning.

(4) According to Planning Permit for Construction Works No. (2007)008 dated 20th December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 232,296.00 sq m (aboveground: 209,700 sq m and underground: 22,596 sq m).

(5) According to Permit for Commencement of Construction Works No. (2008)020 dated 8th April 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 232,296.00 sq m.

(6) According to the information provided by Neo-China Group, 87,917.17 sq m has been pre-sold at a total consideration of RMB455,246,600 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB490,600,000; a construction cost of approximately RMB186,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB900,000,000.

(9) According to Business Licence No. 610100400003778, Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) was established as a limited liability company on 8th August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 31st July 2009 to 31st July 2011.

(10) According to the PRC legal opinion:–

(i) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;

(iii) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified;

(v) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and

(vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 232,296 sq m (aboveground: 209,700 sq m and underground: 22,596 sq m).

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
19.	Lot No. A14 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	The Property comprises a residential development under construction erected upon two parcels of land with a total site area of approximately 103,834.90 sq m. According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 210,188.38 sq m. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).	The Property is under construction and scheduled to be completed in 2011.	RMB507,000,000 (71.5% interest attributable to Neo-China Group: RMB362,505,000)

Notes:

(1) According to two Certificates for the Use of State-owned Land, the land use rights of the Property have been granted to Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司):–

Certificate No.	Lot No.	Site Area *(sq m)*	Uses	Expiry Date
(2007) 018	A14	63,214.60	Residential (Residential, green area)	Residential: 30th March 2076 Green area: 30th March 2056
(2008) 005	A14	40,620.30	Composite	Residential: 30th March 2076 Commercial: 30th March 2046 Green area & Water facilities: 30th March 2056
	Total	**103,834.90**		

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A14**
Grantee	Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司)
Supplement Contract No.	(CB)715
Site Area	157 mu (104,667 sq m)
Land Use	Composite, residential
Plot Ratio	2.17

According to the information provided by Neo-China, the land premium was approximately RMB41,100,000.

(3) According to Planning Permit for Construction Use of Land No. (2007)17 dated 10th September 2007, the construction site of a parcel of land with a total site area of 186.29 mu is in compliance with the requirements of urban planning.

(4) According to Planning Permit for Construction Works No. (2007)009 dated 20th December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 232,630.00 sq m (aboveground: 209,400 sq m and underground: 23,230 sq m).

(5) According to Permit for Commencement of Construction Works No. (2008)009 dated 25th July 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 231,500.20 sq m.

(6) According to the information provided by Neo-China Group, 184,088.18 sq m has been pre-sold at a total consideration of RMB823,449,600 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB575,200,000; a construction cost of approximately RMB360,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB890,000,000.

(9) According to Business Licence No. 610100400003743, Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) was established as a limited liability company on 8th August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8th August 2007 to 7th August 2037.

(10) According to the PRC legal opinion:–

(i) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences and is legally established under the PRC law;

(ii) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;

(iii) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) As advised, the Property is under construction, but the date of commence to construction has expired. However, most part of the Property has been pre-sold, therefore, the legal risk of the government to levy the related land idling charges is relatively low;

(v) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 232,630 sq m (aboveground: 209,400 sq m and underground: 23,230 sq m).

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
20.	Lot No. A15 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of 92,119.40 sq m. According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 228,131.52 sq m. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).	The Property is under construction and scheduled to be completed in 2011.	RMB458,000,000 (71.5% interest attributable to Neo-China Group: RMB327,470,000)

Notes:

(1) According to two Certificates for the Use of State-owned Land, the land use rights of the Property have been granted to Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司):–

Certificate No.	Lot No.	Site Area *(sq m)*	Uses	Expiry Date
(2007) 019	A15	50,930.80	Residential (Residential, green area)	Residential: 30th March 2076 Green area: 30th March 2056
(2008) 008	A15	41,188.60	Composite	Residential: 30th March 2076 Commercial: 30th March 2046 Green area & Water facilities: 30th March 2056
	Total	**92,119.40**		

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A15**
Grantee	Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司)
Supplement Contract No.	(CB)716
Site Area	138 mu (92,000 sq m)
Land Use	Composite, residential
Plot Ratio	2.11

According to the information provided by Neo-China, the land premium was approximately RMB36,900,000.

(3) According to Planning Permit for Construction Use of Land No. (2007)18 dated 10th September 2007, the construction site of a parcel of land with a total site area of 161.269 mu is in compliance with the requirements of urban planning.

(4) According to Planning Permit for Construction Works No. (2007)010 dated 20th December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 249,818.00 sq m (aboveground: 225,600 sq m and underground: 24,218.00 sq m).

(5) According to Permit for Commencement of Construction Works No. (2008)005 dated 8th April 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 249,818.00 sq m.

(6) According to the information provided by Neo-China Group, 188,897.32 sq m has been pre-sold at a total consideration of RMB757,072,800 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB517,900,000; a construction cost of approximately RMB289,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB880,000,000.

(9) According to Business Licence No. 610100400003727, Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) was established as a limited liability company on 8th August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8th August 2007 to 7th August 2037.

(10) According to the PRC legal opinion:–

(i) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences and is legally established under the PRC law;

(ii) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;

(iii) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 249,818 sq m (aboveground: 225,600 sq m and underground: 24,218 sq m).

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
21.	District B to E of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of approximately 150,448.17 sq m. According to the information provided by Neo-China Group, the Property will be developed into various blocks of residential building and villa with a planned total gross floor area of approximately 200,137.42 sq m. In addition, the Property also has 1,038 carparks above ground and 448 carparks in the basement with a total gross floor area of 17,548 sq m. The land use rights of the Property have been granted for a term of due to expire on 27th November 2076 for residential use.	The Property is under construction and scheduled to be completed in end 2011.	RMB318,000,000 (67% interest attributable to Neo-China Group: RMB213,060,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)006, the land use rights of the Property, comprising a total site area of 150,448.17 sq m, have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅温泉花園有限公司) for a term due to expire on 27th November 2076 for residential use.

(2) According to Grant Contract of Land Use Rights dated 27th November 2006:–

(i)	Grantee	:	Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅温泉花園有限公司)
(ii)	Site Area	:	150,448 sq m
(iii)	Land Use	:	Residential
(iv)	Plot Ratio	:	1.5
(v)	Land Premium	:	RMB7,612,269
(vi)	Land Use Term	:	70 years for residential

(3) According to Planning Permit for Construction Use of Land No. 200701004 (for Phase 1) dated 25th January 2007, the construction site of land (Phase 1) (Property no. 9 is also under Phase 1) with a total site area of 456.318 mu (304,212 sq m) is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. 200710091, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 194,377.80 sq m.

(5) According to Permit for Commencement of Construction Works No. 430109200801180401, the construction works of the portion of Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 99,476.77 sq m. Application for Permit for Commencement of Construction Works for the remaining portion of the Property is being applied. Our valuation is prepared on the basis that the said Permit will be issued in due course.

We noted that the planned gross floor area as per the information provided by Neo-China Group is 200,137.42 sq m, which exceeds the permitted gross floor area of 194,377.80 sq m as stipulated in the Permits for Commencement of Construction Works. As per the instruction, our valuation is based on planned gross floor area of the information provided by Neo-China Group of 200,137.42 sq m and assumed that the Property has obtained the relevant approval and the Property can be freely transferred to third party with the land premium being fully settled.

(6) According to 80 Pre-sale Permits for Commodity Housing, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was permitted to pre-sale the Property with a total planned gross floor area of 184,391.32 sq m.

(7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB200,000,000; a construction cost of approximately RMB113,500,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB473,000,000.

(9) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14th September 2005 with a registered capital of RMB30,000,000 for a valid operation period from 14th September 2005 to 14th September 2034.

(10) According to the PRC legal opinion:–

(i) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium of the Property and has obtained Certificate for the Use of State-owned Land;

(iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use right of the Property; and

(iv) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, partly Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing; Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) is applying for the remaining Permit for Commencement of Construction Works without legal obstacle.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes (Partly)
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
22.	Phase 1 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	The Property comprises a composite development under construction erected upon a parcel of land with a total site area of approximately 79,013.33 sq m. According to the information provided by Neo-China Group, the Property will be developed into various blocks of residential and commercial buildings with a planned total gross floor area of approximately 304,715.55 sq m. The land use rights of the Property have been granted for a term from 16th February 2007 to 17th December 2076 for residential and from 16th February 2007 to 17th December 2046 for commercial uses.	The Property is under construction and scheduled to be completed in 2011.	RMB736,000,000 (100% interest attributable to Neo-China Group: RMB736,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)243, the land use rights of the Property, comprising a total site area of 79,013.33 sq m, have been vested in Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) for a term from 16th February 2007 to 17th December 2076 for residential and 16th February 2007 to 17th December 2046 for commercial uses.

(2) According to Grant Contract of Land Use Rights No. (2007)21 dated 18th December 2006 and its Supplements dated 2nd March 2007:–

(i)	Grantee	:	Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司)
(ii)	Site Area	:	79,013.33 sq m
(iii)	Land Use	:	Commercial and residential
(iv)	Plot Ratio	:	Not less than 2.2
(v)	Land Premium	:	RMB270,225,600
(vi)	Land Use Term	:	40 years for commercial and 70 years for residential

(3) According to Planning Permit for Construction Use of Land No. (2007)011 dated 14th March 2007, the construction sites of land with a site area of 118.52 mu (79,013 sq m) are in compliance with urban planning requirements.

(4) According to two Planning Permits for Construction Works, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with the development scheme:–

Permit No.	Planned Gross Floor Area *(sq m)*	Issuing Date
(2007)035	143,023.46	4th September 2007
510115200830007	161,692.09 (aboveground: 135,161.93 sq m underground: 26,530.16 sq m)	3rd March 2008
Total	**304,715.55**	

(5) According to two Permits for Commencement of Construction Works:–

Permit No.	Planned Gross Floor Area *(sq m)*	Issuing Date
510123200912160101	143,023.46	16th December 2009
510123200812020101	161,692.09	2nd December 2008
Total	**304,715.55**	

(6) According to three Pre-sale Permits for Commodity Housing Nos. 660, 622 and 755, Chengdu Zhongxin-jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) was permitted to pre-sale the Property with a total planned gross floor area of 117,181.80 sq m:–

Permit Nos.	Planned Gross Floor Area *(sq m)*	Issuing Date
660	28,214.46	26th September 2008
622	53,695.76	26th September 2008
755	35,271.58	3rd January 2010
Total	**117,181.80**	

(7) According to the information provided by Neo-China Group, 95,651.85 sq m has been pre-sold at a total consideration of RMB358,842,659 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB401,800,000; a construction cost of approximately RMB175,500,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB1,180,000,000.

(10) According to Business Licence No. 5101231800997, Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) was established as a limited liability company on 30th January 2007 with a registered capital of RMB200,000,000 for a valid operation period from 30th January 2007 to 29th January 2027.

(11) According to the PRC legal opinion:–

(i) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Chengdu Zhongxin-jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified;

(v) The Property is pledged to a bank. The transfer or further pledging of the Property is subject to the consent from the bank; and

(vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 304,715.55 sq m.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
23.	Phase 2 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	The Property comprises a composite development under construction erected upon a parcel of land with a total site area of approximately 41,162.00 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite development with a planned total gross floor area of approximately 172,460.00 sq m. The land use rights of the Property have been granted for a term from 9th July 2005 to 8th July 2055 for composite (commercial, office and hotel-type apartment) uses.	The Property is currently under construction and scheduled to be completed in mid 2010.	RMB1,247,000,000 (100% interest attributable to Neo-China Group: RMB1,247,000,000)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2007)032278 dated 26th October 2007, the land use rights of the Property, comprising a site area of 41,162 sq m, have been vested in Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) for a term from 9th July 2005 to 8th July 2055 for composite (commercial, office and hotel-type apartment) uses.

(2) According to Grant Contract for State-owned Land Use Rights No. (2005)122 and its Ancillary Facilities Contract No. (2005)007 both dated 9th May 2005:–

(i)	Grantee	:	Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司)
(ii)	Site Area	:	57,944 sq m
(iii)	Land Use	:	Composite (commercial, office and hotel-type apartment)
(iv)	Land Use Term	:	50 years
(v)	Land Grant Premium	:	RMB73,749,000
(vi)	Demolishment and Resettlement Fee	:	RMB172,081,000
(vii)	Plot Ratio	:	Not greater than 2.8

(3) According to Planning Permit for Construction Use of Land No. (2006)17060707E01192 dated 7th July 2006, the construction land of Youth Plaza was in compliance with the requirement of urban planning and was permitted to be developed with a total site area of approximately 57,944 sq m.

(4) According to Planning Permit for Construction Works No. (2007)17070917F02610 dated 17th September 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 172,460 sq m.

(5) According to Permit for Commencement of Construction Works No. 0601SJ0015D02 dated 26th October 2007, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 172,460 sq m.

(6) According to two Pre-sale Permits for Commodity Housing Nos. (2008)0000534 and (2008)0000694, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 87,385.36 sq m:–

Permit No.	**Planned Gross Floor Area** *(sq m)*	**Issuing Date**
(2008)0000534	36,824.15	28th July 2008
(2008)0000694	50,561.21	29th September 2008
Total	**87,385.36**	

(7) According to the information provided by Neo-China Group, a total gross floor area of 87,041.62 sq m apartment office and retail units has been pre-sold at a total consideration of RMB980,567,459 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB939,200,000; a construction cost of approximately RMB805,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB1,609,000,000.

(10) According to Business Licence No. 310227000954132, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was established as a limited liability company on 30th September 2003 with a registered Market of RMB226,160,000 for a valid operation period from 30th September 2003 to 29th September 2013.

(11) According to the PRC legal opinion:–

(i) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has fully settled all the land premium of the Property and obtained Shanghai Certificate of Real Estate Ownership;

(iii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;

(iv) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) The Property is pledged to a bank. The transfer or further pledging of the Property is subject to the consent from the bank.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Shanghai Certificate of Real Estate Ownership	Yes
Grant Contract for State-owned Land Use Rights and its Ancillary Facilities Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
24.	Block 12 of Lot No. 9 of Laochengxiang, south of Beima Road, Laocheng Xiang Area, Nankai District, Tianjin,	Lot No. 9 of Laochengxiang is a residential development with 12 blocks under construction erected upon a parcel of land with a site area of approximately 41,107.10 sq m. According to the information provided by Neo-China Group, the Property comprises Block 12 of Lot No. 9 of Laochengxiang, with a planned total gross floor area of approximately 26,201.44 sq m. The land use rights of the Property have been granted for a term due to expire on 30th December 2076 for composite town residential use.	The Property is currently under construction and scheduled to be completed in mid 2010.	RMB263,000,000 (100% interest attributable to Neo-China Group: RMB263,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 060300000006, the land use rights of the Lot No. 9, with a site area of approximately 41,107.10 sq m, have been granted to Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) for a term due to expire on 30th December 2076 for mixed residential use.

(2) According to Grant Contract of Land Use Rights No. 2004-024 dated 6th September 2004 and its Supplement Contract No. 1 for Lot No. 9 dated 8th September 2006:–

(i)	Grantee	:	Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司)
(ii)	Site Area	:	799,285.20 sq m (239,786 sq m for public facilities and 559,499.20 sq m for residential)
(iii)	Land Use	:	Residential and public facilities
(iv)	Planned Gross Floor Area	:	Not exceeding 172,362 sq m (146,362 sq m for residential and ancillary public facilities, 26,000 sq m for office and service apartment);
(v)	Land Premium	:	RMB388,473,147.06

(3) According to Planning Permit for Construction Use of Land No. (2006)0112 dated 31st October 2006, the construction land of Lot No. 9 was in compliance with the requirement of urban planning and was permitted to be developed with a site area of approximately 41,107.10 sq m.

(4) According to Planning Permit for Construction Works No. (2007)0016 dated 19th April 2007, the Property has been permitted for the construction with a total gross floor area of 26,000 sq m (underground 3,900 sq m).

(5) According to Permit for Commencement of Construction Works No. 1210420200705034, the Property has been permitted to commence construction works with a total gross floor area of 26,000 sq m (underground 3,848 sq m).

(6) According to Pre-sale Permits for Commodity Housing No. (2007)509-001, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 26,164.76 sq m.

(7) According to the information provided by Neo-China Group, 24,073.16 sq m has been pre-sold at a total consideration of approximately RMB313,000,000 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB153,100,000; a construction cost of approximately RMB113,400,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB320,000,000.

(10) According to Business Licence No. 120000400078160, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司), was established as a limited liability company with a registered capital of RMB240,000,000 for a valid operation period from 3rd June 2005 to 2nd June 2025.

(11) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) According to Planning Permit for Construction Works, the total gross floor area is 26,000. 00 sq m in which underground gross floor area is 3,900.00 sq m;

(iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has fully settled all the land premium of the Property and obtained the Real Estate Title Certificate;

(iv) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property; and

(v) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Real Estate Title Certificate	Yes
Grant Contract for State-owned Land Use Rights	Yes
Supplement Grant Contract for State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
25.	Lot No. A4 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	The Property comprises a composite residential/ commercial development under construction erected upon a parcel of land with a site area of approximately 113,551.70 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite residential/ commercial development with a planned total gross floor area of approximately 212,296 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2076 for residential use.	The Property is currently under construction and scheduled to be completed in 2012.	RMB232,000,000 (71.5% interest attributable to Neo-China Group: RMB165,880,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)009, the land use rights of the Property, comprising a site area of approximately 113,551.70 sq m, have been granted to Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) for a term due to expire on 30th March 2076 for residential use.

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A4**
Grantee	Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司)
Supplement Contract No.	(CB)710
Site Area	57 mu (38,000 sq m)
Land Use	Residential
Plot Ratio	1.62

According to the information provided by Neo-China, the land premium was approximately RMB60,900,000.

(3) According to Planning Permit for Construction Use of Land No. (2007)12, the construction site of a parcel of land of 197.866 mu (131,911 sq m) is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. (2009)019 dated 20th August 2009, the construction works of Lot No. A4 was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 212,296 sq m.

(5) According to the information provided by Neo-China Group, 60,065.47 sq m has been pre-sold at a total consideration of approximately RMB277,000,000 as at 31st January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

(6) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB469,400,000; a construction cost of approximately RMB91,000,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the said expended construction cost.

(7) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB810,000,000.

(8) According to Business Licence No. 610100400003786, Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) was established as a limited liability company on 2nd July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2nd July 2007 to 1st July 2037.

(9) According to the PRC legal opinion:–

(i) Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences; however, the establishment is defective and Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) does not have the appropriate qualification of real estate development, however, the legal risk of punishment is relatively low;

(ii) Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) has fully settled the land premium and obtained Certificate for the Use of State-owned Land;

(iii) Upon fulfilling the relevant stipulation in the Grant Contracts of Land Use Rights, Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) has obtained Planning Permit for Construction Use of Land. Planning Permit for Construction Works. Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) The Property is pledged to a bank. The transfer or further pledging of the Property is subject to the consent from the bank.

(10) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (Partly)
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Properties held by Neo-China Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
26.	Phase 3 of Xidiaoyutai, Lot No. 2 of West Diaoyutai Village, Haidian District, Beijing	Xidiaoyutai is a large-scale composite residential/retail development erected upon two parcels of land Lot Nos. 1 and 2 with a total site area of approximately 42,541.05 sq m. The Property comprises Phase 3 of Xidiaoyutai to be erected on portion of Lot No. 2 with a site area of approximately 6,000 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite residential/ retail development with a total gross floor area of approximately 46,125 sq m. The land use rights of the Property have been granted for various terms due to expire on 18th February 2074 for residential, 18th February 2044 for ancillary facilities and 18th February 2054 for carpark uses.	The Property is currently vacant pending development.	RMB687,000,000 (90% interest attributable to Neo-China Group: RMB618,300,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2005)3487 dated 29th September 2005, the land use rights of the Lot No. 2, comprising a total site area of approximately 27,088.24 sq m, have been granted to Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) for various terms due to expire on 18th February 2074 for residential, 18th February 2044 for ancillary facilities and 18th February 2054 for carpark uses.

(2) According to Grant Contract of Land Use Rights No. (2004)173 dated 19th February 2004:–

(i)	Grantee	:	Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司)
(ii)	Site Area	:	27,088.24 sq m
(iii)	Land Use	:	Commercial service uses
(iv)	Planned Gross Floor Area	:	146,996 sq m

(3) According to Business Licence No.1101080064387 dated 15th August 2003, Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) was established as a limited liability company with a registered capital of RMB20,000,000 for a valid operation period from 15th August 2003 to 14th August 2023.

(4) According to the PRC legal opinion:–

(i) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司), a 90% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has fully settled the land premium and obtained Certificate for the Use of State-owned Land;

(iii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京御水苑房地產開發有限公司) has obtained Planning Permit for Construction Use of Land;

(v) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and

(vi) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
27.	Yanjiao, East of Yingbin South Road, Yanjiao Economic Technology Development Zone, Hebei Province	The Property comprises a parcel of land with a site area of approximately 333,333 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite development including commercial, residential, office, hotel and ancillary facilities with a planned total gross floor area of approximately 460,000 sq m. The land use rights of the Property have been granted for a term due to expire on 21st June 2056 for composite use.	The Property is currently vacant pending development.	RMB635,000,000 (100% interest attributable to Neo-China Group: RMB635,000,000)

Note:

(1) According to Certificate for the Use of State-owned Land No. (2006) 024 dated 28th June 2006, the land use rights of the Property, comprising a site area of approximately 333,333 sq m, have been granted to Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) for a term due to expire on 21st June 2056 for composite use.

(2) According to Grant Contract of Land Use Rights dated 31st March 2006:–

(i)	Grantee	:	Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司)
(ii)	Site Area		333,333 sq m
(iii)	Land Use	:	Composite
(iv)	Plot Ratio	:	Greater than or equal to 1.3
(v)	Land Premium	:	RMB76,000,000
(vi)	Land Use Term	:	50 years
(vii)	Building Covenant	:	Commence construction before end of October 2006 and complete construction before end of Year 2008

(3) According to Business Licence No. 131082400000363, Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) was established as a limited liability company with a registered capital of RMB100,000,000 for a valid operation period from 7th April 2006 to 6th April 2026.

(4) According to the PRC legal opinion:–

(i) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) has right to use, transfer, lease and pledge the land use rights of the Property; and

(iv) The adjustment planning of the Property is being processed, it is thus not able to commence the construction work before the government approval. The cause of not commencing development on the Property is mainly on the government due to the construction planning change, the legal risk of recovery by the government due to idle land is relatively low.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
28.	Lot No. 2 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	The Property comprises a parcel of land with a site area of approximately 27,552.10 sq m. According to the information provided by Neo-China Group, the Property will be developed into a commercial development with a planned total gross floor area of approximately 46,502.00 sq m. The land use rights of the Property have been granted for a term due to expire on 17th April 2048 for commercial use.	The Property is currently vacant pending development.	RMB359,000,000 (100% interest attributable to Neo-China Group: RMB359,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 104050800066, the land use rights of the Property, comprising a total site area of 27,552.10 sq m, have been vested in Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) for a term due to expire on 17th April 2048 for commercial use. The Property should commence construction before 30th December 2004 and to complete construction before 30th December 2009. This Certificate is valid till 30th March 2010.

(2) According to Grant Contract of Land Use Rights No. 2004-024 Supplement Contract No. 2 dated 22nd July 2005:–

(i)	Grantee	:	Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司)
(ii)	Site Area	:	27,600 sq m to be developed by the Grantee
(iii)	Land Use	:	Commercial
(iv)	Planned Gross Floor Area	:	32,800 sq m for commercial

According to the information provided by Neo-China, the land premium was approximately RMB218,000,000.

(3) According to Planning Permit for Construction Use of Land No. (2008)0240 dated 6th June 2008, the construction site of a parcel of land with a total site area of 27,552.10 sq m is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. (2008)0027 dated 22nd August 2008, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a gross floor area of approximately 32,800 sq m (underground gross floor area of 13,702 sq m).

(5) According to Permit for Commencement of Construction Works No. 12104071200809003 dated 26th September 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 46,502 sq m (public facilities: 32,800 sq m and underground: 13,702 sq m).

(6) According to Business Licence No. 120000400021876, Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) was established as a limited liability company with a registered capital of HKD100,000,000 for a valid operation period from 9th December 2004 to 8th December 2024.

(7) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land which is valid till 30th March 2010;

(iii) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has right to use, lease, transfer and pledge of the Property;

(iv) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;

(v) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Real Estate Title Certificate;

(vi) According to Planning Permit for Construction Works, the Property should commence construction before 26th September 2008 and Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has not applied the Permits for extension. The Permits for Commencement of Construction Works had lapsed on 25th December 2008; and

(vii) According to Real Estate Title Certificate, the Property should commence construction before 30th December 2004 and to complete construction before 30th December 2009. This Certificate is valid till 30th March 2010. Application of extension of Real Estate Title Certificate is being applied, therefore, Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) will not lose the land use rights of the Property.

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes**
Business Licence	Yes

** Lapsed. Our valuation is prepared on the basis that such extension will be approved in due course.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
29.	The commercial portion of Lot No. 15 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	Lot No. 15 of Laochengxiang is planned as a composite residential/commercial development to be erected upon a parcel of land with a site area of approximately 38,295.10 sq m. The Property comprises the commercial portion of Lot No. 15 of Laochengxiang. According to the information provided by Neo-China Group, the Property will be developed into commercial development with a planned total gross floor area of approximately 30,000 sq m above ground. The land use rights of the Property have been granted for a term due to expire on 22nd August 2075 for residential and ancillary facilities and 22nd August 2045 for commercial uses.	The Property is currently vacant and pending for development.	RMB309,000,000 (100% interest attributable to Neo-China Group: RMB309,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2006)005 dated 23rd January 2006, the land use rights of a parcel of land with a site area of approximately 38,295.10 sq m have been granted to Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) for a term due to expire on 22nd August 2075 for residential and ancillary facilities and 22nd August 2045 for commercial uses. (Heyuan Xinju Blocks 1 to 6 with basement carpark erected upon a land has been registered separately on 28th July 2008.)

(2) According to Grant Contract of Land Use Rights Supplement Contract dated 22nd July 2005:–

(i)	Grantee	:	Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司))
(ii)	Site Area	:	38,295.10 sq m to be developed by the Grantee
(iii)	Land Use	:	Residential, commercial
(iv)	Planned Gross Floor Area	:	Total 107,744 sq m (in which 30,000 sq m for commercial)
(v)	Land Premium	:	RMB264,135,812

(3) According to Planning Permit for Construction Use of Land No. (2005)0130 dated 20th September 2005, the construction site of a parcel of land with a total site area of 38,295.10 sq m is in compliance with the requirements of urban planning requirement.

(4) According to Business Licence No. 120000400084090, Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) was established as a limited liability company with a registered capital of RMB120,000,000 for a valid operation period from 3rd June 2005 to 2nd June 2025.

(5) According to the PRC legal opinion:–

(i) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has right to transfer, lease and pledge the land use rights of the Property;

(iv) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and

(v) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights Supplement Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
30.	Bichen Yixingfu, South of Pujihedong Road, west of Outer Ring North Road, Yixingfu Old Village, Beichen District, Tianjin	The Property comprises a parcel of land with a site area of approximately 1,115,476.40 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite residential/ commercial development with a planned total gross floor area of approximately 2,042,750 sq m. The land use rights of the Property are agreed to be granted for a term of 70 years for residential, 50 years for office and 40 years for commercial uses.	There are some old bungalows erected on the site and pending for demolish.	RMB1,254,000,000 (40% interest attributable to Neo-China Group: RMB501,600,000)

Notes:

(1) According to Grant Contract of State-owned Land Use Rights No. 2004-063 dated 18th October 2004 and its Supplement Contract dated 14th November 2007:–

(i)	Grantee	:	Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司)
(ii)	Site Area	:	1,115,476.40 sq m (in which 1,007,008 sq m for residential, 73,347.50 sq m for office and 35,120.90 sq m for commercial)
(iii)	Land Use	:	Residential, commercial and office
(iv)	Planned Gross Floor Area	:	Total 2,042,750 sq m (in which 1,664,810 sq m for residential and 377,940 sq m for commercial and office)
(v)	Land Premium	:	RMB1,228,115,902
(vi)	Building Covenant	:	To commence construction within 1 year and to complete construction within 6 years.

(2) According to Planning Permit for Construction Use of Land No. (2005)0004 dated 6th January 2005, the construction site of parcels of land with site area of 1,115,476.40 sq m, is in compliance with the urban planning requirements and have been approved.

(3) According to Housing Demolition Contract (房屋拆遷合同) in April 2007, Tianjin Chenyuan Property Management Co., Ltd. (天津辰原房地產管理有限公司) was appointed to carry out the demolition and resettlement works:–

(i)	Total Demolition Floor Area	:	1,110,000 sq m (in which 810,000 sq m for residential use and 300,000 sq m for non-residential use)
(ii)	Demolition and Resettlement Fee		RMB4,391,785,512
(iii)	Handing Over Cleared Site	:	On 30th July 2007

(4) According to the information provided by Neo-China Group, the expended demolition and resettlement fee was RMB346,200,000 while the outstanding resettlement fee to be expended as at the date of valuation was RMB4,045,582,512. In the course of our valuation, we have taken into account the above demolition and resettlement fee.

(5) According to Business Licence No. 120113000031751, Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司) was established as a limited liability company on 18th April 2003 with a registered capital of RMB38,000,000 for a valid operation period from 18th April 2003 to 17th April 2033.

(6) According to the PRC legal opinion:–

(i) Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司), a 40% owned associate of Neo-China, has obtained valid business licence and is legally established under the PRC law; and

(ii) Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司) has fully settled all the land premium of the Property and obtained Grant Contract of State-owned Land Use Rights. However, the status of the Property is under demolition stage, the total demolition and resettlement fee payable was RMB4,391,782,512, in which RMB358,200,000 has been paid. Therefore, Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業天津市億嘉合置業) has not obtained the Real Estate Title Certificate. The cause of not commencing development on the Property is mainly on the government for demolition and relocation, the legal risk of recovery by the government due to idle land is relatively low.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Real Estate Title Certificate	No
Grant Contract of State-owned Land Use Rights and its Supplement Contract	Yes
Planning Permit for Construction Use of Land	Yes
Housing Demolition Contract	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
31.	Lot Nos. C1 and E4 Phase 2 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagong, Gaoxin District, Chongqing	The Property comprises two parcels of land with a total site area of approximately 25,374.50 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite residential/ commercial development with a total gross floor area of approximately 131,576.31 sq m. The land use rights of the Property have been granted for terms due to expire in August 2053 and February 2054 for residential and August 2043 and February 2044 for commercial uses.	The Property is currently vacant pending development.	RMB296,000,000 (100% interest attributable to Neo-China Group: RMB296,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2003)0919 and Real Estate Title Certificate No. 100-2005-639, the land use rights of the Property have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司):–

Certificate No.	Location	Site Area *(sq m)*	Uses	Expiry Date
(2003) 0919	Yuanjiagang Sport Centre Lot No. C1	11,479.50	Composite	Commercial: August 2043 Residential: August 2053
100-2005-639	Yuanjiagang Sport Centre Lot No. E4	13,895.00	Mixed residential	Commercial: February 2044 Residential: February 2054
	Total	**25,374.50**		

(2) According to Grant Contract of Land Use Rights No. (2003)203 dated 29th August 2003 and its Supplement Contracts dated 3rd November 2004 and 24th October 2008:–

(i)	Grantee	:	Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司)
(ii)	Lot Nos.	:	Lot Nos. B1, B2, C1, E4, A9
(iii)	Site Area	:	120,014.30 sq m
(iv)	Total Land Premium	:	RMB255,604,150 for all 5 land lots
(v)	Plot Ratio	:	Lot No. C1 – Less than or equal to 8.5 for commercial and residential Lot No. E4 – Not exceeding 3 for commercial and residential

(3) According to two Planning Permits for Construction Use of Land, the construction land of the Property was in compliance with the requirement of urban planning and was permitted to be developed:–

Permit No.	Site Area *(sq m)*	Issuing Date
500138200800128	11,448.90	7th July 2008
500138200800068	13,899.00	25th March 2008
Total	**25,347.90**	

(4) According to Planning Permit for Construction Works, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed:–

Permit No.	Planned Gross Floor Area *(sq m)*	Issuing Date
(2007)0302	3,759.96*	16th January 2007
500138200900017	89,880.41	26th June 2009
500138200800035	41,695.90	7th August 2008
Total	**135,336.27**	

* As advised, temporary office with a total gross floor area of 3,759.96 sq m will demolish when the property has been completed. We have disregarded it in our valuation.

(5) According to Business Licence No. 500901000052947 1-1-1, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28th May 2003 to 28th May 2023.

(6) According to the PRC legal opinion:–

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land and Real Estate Title Certificate;

(iii) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;

(iv) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land and Planning Permit for Construction Works;

(v) Temporary office with a total gross floor area of 3,759.96 sq m will demolish when the property has been completed; and

(vi) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permits for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
32.	Lot Nos. A2 to A3 & A11 to A12 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	The Property comprises four parcels of land with a total site area of approximately 1,087,836.60 sq m. According to the information provided by Neo-China Group, the Property will be developed into a composite residential/ commercial development with a planned total gross floor area of approximately 1,478,538.00 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2076 for residential and 30th March 2056 for public facilities, green area & water facilities uses.	The Property is currently vacant pending development.	RMB1,261,000,000 (71.5% interest attributable to Neo-China Group: RMB901,615,000)

Notes:

(1) According to four Certificates for the Use of State-owned Land, the land use rights of the Property have been granted to Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司) for Lot No. A2, Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司) for Lot No. A3, Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) for Lot No. A11 and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) for Lot No. A12:–

Certificate No.	Lot No.	Site Area *(sq m)*	Uses	Expiry Date
(2007) 007	A2	163,106.10	Residential	30th March 2076
(2007) 016	A3	642,740.60	Residential (residential, public facilities, green area, water facilities)	Residential: 30th March 2076 Public facilities, Green area & Water facilities: 30th March 2056
(2007) 11	A11	234,132.90	Residential (residential, green area, water facilities)	Residential: 30th March 2076 Green area & Water facilities: 30th March 2056
(2007) 006	A12	47,857.00	Residential	30th March 2076
	Total	**1,087,836.60**		

(2) According to Grant Contracts of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A2**	**A3**
Grantee	Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司)	Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司)
Supplement Contract No.	(CB)708	(CB)709
Site Area	245 mu (234,667 sq m)	724 mu (482,667 sq m)
Land Use	Residential	Composite, residential
Plot Ratio	2.18	1.19
Lot No.	**A11**	**A12**
Grantee	Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司)	Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司)
Supplement Contract No.	(CB)0712	(CB)0713
Site Area	352 mu (234,667 sq m)	71 mu (47,334 sq m)
Land Use	Residential, composite	Residential
Plot Ratio	1.21	1.66

According to the information provided by Neo-China, the land premium of the property was approximately RMB290,900,000.

(3) According to four Planning Permits for Construction Use of Land, the construction sites of four parcels of land are in compliance with the requirements of urban planning requirement:–

Lot No.	**A2**	**A3**	**A11**	**A12**
Permit No.	(2007)10	(2007)11	(2007)14	(2007)15
Site Area	279.494 mu (186,329 sq m)	1,064.079 mu (709,386 sq m)	383.769 mu (255,846 sq m)	87.765 mu (58,510 sq m)

(4) According to Planning Permit for Construction Works No. (2009)019, the construction works of Lot No. A11 was in compliance with the requirement of urban planning and was permitted to be developed.

(5) According to Business Licence No. 610100400003751, Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司) was established as a limited liability company on 15th June 2007 with a registered capital of RMB10,000,000 for a valid operation period from 15th June 2007 to 31st December 2024.

According to Business Licence No. 610100400003794, Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司) was established as a limited liability company on 2nd July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2nd July 2007 to 1st July 2037.

According to Business Licence No. 610100400003809, Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) was established as a limited liability company on 2nd July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2nd July 2007 to 1st July 2037.

According to Business Licence No. 610100400003760, Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) was established as a limited liability company on 8th August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8th August 2007 to 7th August 2037.

(6) According to the PRC legal opinion:–

(i) Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) all are a 71.5% owned subsidiary of Neo-China, have obtained valid business licences; however, their establishments are defective and they do not have the appropriate qualification of real estate development, however, the legal risk of punishment is relatively low;

(ii) Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) have fully settled the land premium and obtained Certificates for the Use of State-owned Land respectively;

(iii) Upon fulfilling the relevant stipulation in the Grant Contracts of Land Use Rights, Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) have right to transfer, lease and pledge of the Property respectively;

(iv) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.

(v) Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) have obtained Planning Permit for Construction Use of Land. The permits have not been revoked or modified.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (Partly)
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
33.	District F of Phase 1 and Phase 2 of Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	The Property comprises four parcels of land with a total site area of approximately 481,355.42 sq m. As advised by Neo-China Group, the Property will be developed into a residential development with a total gross floor area of approximately 758,065.20 sq m (including basement). The land use rights of the Property have been granted for respective terms of 70 years due to expire on 21st October 2075 and 27th November 2076 for residential use.	The Property is currently vacant pending development.	RMB357,000,000 (67% interest attributable to Neo-China Group: RMB239,190,000)

Notes:

(1) According to four Certificates for the Use of State-owned Land, the land use rights of the Property comprising a total site area of 481,355.42 sq m have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司):–

Certificate No.	Uses	Expiry Date	Site Area *(sq m)*
(2007)004	Residential	27th November 2076	88,880.90
(2007)005	Residential	27th November 2076	146,461.70
(2007)032	Residential	21st October 2075	186,544.00
(2009)487	Residential	21st October 2075	59,468.82
		Total	**481,355.42**

(2) According to four Grant Contracts of Land Use Rights, the land use rights of the Property have been granted to Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for residential use:–

Date of Contract	Site Area *(sq m)*	Land Premium *(RMB)*	Plot Ratio
22nd October 2005	95,414.61	4,961,560	1.5
22nd October 2005	186,990.00	8,508,045	1.5
26th November 2006	88,881.33	4,586,277	1.5
27th November 2006	146,460.67	7,557,371	1.5
Total	**517,746.61**		

(3) According to Planning Permit for Construction Use of Land No. 200701004 dated 25th January 2007, the construction site of a parcel of land with a site area of 456.318 mu (304,212 sq m) is in compliance with the requirements of urban planning requirement.

According to Planning Permit for Construction Use of Land No. 200701005 dated 25th January 2007, the construction site of a parcel of land with a site area of 633.498 mu (422,332 sq m) is in compliance with the requirements of urban planning requirement.

(4) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14th September 2005 with a registered capital of RMB30,000,000 for a valid operation period of 30 years.

(5) According to the PRC legal opinion:–

(i) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium of the Property and obtained Certificates for the Use of State-owned Land;

(iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Certificate for the Use of State-owned Land No. (2007) 005 and (2007) 032, with a total site area of 333,005.70 sq m are pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and

(v) The related government department considers Phase 1 and Phase 2 of Neo-China Forest Garden as a whole development; Phase 1 has been completed, therefore, there is no action to the delay of commencement of Phase 2 construction.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contracts of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	No
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
34.	Phase 2 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	The Property comprises a parcel of land with a site area of approximately149,093.33 sq m. As advised by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 277,738 sq m (including basement). The land use rights of the Property have been granted for a term from 20th June 2006 to 17th December 2076 for residential use and from 20th June 2006 to 17th December 2046 for commercial use.	The Property is currently vacant pending development.	RMB576,000,000 (100% interest attributable to Neo-China Group: RMB576,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2008)25125, the land use rights of the Property, comprising a site area of 149,093.33 sq m, have been vested in Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) for a term from 20th June 2006 to 17th December 2076 for residential use and from 20th June 2006 to 17th December 2046 for commercial use.

(2) According to Grant Contract of Land Use Rights No. (2007)22 dated 16th December 2006 and the Supplements dated 2nd March 2007 and 28th July 2009:–

(i)	Grantee	:	Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司))
(ii)	Site Area	:	149,186.66 sq m
(iii)	Land Use	:	Commercial, residential
(iv)	Plot Ratio	:	Not less than 2.0
(v)	Land Premium	:	RMB521,407,400
(vi)	Land Use Term	:	40 years for commercial and 70 years for residential
(vii)	Building Covenant	:	Commence construction within 30 days of handing over the land

(3) According to Planning Permit for Construction Use of Land No. 510115200820045 dated 6th June 2008, the construction sites of land with a site area of 223.64 mu (149,093 sq m) are in compliance with urban planning requirements.

(4) According to two Planning Permits for Construction Works dated 9th June 2009, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed:–

Permit No.	**Gross Floor Area** *(sq m)*
510115200930068	213,158
510115200930069	64,580
Total	**277,738**

(5) According to Business Licence No. 5101231800997, Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) was established as a limited liability company on 30th January 2007 with a registered capital of RMB200,000,000 for a valid operation period from 30th January 2007 to 29th January 2027.

(6) According to the PRC legal opinion:–

(i) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

(iii) Chengdu Zhongxin-jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has obtained Planning Permit for Construction Use of Land and Planning Permit for Construction Works. The permits have not been revoked or modified; and

(v) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
35.	Tai Yuan Street, west of Tianjin South Street, Heping District, Shenyang, Liaoning Province	The Property comprises three parcels of land with a total site area of approximately 22,651.30 sq m. As advised by Neo-China Group, the Property will be developed into a composite commercial development with a planned total gross floor area of approximately 180,000 sq m above ground. The land use rights of the Property have been granted for a term of 40 years due to expire on 11th January 2048 for commercial service uses.	The Property is currently vacant pending development.	RMB810,000,000 (80% interest attributable to Neo-China Group: RMB648,000,000)

Notes:

(1) According to three Certificates for the State-owned Land, the land use rights of the Property, comprising a total site area of 22,651.30 sq m, have been vested in Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) for a term of 40 years due to expire on 11th January 2048 for commercial service uses:–

Certificate No.	Lot No.	Site Area *(sq m)*
(2008)0006	012278101-1	7,708.40
(2008)0007	012278101-2	7,114.30
(2008)0085	012279302	7,828.60
	Total	**22,651.30**

(2) According to two Grant Contracts of Land Use Rights, the land use rights of the Property have been granted to Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) for a term of 40 years from 11th January 2008 to 11th January 2048 for commercial residential use:–

Contract No.	Lot No.	Site Area *(sq m)*	Land Premium *(RMB)*	Plot Ratio
(2008) 0005 dated 11/1/2008	012278101-1 & 012278101-2	14,822.70	311,291,522.70	Not more than 8
(2008) 0045 dated 29/4/2008	012279302	7,828.60	164,408,428	Not more than 8
	Total	**22,651.30**		

(3) According to Business Licence, Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) was established as a limited liability company on 9th February 2007 with a registered capital of USD63,750,000 for a valid operation period from 9th February 2007 to 8th February 2017.

(4) According to the PRC legal opinion:–

(i) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司), a 80% owned subsidiary of Neo-China, has obtained a valid business licence and is legally established under the PRC law;

(ii) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land with a total site area of 22,651.30 sq m;

(iii) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) has obtained Planning Permit for Construction Use of Land;

(v) The Property is still within the 2 year to develop time limit is not delay in development; and

(vi) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
36.	A plot of land Lot No. A0203001 at east of Qiao East Line Road, Wangchiling Hills, Qiao Island, Zhuhai, Guangdong Province	The Property comprises a piece of land with a site area of 2,215,516.28 sq m. As advised by Neo-China Group, the Property will be developed into a composite residential/tourism development with a total gross floor area of approximately 770,000 sq m. The land use rights of the Property have been granted for terms due to expire on 30th November 2074 for residential use and 30th November 2044 for tourism use.	The Property is currently vacant pending development.	RMB2,250,000,000 (100% interest attributable to the Group: RMB2,250,000,000)

Notes:

(1) The Property comprises site area of 2,215,516.28 sq m; of which a site area of 2,015,131.23 sq m is registered in the Real Estate Title Certificate; whilst the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed. In the course of our valuation, we have valued on the basis that The Real Estate Title Certificate of the 200,385.05 sq m site area will be issued to Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) in due course.

(2) According to Real Estate Title Certificate No. C4701761, the land use rights of the Property, comprising a site area of 2,015,131.23 sq m (Under red-line plan, the site area is 2,215,516.28 sq m. A site area of 2,015,131.23 sq m is registered, but the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed.), have been vested in Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) for terms due to expire on 30th November 2074 for residential use and 30th November 2044 for tourism use.

(3) According to Construction Land Approval Letter No. (2006)113 dated 8th September 2006, the land nature of the construction sites of land with a site area of 2,215,516.28 sq m is granted and the land premium is RMB227,500,000.

(4) According to Planning Permit for Construction Use of Land No. (2006)086 dated 6th September 2006, the construction sites of land with a site area of 2,215,516.28 sq m are in compliance with urban planning requirements.

(5) According to Business Licence No. 440400400007208, Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) was established as a limited liability company on 13th December 1995 with a registered capital of RMB90,000,000 (with a paid-up capital of RMB90,000,000) for a valid operation period from 13th December 1995 to 6th November 2036.

(6) According to the PRC legal opinion:

(i) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司), a 100% owned subsidiary of the Company as at 31st December 2009, has obtained valid business licence and is legally established under the PRC law;

(ii) Zhuhai City Yuzhuo Group Ltd. (珠海市淇洲島影視城有限公司) (the former shareholder of Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司)) has fully settled all land premium of the Property and obtained Grant Contract of Land Use Rights;

(iii) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) has right to use, transfer, lease and mortgage the land use rights of the Property. Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) possesses the land Lot No. A0203001 with a site area of 2,215,516.28 sq m. and obtained the Real Estate Title Certificate with a registered site area of 2,015,131.23 sq m; the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed;

(iv) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) has obtained Planning Permit for Construction Use of Land, but has not obtained Planning Permit for Construction Works and Permit for Commencement of Construction Works; and

(v) According to the Reply Letter of the problem of not identifying as idle land of Neo-China Qiao Project (關於中新淇澳項目用地不認定土地閑置問題的復函) as approved by Land Resources Bureau, the Property is temporarily not identified as idle land. Supplemental Grant Contract of Land Use Rights should be further entered into to make clear the building covenant.

(7) The status of title and grant of major approvals and Licence in accordance with the information provided by Neo-China Group and the PRC legal opinion is as follows:–

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Construction Land Approval Letter	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	No
Permit for Commencement of Construction Works	No
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Property held by Neo-China Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st January 2010
37.	Lot No. A1 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	The Property comprises a hotel and convention centre development erected upon a parcel of land with a site area of approximately 209,177.30 sq m. According to the information provided by Neo-China Group, the Property will be developed into a 5-storey plus basement hotel, six villas and a convention centre with a planned total gross floor area of approximately 84,290.82 sq m. The land use rights of the Property have been granted for a term due to expire on 30th March 2056 for composite use.	The hotel was put into operation in 2008 and the remaining portion of the Property is under construction and scheduled to be completed in the end of 2012.	RMB784,000,000 (71.5% interest attributable to Neo-China Group: RMB560,560,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007) 010, the land use rights of the Property, comprising a site area of 209,177.30 sq m, have been granted to Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) for a term due to expire on 30th March 2056 for composite use.

(2) According to Building Ownership Certificate No. 1175116018-1-1~1 dated 20th December 2007, the building ownership of a commercial service use building, with a total gross floor area of 68,745.82 sq m, has been vested in Xian Zhongxin Chanba Ouya Development Co., Ltd. (天津市凱津房地產開發有限公司).

(3) According to Grant Contract of Land Use Rights Nos. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	**A1**
Grantee	Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司)
Supplement Contract No.	(CB)707
Site Area	313 mu (208,667 sq m)
Land Use	Composite
Plot Ratio	0.39

According to the information provided by Neo-China, the land premium and resettlement compensation was approximately RMB63,100,000.

(4) According to Planning Permit for Construction Use of Land No. (2007)9 dated 3rd September 2007, the construction site of a parcel of land with a total site area of 323.946 mu is in compliance with the requirements of urban planning.

(5) According to two Planning Permits for Construction Works, the Property has been permitted for the construction with the development scheme as follows:

Permit No.	**Planned Gross Floor Area** *(sq m)*	**Issuing Date**
(2007)005	67,764.00	20th August 2007
(2009)007	15,545.00	28th February 2009
Total	**83,309.00**	

(6) According to two Permits for Commencement of Construction Works, the details scheme as follows:

Permit No.	**Planned Gross Floor Area** *(sq m)*	**Issuing Date**
(2007)010	67,764.00	14th September 2006
(2009)008	15,545.00	13th March 2009
Total	**83,309.00**	

(7) According to the information provided by Neo-China Group, a construction cost of approximately RMB669,400,000 has been expended for the development of the Property as at 31st January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31st January 2010 was approximately RMB937,000,000.

(9) According to Business Licence No. 610100100021048, Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) was established as a limited liability company on 31st August 2007 with a registered capital of RMB50,000,000 for a valid operation period from 31st August 2007 to 28th December 2024.

(10) According to the PRC legal opinion:–

(i) Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences; however, their establishments are defective and they do not have the appropriate qualification of real estate development, however, the legal risk of punishment is relatively low;

(ii) Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) has right to transfer, lease and pledge of the Property;

(iii) Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified;

(iv) The hotel has been completed and under operation;

(v) The Property is subject to a guarantee of a pledge. The transfer or further pledging is subject to the consent from the pledger; and

(vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 83,309 sq m.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:–

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the SIH Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the SIH Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document (other than that relating to the SIH Group), the omission of which would make any statements in this Composite Document misleading.

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to SIH, the Offeror and the future intentions of the Offeror regarding the Group. The directors of the Offeror and SIH jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document (other than that relating to the Group) the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK$400,000,000 divided into 10,000,000,000 Shares of HK$0.04 each, of which HK$105,173,287.56 divided into 2,629,332,189 Shares had been issued and were fully paid up. All of the Shares currently in issue rank pari passu in all respects with each other, including the rights in respect of capital, dividends and voting. The Shares are listed and traded on the main board of the Stock Exchange.

683,692,000 Shares have been issued by the Company since 31 December 2009, being the end of its last financial year, up to the Latest Practicable Date.

As at the Latest Practicable Date, save and except for the Convertible Bonds, Warrants and Share Options, there were no other outstanding options, warrants or conversion rights affecting or convertible into Shares.

3. MARKET PRICES

Trading in the Shares on the Main Board of the Stock Exchange was suspended for the period between 10:10 a.m. on 22 January 2008, and was resumed on 25 June 2010.

The highest and lowest closing prices of the Shares quoted on the Stock Exchange during the Relevant Period, were respectively HK$3.33 on 28 June 2010 and HK$2.84 on 25 June 2010.

The table below shows the closing market price for the Shares as quoted by the Stock Exchange on (i) the last trading day in each of the calendar months during the Relevant Period; (ii) the last trading day immediately preceding the date of the Initial Announcement; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *(HK$)*
31 July 2009	Suspended
31 August 2009	Suspended
30 September 2009	Suspended
30 October 2009	Suspended
30 November 2009	Suspended
31 December 2009	Suspended
18 January 2010 *(the last trading day immediately preceding the date of the Initial Announcement)*	Suspended
29 January 2010	Suspended
26 February 2010	Suspended
31 March 2010	Suspended
30 April 2010	Suspended
31 May 2010	Suspended
Latest Practicable Date	3.13

4. DISCLOSURE OF INTERESTS

(a) 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 (the "**Model Code**") and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:

(i) Long position in the ordinary shares of the Company

Name of Director	**Capacity**	**Number of shares**	**Approximate percentage of the Company's issued share capital**
Liu Yan	Beneficial owner	800,000	0.04
Niu Xiao Rong	Beneficial owner	1,375,000	0.07

(ii) Long position in the underlying shares of the Company-physically settled unlisted equity derivatives

Name of Director	Capacity	Number of share options outstanding	Approximate percentage of the Company's issued share capital
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	0.31
Jia Bo Wei	Beneficial owner	2,500,000	0.13
Bao Jing Tao	Beneficial owner	250,000	0.01

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 and which were required to be entered into the register required to be kept under section 352 of the SFO.

(b) As at the Latest Practicable Date, save as disclosed in paragraph 4(a) above, none of the Directors had any interests in the Shares, or in any convertible securities, warrants, options or derivatives in respect of the Shares.

(c) Save and except for the 1,183,692,000 Shares acquired by the Offeror under the Acquisition and Subscription which represents approximately 45.02% of the issued share capital of the Company as at the Latest Practicable Date, the Offeror, the directors of the Offeror and parties acting in concert with the Offeror did not own or control any Shares or convertible securities, warrants, options or derivatives in respect of the Shares as at the Latest Practicable Date.

(d) As at the Latest Practicable Date, save for the 50 million share charge from the Vendor to Novel Good and the undertaking from Mr. Li and the Vendor to Novel Good as disclosed in the "Letter from UBS and Nomura" in this Composite Document, no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any parties acting in concert with it.

(e) As at the Latest Practicable Date, none of the subsidiaries of the Company or, any pension funds of the Group nor any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of any Shares.

(f) As at the Latest Practicable Date, save for the 50 million share charge from the Vendor to Novel Good and the undertaking from Mr. Li and the Vendor to Novel Good as disclosed in the "Letter from UBS and Nomura" in this Composite Document, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code had any interest in any securities of the Company.

(g) As at the Latest Practicable Date, no Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

5. OTHER DISCLOSURES

As at the Latest Practicable Date:

(a) save that Mr. Li and the Vendor have irrevocably undertaken to Novel Good that they will not, amongst other things, accept the Share Offer or the Option Offer, no other persons who own or control Shares or convertible securities, warrants, options or derivatives in respect of the Shares have irrevocably committed themselves to accept or not to accept the Offers;

(b) save for the 50 million share charge from the Vendor to Novel Good and the undertaking from Mr. Li and the Vendor to Novel Good as disclosed in the "Letter from UBS and Nomura" in this Composite Document, neither the Offeror nor any persons acting in concert with it had any arrangement with any other person of the kind referred to in Note 8 to Rule 22 of the Takeovers Code;

(c) none of the Company or the Directors was interested in any shares of the Offeror, or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror; and

(d) there were no material contracts entered into by the Offeror in which the Directors have a material personal interest.

6. DEALINGS IN SHARES

During the Relevant Period:

(a) save for the acquisition of 1,183,692,000 Shares by the Offeror under the Acquisition and the Subscription, none of the Offeror, the directors of the Offeror or parties acting in concert with the Offeror had dealt for value in any Shares, or convertible securities, warrants, options or derivatives in respect of the Shares;

(b) None of the current Directors had dealt for value in any Shares, or convertible securities, warrants, options or derivatives in respect of the Shares.

(c) neither the Company nor any of its Directors had dealt for value in the Shares of the Offeror, or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror;

(d) other than Mr. Li and the Vendor, who had the dealings disclosed in the "Letter from UBS and Nomura" in this Composite Document, no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any parties acting in concert with it had dealt for value in any Shares, or convertible securities, warrants, options or derivatives in respect of the Shares; and

(e) none of the Offeror or any persons acting in concert with the Offeror has borrowed or lent any Shares of the Offeror, or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror during the Relevant Period, save for any borrowed shares which have been either on-lent or sold.

During the Relevant Period:

(a) none of the subsidiaries of the Company or, any pension funds of the Group nor any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code but excluding exempt principal traders had dealt for value in any Shares, or convertible securities, warrants, options or derivatives in respect of the Shares;

(b) other than Mr. Li, the Vendor and Novel Good who had the dealings disclosed in the "Letter from UBS and Nomura" in this Composite Document, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares, or convertible securities, warrants, options or derivatives in respect of the Shares;

(c) no fund managers other than exempted fund managers connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares, or convertible securities, warrants, options or derivatives in respect of the Shares; and

(d) neither the Company nor any of its Directors borrowed or lent any Shares, or convertible securities, warrants, options or derivatives in respect of the Shares, save for any borrowed shares which have been either on-lent or sold.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts entered into between any company comprising the Group or any associated companies of the Company and any Director, which are continuous contracts with a notice period of twelve months or more, or which are fixed term contracts with more than twelve months to run irrespective of the notice period. In addition, no service contract (including both continuous and fixed term contracts) between any company comprising the Group or any associated companies of the Company and any Director had been entered into or amended within the Relevant Period.

8. LITIGATION

As at the Latest Practicable Date, according to a statement of claim filed in the High Court of the Hong Kong Special Administrative Region by a third party (the "**plaintiff**") on 25 November 2009, the plaintiff alleges that 中置(北京)企業管理有限公司 (「**中置(北京)**」), a wholly-owned subsidiary of the Company, was in breach of a shares transfer agreement. According to this agreement, the plaintiff agreed to transfer its 30% equity interest in 成都中新錦泰房地產開發有限公司(「**成都錦泰**」), a subsidiary of the Company, to 中置(北京) at the consideration of RMB160,000,000, and that the Company was a guarantor guaranteeing the performance of 中置(北京)'s obligations under the shares transfer agreement. If the Company is found to be liable, the total expected monetary sum may amount to approximately RMB102,000,000 (equivalent to approximately HK$116,280,000), which comprises the outstanding consideration of RMB70,000,000 (equivalent to approximately HK$79,800,000), which included an amount of RMB30,000,000 (equivalent to approximately HK$34,200,000) (which is included in unsecured loan payable), and the compensation of RMB32,000,000 (equivalent to approximately HK$36,480,000) plus interest and legal costs.

The Company, having obtained advice from a legal counsel, is of the view that the above claims are based on unreasonable and invalid grounds because the plaintiff, 中置(北京) and 成都錦泰 had on or about 24 April 2009 reached a settlement agreement through 成都市中級人民法院 on this matter. Therefore, no provision has been made in respect of this claim.

Save for the above, as at the Latest Practicable Date, no member of the Company was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Neo-China Group.

9. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within the two years immediately preceding the commencement of the Offer Period, and up to the Latest Practicable Date, and are or may be material:

(a) the Subscription Agreement;

(b) the Qi Ao Agreement;

(c) the Termination Agreement;

(d) the Supplemental Agreement; and

(e) a second amendment agreement dated 4 December 2009 between, among others, the Company as sponsor and Oceana Assets Corp. as lender all in relation to the Qi Ao Loan Agreement.

10. EXPERTS AND CONSENTS

The following are the names and the qualifications of the professional advisers who are named in this Composite Document or have given opinions or advice which are contained or referred to in this Composite Document:

Name	Qualification
Allbright	PRC legal advisers
Anglo Chinese	a corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities
CCIF	Certified Public Accountants
Crowe Horwath	Certified Public Accountants
DTZ	Property valuer
Nomura	an entity licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities

Name	Qualification
UBS	an entity licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading service) and type 9 (asset management) of the regulated activities

Each of Allbright, Anglo Chinese, CCIF, Crowe Horwath, DTZ, Nomura and UBS has given and has not withdrawn its respective written consents to the issue of this Composite Document with the inclusion in this Composite Document of its letters (if applicable) and references to its name in the form and context in which they respectively appear.

11. MISCELLANEOUS

(a) As at the Latest Practicable Date, the Directors did not intend to accept the Offers in respect of their own beneficial holdings of Shares, Convertible Bonds, Share Options and/or Warrants.

(b) As at the Latest Practicable Date, there was no arrangement whereby any of the Directors would be given any benefit as compensation for loss of office or otherwise in connection with the Offers.

(c) As at the Latest Practicable Date, save for the Sale and Purchase Agreement and the Subscription Agreement (as supplemented and amended by the Supplemental Agreement), there was no agreement or arrangement between any of the Directors and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

(d) As at the Latest Practicable Date, save for the Sale and Purchase Agreement and the Subscription Agreement (as supplemented and amended by the Supplemental Agreement) and the undertaking of Mr. Li and the Vendor disclosed in the "Letter from UBS and Nomura" in this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror and any person acting in concert with it on the one hand and any Director, recent Director, Shareholder or recent Shareholder on the other hand, having any connection with or was dependent upon the Offers.

(e) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror was party which related to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers.

(f) As at the Latest Practicable Date, there is no agreement, arrangement or understanding to charge, pledge or transfer the Shares acquired in the Offers to any other persons.

(g) The registered address of the Offeror is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and the correspondence address of the Offeror in Hong Kong is at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(h) Shanghai Industrial Investment (Holdings) Company Limited, whose registered office is at 27th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong, is the ultimate parent company of the Offeror and is indirectly holding an approximately 52.51% interest in both the Offeror and SIH.

The directors of Shanghai Industrial Investment (Holdings) Company Limited are:

Mr. Teng Yi Long, Mr. Wang Rong Feng, Mr. Zhang Zhi Qun, Ms. Ge Ai Ning, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Yang Xi Sheng, Mr. Su Lin and Mr. Zhu Wan Yi.

The directors of SIH are:

Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun, Mr. Qian Yi, Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis.

The directors of Novel Good are:

Mr. Cai Yu Tian, Mr. Zhou Jie, Mr. Qian Shi Zheng and Mr. Zhou Jun.

(i) The office address of Nomura in Hong Kong is 30th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(j) The office address of UBS in Hong Kong is 52nd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection for so long as the Offers remain open for acceptance: (a) at the office of the Company at Suites 3005-7, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong during normal business hours between 9:00 a.m. and 6.00 p.m. from Monday to Friday, excluding public holidays; (b) on the website of the SFC at www.sfc.hk; and (c) on the website of the Company at www.neochinagroup.com.hk:

(a) the memorandum and articles of association the Offeror;

(b) the memorandum of association and bye-laws of the Company;

(c) the annual reports of the Company for the two years ended 30 April 2008 and 30 April 2009, and the year ended 31 December 2009;

(d) the interim report of the Company for the six months ended 31 October 2009;

(e) the valuation certificate and valuation report set out in Appendix III;

(f) the letter dated 2 July 2010 from UBS and Nomura, the text of which is set out on pages 11 to 25 of this Composite Document;

(g) the letter dated 2 July 2010 from the Neo-China Board, the text of which is set out on pages 26 to 37 of this Composite Offer Document;

(h) the letter dated 2 July 2010 from Anglo Chinese to the Independent Board Committee, the text of which is set out on pages 40 to 62 of this Composite Document;

(i) the letter dated 2 July 2010 from the Independent Board Committee to the Shareholders, CB Holders, Warrant Holders and Option Holders, the text of which is set out on pages 38 to 39 of this Composite Document;

(j) the letter of undertaking dated 24 June 2010 from Mr. Li and the Vendor pursuant to which Mr. Li and the Vendor have undertaken to Novel Good that they will not, amongst other things, accept the Share Offer or the Option Offer;

(k) the letters of consent referred to in the paragraph headed "Experts and Consents" in this Appendix; and

(l) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix.