

中新集团
NEOCHINAGROUP

NEO-CHINA LAND GROUP (HOLDINGS) LIMITED
中新地產集團(控股)有限公司

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



地产唯新力量

Interim Report 2007

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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. Gao Ling

Mr. Zhang Qing Lin

Company Secretary

Ms. Chan Yim Kum

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Hong Kong Branch Share Registrar and Transfer Office

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Legal Advisers

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Conyers Dill & Pearman

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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

To our shareholders:

On behalf of the Board of Director of Neo-China Land 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 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 31 October 2007, the Group recorded a turnover of HK\$1,024.5 million (2006: HK\$1,979.3 million), representing a decrease of approximately 48.2% as compared to the same period in 2006.

As at 31 October 2007, presale receipts from customers was HK\$4,133.8 million (as at 30 April 2007: HK\$1,921.8 million), representing an increase of approximately 115.1% as compared to the prior year end. Total gross floor area (“GFA”) of 151,997 sq.m. of the Group was sold and recognized. Profit attributable to equity holders of the Company amounted to HK\$132.7 million (2006: HK\$400.6 million). Basic earnings per share was HK7.64 cents (2006: HK32.33 cents) and diluted earnings per share was HK3.43 cents (2006: HK31.3 cents). Total equity was HK\$6,918.6 million.

Payment of Dividend

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 HK1.0 cent (2006: HK1.5 cents) per share on 12 February 2008 to those shareholders whose name are shown in the register of members of the Company on 31 January 2008.

Warrants

Reference is made to Note 20 to the Condensed Consolidated Financial Statement regarding a loss in relation to change in fair value of warrants of approximately HK\$187 million, and such value was nil in the same period in 2006. The Company did not have any warrant in issue as at 31 October 2006. 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) and 264,000,000 warrants (“Warrants 2012”).

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 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 is classified as a derivative financial liability and measured at fair value with changes in fair value recognised in the condensed consolidated income statement.

The fair value of Warrants 2012 at 23 July 2007, the date of issue, and 31 October 2007 were HK\$161,802,000 (fair value in amount of HK\$166,000,000 after charging certain costs in amount of HK\$4,198,000) and HK\$349,000,000 respectively. Accordingly, a change in fair value of warrant of HK\$187,198,000 is charged to the income statement in accordance with Hong Kong Accounting Standard 32.

Disposal of Subsidiaries

Reference is made to Note 23 to the Condensed Consolidated Financial Statement in relation to the disposal of Tianjin Zhongxin Mingshi in which the Company has made a loss of HK\$32.8 million. The disposal was disclosed in the annual report 2007 of the Company (page 92) whereas the change in the amount of the loss is due to the change in the estimated recoverable amount in accordance with the related sale and purchase contract.

The Board has reviewed the disposal and considers that it is neither a notifiable nor a connected transaction under Chapters 14 and 14A of the Listing Rules.

Administrative Expenses

Reference is made to the significant increase (of about 2.38 times) in administrative expenses from HK\$44 million to HK\$150 million as shown in the Condensed Consolidated Income Statement for the six months ended 31 October 2007. Set out below is a comparison of the administrative expenses for the six months ended 31 October 2006 and the six months ended 31 October 2007:

Administrative expenses	6 months ended 31.10.2007 HK\$'000	6 months ended 31.10.2006 HK\$'000
Staff costs	18,336	8,744
Share-based payment	60,153	3,695
Professional fees	6,943	3,946
Others	65,262	28,135

The administrative expenses which included, inter alia, staff costs, share-based payment and professional fees are as detailed above. The increase of share-based payment is due to shares issued in the second half of 2006/07, the increase in staff cost is due to the increase in headcount and number of projects on hand and the increase in professional fees is mainly due to the expansion of the Group.

For the increase in share-based payment by 17 times from HK\$3.7 million to HK\$60 million as shown in the Condensed Consolidated Statement of Changes in Equity for the six months ended 31 October 2007, the Board confirms that such increase of share-based payment is due to the shares issued in the second half of 2006/07.

Selling Expenses

Reference is made to an increase in selling expenses from HK\$44 million to HK\$64 million as shown in the Condensed Consolidated Income Statement for the six months ended 31 October 2007 despite the drop in turnover from HK\$1,979 million to HK\$1,024 million. Set out below is a comparison of the selling expenses for the six months ended 31 October 2006 and the six months ended 31 October 2007:

Selling expenses	6 months ended 31.10.2007 HK\$'000	6 months ended 31.10.2006 HK\$'000
Commission expenses	18,161	24,201
Advertising expenses	27,674	7,920
Others	18,998	12,425

The amounts of commission expenses and advertising expenses for the six months ended 31 October 2006 and the six months ended 31 October 2007 respectively are as detailed above. The increments were due to the increase in the number of projects on hand and the advertising campaign for promoting the brand recognition of the Company.

Review of Operations

The Company's management has an in-depth knowledge about the property market trends and macroeconomic developments of the PRC. Currently, the Group has 16 major projects under development in 12 strategic cities in the PRC. The management try to deliver more than 1 million sq.m. of GFA to the buyers in the second half of this fiscal year. The management try to fulfill the promise to the investors and thus enhancing the value for the shareholders.

Land Bank

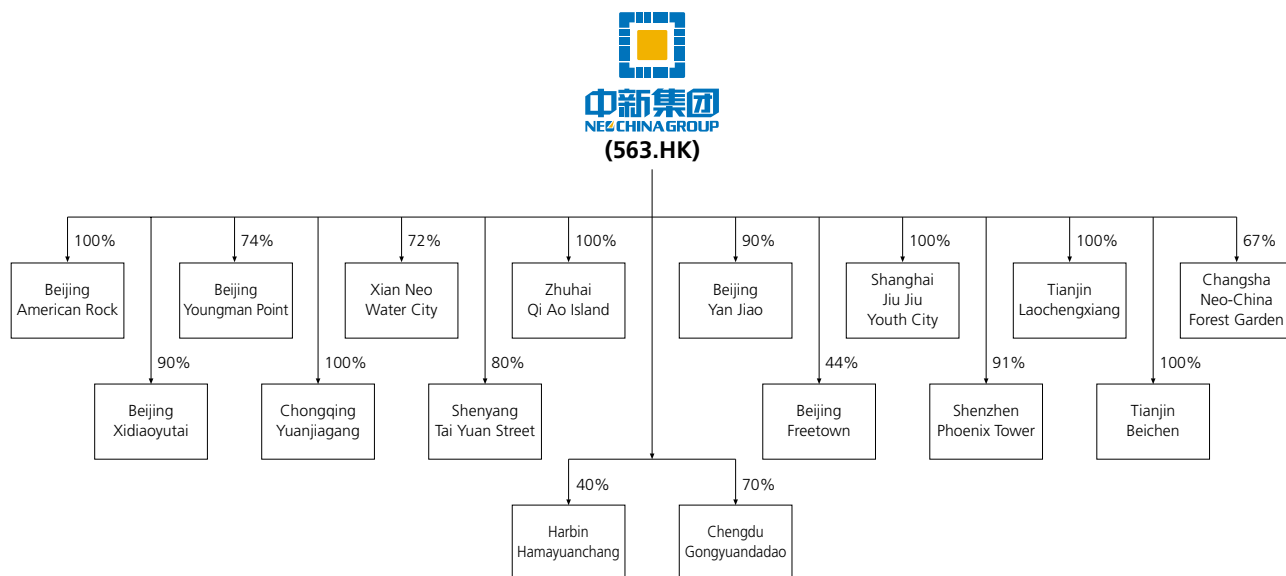
The Group has focused on a mixture of developments, ranging from residential complexes and serviced apartments to retail and office properties and high-end hotels. At the same time, the Group has never stopped in searching for lands valuable for developing purpose to continually enlarge its land bank and keep its growth potential. The Group has recently acquired the Zhuhai project and Yanjiao project as described below. As at the date of this report, and upon completion of the acquisition of various projects as detailed in this report, the Company's total land bank amounted to a GFA of approximately 13,623,700 sq.m. representing an increase of 89.22% compared to the same period in 2006.

Substantial increase in land bank of the Group has further built up its foundation for continuous growth. The coverage of the Group's business has been extended to 12 cities in the PRC.



Development Projects

The Group focuses itself on diversified and reasonable progress of project development. At present, the Group is ensuring that all developing projects are progressing smoothly according to the development plan laid down at the beginning of the year. The Board believes that, as the Company is diversifying its developing project type and implementing stratified market plan, the Group will be able to benefit from better business opportunities in the future.



- **Shenzhen**



The Phoenix Tower Project

Phoenix Tower is located in the center part of Futian District and is co-developed with Phoenix Satellite Television Holdings, Ltd., one of China's leading television networks. As of 31 October 2007, the Group has 91% ownership in this development.

The project occupies a total site area of 11,038 sq.m. with a total GFA of approximately 106,190 sq.m, comprising an office building and a shopping mall. As of 31 October 2007, approximately 43,684 sq.m. had been sold, the Group has retained the remaining approximately 16%, 43% and 57% of the apartment, retail and office space, respectively for rental income.

- **Beijing**

Xidiaoyutai Project – Yushuiyuan

Xidiaoyutai Project is situated on the bank of the Kunyu River, one of the most prestigious areas in Beijing. The property is being developed into waterfront luxury apartments and a serviced apartment and occupies a site area of 42,541 sq.m., with a GFA of 249,621 sq.m., of which 230,231 sq.m. are saleable. The Group has 90% ownership in this development.

As of 31 October 2007, the completed property developments comprised a saleable GFA of approximately 116,411 sq.m.. As of 31 October 2007, saleable GFA of approximately 98,684 sq.m. had been sold.

As of 31 October 2007, the properties under development comprised an expected saleable GFA of approximately 62,220 sq.m.. As of 31 October 2007, a GFA of 46,630 sq.m. had been pre-sold.

As of 31 October 2007, the properties held for future development comprised an expected GFA (including both saleable and non-saleable GFA) of approximately 51,600 sq.m..

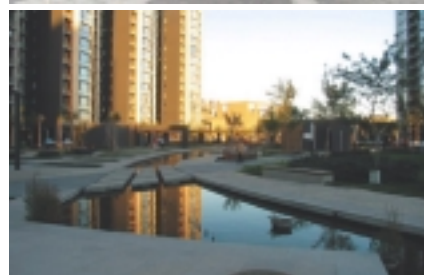


American Rock Project

American Rock Project is situated on Baiziwan Road, Chaoyang District, Beijing, and is adjacent to the central business district. The development consists of approximately 5,400 residential and commercial units. The project occupies a site area of 121,499 sq.m., with a total GFA (including both saleable and non-saleable GFA) of 523,075 sq.m., of which 455,888 sq.m. are saleable. The development is divided into four zones with different development themes, such as zones A and B are for BOBOS and zones C and D are for kidults. The Group has 100% ownership in this development.

As of 31 October 2007, the completed property developments comprises a saleable GFA of approximately 403,552 sq.m.. As of 31 October 2007, a GFA of 402,852 sq.m. had been sold.

As of 31 October 2007, the properties under development comprised an expected saleable GFA of approximately 52,336 sq.m., and the Board estimates that whole area will be completed in the fiscal year of 2008. As of 31 October 2007, a GFA of 51,472 sq.m. had been pre-sold.



Youngman Point Project

Youngman Point Project is located at Chaoyang District and is close to the central business area. The project occupies a site area of 113,166 sq.m., with a total GFA of 352,305 sq.m. of which 290,647 sq.m. is saleable. The Group has 73.7% ownership in this project.

As of 31 October 2007, the completed property developments comprises a saleable GFA of approximately 137,967 sq.m., As of 31 October 2007, a saleable GFA of approximately 120,862 sq.m. had been sold.

As of 31 October 2007, the properties under development comprised an expected saleable GFA of approximately 93,380 sq.m. As of 30 April 2007, a GFA of 67,241 sq.m. had been presold.

As of 31 October 2007, the properties held for future development comprised an expected GFA (including both saleable and non-saleable GFA) of approximately 59,300 sq.m..

- **Chongqing**



Yuanjiangang Project:

Yuanjiangang is located at the intersection of the Yuzhong District and the Hi-Tech District, a premier location in Chongqing. Apart from the residential, commercial, and office buildings, this development also includes a high-ranking hotel. The project comprises five different sites and occupies a total site area of 113,268 sq.m., with a total GFA of 792,800 sq.m. of which 697,270 sq.m. is saleable. The Group has 100% ownership in this development.

As of 31 October 2007, the properties under development comprised an expected saleable GFA of approximately 595,373 sq.m. As of 31 October 2007, a GFA of 173,175 sq.m. had been pre-sold.

As of 31 October 2007, the properties held for future development comprised an expected GFA (including both saleable and non-saleable GFA) of approximately 101,893 sq.m..

- **Tianjin**

Tianjin Laochengxiang Project

Tianjin Laochengxiang is the original urban area of the city center. This development contains residential, commercial, office buildings and a hotel. The project comprises six parcels of land with the total GFA of 1,008,114 sq.m., of which 899,792 sq.m. are saleable. The Group has 100% ownership in this development.



As of 31 October 2007, the completed property developments comprised a saleable GFA of approximately 104,264 sq.m. As of 31 October 2007, a saleable GFA of approximately 61,170 sq.m. had been sold, with a saleable GFA of approximately 43,461 sq.m. to be retained by the Group for rental purposes.

As of 31 October 2007, the properties under development comprised an expected saleable GFA of approximately 381,690 sq.m., As of 31 October 2007, a GFA of 136,796 sq.m. had been presold.

As of 31 October 2007, the properties held for future development comprised an expected GFA (including both saleable and non-saleable GFA) of approximately 413,838 sq.m..

Beichen Project

Beichen Project is situated at the old village of Yi Xing Fu. The development will mainly consist of residential units. The Group has 100% ownership in this development.

The project occupies a site area of 1,115,550 sq.m., with a GFA (including both saleable and non-saleable GFA) of 2,263,000 sq.m.. As the existing buildings on land are still in the process of being demolished, so the whole area of the land is currently being held for future development.

- **Changsha**



Neo-China Forest Garden Project

Neo-China Forest Garden is situated in Wangcheng Xian, approximately 15 kilometers from the municipal government and is being developed mainly for residential use. The project comprises five parcels of land and occupies a total site area of 667,749 sq.m., with a total GFA of 1,073,600 sq.m., of which 990,100 sq.m. are saleable. The Group has 67% ownership in this project.



As of 31 October 2007, a saleable GFA of 50,700 sq.m. are completed and 38,911 sq.m. has been sold. As of 31 October 2007, the properties under development comprised an expected saleable GFA of approximately 289,600 sq.m.. As of 31 October 2007, the properties held for future development comprised a expected GFA (including both saleable and non-saleable GFA) of approximately 649,810 sq.m..

- **Xian**

Neo Water City Project

Neo Water City is located at the intersection of the Chan River and Ba River, and is the only large scale ecological community in Xian. The project will comprise residential and commercial developments and a hotel. The project occupies a site area of 2,569,668 sq.m., with a total GFA of 3,350,500 sq.m., of which 3,149,050 sq.m. are saleable.



Besides the hotel, the whole project is divided into 12 parcels. The Group has 71.5% ownership in this development. Two parcels are under pre-sale and further four parcels will begin the development in 2008.

As of 31 October 2007, the properties under development comprised an expected saleable GFA of approximately 412,900 sq.m.. As of 31 October 2007, a GFA of 244,075 sq.m. had been pre-sold.

As of 31 October 2007, the constructing of the hotel with a GFA of 67,800 sq.m., is completed and the hotel will open for business soon.

As of 31 October 2007, the properties held for future development comprised an expected GFA (including both saleable and non-saleable GFA) of approximately 2,668,350 sq.m..

- **Chengdu**



Gong Yuan Da Dao Project

Gong Yuan Da Dao is located at Wen Jiang Xin Cheng District and is being developed mainly for residential use. The project occupies a site area of 228,200 sq.m., with total GFA of 775,000 sq.m. of which 761,501 sq.m. are saleable. This project contains two parcels of land, one of them is under development and will pre-sale soon. The

Group has 70% ownership in this development and is required to purchase the remaining 30% by 2 January 2009.

As of 31 October 2007, a saleable GFA of 132,400 sq.m. is under development and 629,101 sq.m. is held by the Group for future development.

- **Shanghai**

Jiujiu Youth City Project

Jiujiu Youth City Project is situated in Song Jiang District Gui Dao Jiao Tong Jiu Ting Zhen No. 1. The project will be developed into office buildings and serviced apartments. The Group has 100% ownership in this development. The project occupies a site area of approximately 57,944 sq.m., with total GFA 213,754 sq.m. of which 163,291 sq.m. is saleable.

As of 31 October 2007, a GFA of 163,291 sq.m. is under development. As of 31 October 2007, no GFA have been pre-sold.



- **Zhu Hai**

Qi Ao Island Project

The property is located at Qi Ao Island, and is going to be developed into a mix of commercial property and high class residential villas. The project occupies a site area of approximately 2,215,516.28 sq.m. and a saleable GFA of 77,000 sq.m.. There is also approximately 200,000 sq.m. of non-saleable GFA which will be used for development of ancillary facilities.



On 24 and 26 September 2007, the Group entered into two agreements with Zhuhai City Yu Zhou Hung Ji Group Company Limited and a natural person called Mr. Chan Kin Kay Stanley (all are independent third-parties) respectively, to obtain the 100% ownership in this project at a total price of RMB3,100,000,000. The transaction has not yet been completed as at 31 October 2007 and up to the date of this report.

- **Shenyang**

Tai Yuan Street Project

The property is situated in the commercial hub of Tai Yuan Street, Shenyang. The project primarily will be developed into commercial buildings. The project occupies a site area of approximately 23,000 sq.m. and a GFA of over 181,208 sq.m.. In July and September 2007, the Group entered into purchase agreements with independent third parties to acquire in aggregate 80% equity interest in 沈陽向明陽益置業有限公司, at a total consideration of approximately HK\$597,200,000. The transaction has not yet been completed as at 31 October 2007 and up to the date of this report.

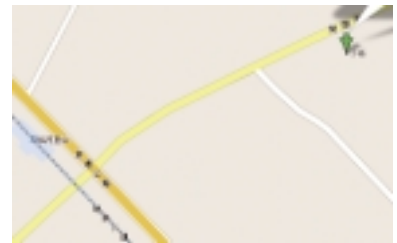


- **Tongzhou, Beijing**

Freedom Town Project

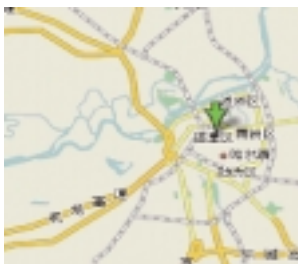
The property is situated at Tong Zhou District. Beijing. The project will be developed into luxury high-rise residential buildings which can accommodate almost 20,000 residents. The total GFA is approximately 826,092 sq.m. and the pre-sale will begin in the second half of 2008.

The Group has entered into an agreement to acquire 100% interest in the project. The transaction has not yet been completed up to the date of this report.



- **Harbin**

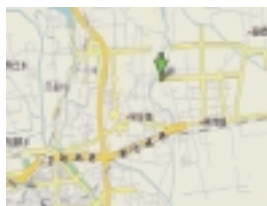
Ha Ma Project



The property is situated at Nan Gang District, Harbin. It is a mixture of high quality high-rise apartments and commercial units which can accommodate up to 30,000 residents. Amongst the total GFA of approximately 1,214,000 sq.m., an area of approximately 50,000 sq.m. will be developed for commercial purpose which further increases the portion of investment properties in the Group's portfolio.

In November 2007, the Group entered into purchase agreements with independent third parties to acquire 40% of Invest Online Limited which holds 100% equity interest in the project company, at a total cash consideration of approximately HK\$786,282,000. The transaction has not yet been completed up to the date of this report.

- **Yanjiao**



Yanjiao project

The Project is situated in Yanjiao, Hebei Province. The project will be developed mainly for residential use. The project occupies a usable area of 333,333 sq.m..

In November 2007, the Group entered into purchase agreements with independent third parties to acquire 90% equity interest in the project company, at a cash consideration of approximately HK\$484,640,000. Details of the development was disclosed by the circular of the Company issued on 4 January 2008. The transaction has not yet completed up to the date of this report.

Primary Land Development Projects

We have also recently begun to enter into joint ventures with certain local governments in primary land development projects in which we assist in the preparation of new sites for sale at auction, which generally involves the build-out of city infrastructure. The joint venture is generally responsible for land development and construction of infrastructure (including construction of roadway, drainage, water and sewage systems, lighting, frontage design and landscaping). The local authority is responsible for land expropriation, relocation, compensation and the acquisitions of land use rights.

Through these joint ventures we not only will participate in the profits from the eventual sale of the sites, we will also be free to bid on the sites when the infrastructure is completed and they are sold at auction. We believe these joint ventures also strengthen our relationship with local governments and deepen our knowledge of the local development process. We plan to continue to enter into these joint ventures in the future, focusing on primary cities such as Beijing and Tianjin.

- **Tianjn Project**

The Tianjin Primary Land Development Project is a joint venture with The Tianjin Dianshi Investment Consulting Limited and the Tianjin Xin Zhuang Economic Development Centre with respect to the property at Land Lot No. 2003-181 Jinnanke, west side of Keyan East Road, Nankai District in Tianjin. This joint venture intends to engage in the construction of city infrastructure for a plot of land of approximately 7.0 million sq.m. The land will be developed for sale to the public through an auction process, and after the Municipal Government of Tianjin retains 25% of the revenues the remaining profit will go to the joint venture. We have a 65% ownership in the joint venture.

- **Chengdu Project**

The Pi Xian Primary Land Development Project arises out of a Cooperation Development Agreement that we entered into with the Pi Xian People's Government to jointly develop a 1.4 million sq.m. site situated in Pi Xian Xi Pu Town Longzi Wanpian District in Chengdu. This Pi Xian Government will coordinate the regulatory aspects, while we will provide capital funding and build out the infrastructure. When the land is developed and sold at auction, the Pi Xian government will retain 23% of the revenue, and we are to receive 55% of the profits.

Property Investment

As part of our strategy to generate an additional and regular revenue stream, we intend to retain some of our commercial and integrated developments as investment properties for lease. This plan will allow us to take advantage of the growth potential of selected commercial property segments in the key high-growth cities on which we focus. We intend to build up a portfolio of investment properties selectively and progressively, while continuing to grow our core property development business. To date, we have retained ownership to certain retail spaces in Shenzhen and Tianjin, some of which have been leased out to retailers. As of 31 October 2007, approximately 74,765 sq.m. of our total GFA is available for lease. Meanwhile, Kempinski Hotel Xi'an which GFA is approximately 67,800 m² has been completed. It is expected that an increase of approximately 30% in net profit generated from rental investment can be achieved by the end of 2011.

We have grown our investment property portfolio gradually. As the properties we intend to develop and retain for long-term property investment are situated in prime locations in key commercial cities in China, we believe that these investment properties will be sustained by the anticipated strong demand for such properties. We have also engaged professional advisers and industry consultants to advise and assist us in relation to our commercial property development and investment plans. We will also be seeking partnerships with internationally recognized property management companies to assist us with the management of these investment properties.

Future Prospects

In light of the persistent surging trend of the Mainland China property prices, the Board expects that the PRC central government will continue to tighten its austerity measures in respect of credit for property industry and supply of land. While the standardized development of property industry can be effectively enhanced, these measures also improve the efficiency in utilizing land bank, thereby providing more opportunities for industry resources integration from an objective point of view. It is expected that the property industry of the mainland China will be developed in a more standard and healthy manner. Such positive environment will enable premium large scale property enterprises to realize their own comprehensive advantages in areas like cash flow and management.

Following the optimization of the PRC property market, the Board believes that with the Group's reasonable land bank amount and the diversified land bank structure, to which the appropriate increases thereof will be in line with the strategic development objective projects, can effectively ascertain the long term continuous positive development of the Group's business. With the effects of austerity measures crystallizes, there are plenty of rooms for the Group's board of directors to demonstrate their ability in capitalizing the abundant social resources and make use of their expertise in the industry as well as their precise knowledge of the market to acquire high revenue but low cost projects.

During the past six months, the Group had increased its land bank by approximately 3,623,700 sq.m. The total land bank has reached 13,623,700 sq.m., of which 88% are for medium to low end residential as well as high end condominium projects, while the remaining 12% are for investment properties like office, commercial and hotel. Such perfect business segmentation and tailor made product positioning can speed up the cash flow of the Company, therefore safeguarding the implementation of the Group's established objectives.

The Board believes that the property industry will, in the long term, remain as one of the main pillars of the PRC economic development. Given the robust and stable development of the PRC economy, rapid expansion of urbanization and the continue appreciation of Renminbi. The Board considers that there will still be substantial rooms for the PRC property market to emerge. By virtue of the sound judgment of the Group's management team in the PRC property industry development trend, their efficiency in operation management and their usual awareness in assets turnover, shareholders of the Company will be able to enjoy sustainable fast growing return.

Liquidity and Financial Resources

As at 31 October 2007, the Group had cash and bank balance of approximately HK\$3,364.5 million with net assets totaling to HK\$6,918.6 million and current ratio at approximately 2.2. The total borrowings of the Group as at 31 October 2007 amounted to HK\$7,552.9 million making the Group's gearing ratio at 109.2% at 31 October 2007 calculated by total borrowings over total equity of HK\$6,918.6 million.

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

Exchange Risk Exposure

The business transactions of the Group are mainly denominated in Hong Kong dollar and RMB. Since the Group's business are mainly based in the Mainland China, the continuing appreciation of RMB inevitably increase the development cost and operating cost, however, the fluctuation in RMB is still mild for the time being and the PRC operation is hedged by the future RMB receivables, therefore the Board considers that the Group is not exposed to material exchange rate risk.

Human Resources

As at 31 October 2007, the Group employed 960 employees (including Hong Kong and PRC offices).

The emolument policy of the Group is set out by the Remuneration Committee on the basis of their merit, qualification and competence.

The emolument of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operation results, individual performance and comparable market statistics.

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.

The Group has adopted a share option scheme as an incentive to directors and eligible employees.

Post Balance Sheet Events

Acquisitions

Reference is made to the three acquisitions mentioned in paragraphs (a), (d) and (e) of Note 27 "Post Balance Sheet Events" to the Condensed Consolidated Financial Statements. The Board has reviewed the transactions and considers that none of the transactions are notifiable or connected transactions under Chapter 14 and 14A of the Listing Rules.

Breach of financial covenant

Reference is also made to paragraph (f) of Note 27 “Post Balance Sheet Events” to the Condensed Consolidated Financial Statements in relation to the breach of certain financial covenant by the Company. The financial covenant being breached is actually a commitment to meeting certain target of asset value by one of the Company’s subsidiary which has not been fulfilled. The Company has all along been, and is still, negotiating with the relevant bank for amending the terms of the loan. There has not been any indication that the relevant bank will take any adverse action against the Company for the breach of the financial covenant. As mentioned in the offer circular issued by the Company in July 2007 relating to the US\$400 million senior notes, the Company intends to early repay the indebtedness under the said loan. In fact, the Company has repaid the principal sum of HK\$250,000,000 to the relevant bank and intends to early repay the loan in full by the end of March 2008.

Should the lender calls for immediate repayment of the loan, the Board believes that the Company has adequate alternative sources of finance to ensure that there is no threat to the continuing operations of the Group since (i) the Company has ample cash flow to support its operations (the bank balances and cash of the Company amounted to HK\$3,364,497,000 as at 31 October 2007); and (ii) the Company is able to obtain alternative funding (as evidenced by its issue of US\$400 million senior notes in July 2007).

Details of other significant events occurring after the balance sheet date are set out in note 27 to the financial statements.

Contingent Liabilities

Details of contingent liabilities are set out in note 25 to the financial statement.

Charge on Group's assets

Certain properties under development and investment properties of the Group with a carrying amount amounting to approximately HK\$4,964,050,000 (30.4.2007: HK\$2,137,157,000) and HK\$1,935,289,000 (30.4.2007: HK\$1,475,834,000) respectively located in the PRC have been pledged as security for bank borrowings of the Group.

Certain of the Group's bank deposits amounting to approximately HK\$133,474,000 (30.4.2007: HK\$94,225,000) have been pledged as security for bank borrowings of the Group. Deposits amounting to HK\$15,621,000 (30.4.2007: nil) have been pledged to secure short-term bank borrowings and are therefore classified as current assets. The remaining deposits amounting to approximately HK\$117,853,000 (30.4.2007: HK\$94,225,000) have been pledged to secure long-term bank borrowings and are therefore classified as non-current assets.

Equity

The Company's issued and fully paid share capital as at 31 October 2007 amounted to HK\$76,259,000 divided into 1,906,467,489 ordinary shares of HK\$0.04 each.

During the period under review, HK\$402,990,000 convertible notes were converted into 66,950,756 ordinary shares of HK\$0.04 each of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 31 January 2008 to 4 February 2008, 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, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 30 January 2008, Wednesday.

OTHER INFORMATION

Directors' and Chief Executive's Interests in Shares and Underlying Shares

As at 31 October 2007, the interests of the directors of the Company in the shares and underlying shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

(1) Long position in the ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares interested		Percentage of the Company's issued share capital
Li Song Xiao	Interest in corporations (note)	1,038,150,995		
	Beneficial owner	<u>2,407,500</u>	1,040,558,495	54.58
Liu Yan	Beneficial owner		800,000	0.04
Niu Xiao Rong	Beneficial owner		1,375,000	0.07

Note: Li Song Xiao was deemed to be interested in 888,150,995 shares and 150,000,000 shares of the Company which were held by Invest Gain Limited and Sinoeagle Pacific Limited respectively.

(2) Long position in the underlying shares of the Company-physically settled unlisted equity derivatives

Name of Director	Capacity	Number of Share options outstanding	Percentage of the underlying shares over the Company issued share capital
Li Song Xiao	Beneficial owner	750,000	0.03
Liu Yan	Beneficial owner	10,700,000	0.56
Liu Yi	Beneficial owner	10,000,000	0.52
Niu Xiao Rong	Beneficial owner	8,625,000	0.45
Yuan Kun	Beneficial owner	6,000,000	0.31

Save as disclosed above and disclosed under the section headed "Share Option Scheme" below, as at 31 October 2007, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; nor had there been any grant or exercise of rights during the interim period.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 October 2007, the following persons, not being a director or chief executive of the Company, had interests in the shares and underlying shares of the Company, as recorded in the register required to be kept under Section 336 of the SFO or as the directors are aware:

(1) Long/short positions in the ordinary shares of the Company

Name of substantial shareholder	Long/short position	Capacity	Number of shares of the Company interested	Percentage of the Company's issued share capital
Invest Gain Limited (note (a))	Long	Beneficial owner	888,150,995	46.58
Sinoeagle Pacific Limited (note (b))	Long	Beneficial owner	150,000,000	7.86
Liu Hui (note (c))	Long	Interest of spouse	1,040,558,495	54.58
Deutsche Bank Aktiengesellschaft	Long	Beneficial owner and person having a security interest in shares	84,459,343	4.43
	Short	Beneficial owner and person having a security interest in shares	48,081,798	2.52

Notes:

- (a) These shares held by Invest Gain Limited were beneficially owned by Li Song Xiao. Such interest was also disclosed as the interest of Li Song Xiao in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above. Subsequent to 31 October 2007, the end of this interim period, Invest Gain Limited acquired 150,000,000 shares from Sinoeagle Pacific Limited.
- (b) These shares held by Sinoeagle Pacific Limited were beneficially owned by Li Song Xiao. Such interest was also disclosed as the interest of Li Song Xiao in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above. Subsequent to 31 October 2007, the end of this interim period, Sinoeagle Pacific Limited transferred all these 150,000,000 shares to Invest Gain Limited.
- (c) Liu Hui was deemed to be interested in 1,040,558,495 ordinary shares of the Company, being the interest held beneficially by her spouse, Li Song Xiao.

(2) Long/short positions in the underlying shares of the Company

- (i) *Physically settled unlisted equity derivatives*

Name of substantial shareholder	Long/short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage of the underlying shares over the Company's issued share capital
Liu Hui (note)	Long	Interest of spouse	750,000	0.03

Note: Liu Hui was deemed to be interested in 750,000 share options of the Company owned by her spouse, Li Song Xiao, pursuant to Part XV of the SFO.

(ii) Physically settled listed equity derivatives

Name of substantial shareholder	Long/short position	Number of underlying shares interested	Percentage of the underlying shares over the Company's issued share capital
Deutsche Bank Aktiengesellschaft	Long	32,601,666	1.71

(iii) Cash settled unlisted equity derivatives

Name of substantial shareholder	Long/short position	Number of underlying shares interested	Percentage of the underlying shares over the Company's issued share capital
Deutsche Bank Aktiengesellschaft	Long	10,800,000	0.56
	Short	745,000	0.03

(iv) Cash settled listed equity derivatives

Name of substantial shareholder	Long/short position	Number of underlying shares interested	Percentage of the underlying shares over the Company's issued share capital
Deutsche Bank Aktiengesellschaft	Long	17,633,250	0.92

Save as disclosed above, as at 31 October 2007, no person (other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Share Options 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").

As at 31 October 2007, the Company granted 142,500,000 share options to the Company's directors and employees under the Share Option Scheme. The underlying shares of the outstanding share options were 138,725,000, representing 7.28% of the issued share capital of the Company at 31 October 2007.

There is no change in any terms of the share option schemes of the Company during the six months ended 31 October 2007.

The following table discloses movements in the Company's share options during the interim period:

	No. of options outstanding at 30 April 2007	Increase/ (Decrease)	No. of Options outstanding at 31 October 2007
Directors			
– Mr. Li Song Xiao	750,000	–	750,000
– Mr. Liu Yi	10,000,000	–	10,000,000
– Ms. Niu Xiao Rong	10,000,000	(1,375,000)	8,625,000
– Mr. Yuan Kun	6,000,000	–	6,000,000
– Ms. Liu Yan	11,500,000	(800,000)	10,700,000
Employees	104,250,000	(1,600,000)	102,650,000
Total	142,500,000	(3,775,000)	138,725,000

Details of share options granted were as follows:–

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 Apr 2006	4 Apr 2006 – 3 Apr 2016	HK\$3.60*	HK\$0.88	HK\$1.09
17 Nov 2006	17 Nov 2006 – 22 Oct 2016	HK\$3.72*	HK\$0.85	HK\$0.98
14 Mar 2007	14 Mar 2007 – 6 Mar 2017	HK\$3.42*	HK\$0.99	HK\$1.00

*Note: The above exercise prices have been consolidated from 4 to 1 as disclosed in the announcement of company previously.

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 2007, 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 all three independent non-executive directors of the Company. 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 of the Company for the six months ended 31 October 2007.

APPRECIATION

Finally, for and on behalf of the Group and the board of directors, I would like to express my heartfelt thanks to our shareholders for their enduring support and to all of my colleagues for their dedication and hard work throughout the half year. Your dedication and involvement will be the most valuable asset for the growth of the Group.

By Order of the Board of
Neo-China Land Group (Holdings) Limited
LI SONG XIAO
Chairman

Hong Kong, 17 January 2008

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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**TO THE BOARD OF DIRECTORS OF
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED**

中新地產集團(控股)有限公司

(PREVIOUSLY KNOWN AS NEO-CHINA GROUP (HOLDINGS) LIMITED)

Introduction

We have reviewed the interim financial information set out on pages 29 to 64, which comprises the condensed consolidated balance sheet of Neo-China Land Group (Holdings) Limited as of 31 October 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

17 January 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2007

	NOTES	31.10.2007 HK\$'000 (unaudited)	31.10.2006 HK\$'000 (unaudited) (restated)
Revenue	3	1,024,526	1,979,282
Cost of sales		(920,745)	(1,696,096)
Gross profit		103,781	283,186
Other income		112,667	39,623
Change in fair value of derivative financial instruments			
– warrants	20	(187,198)	–
– others	19	43,000	8,780
Change in fair value of investment properties	9	450,401	134,214
Fair value change on transfer of properties held for sale to investment properties		–	235,076
Gain on disposal of investment properties		3,011	–
Loss on disposal of a subsidiary	23	(32,814)	–
Administrative expenses		(150,695)	(44,520)
Selling expenses		(64,833)	(44,546)
Finance costs		(42,150)	(53,267)
Share of profits (losses) of associates		110	(5,258)
Profit before taxation		235,280	553,288
Income tax expense	4	(110,574)	(156,913)
Profit for the period	5	124,706	396,375
Attributable to:			
Equity holders of the Company		132,745	400,637
Minority interests		(8,039)	(4,262)
		124,706	396,375
Dividends	6	90,453	–
Earnings per share	7		
– Basic		HK7.64 cents	HK32.33 cents
– Diluted		HK3.43 cents	HK31.30 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 31 OCTOBER 2007

	NOTES	31.10.2007 HK\$'000 (unaudited)	30.4.2007 HK\$'000 (audited) (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	9	528,866	137,933
Investment properties	9	1,935,289	1,475,834
Deposits for acquisitions of subsidiaries	10	2,348,309	255,170
Interest in an associate		157	–
Derivative financial instrument		24,000	20,000
Deferred tax assets	17	20,302	15,739
Pledged bank deposits		117,853	94,225
		4,974,776	1,998,901
CURRENT ASSETS			
Properties held for sale		260,959	386,053
Properties under development		11,400,453	8,358,850
Advances to suppliers		513,452	690,612
Trade and other receivables and prepayments	11	854,704	862,943
Amount due from an associate		5,005	–
Tax recoverable		176,371	133,300
Available-for-sale investments		93,600	90,900
Investments held for trading		1,197,614	–
Pledged bank deposits		15,621	–
Bank balances and cash		3,364,497	1,411,472
		17,882,276	11,934,130
Assets classified as held for sale		–	281,002
		17,882,276	12,215,132
CURRENT LIABILITIES			
Accruals and other payables	12	1,776,103	970,607
Presale receipts from customers		4,133,776	1,921,783
Amounts due to related companies	13	346,708	214,379
Amount due to a shareholder	14	20,412	20,412
Amounts due to minority shareholders	14	21,652	53,081
Dividend payable		8,168	9
Tax payable		470,160	408,167
Bank borrowings – due within one year	15	599,200	671,700
Loan from a minority shareholder	16	145,600	–
Loan payables	18	219,662	170,422
Derivative financial instruments – warrants	20	349,000	–
		8,090,441	4,430,560
Liabilities directly associated with assets classified as held for sale		–	100,597
		8,090,441	4,531,157

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AT 31 OCTOBER 2007

	NOTES	31.10.2007 HK\$'000 (unaudited)	30.4.2007 HK\$'000 (audited) (restated)
NET CURRENT ASSETS		9,791,835	7,683,975
TOTAL ASSETS LESS CURRENT LIABILITIES		14,766,611	9,682,876
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	15	2,568,400	1,401,880
Deferred tax liabilities	17	1,245,584	1,134,143
Loan payables	18	216,647	458,174
Derivative financial instrument	19	14,000	53,000
Convertible notes	19	917,735	1,254,074
Senior notes	20	2,885,630	–
		7,847,996	4,301,271
		6,918,615	5,381,605
CAPITAL AND RESERVES			
Share capital	21	77,659	68,754
Reserves		6,279,936	4,760,131
Equity attributable to equity holders of the Company		6,357,595	4,828,885
Minority interests		561,020	552,720
		6,918,615	5,381,605

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED 31 OCTOBER 2007

	Attributable to equity holders of the Company											Minority interests HK\$'000	Equity total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (note a)	Contributed surplus HK\$'000	Investment revaluation reserve 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		
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
Release of reserve arising on sales of properties	-	-	-	-	-	9,596	(48,645)	-	(285)	-	(39,334)	-	(39,334)
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	400,637	400,637	(4,262)	396,375
Total recognised income for the period	-	-	-	-	-	9,596	(48,645)	-	44,665	400,637	406,253	139	406,392
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)
Deemed contribution (restated)	-	-	179,379	-	-	-	-	-	-	-	179,379	-	179,379
Recognition of share based payments	-	-	-	-	-	-	-	3,696	-	-	3,696	-	3,696
At 31 October 2006	57,224	2,455,233	179,379	-	67,832	(249)	91,583	7,983	48,920	140,535	3,048,440	208,270	3,256,710
At 1 May 2007 (originally stated)	68,754	3,673,938	331,149	49,847	67,832	(23,069)	87,795	101,170	123,397	478,018	4,958,831	552,720	5,511,551
Change in accounting treatment of land appreciation tax (note 2)	-	-	(127,397)	-	-	-	-	-	(2,549)	-	(129,946)	-	(129,946)
At 1 May 2007 (as restated)	68,754	3,673,938	203,752	49,847	67,832	(23,069)	87,795	101,170	120,848	478,018	4,828,885	552,720	5,381,605
Gain on fair value change of available-for-sale investments	-	-	-	2,700	-	-	-	-	-	-	2,700	-	2,700
Deferred tax liability on change in fair value of available-for-sale investment	-	-	-	(240)	-	-	-	-	-	-	(240)	-	(240)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	103,474	-	103,474	16,339	119,813
Net income recognised directly in equity	-	-	-	2,460	-	-	-	-	103,474	-	105,934	16,339	122,273
Release of reserve arising on sales of properties	-	-	-	-	-	10,707	(1,547)	-	-	-	9,160	-	9,160
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	132,745	132,745	(8,039)	124,706
Total recognised income for the period	-	-	-	2,460	-	10,707	(1,547)	-	103,474	132,745	247,839	8,300	256,139
Issue of shares by conversion of convertible notes	2,678	419,853	-	-	(22,349)	-	-	-	-	-	400,182	-	400,182
Issue of shares for the acquisition of subsidiaries	6,076	1,377,583	-	-	-	-	-	-	-	-	1,383,659	-	1,383,659
Issue of shares by exercise of share options	151	18,619	-	-	-	-	-	(5,084)	-	-	13,686	-	13,686
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(2,586)	-	(2,586)	-	(2,586)
Deemed distribution (note 22)	-	-	(203,752)	-	-	-	-	-	-	(280,018)	(483,770)	-	(483,770)
Dividend	-	-	-	-	-	-	-	-	-	(90,453)	(90,453)	-	(90,453)
Recognition of share based payments	-	-	-	-	-	-	-	60,153	-	-	60,153	-	60,153
At 31 October 2007	77,659	5,489,993	-	52,307	45,483	(12,362)	86,248	156,239	221,736	240,292	6,357,595	561,020	6,918,615

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 31 OCTOBER 2007

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 shareholders. 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 2007

	NOTES	31.10.2007 HK\$'000 (unaudited)	31.10.2006 HK\$'000 (unaudited)
Net cash from (used in) operating activities		1,146,065	(1,053,023)
Net cash used in investing activities:			
Deposits paid for acquisition of subsidiaries		(2,348,309)	(406,347)
Purchase of property, plant and equipment		(389,281)	(1,736)
Advance to subsidiaries prior to acquisitions		(290,829)	–
Acquisitions of subsidiaries	22	(88,866)	47,553
Disposal of a subsidiary	23	82,295	–
Additional interest in associates		–	(128,713)
Additions in investment property		–	(75,529)
Additional interest in a subsidiary		–	(59,308)
Repayments from associates		–	135,696
Decrease in long-term receivable		–	272,661
Other investing cash flows		8,947	34,344
		(3,026,043)	(181,379)
Net cash generated from financing activities:			
Proceeds on issue of senior notes/warrants		3,120,000	–
New bank borrowings raised		1,497,600	386,139
Expenses on issue of senior notes/warrants		(78,904)	–
Dividends paid		(82,294)	(23,077)
Repayment of other loans		(245,409)	–
Repayment of bank borrowings		(517,920)	(40,692)
Proceeds on issue of convertible notes		–	1,291,213
New other loans raised		–	247,525
Expenses on issue of shares		–	(2,177)
Other financing cash flows		33,215	(654)
		3,726,288	1,858,277
Net increase in cash and cash equivalents		1,846,310	623,875
Cash and cash equivalents at the beginning of the period		1,490,701	315,664
Effect of foreign exchange rate changes		27,486	6,613
Cash and cash equivalents at the end of the period		3,364,497	946,152

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2007

1. BASIS OF PREPARATION

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

Pursuant to a special resolution passed by shareholders of the Company on 17 October 2007, the name of the Company was changed from Neo-China Group (Holdings) Limited to Neo-China Land Group (Holdings) Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The 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 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 2007 except as describe below:

Land appreciation tax (“LAT”) in the People’s Republic of China (“the PRC”)

In previous period, the Group classified LAT as part of cost of sales, with the related prepaid LAT included in trade and other receivables and prepayments, and LAT payables included in accruals and other payables.

In September 2007, the HKICPA’s Financial Reporting Standards Committee has clarified that the LAT is a form of income tax and is within the scope of Hong Kong Accounting Standard 12 “Income Taxes”. Accordingly, LAT charge has been reclassified from cost of sales to income tax expense on the consolidated income statement and the related prepaid LAT and LAT payables shall group under tax recoverable and tax payables on the face of the consolidated balance sheet.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Land appreciation tax (“LAT”) in the People’s Republic of China (“the PRC”) (Continued)

In addition, deferred taxes in respect of LAT attributable to fair value adjustments resulting from acquisition of subsidiaries have been provided for as if these deferred taxes had been recognised as at the date of acquisition.

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

The effect of the change in account treatment described above on the results for the current and prior period are as follow:

The following is an analysis in profit for the period for the six months ended 31 October 2007 and 31 October 2006 by line items presented according to their function:

	31.10.2007	31.10.2006
	HK\$’000	HK\$’000
Decrease in cost of sales	(15,659)	(30,197)
Increase in income tax expenses	15,659	30,197
Impact in profit for the period	–	–

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Land appreciation tax (“LAT”) in the People’s Republic of China (“the PRC”) (Continued)

The cumulative effects of the change in accounting treatment described above as at 30 April 2007 are summarised below:

	30 April 2007 and 1 May 2007	Change in accounting treatment	30 April 2007 and 1 May 2007
	HK\$’000 (originally stated)	HK\$’000	HK\$’000 (as restated)
Balance sheet items			
Properties held for sale	375,493	10,560	386,053
Properties under development	8,299,508	59,342	8,358,850
Trade and other receivables and prepayments	872,336	(9,393)	862,943
Tax recoverable	123,907	9,393	133,300
Accruals and other payables	(1,177,550)	206,943	(970,607)
Tax payables	(201,224)	(206,943)	(408,167)
Deferred tax liabilities	(934,295)	(199,848)	(1,134,143)
	<u>7,358,175</u>	<u>(129,946)</u>	<u>7,228,229</u>
Total effect on assets and liabilities			
Exchange reserve	123,397	(2,549)	120,848
Contributed surplus	331,149	(127,397)	203,752
	<u>454,546</u>	<u>(129,946)</u>	<u>324,600</u>
Total effects on equity			

Such change in accounting treatment has no significant impact to the financial position of the Group prior to 1 May 2006. Due to the change in the accounting treatment, the contributed surplus at 31 October 2007 has been reduced from HK\$305,611,000 to HK\$179,379,000.

In the current period, the Group has applied, for the first time, a number of new standard, amendment and interpretations (the “New HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 May 2007. The adoption of these New HKFRSs has had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared. Accordingly, no prior period adjustment has been required.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Land appreciation tax (“LAT”) in the People’s Republic of China (“the PRC”) (Continued)

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 12	Service Concession Arrangements ²
HK(IFRIC) – INT 13	Customer Loyalty Programmes ³
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

3. REVENUE AND BUSINESS SEGMENTS

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

	Six months ended 31.10.2007 HK\$’000 (unaudited)	Six months ended 31.10.2006 HK\$’000 (unaudited)
Sales of properties	1,017,513	1,979,282
Rental income	7,013	–
	1,024,526	1,979,282

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 Group's revenue and contribution to profit analysed by business segments are as follows:

For the six months ended 31 October 2007 (unaudited)

	Sales of properties HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	<u>1,017,513</u>	<u>7,013</u>	<u>1,024,526</u>
RESULT			
Segment result	<u>(27,856)</u>	<u>456,195</u>	428,339
Unallocated corporate expenses			(84,860)
Other income			110,853
Change in fair value of derivative financial instruments			43,000
Change in fair value of warrants			(187,198)
Loss on disposal of a subsidiary	(32,814)		(32,814)
Finance costs			(42,150)
Share of profits of associates			<u>110</u>
Profit before taxation			235,280
Income tax expense			<u>(110,574)</u>
Profit for the period			<u>124,706</u>

3. REVENUE AND BUSINESS SEGMENTS (Continued)

Business segments (Continued)

For the six months ended 31 October 2006 (unaudited) (restated)

	Sales of properties HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	1,979,282	–	1,979,282
RESULT			
Segment result	448,320	133,806	582,126
Unallocated corporate expenses			(18,431)
Other income			39,338
Change in fair value of derivative financial instruments			8,780
Finance costs			(53,267)
Share of losses of associates	(5,258)		(5,258)
Profit before taxation			553,288
Income tax expense			(156,913)
Profit for the period			396,375

4. INCOME TAX EXPENSE

	Six months ended 31.10.2007 HK\$'000 (unaudited)	Six months ended 31.10.2006 HK\$'000 (unaudited) (restated)
The income tax expense comprises:		
Current tax		
– The People's Republic of China (the "PRC") enterprise income tax	14,099	165,029
– PRC land appreciation tax	13,450	30,197
	27,549	195,226
Deferred taxation (note 17)		
– current period	75,387	(38,313)
– attributed to change in tax rate	7,638	–
	83,025	(38,313)
	110,574	156,913

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group did not derive any assessable profit in Hong Kong for both 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 Administrative Area in the PRC is entitled to a preferential rate of 15%.

During the prior year, the National People's Congress of the PRC approved the new PRC enterprise income tax law. With effect from 1 January 2008, the tax rate will be unified for both domestic and foreign investment enterprises at the rate of 25%. As a result of the change in tax rate, a deferred tax charge of HK\$7,638,000 has been recognised in the condensed consolidated income statement for the period.

5. PROFIT FOR THE PERIOD

	Six months ended 31.10.2007 HK\$'000 (unaudited)	Six months ended 31.10.2006 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	3,707	1,308
Effective interest on convertible notes	56,221	41,129
Effective interest on senior notes	90,513	–
Interest expense on bank borrowings	93,195	33,940
Interest expense on loan payables	34,392	12,138
Interest on loan from a minority shareholder	1,248	–
Less: capitalised under properties under development	(233,419)	(33,940)
	42,150	53,267
Interest income on:		
Bank deposits	(7,006)	(1,445)
Loan to an associate	–	(5,440)
Other loans	–	(4,532)
Exchange gain on convertible notes	(33,658)	–
Exchange gain on senior notes	(27,746)	–
Exchange gain on bank borrowings	(14,709)	–
Net other exchange loss (gain)	4,633	(16,334)
Change in fair value of investments held for trading	(27,614)	(11,676)
Share based payment	60,153	3,696

6. DIVIDENDS

During the period, a dividend of HK1.2 cents (2006: nil) per share was paid to shareholders as final dividend for the year ended 30 April 2007.

Subsequent to 31 October 2007, the directors have determined that an interim dividend of HK 1 cent (2006: HK 1.5 cents) per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 31 January 2008.

7. 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:

	31.10.2007	31.10.2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of basic earnings per share	132,745	400,637
Effect of dilutive potential ordinary shares in respect of interest on convertible notes	(66,125)	41,129
Earnings for the purposes of diluted earnings per share	66,620	441,766
Number of shares:		
(restated)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,737,435,858	1,239,203,745
Effect of dilutive potential ordinary shares on		
– Convertible notes	155,670,190	172,348,774
– Share options	48,905,638	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,942,011,686	1,411,552,519

During the period ended 31 October 2007, 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 earnings per share from continuing operations.

The weighted average number of shares for the purpose of basic and diluted earnings per share have been adjusted for the consolidation of the Company's ordinary shares in October 2007 (Details of the shares' consolidation are disclosed in note 21). The basic and diluted earnings per share for the period ended 31 October 2006 have been restated accordingly.

8. SHARE BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. The number of share options outstanding during the current period are as follows:

Outstanding at the beginning of the period	570,000,000
Exercised during the period	(15,100,000)
Share consolidation (note)	(416,175,000)
	<hr/>
Outstanding at the end of the period	<u>138,725,000</u>

The aggregate amount of share based payments charged to condensed consolidated income statement for the period was HK\$60,153,000 (2006: HK\$3,696,000).

Note: On 29 October 2007, the authorised and issued share capital of the Company has been consolidated on the basis that every four issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one share of HK\$0.04 each. As a result of the share consolidation, the number of share options and the relevant exercise prices have been adjusted.

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties were fair-valued by external valuers, Savills Valuations and Professional Services Limited, at 31 October 2007. The resulting increase in fair value of investment properties of HK\$450,401,000 (2006: HK\$134,214,000) has been recognised directly in the condensed consolidated income statement.

During the period, the Group acquired certain plant and equipment at a cost of HK\$389,281,000 (2006: HK\$1,736,000). In addition, plant and equipment at a cost of HK\$2,931,000 (2006: HK\$3,979,000) was acquired through acquisitions of subsidiaries (note 22).

10. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

The amounts represent deposits paid for acquisitions of certain subsidiaries. The acquisitions of these subsidiaries are subject to shareholders' approval and certain other conditions which are not yet satisfied at the balance sheet date. Capital commitments in respect of amounts contracted, but not provided in the condensed consolidated financial statements in relation to the acquisition of these subsidiaries at 31 October 2007 are approximately HK\$1,691,916,000 (30.4.2007: HK\$44,830,000) (note 24).

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	31.10.2007	30.4.2007
	HK\$'000	HK\$'000
	(unaudited)	(audited)
		(restated)
Trade receivables	76,760	46,346
Receivable for disposal of subsidiaries	170,000	512,430
Other receivable	41,600	–
Other tax prepayment	206,800	42,601
Deferred sales commission	190,095	122,741
Deposits paid for properties under development	94,132	78,287
Other deposits and prepayments	75,317	60,538
	854,704	862,943

The Group allows a credit period of 90 days to the buyers on the payments for price variance in relation to the actual property area to the contracted property area. The following is an aging analysis of trade receivables at the balance sheet date:

	31.10.2007	30.4.2007
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 90 days	42,225	24,080
91 – 180 days	1,649	22,266
Over 180 days	32,886	–
	76,760	46,346

12. ACCRUALS AND OTHER PAYABLES

	31.10.2007	30.4.2007
	HK\$'000	HK\$'000
	(unaudited)	(audited)
		(restated)
Accruals for properties under development	1,099,466	590,041
Other tax payables	88,050	41,274
Payables for acquisition of a subsidiary	50,107	109,876
Deposits received for disposal of available-for-sale investments	59,280	–
Accrued sales commission	137,555	101,247
Accrued interest expenses	94,233	7,920
Other accrued expenses	198,749	120,249
Other payables	48,663	–
	1,776,103	970,607

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.

14. AMOUNTS DUE TO A SHAREHOLDER/MINORITY SHAREHOLDERS

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

15. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to HK\$1,497,600,000 (2006: HK\$386,139,000) and assumed bank borrowings of HK\$67,600,000 (2006: HK\$711,631,000) through acquisitions of subsidiaries (note 22). The proceeds were used to finance the development of properties.

Except for borrowings of HK\$500,000,000 (30.4.2007: HK\$500,000,000) which are denominated in Hong Kong dollars (foreign currency), all the remaining borrowings are denominated in Renminbi.

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 average effective interest rate on the Group's bank borrowings is 7.02% (2006: 6.44%) per annum.

Except for a borrowing of approximately HK\$187,200,000, the remaining bank borrowings are secured by:

- (i) certain properties under development and investment properties of the Group with a carrying amount amounting to approximately HK\$4,964,050,000 (30.4.2007: HK\$2,137,157,000) and HK\$1,935,289,000 (30.4.2007: HK\$1,475,834,000) respectively located in the PRC;
- (ii) the pledge of certain bank deposits of the Group amounting to approximately HK\$133,474,000 (30.4.2007: HK\$94,225,000). Deposits amounting to HK\$15,621,000 (30.4.2007: nil) have been pledged to secure short-term bank borrowings and are therefore classified as current assets. Deposits amounting to approximately HK\$117,853,000 (30.4.2007: HK\$94,225,000) have been pledged to secure long-term bank borrowings and are therefore classified as non-current assets.

16. LOAN FROM A MINORITY SHAREHOLDER

The amount is unsecured, interest bearing at 7.02% per annum and is repayable within one year.

The loan is secured by certain properties under development of the Group with a carrying amount amounting to approximately HK\$364,615,000 located in the PRC.

17. DEFERRED TAX LIABILITIES (ASSETS)

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

	Convertible notes HK\$'000	Fair value adjustment on available- for-sale investments HK\$'000	Revaluation of investment properties HK\$'000	Fair value adjustment on properties under development/ properties held for sale HK\$'000	Impairment on property, plant and equipment HK\$'000	Accrued expenses HK\$'000	Total HK\$'000
At 1 May 2007 (originally stated)	28,067	8,080	149,530	771,535	(22,917)	(15,739)	918,556
Change in accounting treatment on LAT (note 2)	-	-	-	199,848	-	-	199,848
At 1 May 2007 (restated)	28,067	8,080	149,530	971,383	(22,917)	(15,739)	1,118,404
Exchange differences	-	-	5,891	26,532	(681)	(506)	31,236
Effect of change in tax rate	-	-	38,442	(31,055)	-	251	7,638
Charge to equity for the period (Credit) charge to condensed consolidated income statement for the period	(7,623)	240	-	-	-	-	(7,383)
	(2,362)	-	110,915	(28,858)	-	(4,308)	75,387
At 31 October 2007	18,082	8,320	304,778	938,002	(23,598)	(20,302)	1,225,282

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

	31.10.2007 HK\$'000	30.4.2007 HK\$'000 (restated)
Deferred tax assets	(20,302)	(15,739)
Deferred tax liabilities	1,245,584	1,134,143
	1,225,282	1,118,404

At 31 October 2007, the Group had unused tax losses of HK\$280,820,000 (30.4.2007: HK\$146,214,000) available for offset against future profits. In addition, at 31 October 2007, the Group had other deductible temporary differences of HK\$32,480,000 (30.4.2007: HK\$54,118,000). No deferred tax asset has been recognised in relation to tax losses and deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

During the period, unrecognised tax losses of approximately HK\$6,341,000 (2006: HK\$19,030,000) has been utilised to offset assessable profit for the period.

18. LOAN PAYABLES

The loan payables include a capital injection of 26.3% registered capital in a group entity at a nominal amount approximately HK\$260,000,000 (30.4.2007: HK\$252,500,000) from an third party with a fixed rate of return at 6.5% per annum ("Loan Payable A") and a capital injection of 30% registered capital in another group entity at a nominal amount approximately HK\$62,400,000 (30.4.2007: HK\$60,600,000) plus a loan of approximately HK\$249,600,000 (30.4.2007: HK\$242,400,000) from an independent third party ("Loan Payable B").

According to an agreement in May 2006 regarding Loan Payable A, the third party has no right to share further profit of the group entity other than the 6.5% guaranteed annual amount. The Group is obligated to purchase from the independent third party the 26.3% registered capital in May 2008 in accordance with the contractual arrangement at a price of approximately HK\$300,560,000 (30.4.2007: HK\$291,890,000) inclusive of the 6.5% annual amount payable.

According to an agreement in February 2007 regarding Loan Payable B, the third party has no right to share profit of the group entity and the loan is interest-free. The Group is obligated to purchase from the third party the 30% registered capital in the group entity and repay the loan in January 2009 in accordance with the contractual agreement at a price of approximately HK\$416,000,000 (30.4.2007: HK\$404,000,000) plus an amount ("Additional Amount") which will be determined based on the pre-sales price of the properties developed by the group entity during the period from February 2007 to January 2009.

At 31 October 2007, approximately HK\$176,914,000 (30.4.2007: HK\$171,811,000) out of Loan Payable B has been received from the lender. The carrying amount of the loan payable at 31 October 2007 was approximately HK\$216,647,000 (30.4.2007: HK\$186,693,000).

During the period, the Group has repaid approximately HK\$52,000,000 on Loan Payable A plus interest of approximately HK\$18,025,000. The carrying amount of the Loan Payable A at 31 October 2007 was approximately HK\$219,662,000 (30.4.2007: HK\$271,481,000).

The loan payable of HK\$170,422,000 raised as part of the consideration for the acquisition of 西安 隆霸建設開發有限公司 outstanding at 30 April 2007 was fully settled during the period.

As the Group has contractual obligations to deliver cash in accordance with the agreements of Loan Payable A and Loan Payable B and the counterparties have no participation in the profit sharing in the related group entities irrespective the third parties equity ownership, Loan Payable A and Loan Payable B are classified as financial liabilities with the embedded derivatives in relation to the Additional Amount which is classified separately under derivatives financial instrument at fair value. However, the management is of the opinion that the derivative financial instruments represent the Additional Amount is of no value at the period end date. The equity interests held by the counterparties are being the collateral of these financial liabilities.

The effective interest rate of Loan Payable A and Loan Payable B are 7.27% and 14.47% respectively.

19. 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 Notes 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 31 October 2007 was HK\$14,000,000 (30.4.2007: HK\$53,000,000). Accordingly, a change in fair value of derivative financial instrument of approximately HK\$39,000,000 (2006: HK\$18,780,000) is credited to the 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 Note 2011 in whole but not in part at a relevant pre-determined redemption amount if the closing price of the shares for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is at least 130 per cent of the applicable early redemption amount divided by the conversion ratio ("Redemption Right of the Issuer"). As the economic characteristics and risks of the Redemption Right of the Issuer are not closely related to the host contract, the Redemption Right of the Issuer is separately accounted for at fair value at each reporting date as derivative financial instrument. The fair value of the Redemption Right of the Issuer at 31 October 2007 is HK\$24,000,000 (30.4.2007: HK\$20,000,000). Accordingly, a change in fair value of derivative financial instrument of HK\$4,000,000 (2006: nil) is credited to the condensed consolidated income statement of the period.

19. CONVERTIBLE NOTES (Continued)

In the event of the Company's shares cease to be listed or admitted to trading on the Stock Exchange, each holder of Convertible Note 2011 shall have right, at such holder's option, to require the Company to redeem Convertible Note 2011 on the twentieth business day after notice has been given to the holder at the early redemption amount ("Delisted Put Right"). As the economic characteristics and risks of the Delisted Put Right are not closely related to the host contract, the Delisted Put Right is separately accounted for at fair value at each reporting date as derivative financial instrument. The fair value of the Delisted Put Right is insignificant at both 30 April 2007 and 31 October 2007.

During the period, the holders of the Convertible Note 2011 converted part of the Convertible Note 2011 with principal amount of HK\$402,990,000 (2006: nil) into shares of the Company.

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

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 conversation price of HK\$6.0193 per share. The numbers of shares issuable on the exercise of conversion right is reduced to one-fourth of the outstanding Convertible Note 2011 at 29 October 2007.

20. SENIOR NOTES/WARRANTS

On 23 July 2007, the Company issued 4000 units consisting in aggregate of senior notes at a par value of US\$400,000,000, 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 be matured 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 law of the PRC.

The Senior Notes 2014 and Warrants 2012 are separated immediately upon the issuance and the Warrants 2012 is 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 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 is classified as a derivative financial liability and measured at fair value with changes in fair value recognised in the condensed consolidated income statement.

The fair value of Warrants 2012 at 23 July 2007, the date of issue, and 31 October 2007 are HK\$161,802,000 and HK\$349,000,000 respectively. Accordingly, a change in fair value of warrant of HK\$187,198,000 is debited to the condensed consolidated income statement for the period.

Pursuant to the terms and condition of Warrants 2012, on 29 October 2007, the subscription price of Warrants 2012 was adjusted with the consolidation of shares. Warrants 2012 holders are entitled to subscribe in cash for a fully paid share at the adjusted subscription price of HK\$6.72 per share. The number of shares issuable on the exercise of the Warrants 2012 is reduced to one-fourth of the outstanding Warrants 2012 at 29 October 2007.

As at 31 October 2007, 66,000,000 of Warrants 2012 are 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.

20. SENIOR NOTES/WARRANTS (Continued)

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 principle amount of the Senior Notes 2014 plus (ii) all required remaining scheduled interest payment 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 2014 is separately accounted for at fair value at each reporting date as derivative financial instrument. The fair value of the 100% Redemption Right of the Issuer – Senior Notes 2004 is insignificant at both 23 July 2007 and 31 October 2007.

At any time prior to 23 July 2011, the Company may redeem upto 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 offerings 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 risks 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 derivative financial instrument. The fair value of the 35% Redemption Right of the Issuer – Senior Notes 2014 is insignificant at both 23 July 2007 and 31 October 2007.

The Senior Notes 2014 contain liabilities 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%.

21. SHARE CAPITAL

	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
Effect on share consolidation on 29 October 2007	(30,000,000,000)	–
	<u>10,000,000,000</u>	<u>400,000</u>
At 31 October 2007 – ordinary share of HK\$0.04 each		
	<u>10,000,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At 1 May 2007 – ordinary shares of HK\$0.01 each	6,875,374,340	68,754
Issue of shares by conversion of Convertible Note 2011	267,803,024	2,678
Issue of shares by exercise of share options (note 8)	15,100,000	151
Issue of shares for acquisition of subsidiary before share consolidation (note 22(i))	467,592,592	4,676
Effect on share consolidation on 29 October 2007	(5,719,402,467)	–
Issue of shares for acquisition of subsidiary after share consolidation (note 22(ii))	35,000,000	1,400
	<u>1,941,467,489</u>	<u>77,659</u>
At 31 October 2007 – ordinary share of HK\$0.04 each	<u>1,941,467,489</u>	<u>77,659</u>

Consolidation of shares

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.

22. ACQUISITION OF SUBSIDIARIES

The Group acquired the following subsidiaries with details below:

A. Acquisition of assets and liabilities through acquisition of subsidiaries

For the period ended 31 October 2007

- (i) In October 2007, the Group acquired a property project in Shanghai, the PRC (“Shanghai Jijiu”) and its related assets and liabilities at 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 Shanghai Jijiu are summarized below:

	HK\$'000
NET ASSETS ACQUIRED	
Plant and equipment	1,635
Properties under development	775,736
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 related companies	(158,111)
Amounts due to group companies	(274)
Bank borrowings	(67,600)
	575,509
Deemed distribution to the controlling shareholder (note a)	481,250
	1,056,759
Total consideration satisfied by equity instruments of the Company (note b)	1,056,759
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	30,948

22. ACQUISITION OF SUBSIDIARIES (Continued)

A. Acquisition of assets and liabilities through acquisition of subsidiaries (Continued)

For the period ended 31 October 2007 (Continued)

Notes:

- (a) Shanghai Jijiu is acquired from Mr. Li Song Xiao, the controlling shareholder. The deemed distribution represents the excess of the fair value of the consideration over the fair value of net assets acquired.
 - (b) Pursuant to the sales and purchase agreements for the acquisition of Shanghai Jijiu, 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 Shanghai Jijiu amounting to approximately HK\$1,056,759,000 was determined using the published closing price at the date of the acquisition.
- (ii) In October 2007, the Group acquired a property project in Tianjin, the PRC (“Tianjin Yijia”) and its related assets and liabilities at a total consideration of approximately HK\$743,205,000, 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.

22. ACQUISITION OF SUBSIDIARIES (Continued)**A. Acquisition of assets and liabilities through acquisition of subsidiaries** (Continued)

For the period ended 31 October 2007 (Continued)

Details of the net assets acquired in respect of the acquisition of Tianjin Yijia are summarized 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)
	<u>743,205</u>
Total consideration satisfied by:	
Cash consideration paid	(161,135)
Deposit for acquisition of subsidiaries in prior period	(255,170)
Equity instruments of the Company (note)	(326,900)
	<u>–</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(161,135)
Bank balances and cash acquired	35,477
	<u>(125,658)</u>

Note: Pursuant to the sales and purchase agreements for the acquisition of Tianjin Yijia, 35,000,000 Consolidated Shares were issued. The fair value of the shares issued for the acquisition of Tianjin Yijia amounting to approximately HK\$326,900,000 was determined using the published closing price at the date of acquisition. The shares are allotted prior to period end and completed the registration with the share registrar on 6 November 2007.

22. ACQUISITION OF SUBSIDIARIES (Continued)

B. Business combination under common control

For the period ended 31 October 2007 (Continued)

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 in zero consideration from 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 summarized below:

	Acquiree's carrying amount before combination and fair value
	HK\$'000
NET ASSETS ACQUIRED	
Plant and equipment	962
Inventories	9,016
Trade and other receivables and prepayments	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	(2,194)
Amounts due to group companies	(14,787)
	(2,520)
Deemed distribution to the controlling shareholder (note)	2,520
	—
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	5,844

Note: 中新沃克 and 新松建築研發 are acquired from the controlling shareholder. The deemed distribution represents the excess of the fair value of the consideration, which is an insignificant amount, over the fair value of the net assets acquired.

22. ACQUISITION OF SUBSIDIARIES (Continued)

B. *Business combination under common control* (Continued)

For the period ended 31 October 2007 (Continued)

The subsidiaries acquired during the period contributed HK\$555,000 loss to the Group's result.

If the acquisition had been completed on 1 May 2007, total Group's revenue for the period would have been HK\$1,024,526,000 and profit for the period would have been HK\$124,706,000. 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 2007, nor is it intended to be a projection of future results.

23. DISPOSAL OF A SUBSIDIARY

During the period, the Group completed the disposal of the entire interest in Tianjin Zhongxin Mingshi for a consideration of approximately HK\$223,086,000. A loss of disposal of HK\$32,814,000 arose from this disposal.

The assets and liabilities associated with the disposed subsidiary were classified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale in the consolidated balance sheet at 30 April 2007.

23. DISPOSAL OF A SUBSIDIARY (Continued)

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

	2007
	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
Exchange reserve realised	(2,586)
	255,900
Loss on disposal of subsidiary	(32,814)
	223,086
Total consideration satisfied by	
Cash received	(161,524)
Deposit received for disposal of a subsidiary in prior period	(61,562)
	-
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.

24. COMMITMENTS

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

	31.10.2007	30.4.2007
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Authorised and contracted for but not provided:		
Development expenditure of properties in the PRC	3,914,725	5,100,526
Capital expenditure in respect of acquisitions of subsidiaries	1,691,916	44,830
Capital expenditure in respect of acquisition of toll road rights	499,200	–
Capital expenditure in respect of acquisitions of property, plant and equipment	–	12,225
	<u>6,105,841</u>	<u>5,157,581</u>

25. CONTINGENCIES

The Group had the following contingent liabilities as at 31 October 2007:

	31.10.2007	30.4.2007
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Guarantees in respect of mortgage facilities for certain purchasers	<u>1,749,479</u>	<u>1,289,429</u>

The Group provided guarantees in respect of mortgage loans granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers but the Group is entitled to take over 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 condensed consolidated financial statements for the financial guarantees as the fair value of the financial guarantee contracts is insignificant.

26. RELATED PARTY TRANSACTIONS

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

	Agency fee expenses		Decoration income		Interest income	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Related companies	6,200	8,238	10,863	–	–	–
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 condensed consolidated balance sheet and notes 13, 14 and 16 to the condensed consolidated financial statements.

The Group acquired certain subsidiaries from Mr. Li Song Xiao. Details are set out in note 22 to the condensed consolidated financial statements.

Compensation of key management personnel

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

	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	3,710	2,270
Other long-term benefits	–	–
Share-based payments	42,058	3,029
	45,768	5,299

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

27. POST BALANCE SHEET EVENTS

- (a) In September 2007, the Group entered into purchase agreements with independent third parties to acquire in aggregate 80% equity interest in 沈陽向明陽益置業有限公司, a project company established in the PRC to carry out a property development project in Shenyang, the PRC, at a total cash consideration of approximately HK\$597,200,000. The transaction has not yet been completed as at 31 October 2007 and up to the date of this report.
- (b) In September 2007, the Group entered into purchase agreements with independent third parties to acquire 100% equity interest in 珠海市淇州島影視城有限公司, a project company established in the PRC to carry out a property development project in Zhuhai, the PRC, at a cash consideration of approximately HK\$3,224,000,000. The transaction has not yet been completed as at 31 October 2007 and up to the date of this report.

Details of the acquisition are included in the announcements of the Company dated 8 October 2007 and 23 October 2007 and the circular of the Company dated 28 December 2007.

- (c) In November 2007, the Group entered into purchase agreements with independent third parties to acquire 90% equity interest in 中歐城開有限公司, a project company in the PRC established to carry out a property development project in Hebei Province, the PRC, at a cash consideration of approximately HK\$484,640,000. The transaction has not yet completed up to the date of this report.

Details of the acquisition are included in an announcement of the Company dated 13 December 2007.

- (d) In November 2007, the Group entered into a purchase agreement with independent third parties to acquire 100% equity interest in Wonder Bridge Company Limited, a company incorporated in Hong Kong proposed to carry out a property development project in Beijing, the PRC, at a total cash consideration of approximately HK\$120,000,000. The transaction has not yet been completed up to the date of this report.

27. POST BALANCE SHEET EVENTS (Continued)

- (e) In November 2007, the Group entered into purchase agreements with independent third parties to acquire 40% of Invest Online Limited which holds 100% equity interest in 哈爾濱亞麻房地產開發有限公司, a project company established in the PRC to carry out a property development project in Harbin, the PRC, at a total cash consideration of approximately HK\$786,282,000. The transaction has not yet been completed up to the date of this report.
- (f) Subsequent to the balance sheet date, the Group had breached certain financial covenant and consequently the lender might demand immediate payment. The directors had immediately renegotiated the terms of the borrowing with the relevant bank in order to rectify the situation. In any event, should the lender calls for immediate repayment of the loan, the directors believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

28. COMPARATIVE FIGURES

In addition to the restatement as stated in note 2, certain comparative figures have been reclassified to conform with current period's presentation. In particular, a deposit received for disposal of a subsidiary amounting to HK\$61,562,000, previously classified in accruals and other payables at 30 April 2007, has been reclassified into liabilities associated with assets classified for held for sales.