



NEO-CHINA GROUP (HOLDINGS) LIMITED

中新集團（控股）有限公司

NEO-CHINA GROUP
中新集團

(Incorporated in Bermuda with limited liability)
(Stock Code: 563)

2006
Interim Report



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CORPORATE INFORMATION

Directors

Executive Directors

Mr. Li Song Xiao (*Chairman*)

Mr. Liu Yi

Ms. Niu Xiao Rong

Mr. Yuan Kun

Ms. Liu Yan

Independent Non-Executive Directors

Ms. Nie Mei Sheng

Mr. Wang Shi Yong

Mr. Zhang Qing Lin

Company Secretary

Ms. Chan Yim Kum

Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited

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Hamilton HM11

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Secretaries Limited

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Legal Advisers

Richards Butler

Conyers Dill & Pearman

Registered Office

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Listing Information

Hong Kong Stock Exchange

Stock Code: 563

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Auditors

Deloitte Touche Tohmatsu

MANAGEMENT DISCUSSION AND ANALYSIS



To our Shareholder:

On behalf of the Board of Director of Neo-China Group (Holdings) Limited (“Neo-China” or the “Company”), I am pleased to present the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2006:

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 31 October 2006, the Group recorded a turnover of HK\$1,979.3 million (2005: HK\$32.7 million), representing an increase of approximately 5,953% over the prior period. Profit attributable to shareholders amounted to HK\$400.6 million (2005: HK\$127.0 million). Basic earnings per share was HK8.08 cents (2005: HK5.11 cents) and diluted earnings per share was HK7.82 cents (2005: HK4.55 cents). Total advances from customers as at 31 October 2006 were approximately HK\$1,430 million. Total GFA of 173,000 sq.m. of the Group were sold and recognised.

Dividend

The Board of Directors (the “Board”) of the Company has made very effort to maintain a stable dividend policy while keeping a sound financial position for further development. For the best interests of shareholders, the Board resolved on distribution of an interim dividend of HK1.5 cents (2005: HK1.5 cents) per share on 5 February 2007 to those shareholders whose name are shown in the register of members of the Company on 31 January 2007.

Review of Operations and Future Prospects

In the first half of 2006, the China economy maintained continuous growth with GDP of RMB9,144.3 billion, representing an increase of 10.9% over the same period last year.

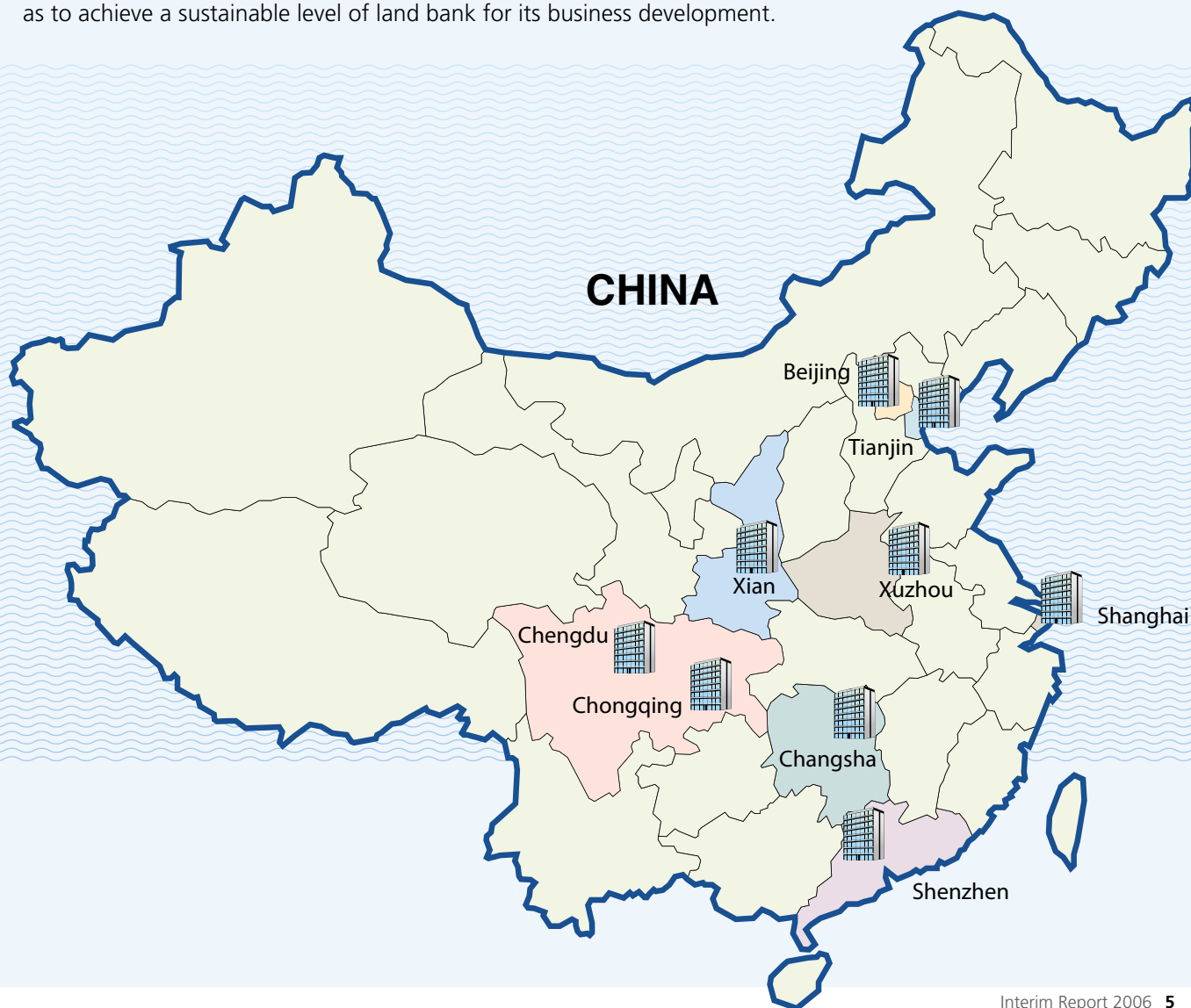
We have staged an expansion strategy in 2006 by consolidating its effort in development in the 4 municipalities directly under the Central Government as well as other first-tier cities.

At the same time, the Group has also proactively sought to accelerate its development in other medium and large PRC cities with promising growth potentials, and has achieved significant progress with several acquisitions of attractive sites which are illustrated in the following sections of this report.

Land Bank

Land Bank replenishment is one of the key strategies of the Company for boosting our sustainable development. During the year 2006, the Company has secured plots of land by acquiring the equity interest of several project companies, they are located in Beijing, Tianjin, Chongqing, Chengdu, Changsha and Xian as outlined below. As at the date of this report, and upon completion of acquiring interests in various projects illustrated in the later part of this report, the Company's total land bank amounted to a GFA of approximately 7.20 million sq.m., representing an increase of 136% compared to the amount of a total GFA of 3.05 million sq.m. as announced in the Company's 2006 annual report.

During the period under review, and up to the date of this report, there were 9 major projects which are under development/will be developed. These include 3 projects in Beijing: American Rock Project; Youngman Point Project and Xidiaoyutai Project – Yushuiyuan. Other projects include Phoenix Tower Project in Shenzhen; Tianjin Laochengxiang Project in Tianjin; Chongqing Yuanjiagang Project – Chongqing China New City in Chongqing; Xian Project – The Number One Water City in Western China in Xian, Neo-China Flower City Project in Changsha and Wen Jiang Project in Chengdu. Additionally, the Group marks a further step towards its investment in two respective primary land developments in Tianjin and Chengdu. Besides, the Group is proactively focusing various high potential investments and opportunities in several main cities in the PRC, such as Shanghai, Xuzhou, etc, so as to achieve a sustainable level of land bank for its business development.



Current Projects Under Development and Newly Acquired Projects / Investment In Primary Land Developments By Region

- **Shenzhen**

The Phoenix Tower Project

The Phoenix Tower Project is situated in the central district of Futian District, Shenzhen, the PRC. The project is planned to develop into a complex of office building, service apartment and shopping arcade with a GFA of approximately 106,000 sq.m. The construction work of the project is completed. During the period under review, a GFA of approximately 42,000 sq.m. was sold and recognised. The remaining area will be kept by the Group planning for rental investment purpose.



- **Beijing**

Xidiaoyutai Project – Yushuiyuan



In May 2006, the Company acquired a 20% effective interest in the Xidiaoyutai Project – Yushuiyuan. In September 2006, the Company further acquired a 40% equity interest in the property project with a consideration of RMB260,000,000 in cash. Currently, the Company holds 90% effective interest in the property project.

The property is situated at the riverside of Kunyu River, the most prestigious area in Beijing, the PRC, and is targeting at the elite of the society. The project is developed into waterfront luxury apartments and hotel. Total GFA of this property project amounted to approximately 255,000 sq.m., and the development of the whole project is divided into Phase I and Phase II with GFA of 102,000 sq.m. and 153,000 sq.m. respectively. During the period under review, a total GFA of 68,000 sq.m. was sold and recognised.

American Rock Project

On 2 January 2007, the Company entered into an agreement through its wholly-owned subsidiary – Beijing New Shine Land Investment Consultancy Limited to acquire 15% equity interest in The Beijing Jin Ma Wen Hua Yuan Properties Development Limited for a cash consideration of RMB100 million in cash. According to the valuation report issued by independent valuer, Savills Valuation and Professional Services Ltd, (“Savills”), the market value of the American Rock Project was RMB804.70 million as at 31 October 2006. The acquisition enables the Group to gain a further 15% equity interest in the American Rock Project.



The American Rock Project is solely developed by Beijing Jin Ma Wen Hua Yuan. It is situated in No. 16 Baiziwang Road, Chaoyang District, Beijing, the PRC and is adjacent to the central business district in Beijing. The whole project consists of 2 phases (Phase I and Phase II) and 4 zones (Zones A, B, C and D) with approximately 5,400 residential and commercial units in total for sale purposes. The project is designed for different development themes, such as Zones A and B are for the BOBOS and Zones C and D are for the Kidults. Zones A and B were completed in December 2003 and September 2004 respectively. During the period under review, a total GFA of approximately 58,000 sq.m. of Zone D was sold. Pre-sale of two residential blocks of Zone C with a total GFA of approximately 54,910 sq.m. has commenced.

The entering into of the agreement constitutes a major and connected transaction under the Listing Rules. A circular and notice will be dispatched to shareholders for convening a special general meeting for approving the aforesaid transaction by independent shareholders of the Company as soon as practicable. The acquisition is expected for completion by February 2007. Upon completion of the acquisition, the effective equity interest of the Group in the Beijing American Rock Project will increase from 85% to 100%.

Youngman Point Project

On 2 January 2007, the Company entered into an agreement through its wholly-owned subsidiary – Beijing New Shine Land Investment Consultancy Limited to acquire 22.1% equity interest in The Beijing New Shine Properties Development Company Limited for a cash consideration of RMB90 million. The acquisition enables the Group to gain a further 22.1% equity interest in the Youngman Point Project. According to the valuation report issued by independent valuer, Savills, the market value of the Youngman Point Project was RMB621.52 million as at 31 October 2006.



The Youngman Point Project is solely developed by New Shine Properties Development Company Limited. It is situated in No. 2 Ganluyuan, Zhongli, Qingnian Road, Chaoyang District, Beijing, the PRC, with an aggregate site area and GFA of 114,000 sq.m. and 353,000 sq.m. respectively, comprising GFA of approximately 144,000 sq.m. for Phase I and approximately 209,000 sq.m. for Phase II. Approximately 73% residential and commercial units of Phase I were sold and recognised during the fiscal year 2006. During the period under review, a total GFA of approximately 5,000 sq.m. of Phase I was sold and recognised. Pre-sale of Phase II has started. The expected completion date of Phase II is in December 2007. The project is targeting at the young executives who just start working in the central business district.

The entering into of the agreement constitutes a major and connected transaction under the Listing Rules. A circular and notice will be dispatched to shareholders for convening a special general meeting for approving the aforesaid transaction by independent shareholders of the Company as soon as practicable. The acquisition is expected to be completed by February 2007. Upon completion of the acquisition, the effective equity interest of the Group in the Youngman Point Project will increase from 51.6% to 73.7%.

Both the acquisitions of equity interest of 15% and 22.1% in the American Rock Project and the Youngman Point Project respectively represent a good opportunity for the Group to further expand its business in the property market in Beijing, a market with which our directors are very familiar. It is one of the most attractive areas for investment which will strengthen the assets and income base of the Group.

- **Chongqing**

The Chongqing Yuanjiagang Project: Chongqing China New City

In May 2006, the Company further acquired 70% equity interest in the Chongqing Yuanjiagang Project with a cash consideration of RMB422,100,000. Currently, the Company holds 100% equity interest in the property project.



The total GFA of the property project is approximately 799,000 sq.m. and is divided into five different sites for development purpose. Construction work for three of the five sites have started. It is anticipated that the whole project development will be completed by end of 2009. The property project is located at premier location at Yuanjiagang District, Hi-Tech Zone, Chongqing, the PRC, which is a popular residential and commercial area with stable residential and commercial market conditions. The development of the whole project is divided into 2 phases with GFA of 648,000 sq.m. and 151,000 sq.m. respectively. The pre-sale of Phase I has started.

- **Tianjin**

Tianjin Laochengxiang Project



In June 2006, the Company acquired 100% equity interest in the Tianjin Laochengxiang Project with an aggregate consideration of HK\$845,263,000 for the development of seven parcels of lands in the center of Tianjin city. The consideration was satisfied in full by the allotment and issue of 1,243,034,853 consideration shares to the vendor at the issue price of HK\$0.68 each.

The total GFA of the property project is approximately 1,189,000 sq.m. and is divided into seven parcels of land (Land Lot Nos. 1, 2, 9, 11, 12, 13 and 15) for commercial and residential development purposes. Construction work for land Nos 15 and 1 has started and Land No. 11 with approximately 54,000 sq.m. has been completed for rental investment purpose. It is anticipated that the whole project development will be completed by end of 2010.

Investment in Primary Land Development Project

On 22 November 2006, the Company entered into a joint venture agreement with The Tianjin Dianshi Investment Consulting Limited and The Tianjin Xin Zhuang Economic Development Centre in relation to the establishment of a joint venture in Tianjin or a primary land development project at Land Lot No. 2003-181 Jinnanke, west side of Keyan East Road, Nankai District in Tianjin.

The joint venture will engage the said primary land development project in relation to land development, relocation and construction of city infrastructure for a plot of land of approximately 7,000,000 sq.m. The Municipal Government of Tianjin Jin Nan District has approved the project and the establishment of the joint venture.

The Municipal Government of Tianjin has further confirmed that the joint venture is engaged to exclusively assist the Municipal Government of Tianjin in the investment and development of the project in order to fulfill the conditions for public auction of the land. The Municipal Government of Tianjin has further agreed that it will retain not more than 25% of the revenue when the land is sold through public auction and the joint venture will retain the rest of the profits.

The Company holds 65% effective interest in the joint venture for an investment amount of US\$15,000,000 to be injected by the Company. The establishment of the joint venture represents a good opportunity for the Group to further expand its business in the property market in Tianjin.

- **Changsha**

The Neo-China Flower City Project

On 2 January 2007, the Company entered into an agreement through its wholly-owned subsidiary – Beijing New Shine Land Investment Consultancy Limited to acquire 67% equity interest in The Wunan Qianshuiwan Shuangya Wanquan Huayuen Company Limited for a cash consideration of RMB216 million. The acquisition enables the Group to gain development equity of the Neo-China Flower City Project in Changsha. According to the valuation report issued by the independent valuer, Savills, the market value of the Neo-China Flower City Project was RMB372.3 million as at 31 October 2006.



The Neo-China Flower City Project is solely developed by Wunan Qianshuiwan. It is situated in Wancheng County, Changsha City, the PRC. It comprises five parcels of land with an aggregated site area of 666,000 sq.m. The Neo-China Flower City Project will be developed into a large scale residential development, including villa, low to high-rise residential buildings, clubhouse and other ancillary facilities with a total GFA of approximately 800,000 sq.m. It is planned to be developed by two phases and scheduled for completion in around 2010.

The entering into of the agreement constitutes a major and connected transaction under the Listing Rules. A circular and notice will be dispatched to shareholders for convening a special general meeting for approving the aforesaid transaction by independent shareholders of the Company as soon as practicable. The acquisition is expected for completion by February 2007. Upon completion of the acquisition, the Company will hold 67% equity interest in the Neo-China Flower City Project.

Through the acquisition of equity interest of 67% in the Neo-China Flower City Project, the Company can achieve its nationwide expansion strategy to increase its land bank portfolio for investment which will again strengthen the assets and income base of the Group.

- **Xian**

The Number One Water City in Western China

On 31 October 2006, the Company, through Richspeed Investment Limited and Zhongzhi (Beijing) Enterprises Management Company Limited, its wholly-owned subsidiaries, entered into equity acquisition agreements, to acquire a 71.5% effective equity interest in Xian Chanba Jian She Kai Fa Limited. The acquisition enables the Group to gain development equity of the property project – “The Number One Water City in Western China” for a total consideration of RMB876 million. The consideration will be satisfied in cash in the amount of RMB536 million, of which RMB170 million will be secured by the issue of 170 million convertible bonds, and by the allotment issue of 340 million consideration shares at issue price of HK\$1 by the Company.



The project is located at a premier location in Xian with GFA of approximately 3,000,000 sq.m. which is the only large ecological community in Xian and is a popular residential and commercial area. The project comprises 2,000,000 sq.m. of residential units, 68,000 sq.m. of hotel complex and 932,000 sq.m. of commercial/underground car park. The project is divided into 3 phases for 3 to 4 years' development. It is anticipated that the whole project will be completed by the end of 2011. The pre-sale of Phase I will start in the 2nd quarter of 2007.

The entering into of the aforesaid agreements constitutes a discloseable transaction of the Company under the Listing Rules. A Special General Meeting for approving the issue the consideration shares and the convertible bonds will be held on 19 January 2007.

The acquisition transaction is expected for completion by February 2007. Upon completion of the acquisition, the Company will hold 71.5% effective equity interest in the property project. It is the Group's second move to the lucrative property market of western part of China after its triumphant launch of the Chongqing China New City in Chongqing, the PRC.

- **Chengdu**

Investment in Primary Land Development Project – Pi Xian Project

On 31 December 2006, the Company, through its subsidiary, entered into a Cooperation Development Agreement with the Pi Xian People's Government to jointly develop a primary land development project situated in Pi Xian Xi Pu Town Longzi Wanpian District in Chengdu City ("Pi Xian Project"). The duration of the Pi Xian Project is 30 months.

The project will be developed in 2 stages. The first stage is approximately 1,100,000 sq.m. while the second stage is approximately 300,000 sq.m. According to the development agreement, the Company shall be responsible for the capital injection to the Pi Xian Project and the implementation of construction of city infrastructure (including water supply, drainage, road construction, electricity supply, gas supply, telecommunication set-up, optical fibers connection as well as ground leveling of the land), while Pi Xian Government shall be responsible for land expropriation, relocation, compensation, recalls and acquisitions of use rights of land. It is expected that the Company will invest RMB700 million for the first stage. Subject to the approval of the related government authority, the intended uses of the Pi Xian Land include city commercial use, living and residential use, administration and office use, educational and cultural use, etc. The Company shall appropriate profits based on the selling price of each developed land of the project.

The execution of the agreement marks a further step towards the Company's investment in the primary land and property development business, in particular in the rapidly developing Chengdu of the PRC.

Wen Jiang Project

On 3 January 2007, the Company entered into a Cooperation Framework Agreement with Chengdu Zhongtai Communication Construction Development Company Limited ("Zhongtai Communication") to set up a project company to jointly develop a project situated at Wen Jiang Xin Cheng District in Chengdu City ("Wen Jiang Project"). The move is in line with the Group's development strategy in China's property market to further expand its business into Chengdu City.

Upon completion of the transaction, the Company will hold 70% equity interest in the project company of the Wen Jiang Project. According to the Framework Agreement, the Wen Jiang Project will be wholly owned under the Company's operation and management. The Company shall contribute to the project company RMB200 million of which RMB140 million is for the share capital of its 70% share and RMB60 million is the shareholder loan to the project company.

The Wen Jiang Project is located at Wen Jiang Xin Cheng District in Chengdu City and is planned to be developed for residential use. The project comprises 2 pieces of land (Land No. 1 and Land No.2), with a total GFA of approximately 700,000 sq.m. The aforesaid 2 pieces of land had been acquired by Zhongtai Communication through lawful land auction. The auction prices of Land No. 1 and Land No. 2 were RMB261 million and RMB514 million respectively, totaling RMB775 million.

Through the aforesaid projects, the Company successfully taps into the property market in Chengdu and further strengthens the Group's business. Of which, the Framework Agreement will help the Group to obtain development interests in the Wen Jiang Project with a relatively low cost.

Future Prospects

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

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

Upon completion of transaction of various projects being acquired as outlined above , the Company has 9 projects under development/will be developed in 7 cities in the PRC with aggregated GFA of approximately 7.2 million sq.m., together with the above mentioned two primary land agreements (in Tianjin and Pi Xian Project in Chengdu), will effectively allow the Company to acquire lands at lower costs in future. The Board is confident that the land bank of the Group can reach 10 million sq.m. GFA in the next 2 to 3 months.

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

Liquidity and Financial Resources

As at 31 October 2006, the Group had cash and bank balance of approximately HK\$946.2 million with net assets totaling to HK\$3,382.9 million and current ratio at approximately 2.38. The total borrowings of the Group as at 31 October 2006 amounted to 2,780.4 million making the Group's gearing ratio at 82.2% at 31 October 2006 calculated by total borrowings over total equity of HK\$3,382.9 million.

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

Contingent Liabilities

(i) The Group had the following contingent liabilities as at 31 October 2006:

	<i>HK\$'000</i> (unaudited)
Guarantees in respect of mortgage facilities for certain purchasers	1,789,620

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

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

- (ii) Three subsidiaries of the Group have been named as joint defendants in a court action in the PRC in respect of an alleged breach of contractual undertakings for an amount of HK\$37,045,000. The subsidiaries and their legal counsel are strongly resisting this claim and the directors are of the opinion that settlement of the claim is remote. Accordingly, no provision for any potential liability has been made in the unaudited condensed consolidated financial statements.
- (iii) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han 2004 No. 938 on 2 August 2004 to strengthen the levy of land appreciation tax on property developers. In the opinion of the directors, land appreciation tax shall not be levied in respect of properties already completed and full provision for land appreciation tax has not been made in the unaudited condensed consolidated financial statements. The Group has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that the chance that full land appreciation tax might be levied is less than probable in accordance with the rule of State Administration of Taxation. Should such levies take place, land appreciation tax would be approximately HK\$55,160,000.

Charge on Group's assets

Included in the properties under development with a carrying amount of approximately HK\$1,904,585,000 (30.4.2006: HK\$331,258,000) has been pledged as security for borrowings of the Group.

Equity

The Company's issued and fully paid share capital as at 31 October 2006 amounted to HK\$57,223,743 divided into 5,722,374,340 ordinary shares of HK\$0.01 each.

During the period under review, convertible notes of HK\$99,307,000 were converted into 400,000,000 ordinary shares of the Company.

Closure of Register of Members

The Register of Members of the Company will be closed from 31 January 2007 to 3 February 2007, both dates inclusive. In order to entitle for the said interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged with Share Registrar, Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 pm on 30 January 2007, Monday.

Human Resources

As at 31 October 2006, the Group employed 258 employees (including Hong Kong and PRC offices).

The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the Mandatory Provident Fund Schemes and discretionary bonus payment which is linked to the profit performance of the Group and individual performance. A share option scheme has also been established for employees of the Group.

ADDITIONAL INFORMATION

Directors' and Chief Executives' Interests in Shares and Share Options

As at 31 October 2006, the interests or short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and convertible bonds of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(1) Issued Share of the Company

Name of Director	Long/short position	Capacity	No. of Shares	Percentage of issued share capital
Li Song Xiao	long	Interest in corporation	3,554,651,390	62.1%

Note: Mr. Li Song Xiao was deemed to be interested in 2,942,021,390 Shares and 600,000,000 Shares in the Company by virtue of his 100% interest in Invest Gain Limited and Sinoeagle Pacific Ltd respectively. For the remaining 12,630,000 Shares, 3,000,000 of which are held pursuant to the options outstanding under the share option scheme of the Company and 9,630,000 Shares are held directly by Mr. Li himself.

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

Name of Director	Capacity	Number of Share options outstanding	Number of underlying shares
Li Song Xiao	Beneficial owner	3,000,000	3,000,000
Liu Yi	Beneficial owner	16,000,000	16,000,000
Niu Xiao Rong	Beneficial owner	16,000,000	16,000,000
Yuan Kun	Beneficial owner	8,000,000	8,000,000

Save as disclosed above, none of the directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to section 352 of the SFO, to be recorded in the register referred therein; or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests in Shares

As at 31 October 2006, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued shares capital of the Company:

Name of substantial shareholder	Long/short position	Capacity	No. of Shares	Percentage of issued share capital
Invest Gain Limited	Long	Beneficial owner	2,942,021,390	51.4%
Sinoeagle Pacific Limited	Long	Beneficial owner	600,000,000	10.5%
Mr. Li Song Xiao	Long	Interest in corporation (note a)	3,554,651,390	62.1%
Ms. Liu Hui	Long	Spouse (note b)	3,554,651,390	62.1%
Penta Investment Advisers Ltd.	Long	Investment Manager	319,890,000	5.6%
Mr. John Zwaanstra	Long	Interest in corporation (note c)	319,890,000	5.6%

Notes:

- (a) 2,940,021,390 and 600,000,000 of these Shares are held by Invest Gain Limited and Sinoeagle Pacific Limited respectively, which are beneficially wholly owned by Mr. Li Song Xiao. For the remaining 12,630,000 Shares, 3,000,000 of which are held pursuant to the options outstanding under the share option scheme of the Company and 9,630,000 Shares are held directly by Mr. Li Song Xiao himself.
- (b) Ms. Liu Hui is deemed to be interested in 3,554,651,390 ordinary Shares of the Company, being the interests held by her spouse, Mr. Li Song Xiao.
- (c) These Shares are held by Penta Investment Advisers Ltd which is beneficially owned by Mr. John Zwaanstra.

Save as disclosed above, the register required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 October 2006.

Share Option Scheme

Pursuant to a resolution passed by shareholders of the Company on 12 December 2002, the Company adopted a share option scheme (the "Share Option Scheme"), the particulars of the Share Option Scheme are set out in note 32 to the financial statements of the Company's 2006 annual report.

As at 31 October 2006, the Company granted 86 million share options to the Company's directors and employees under the Share Option Scheme. The underlying shares of the outstanding share options were 86 million, representing 1.5% of the issued share capital of the Company at 31 October 2006.

There is no change in any terms of the share option schemes of the Company during the six months ended 31 October 2006. The detailed terms of the share option scheme were disclosed in the Company's 2006 annual report.

The following table discloses the details of and the movements in the Company's share options during the period:

	No. of Options outstanding at 1 May 2006	Increase/ (decrease)	No. of Options outstanding at 31 October 2006
Directors			
– Mr. Li Song Xiao	3,000,000	–	3,000,000
– Mr. Liu Yi	16,000,000	–	16,000,000
– Ms. Niu Xiao Rong	16,000,000	–	16,000,000
– Mr. Yuan Kun	8,000,000	–	8,000,000
– Mr. Zhang Huai An (note)	16,000,000	(16,000,000)	–
– Ms. Song Xuan (note)	16,000,000	(16,000,000)	–
Employees	11,000,000	32,000,000	43,000,000
Total	<u>86,000,000</u>	<u>–</u>	<u>86,000,000</u>

Note: Mr. Zhang Huai An and Ms. Song Xuan resigned as executive directors of the Company on 15 June 2006.

Date of grant/ acceptance	Exercise period	Exercise price per share	Closing price immediate before date of offer	Closing price immediate before date of grant
4 April 2006	4 April 2006 – 3 April 2016	HK\$0.90	HK\$0.88	HK\$1.09

Purchase, Sale or Redemption of Securities

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

Pre-emptive Rights

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

Code of Corporate Governance

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six-month period ended 31 October 2006, except for the following:

Code A.4.1 specifies that the independent non-executive directors should be appointed for a specific term and every director should be subject to retirement by rotation at least once every three years. Currently, the existing three independent non-executive directors are not appointed for specific terms, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

The Company has not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no independent non-executive director being involved in assessing his/her own independence.

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards as set out in the Model Code during the period.

Audit Committee

The Company's audit committee comprises three independent non-executive directors. Its terms of reference have been modified to incorporate certain provisions with reference to the Appendix 14 of the Listing Rules. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 31 October 2006.

APPRECIATION

On behalf of the board of directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their diligence and dedication, and to our business partners, customers and the Company's shareholders for their continuing support.

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

Hong Kong, 16 January 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

	NOTES	Six months ended	
		31.10.2006 HK\$'000 (unaudited)	31.10.2005 HK\$'000 (unaudited)
Revenue	3	1,979,282	32,749
Cost of sales	4	(1,726,293)	(12,144)
Gross profit		252,989	20,605
Other income		39,623	21,561
Change in fair value of derivative financial instrument		8,780	–
Change in fair value of investment properties	9	134,214	–
Fair value gain on transfer of properties held for sales to investment properties	9	235,076	–
Gain on disposal of subsidiaries		–	125,018
Administrative expenses		(44,520)	(10,699)
Selling expenses		(44,546)	(13,425)
Finance costs		(53,267)	(4,075)
Share of losses of associates		(5,258)	(2,945)
Profit before taxation		523,091	136,040
Income tax expense	5	(126,716)	(4,269)
Profit for the period	6	396,375	131,771
Attributable to:			
Equity holders of the Company		400,637	127,004
Minority interests		(4,262)	4,767
		396,375	131,771
Dividends paid	7	–	54,640
Earnings per share	8		
– Basic		8.08 cents	5.11 cents
– Diluted		7.82 cents	4.55 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 31 OCTOBER 2006

	NOTES	31.10.2006 HK\$'000 (unaudited)	30.4.2006 HK\$'000 (audited)
NON-CURRENT ASSETS			
Plant and equipment	9	11,261	6,698
Investment properties	9	1,340,587	–
Deposits for acquisitions of subsidiaries	10	424,270	185,675
Interests in associates		–	117,375
Loan to an associate		–	483,735
Long-term receivable		–	272,661
Available-for-sale investment		–	9,471
Pledged bank deposits		56,292	77,049
		1,832,410	1,152,664
CURRENT ASSETS			
Properties held for sale		451,783	25,721
Properties under development		5,309,911	1,923,255
Advances to suppliers		722,029	467,452
Trade and other receivables and prepayments	11	308,785	292,363
Investments held for trading		1,485	–
Amount due from an associate		–	22,248
Tax recoverable		55,655	46,306
Pledged bank deposits		9,911	–
Bank balances and cash		946,152	315,664
		7,805,711	3,093,009
CURRENT LIABILITIES			
Accruals and other payables	12	908,626	459,010
Advances from customers		1,429,921	1,587,456
Amounts due to related companies	13	84,143	5,567
Amount due to a shareholder	14	21,294	1,678
Dividend payable		44	23,121
Tax payable		231,931	141,967
Secured bank borrowings – due within one year	15	601,730	16,750
Loan payable		–	65,972
Convertible notes	18	–	99,307
		3,277,689	2,400,828
NET CURRENT ASSETS		4,528,022	692,181
TOTAL ASSETS LESS CURRENT LIABILITIES		6,360,432	1,844,845

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AT 31 OCTOBER 2006

	NOTES	31.10.2006 HK\$'000 (unaudited)	30.4.2006 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Secured bank borrowings – due after one year	15	722,772	244,135
Deferred tax liabilities	16	774,206	59,309
Loan payable	17	256,660	–
Derivative financial instrument		24,656	–
Convertible notes	18	1,199,196	–
		2,977,490	303,444
		3,382,942	1,541,401
CAPITAL AND RESERVES			
Share capital	19	57,224	40,793
Share premium and reserves		3,117,448	1,350,909
Equity attributable to equity holders of the Company		3,174,672	1,391,702
Minority interests		208,270	149,699
		3,382,942	1,541,401

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000 (note a)	Contributed surplus HK\$'000	Convertible note equity reserve HK\$'000	Special reserve HK\$'000 (note b)	Revaluation reserve HK\$'000 (note c)	Share options reserve HK\$'000	Exchange reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Equity total HK\$'000
At 1 May 2005	24,836	120,407	368,234	11,234	-	-	-	140	66,174	591,025	242,047	833,072
Exchange differences arising on translation of foreign operations and net income recognised directly in equity	-	-	-	-	-	-	-	10,497	5,950	16,447	-	16,447
Profit for the period	-	-	-	-	-	-	-	-	127,004	127,004	4,767	131,771
Total recognised income for the period	-	-	-	-	-	-	-	10,497	132,954	143,451	4,767	148,218
Dividends	-	-	(54,640)	-	-	-	-	-	-	(54,640)	-	(54,640)
At 31 October 2005	<u>24,836</u>	<u>120,407</u>	<u>313,594</u>	<u>11,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,637</u>	<u>199,128</u>	<u>679,836</u>	<u>246,814</u>	<u>926,650</u>
At 1 May 2006	40,793	1,605,048	-	11,234	(13,813)	-	4,287	4,255	(260,102)	1,391,702	149,699	1,541,401
Exchange differences arising on translation of foreign operations and net income recognised directly in equity	-	-	-	-	-	-	-	44,950	-	44,950	4,401	49,351
Profit for the period	-	-	-	-	-	-	-	-	400,637	400,637	(4,262)	396,375
Total recognised income for the period	-	-	-	-	-	-	-	44,950	400,637	445,587	139	445,726
Issue of shares by conversion of convertible notes	4,000	106,541	-	(11,234)	-	-	-	-	-	99,307	-	99,307
Issue of shares for the acquisition of subsidiaries	12,431	745,821	-	-	-	-	-	-	-	758,252	-	758,252
Transaction costs attributable to issue of shares	-	(2,177)	-	-	-	-	-	-	-	(2,177)	-	(2,177)
Recognition of equity component of convertible notes	-	-	-	99,662	-	-	-	-	-	99,662	-	99,662
Deferred tax liability on recognition of equity component of convertible notes	-	-	-	(31,830)	-	-	-	-	-	(31,830)	-	(31,830)
Acquisition of subsidiaries	-	-	-	-	-	140,228	-	-	-	140,228	121,708	261,936
Acquisition of additional interests in a subsidiary	-	-	-	-	3,968	-	-	-	-	3,968	(63,276)	(59,308)
Release of reserves arising on sales of properties	-	-	-	-	9,596	(48,645)	-	(285)	-	(39,334)	-	(39,334)
Deemed contribution (note 20(iii)(b))	-	-	305,611	-	-	-	-	-	-	305,611	-	305,611
Recognition of share based payments	-	-	-	-	-	-	3,696	-	-	3,696	-	3,696
At 31 October 2006	<u>57,224</u>	<u>2,455,233</u>	<u>305,611</u>	<u>67,832</u>	<u>(249)</u>	<u>91,583</u>	<u>7,983</u>	<u>48,920</u>	<u>140,535</u>	<u>3,174,672</u>	<u>208,270</u>	<u>3,382,942</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

Notes:

- (a) Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account may be distributed in the form of fully paid bonus shares.
- (b) Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in a subsidiary being acquired from a minority shareholder. This special reserve will be recognised in the income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.
- (c) Revaluation reserve represents the difference between the fair value, net of deferred tax, and the carrying amount of additional interests in associates being acquired and become subsidiaries of the Group. This revaluation reserve will be recognised in the income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

	NOTES	Six months ended	
		31.10.2006 HK\$'000 (unaudited)	31.10.2005 HK\$'000 (unaudited)
Net cash used in operating activities		(1,053,023)	(137,173)
Net cash used in investing activities:			
Deposits paid for acquisition of subsidiaries		(406,347)	–
Additional interest in an associate	20(ii)	(128,713)	–
Additions in investment property		(75,529)	–
Additional interest in a subsidiary	20(i)	(59,308)	–
Purchase of property, plant and equipment		(1,736)	(1,256)
Acquisitions of subsidiaries	20	47,553	–
Disposals of subsidiaries		–	179,999
Repayments from (advance to) associates		135,696	(273,835)
Decrease in long-term receivable		272,661	–
Other investing cash flows		34,344	(22,867)
		(181,379)	(117,959)
Net cash generated from financing activities:			
Proceeds on issue of convertible notes		1,291,213	–
New bank borrowings raised		386,139	477,115
Increase in loan payable		247,525	–
Dividends paid		(23,077)	(18,368)
Repayment of bank borrowings		(40,692)	(93,604)
Expenses on issue of shares		(2,177)	–
Other financing cash flows		(654)	24,877
		1,858,277	390,020
Net increase in cash and cash equivalents		623,875	134,888
Cash and cash equivalents at the beginning of the period		315,664	69,648
Effect of foreign exchange rate changes		6,613	–
Cash and cash equivalents at the end of the period		946,152	204,536

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 April 2006 except as described below:

Investments held for trading

The investments held for trading are initially measured at fair value. At each balance sheet date subsequent to initial recognition, investments held for trading are measured at fair value with changes in fair value recognized directly in income statement in the period in which they arise.

Derivative financial instrument

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Derivative financial instrument (Continued)

Embedded derivatives

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

In the current period, the Group has adopted a number of new standards, amendments and interpretations issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of these new standards, amendments and interpretations has resulted in changes to the Group's accounting policies in the following area that have no material impact on the results for the current period:

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and Hong Kong Financial Reporting Standard ("HKFRS") 4 (Amendments) "Financial Guarantee Contracts" which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 May 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount could be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial guarantee contracts (Continued)

The Group acts as the issuer of the financial guarantee contracts (Continued)

In relation to the financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers, the Group has applied the transitional provision in HKAS 39. As the fair value of the financial guarantee contracts is insignificant, this change in accounting policy has had no effect on the Group's result for the current and/or prior accounting period.

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial positions of the Group.

HKAS 1 (Amendment)	Capital Disclosure ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁵

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

² Effective for annual periods beginning on or after 1 October 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

⁵ Effective for annual periods beginning on or after 1 November 2006.

3. REVENUE AND BUSINESS SEGMENTS

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

	Six months ended	
	31.10.2006	31.10.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of properties	1,979,267	32,749
Provision of property management service	15	–
	1,979,282	32,749

3. REVENUE AND BUSINESS SEGMENTS (Continued)

Business segments

For management purposes, the Group is currently organised into two operating divisions – sales of properties and property investment. The operation of property investment business commenced in August 2006. The Group was principally engaged in one operating division of sales of properties for the six months ended 31 October 2005 and so no business segment analysis is presented.

The Group's revenue and contribution to profit analysed by business segments for the six months ended 31 October 2006 are as followings:

	Sales of properties HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
REVENUE				
External sales	1,979,267	–	6,302	1,985,569
Inter-segment sales	–	–	(6,287)	(6,287)
Total	<u>1,979,267</u>	<u>–</u>	<u>15</u>	<u>1,979,282</u>
Inter-segment sales are charged at prevailing market rates.				
RESULT				
Segment result	<u>418,669</u>	<u>133,806</u>	<u>(546)</u>	<u>551,929</u>
Unallocated corporate expenses				(18,431)
Other income				39,338
Change in fair value of derivative financial instrument				8,780
Share of losses of associates	(5,258)	–	–	(5,258)
Finance costs				<u>(53,267)</u>
Profit before taxation				523,091
Income tax expense				<u>(126,716)</u>
Profit for the period				<u>396,375</u>

4. COST OF SALES

Cost of sales included land appreciation tax in the People's Republic of China ("the PRC") of HK\$98,255,000 (2005: nil).

5. INCOME TAX EXPENSE

	Six months ended	
	31.10.2006	31.10.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The income tax expense comprises:		
Current tax – PRC enterprise income tax	142,570	4,269
Deferred taxation (note 16)	(15,854)	–
	126,716	4,269

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

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

6. PROFIT FOR THE PERIOD

	Six months ended	
	31.10.2006	31.10.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of plant and equipment	1,308	523
Effective interest on convertible notes	41,129	4,075
Interest expense on loan payable	9,046	–
Imputed interest expense on loan payable	3,092	–
Interest income on:		
Bank deposits	(1,445)	(430)
Loan to an associate	(5,440)	(18,048)
Other loans	(4,532)	–
Exchange gain	(16,334)	–
Dividend income from investments held for trading	(11,676)	–
Gain on disposal of subsidiaries	–	(125,018)

7. DIVIDENDS

No dividends were paid during the period (2005: HK\$54,640,000). The directors have determined that an interim dividend of HK1.5 cents per share (2005: HK1.5 cents) should be paid to the shareholders of the Company whose names appear in the Register of Members on 30 January 2007.

8. EARNINGS PER SHARE

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

	Six months ended	
	31.10.2006	31.10.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of basic earnings per share	400,637	127,004
Effect of dilutive potential ordinary shares in respect of interest on convertible notes	41,129	4,075
Earnings for the purposes of diluted earnings per share	441,766	131,079
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,956,814,978	2,483,632,950
Effect of dilutive potential ordinary shares on convertible notes	689,395,095	400,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	5,646,210,073	2,883,632,950

During the period ended 31 October 2006, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding share options granted since the exercise price of the option was higher than the average market price for shares for the period. No share option was granted as at 31 October 2005.

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PLANT AND EQUIPMENT

During the period, the Group acquired investment properties, through acquisition of subsidiaries, at a cost of HK\$560,924,000.

During the period, properties held for sale with a carrying amount of HK\$334,843,000 has been transferred to investment property as a result of management's change in intention. The properties held for sale was fair-valued by external valuers, Savills Valuations and Professional Services Limited upon transfer to investment properties. The resulting increase in fair value of HK\$235,076,000 has been recognised directly in the unaudited condensed consolidated income statement.

The Group's remaining investment properties were fair-valued by external valuers, Savills Valuations and Professional Services Limited, at 31 October 2006. The resulting increase in fair value of investment properties of HK\$134,214,000 has been recognised directly in the unaudited condensed consolidated income statement.

During the period, the Group acquired certain plant and equipment at a cost of HK\$1,736,000. In addition, plant and equipment at a cost of HK\$3,979,000 was acquired through the acquisitions of subsidiaries (note 20).

10. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

The amounts represent deposits paid for acquisitions of certain subsidiaries. The acquisitions of these subsidiaries are subject to certain conditions which are not yet satisfied at the balance sheet date. Capital commitments in respect of amounts contracted, but not provided in the financial statements in relation to the acquisition of these subsidiaries at 31 October 2006 are approximately HK\$190,836,000 (note 21).

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	31.10.2006	30.4.2006
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables	71,448	9,820
Other receivables	118,221	99,978
Other tax prepayments	89,504	89,213
Other deposits and prepayments	29,612	28,275
Deposits paid for acquisition of properties under development	–	65,077
	308,785	292,363

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The Group allows a credit period of 90 days to the buyers. The following is an aging analysis of trade receivables at the balance sheet date:

	31.10.2006 HK\$'000 (unaudited)	30.4.2006 HK\$'000 (audited)
0 – 90 days	71,448	4,948
90 – 180 days	–	–
Over 180 days	–	4,872
	71,448	9,820

12. ACCRUALS AND OTHER PAYABLES

	31.10.2006 HK\$'000 (unaudited)	30.4.2006 HK\$'000 (audited)
Accruals for properties under development	448,823	397,298
Other payables	279,462	61,712
Payables for acquisition of a subsidiary	180,341	–
	908,626	459,010

13. AMOUNTS DUE TO RELATED COMPANIES

The amounts are unsecured, non-interest bearing and repayable on demand. The controlling shareholder of the Company, Mr. Li Song Xiao, is also the controlling shareholder of the related companies. The directors consider that the carrying amounts of the amounts due to the related companies approximate the fair values in view of the short-term nature of financial liability.

14. AMOUNT DUE TO A SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on demand. The directors consider that the fair value of the amount due to a shareholder approximates its carrying amount.

15. SECURED BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to HK\$386,139,000 and acquired bank borrowings, through acquisitions of subsidiaries, at a cost of HK\$711,631,000. The borrowings bear interest at market rates and are repayable over a period of 5 years. The proceeds were used to finance the development of properties.

The effective interest rate (being the contractual interest rate) in the Group's borrowings are 6.44%.

16. DEFERRED TAX LIABILITIES

The following is the major deferred tax liability recognised and movement thereon during the current accounting period:

	Convertible notes HK\$'000 (unaudited)	Revaluation of investment properties HK\$'000 (unaudited)	Fair value adjustment on properties under development/ properties held for sale HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 1 May 2006	–	–	59,309	59,309
Exchange difference	–	–	834	834
Acquisition of subsidiaries	–	69,091	628,996	698,087
Charge to equity for the period	31,830	–	–	31,830
(Credit) charge to income for the period	(1,573)	79,552	(93,833)	(15,854)
At 31 October 2006	30,257	148,643	595,306	774,206

At 31 October 2006, the Group had unused tax losses of HK\$125,077,000 available for offset against future profits. The tax losses may be carried forward indefinitely. No deferred tax asset has been recognised in relation to tax losses as it is not probable that taxable profit will be available against future assessable profit.

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

17. LOAN PAYABLE

The loan payable represents a fixed capital injection of 26.3% registered capital in a group entity at a nominal amount approximately HK\$247,525,000 from an independent third party with a fixed dividend at 6.5% per annum. According to the agreement, the independent third party has no right to share further profit of the group entity other than the 6.5% annual dividend. The Group will purchase from the independent third party the 26.3% registered capital in May 2008 in accordance with the contractual arrangement at a price of approximately HK\$286,139,000.

The effective interest rate of the loan payable is 7.27%

18. 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 Notes 2011"). Convertible Notes 2011 will be redeemed at 135.7% of the principal amount on 11 May 2011 ("Maturity Date").

The holders of Convertible Notes 2011 have the right to convert all or any portion of Convertible Notes 2011 into shares of the Company at an initial conversion price of HK\$1.5048 per share, subject to adjustment. The conversion right can be exercised at any time on or after 60 days from the date on which Convertible Notes 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 Notes 2011 can put back Convertible Notes 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 12 June 2006 and 30 October 2006 was HK\$33,436,000 and HK\$24,656,000, respectively. Accordingly, a change in fair value of derivative financial instrument of approximate HK\$8,780,000 is credited to the unaudited condensed 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 Notes 2011 in whole but not in part at a relevant redemption amount if the closing price of the shares for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is at least 130 per cent of the applicable early redemption amount divided by the conversion ratio ("Redemption Right of the Issuer"). As the economic characteristics and risks of the Redemption Right of the Issuer are not closely related to the host contract, the Redemption Right of the Issuer is separately accounted for at fair value at each reporting date as derivative financial instrument. The fair value of the Redemption Right of the Issuer is insignificant at both 12 June 2006 and 31 October 2006.

In the event of the Company's shares cease to be listed or admitted to trading on the Stock Exchange of Hong Kong Limited, each holder of the Convertible Notes 2011 shall have right, at such holder's option, to require the Company to redeem Convertible Notes 2011 on the twentieth business day after notice has been given to the holder at the early redemption amount ("Delisted Put Right"). As the economic characteristics and risks of the Delisted Put Right are not closely related to the host contract, the Delisted Put Right is separately accounted for at fair value at each reporting date as derivative financial instrument. The fair value of the Redemption Right of the Issuer is insignificant at both 12 June 2006 and 31 October 2006.

Convertible Notes 2011 contain three components, liability element, early redemption right and equity element. The equity element is presented in equity heading convertible note equity reserve. The effective interest rate of the liability element is 9.44%.

18. CONVERTIBLE NOTES (Continued)

The fair value of the liability component of Convertible Notes 2011 at 31 October 2006 determined based on the present value of the estimated future cash flows discounted at the prevailing market interest rate for an equivalent non-convertible loan at the balance sheet date, was approximately HK\$1,285,864,000.

The convertible note outstanding at 30 April 2006 has been converted into shares of the Company on 2 May 2006.

19. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
Shares of HK\$0.01 per share at 31 October 2006	<u>40,000,000,000</u>	<u>400,000</u>
Issued and fully paid:		
Shares of HK\$0.01 per share at 1 May 2006	4,079,339,487	40,793
Issue of shares by conversion of convertible notes	400,000,000	4,000
Issue of shares for acquisition of subsidiaries	<u>1,243,034,853</u>	<u>12,431</u>
	<u>5,722,374,340</u>	<u>57,224</u>

20. ACQUISITION OF SUBSIDIARIES***For the period ended 31 October 2006****(i) Chongqing China Enterprises Property Development Company Limited*

On 30 June 2006, the Group acquired 70% equity interest in Chongqing China Enterprises Property Development Company Limited ("Chongqing China Enterprises"), a company established in the PRC and engaged in property development in Chongqing, the PRC, at a cash consideration of HK\$444,886,000. Prior to the acquisition, the Group held 20% interest in Chongqing China Enterprises and 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.

20. ACQUISITION OF SUBSIDIARIES (Continued)

For the period ended 31 October 2006 (Continued)

(i) *Chongqing China Enterprises Property Development Company Limited* (Continued)

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

	2006		
	Acquiree's carrying amount before combination HK\$'000	Fair value adjustments HK\$'000	Fair value HK\$'000
NET ASSETS ACQUIRED			
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)
	<u>471,785</u>	<u>163,767</u>	635,552
Minority interests			(63,556)
Interest in an associate			(127,110)
			<u>444,886</u>
Payables for acquisition of a subsidiary			(180,341)
Deposits paid for acquisition of a subsidiary			(168,269)
			<u>96,276</u>
Total consideration satisfied by cash			<u>96,276</u>
Net cash outflow arising on acquisition:			
Cash consideration paid			(96,276)
Bank balances and cash acquired			68,520
			<u>68,520</u>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary			<u>(27,756)</u>

20. ACQUISITION OF SUBSIDIARIES (Continued)

For the period ended 31 October 2006 (Continued)

(i) *Chongqing China Enterprises Property Development Company Limited* (Continued)

On 31 August 2006, the Group completed the acquisition of the remaining 10% equity interest in Chongqing China Enterprises at a consideration of HK\$59,308,000.

The subsidiary acquired during the period contributed nil to the Group's revenue and loss of HK\$4,997,000.

If the acquisition had been completed on 1 May 2006, total group's revenue for the period would have been HK\$1,979,282,000, and profit for the period would have been HK\$391,140,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 May 2006, nor is it intended to be a projection of future results.

(ii) *Beijing New Shine Land Investment Consultancy Limited*

On 31 August 2006, the Group acquired 50% equity interest in Beijing New Shine Land Investment Consultancy Limited ("Beijing New Shine Land Investment") at a cash consideration of HK\$257,426,000. Prior to this acquisition, the Group held 50% interest in Beijing New Shine Land Investment and Beijing New Shine Land Investment then became a wholly-owned subsidiary of the Group subsequent to the acquisition. Beijing New Shine Land Investment owns 80% equity interest in Beijing City Yushuiyuen Property Development Corporation Limited, 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.

20. ACQUISITION OF SUBSIDIARIES (Continued)

For the period ended 31 October 2006 (Continued)

(ii) *Beijing New Shine Land Investment Consultancy Limited* (Continued)

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

	2006		
	Acquiree's carrying amount before combination HK\$'000	Fair value adjustments HK\$'000	Fair value HK\$'000
NET ASSETS ACQUIRED			
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
Amounts due from related companies	35,939	–	35,939
Pledged bank deposits	7,246	–	7,246
Bank balances and cash	127,838	–	127,838
Accruals and other payables	(168,730)	–	(168,730)
Advances from customers	(929,807)	–	(929,807)
Tax payable	(29,272)	–	(29,272)
Amounts due to fellow subsidiaries	(24,059)	–	(24,059)
Amounts due to immediate holding company	(375,727)	–	(375,727)
Secured bank borrowings	(186,878)	–	(186,878)
Deferred tax liabilities	–	(286,419)	(286,419)
	<u>(8,514)</u>	<u>581,518</u>	573,004
Minority interests			(58,152)
Interests in associates			<u>(257,426)</u>
Total consideration satisfied by cash			<u>257,426</u>
Net cash outflow arising on acquisition:			
Cash consideration paid			(257,426)
Bank balances and cash acquired			<u>127,838</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			<u>(129,588)</u>

20. ACQUISITION OF SUBSIDIARIES (Continued)

For the period ended 31 October 2006 (Continued)

(ii) *Beijing New Shine Land Investment Consultancy Limited* (Continued)

The subsidiary acquired during the period contributed HK\$893,276,000 to the Group's revenue and profit of HK\$52,944,000.

If the acquisition had been completed on 1 May 2006, total group's revenue for the period would have been HK\$1,979,282,000, and profit for the period would have been HK\$384,148,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 May 2006, nor is it intended to be a projection of future results.

Prior to the above acquisition, the Group acquired additional 25% equity interest in Beijing New Shine Land Investment on 30 June 2006 at a cash consideration of HK\$128,713,000.

(iii) *Lead Mix Limited and DIVO Success Limited*

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

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.

Besides, Lead Mix also indirectly owns 100% equity interest in Tianjin Zhongxin Huaan Real Estate Development Company Limited, Tianjin Zhongxin Binhai Real Estate Development Company Limited, Tianjin Zhongxin Xinjie Real Estate Development Company Limited, Tianjin Zhongxin Mingshi Real Estate Development Company Limited and Tianjin Zhongxin Jiaye Real Estate Development Company Limited which are established in the PRC and engaged in properties development in Tianjin, the PRC.

DIVO Success directly owns 100% of Tianjin Zhongxin Huacheng Real Estate Development Company Limited and Tianjin Xinrun Real Estate Development Company Limited, which are established in the PRC and engaged in properties development project in Tianjin, the PRC.

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

20. ACQUISITION OF SUBSIDIARIES (Continued)

For the period ended 31 October 2006 (Continued)

(iii) *Lead Mix Limited and DIVO Success Limited* (Continued)

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

	2006		
	Acquiree's carrying amount before combination HK\$'000	Fair value adjustments HK\$'000	Fair value HK\$'000
NET ASSETS ACQUIRED			
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)
Advances from customers	(247,892)	–	(247,892)
Amounts due to related companies	(149,860)	–	(149,860)
Amounts due to group companies	(8,777)	–	(8,777)
Amount due to a shareholder	(20,222)	–	(20,222)
Secured bank borrowings	(326,733)	–	(326,733)
Deferred tax liabilities	–	(331,007)	(331,007)
	<u>391,818</u>	<u>672,005</u>	<u>1,063,863</u>
Represented by:			
Equity instruments of the Company (note a)			758,252
Deemed contribution from the controlling shareholder (note b)			<u>305,611</u>
			<u>1,063,863</u>
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			<u>204,897</u>

20. ACQUISITION OF SUBSIDIARIES (Continued)**For the period ended 31 October 2006** (Continued)(iii) *Lead Mix Limited and DIVO Success Limited* (Continued)

The subsidiaries acquired during the period contributed HK\$24,771,000 to the Group's revenue and profit of HK\$83,498,000.

If the acquisition had been completed on 1 May 2006, total group's revenue for the period would have been HK\$1,979,282,000, and profit for the period would have been HK\$393,726,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 May 2006, nor is it intended to be a projection of future results.

Notes:

- (a) 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. The fair values of the shares issued for the acquisition of Lead Mix and DIVO Success amount to approximately HK\$758,252,000 determined using the quoted price at the date of the acquisition.
- (b) Lead Mix and DIVO Success are acquired from a controlling shareholder. The deemed contribution represents the difference between the fair value of the consideration and the fair value of the net assets acquired.

21. COMMITMENTS

At balance sheet date, the Group had the following commitments:

	31.10.2006	30.4.2006
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Authorised and contracted for but not provided:		
Development expenditure of properties in the PRC	793,557	285,220
Capital expenditure in respect of acquisitions of subsidiaries	190,836	364,817
Capital expenditure in respect of acquisitions of plant and equipment	2,681	–
	987,074	650,037

22. CONTINGENCIES

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

	31.10.2006	30.4.2006
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Guarantees in respect of mortgage facilities for certain purchasers	<u>1,789,620</u>	<u>672,074</u>

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

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

- (ii) Three subsidiaries of the Group have been named as joint defendants in a court action in the PRC in respect of an alleged breach of contractual undertakings for an amount of HK\$37,045,000 (30.4.2006: HK\$35,976,000). The subsidiaries and their legal counsel are strongly resisting this claim and the directors are of the opinion that settlement of the claim is remote. Accordingly, no provision for any potential liability has been made in the unaudited condensed consolidated financial statements.
- (iii) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han 2004 No. 938 on 2 August 2004 to strengthen the levy of land appreciation tax on property developers. In the opinion of the directors, land appreciation tax shall not be levied in respect of properties already completed and full provision for land appreciation tax has not been made in the unaudited condensed consolidated financial statements. The Group has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that the chance that full land appreciation tax might be levied is less than probable in accordance with the rule of State Administration of Taxation. Should such levies take place, land appreciation tax would be approximately HK\$55,160,000 (30.4.2006: HK\$26,013,000).

23. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	Agency fee expenses	Interest income
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Related companies	8,238	–
An associate	–	5,440

The controlling shareholder of the Company, Mr. Li Song Xiao, is also the controlling shareholder of the above related companies. The agency fee expenses were paid to the related companies for providing property promotion and management services to the group companies.

Details of the balances with related parties as at balance sheet date are set out in the balance sheet and note 13 and 14 to the unaudited condensed consolidated financial statements.

A group entity had entered into agreements with Beijing Newshine Decoration Company Limited (“Newshine Decoration”) with a total considerations of RMB145,065,000 prior to the group entity became a subsidiary of the Company. Pursuant to the agreements, Newshine Decoration will provide decoration services for the properties under development held by the group entity. At 31 October 2006, RMB145,065,000 has been paid to Newshine Decoration and was included in advances to suppliers. The controlling shareholder of the Company, Mr. Li Song Xiao, is also the controlling shareholder of Newshine Decoration.

During the period ended 31 October 2006, a group entity had entered into agreements with 北京新松沃克建築裝飾工程有限公司 (“北京新松沃克”), with a total consideration of RMB1,596,000. Pursuant to the agreements, 北京新松沃克 provides decoration services for the properties under development held by the group entity. At 31 October 2006, RMB500,000 has been paid to 北京新松沃克 and was included in property under development. The controlling shareholder of the Company, Mr. Li Song Xiao, is also the controlling shareholder of 北京新松沃克.

23. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

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

	31.10.2006	31.10.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	2,270	600
Share-based payments	3,029	–
	5,299	600

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

24. POST BALANCE SHEET EVENTS

- (a) On 31 October 2006, the Group entered into an equity transfer agreement with an independent third party for acquisition of 100% equity interest in Honest State Limited, which owns 54.5% of Xian Chan Ba Construction Development Company Limited ("Xian Chan Ba"), for the consideration of approximately HK\$770,588,000 (as amended by a supplemental agreement entered by the Group and the independent third party on 13 November 2006). The consideration is to be satisfied in cash of the approximately HK\$219,918,000, by the allotment and issue of 340,000,000 shares of the Company and by issue of convertible notes of the Company with a term of six months of approximately HK\$168,317,000.

On 31 October 2006, the Group entered into an equity transfer agreements with two independent third parties separately for the acquisition of an aggregate 17% equity interest in Xian Chan Ba for the cash consideration of approximately HK\$137,255,000.

The acquisition of Xian Chan Ba have not been completed up to the date of the unaudited condensed consolidated financial statements. Details of the acquisition of 54.5% and 17% interest in Xian Chan Ba are included in a circular of the Company dated 8 December 2006.

24. POST BALANCE SHEET EVENTS (Continued)

- (b) On 22 November, 2006, the Group entered into agreement with two independent third parties to form a new entity (“New Entity”), a company which will engage in land development, relocation and construction project in Tianjin. The Group will hold 65% equity interest in the New Entity and is proposed to make capital investment of approximately HK\$117,000,000. Details of the joint venture project in Tianjin are included in an announcement of the Company dated 22 November 2006.
- (c) On 28 November 2006, the Group, the controlling shareholder and J.P. Morgan Securities (Asia Pacific) Limited (“J.P. Morgan”) entered into a Placing and Subscription Agreement for placing an aggregate of 688,000,000 existing shares to twelve independent investors on a fully-underwritten basis, through J.P Morgan, at HK\$1.132 per share. The controlling shareholder has conditionally agreed to subscribe for the 688,000,000 new shares at HK\$1.132 per share. Details of the placing are included in an announcement of a Company dated 28 November 2006.
- (d) On 1 December 2006, the Group entered into a sales and purchase agreement with Beijing New Shine Investment Group Company Limited (“Beijing New Shine Investment”) in which a controlling shareholder of the Company has equity interest for a proposed acquisition of 67% investment in Wunan Qianshiuwan Shuangya Wanquan Huayuen Company Limited (“Wunan Qianshiuwan”) at a consideration of approximately HK\$213,861,000.

On the same date, the Group entered into another sales and purchase agreement with Beijing Guoke Xinye Technology Development Company Limited (“Beijing Guoke”), a company whose controlling shareholder is Mr. Li Song Xiao, the controlling shareholder of the Group, for a proposed acquisition of additional 22.1% registered capital in Beijing New Shine Property Development Company Limited (“Beijing New Shine Property”) at a consideration of approximately HK\$89,109,000.

In addition, the Group entered into a sales and purchase agreement with Beijing Xi Hua Wei Yie Construction Materials Trading Company Limited, an independent third party, for acquisition of the remaining 15% interest in Beijing Jin Ma Wen Hua Yuan Properties Development Limited at a consideration of HK\$99,010,000.

Details of these three agreements are included in an announcement of the Company dated 2 January 2007.

24. POST BALANCE SHEET EVENTS (Continued)

- (e) On 31 December 2006, the Group entered into a cooperation development agreement (“Agreement I”) with an independent third party to jointly develop a construction of city infrastructure project (“Cooperation Project I”) in Pi Xian Xi Pu Town in Chengdu City, the PRC. The duration of the Agreement I is 30 months. The Group will contribute an investment amount of approximately HK\$693,069,000 for the first stage development and the Group has not confirm any capital commitment to the second stage of the Cooperation Project I. The Group is entitled to investment return out of the proceeds arising from an auction sale of the project after the development of the city infrastructure. After repayment to the Group of its investment amount under Cooperation Project I, the remaining proceeds from the auction sale shall be distributed between the Group and the independent third party.

On 3 January 2007, the Group entered into a cooperation framework agreement (“Agreement II”) with another independent third party to form a project company (“Project Company”), whose registered capital will be approximately HK\$198,200,000, to jointly develop a property project (“Cooperation Project II”) in Wen Jiang Xin Cheng District in Chengdu City, the PRC. The Group shall contribute approximately HK\$198,020,000 of which approximately HK\$138,614,000 is for its 70% registered capital in the Project Company and approximately HK\$59,406,000 is a shareholder loan to the Project Company.

According to Agreement II, the Group shall be solely responsible for, and the independent third party shall not be involved in, the operation and management of the Project Company. Within 24 months from the signing of Agreement II, the Group shall purchase from the independent third party (i) the 30% registered capital of approximately HK\$59,406,000 in the Project Company as well as (ii) a shareholder loan of approximately HK\$237,624,000 at a price of approximately HK\$396,040,000.

Details of the two agreements are included in an announcement of the Company dated 9 January 2007.