NEO-CHINA GROUP
中新集團

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

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

ANNOUNCEMENT OF 2006 FINAL RESULTS

On behalf of the Board of Director of Neo-China Group (Holdings) Limited ("Neo-China" or the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the financial year ended 30 April 2006:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2006

	NOTES	**2006** *HK$'000*	2005 *HK$'000* (restated)
Revenue	2	**671,140**	476,472
Cost of sales		**(610,572)**	(253,809)
Gross profit		**60,568**	222,663
Other income	3	**42,078**	29,348
Administrative expenses		**(54,725)**	(13,053)
Selling expenses		**(44,606)**	(11,334)
Finance costs	4	**(10,774)**	(3,146)
Gain on disposal of subsidiaries		**125,018**	100,011
Share of results of associates		**(8,579)**	7,901
Profit before taxation		**108,980**	332,390
Income tax expense	5	**(14,752)**	(73,374)
Profit for the year	6	**94,228**	259,016
Attributable to:			
Equity holders of the Company		**104,663**	177,817
Minority interests		**(10,435)**	81,199
		94,228	259,016
Dividends	7	**91,895**	–
Earnings per share	8		
– Basic		**3.78 cents**	9.26 cents
– Diluted		**3.50 cents**	8.55 cents

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET
AT 30 APRIL 2006

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Non-current assets		
Plant and equipment	**6,698**	4,188
Interests in associates	**117,375**	99,321
Loan to an associate	**483,735**	290,587
Long-term receivable	**272,661**	–
Available-for-sale investment	**9,471**	–
Deposits for acquisition of subsidiaries	**185,675**	–
Pledged bank deposits	**77,049**	41,926
	1,152,664	436,022
Current assets		
Properties held for sale	**25,721**	13,402
Properties under development	**1,923,255**	786,919
Advances to suppliers	**467,452**	259,160
Trade and other receivables	**292,363**	323,992
Amount due from an associate	**22,248**	–
Tax recoverable	**46,306**	4,234
Bank balances and cash	**315,664**	69,648
	3,093,009	1,457,355
Current liabilities		
Accruals and other payables	**459,010**	359,416
Advances from customers	**1,587,456**	280,768
Amount due to a related company	**5,567**	33,439
Amount due to a shareholder	**1,678**	7,298
Dividend payable	**23,121**	–
Tax payable	**141,967**	130,235
Secured bank borrowings	**16,750**	93,604
Loan payable	**65,972**	–
Convertible note	**99,307**	–
	2,400,828	904,760
Net current assets	**692,181**	552,595
Total assets less current liabilities	**1,844,845**	988,617

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Non-current liabilities		
Secured bank borrowings	**244,135**	–
Deferred tax liabilities	**59,309**	–
Loan payable	**–**	69,065
Convertible note	**–**	93,954
	303,444	163,019
	1,541,401	825,598
Capital and reserves		
Share capital	**40,793**	24,836
Reserves	**1,350,909**	558,715
Equity attributable to the equity holders of the Company	**1,391,702**	583,551
Minority interests	**149,699**	242,047
	1,541,401	825,598

Notes:

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 January 2005 except for HKAS 36 "Impairment of Assets", HKAS 38 "Intangible Assets" and HKFRS 3 "Business Combination", which the Group had early adopted for the year ended 30 April 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity.

In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

(a) Share-based Payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment", which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ('equity-settled transactions'), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ('cash-settled transactions'). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 May 2005. Profit for the year has been decreased by HK$4,287,000 due to recognition of share based payments. No prior year adjustment was required as the Group has no share option outstanding before 30 April 2005 (see note 1A for the financial impact).

(b) ***Financial Instruments***

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible note

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to a convertible note issued by the Group that contains both liability and equity components. Previously, the convertible note was classified as a liability on the balance sheet. HKAS 32 requires retrospective application, comparative figures for 2005 have been restated. (see note 1A for the financial impact).

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

The Group has no debt or equity securities as at 30 April 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1 May 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24 "Accounting for investments in securities") in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The adoption of HKAS 39 by the Group has had no material effect on the Group's results for the current year.

Interest-free non-current loan

Prior to the application of HKAS 39, interest-free non-current loan payable was stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such interest-free loan payable are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, the carrying amount of the non-current loan payable as 1 May 2005 has been decreased in order to state the loan payable at amortised costs in accordance with HKAS 39 (see note 1A for the financial impact).

1A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 1 on the results for the current and prior years are as follows:

The following is an analysis in profit for the year ended 30 April 2006 and 30 April 2005 by line items presented according to their function:

	HKAS 1 *HK$'000*	HKAS 32 and HKAS 39 *HK$'000*	HKFRS 2 *HK$'000*	Total effects *HK$'000*
For the year ended 30 April 2006				
Increase in administrative expenses	–	–	4,287	4,287
Increase in finance costs	–	9,735	–	9,735
Decrease in profit for the year	–	9,735	4,287	14,022
For the year ended 30 April 2005				
Increase in finance costs	–	2,634	–	2,634
Decrease in share of profits of associates	3,663	–	–	3,663
Decrease in income tax expense	(3,663)	–	–	(3,663)
Decrease in profit for the year	–	2,634	–	2,634

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

	30 April 2005 (originally stated) *HK$'000*	Adjustments on 30 April 2005 Impact on HKAS 1 *HK$'000*	Adjustments on 30 April 2005 Impact on HKAS 32 *HK$'000*	30 April 2005 (as restated) *HK$'000*	Adjustment on 1 May 2005 Impact on HKAS 32 & HKAS 39 *HK$'000*	1 May 2005 (As restated) *HK$'000*
Balance sheet items						
Loan payable	(69,065)	–	–	(69,065)	7,474	(61,591)
Convertible note	(104,000)	–	10,046	(93,954)	–	(93,954)
Total effects on assets and liabilities	(173,065)	–	10,046	(163,019)	7,474	(155,545)
Share premium	118,961	–	1,446	120,407	–	120,407
Convertible note equity reserve	–	–	11,234	11,234	–	11,234
Accumulated profits	61,334	–	(2,634)	58,700	7,474	66,174
Equity holders of the Company	180,295	–	10,046	190,341	7,474	197,815
Minority interests	–	242,047	–	242,047	–	242,047
Total effects on equity	180,295	242,047	10,046	432,388	7,474	439,862
Minority interests	242,047	(242,047)	–	–	–	–
	422,342	–	10,046	432,388	7,474	439,862

At 30 April 2005, amount due from minority interest of HK$9,599,000 which was previously included in minority interest has been reclassified to amounts due to related companies.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. Except for the financial impact on adoption of HKAS 39 & HKFRS 4 (Amendments) "Financial guarantee contracts" which requires financial guarantee contracts within the scope of HKAS 39 to be measured at fair value on initial recognition, the directors of the Company anticipate that these standards, amendments or interpretations will have no material impact on the financial statements of the Group. The Group is not yet in a position to reasonably estimate the impact on adoption of HKAS 39 & HKFRS 4 (Amendments).

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

[1] *Effective for annual periods beginning on or after 1 January 2007.*
[2] *Effective for annual periods beginning on or after 1 January 2006.*
[3] *Effective for annual periods beginning on or after 1 December 2005.*
[4] *Effective for annual periods beginning on or after 1 March 2006.*
[5] *Effective for annual periods beginning on or after 1 May 2006.*
[6] *Effective for annual periods beginning on or after 1 June 2006.*

2. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS

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

	2006	2005
	HK$'000	*HK$'000*
Sales of properties	**669,404**	475,935
Provision of property management consultancy services	**1,736**	537
	671,140	476,472

Business segments

For management purposes, the Group is now principally engaged in property development in the People's Republic of China (the "PRC"). Accordingly, no business segment analysis is presented for the year ended 30 April 2006 and 30 April 2005.

Geographical segments

Over 90% of the activities of the Group for the year ended 30 April 2006 and 30 April 2005 are carried out in the PRC and over 90% of the assets of the Group are located in the PRC. Accordingly, no geographical analysis is presented.

3. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Interest income on:		
Bank deposits	**2,112**	567
Loan to an associate	**24,660**	17,594
Other loans	**2,446**	3,998
Net exchange gain	**6,449**	–
PRC government subsidies	**5,696**	7,055
Others	**715**	134
	42,078	29,348

4. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Interest on:		
Bank borrowings wholly repayable within five years	**21,333**	11,171
Effective interest expense on convertible note	**6,393**	3,146
Imputed interest expense on non-current interest-free loan payable	**4,381**	–
	32,107	14,317
Less: amount capitalised under properties under development	**(21,333)**	(11,171)
	10,774	3,146

5. INCOME TAX EXPENSE

	2006	2005
	HK$'000	*HK$'000*
		(restated)
The income tax expense comprises:		
Current tax in the PRC	**29,083**	73,374
Deferred taxation	**(14,331)**	–
	14,752	73,374

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

The Group's subsidiaries established in the PRC are subject to PRC income tax on its taxable income at the rate of 33%.

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

	2006 *HK$'000*	2005 *HK$'000* (restated)
Profit before taxation	**108,980**	332,390
Tax charge at PRC income tax rate of 33%	**35,963**	109,689
Tax effect of share of results of associates	**2,831**	(2,607)
Tax effect of expenses not deductible for tax purposes	**12,800**	1,809
Tax effect of income not taxable for tax purposes	**(43,059)**	(26,087)
Tax effect of deferred tax assets not recognised	**8,436**	4,289
Utilisation of deferred tax assets previously not recognised	**(293)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,926)**	(13,719)
Income tax expense for the year	**14,752**	73,374

6. PROFIT FOR THE YEAR

	2006 *HK$'000*	2005 *HK$'000*
Profit for the year has been arrived at after charging:		
Auditors' remuneration		
– current year	**2,021**	923
– underprovision in prior year	**13**	–
	2,034	923
Staff costs, including directors' emoluments		
– capitalised under properties under development	**3,902**	1,376
– included in administrative expenses	**14,719**	4,776
	18,621	6,152
Retirement benefits scheme contributions	**707**	287
Total staff costs	**19,328**	6,439
Depreciation	**1,396**	1,450
Less: capitalised under properties under development	**(101)**	(499)
	1,295	951
Cost of properties held for sale/properties under development recognised as an expense	**610,572**	253,809
Share of tax of associates (included in share results of associates)	**–**	3,663

7. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Ordinary shares:		
2006 Interim – HK1.5 cents (2005: Nil) per ordinary share	**37,255**	–
2005 Final – HK2.2 cents (2004: Nil) per ordinary share	**54,640**	–
	91,895	–

The directors do not recommend the payment of final dividend (2005: HK2.2 cents per share).

Pursuant to the sales and purchase agreements for the acquisition of Lucky Merit and New Direction, 499,221,153 and 599,765,384 ordinary shares of the Company with par value of HK$0.01 per share each were issued respectively. The acquisitions in Lucky Merit and New Direction give rise to a deemed distribution of HK$707,278,000.

8. EARNINGS PER SHARE

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

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Earnings:		
Earnings for the purposes of basic earnings per share	**104,663**	177,817
Effect of dilutive potential ordinary shares in respect of interest on convertible note	**6,393**	3,146
Earnings for the purposes of diluted earnings per share	**111,056**	180,963
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,770,710,769**	1,920,041,595
Effect of dilutive potential ordinary shares on:		
Convertible note	**400,000,000**	196,775,553
Options	**316,804**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,171,027,573**	2,116,817,148

The following table summarised the impact of both basic and diluted earnings per share as a result of:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006	2005	**2006**	2005
	cents	*cents*	***cents***	*cents*
Figure before adjustments	**4.29**	9.40	**3.77**	8.55
Adjustments arising from changes in accounting policies *(see note 1A)*	**(0.51)**	(0.14)	**(0.27)**	–
Reported/restated	**3.78**	9.26	**3.50**	8.55

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of HK$671.1 million (2005: HK$476.5 million), representing an increase of approximately 41% over the prior year. Profit attributable to shareholders amounted to HK$104.7 million (2005: HK$177.8 million, restated). Basic earnings per share was HK3.78 cents (2005: HK9.26 cents, restated) and diluted earnings per share was HK3.50 cents (2005: HK$8.55 cents, restated).

FINAL DIVIDEND

The Group's Directors do not recommend the payment of a final dividend for the year ended 30 April 2006.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

During the fiscal year, the Group continued to focus on property development and investment business in the PRC. Under the concerted efforts of all staff, the Company achieved satisfactory results during the year. The consolidated turnover and profit attributable to shareholders of the Group for the financial year 2006 was HK$671.1 million and HK$104.7 million respectively. Share capital was increased from HK$24 million to HK$41 million, representing a 64% increase as compared to previous year. Total equity per share attributable to the equity holders of the Company was increased from HK$0.235 to HK$0.341, representing a 48% increase as compared to last fiscal year. Total equity attributable to the equity holders of the Company was increased from 584 million to 1,392 million, representing a 138% increase as compared to previous year. Total advances from customers as at 30 April 2006 were over HK$1,500 million.

In view of the projects outlined below, the board of the Company anticipates that 2007 will be the year whereby our development properties will experience an unprecedented growth in scale with the commenced construction area reaching a total over 1,000,000 sq.m.. It is expected that the completed area will reach to approximately 550,000 sq.m..

During the fiscal year, and up to the date of this announcement, there were 6 major projects under development which include 3 projects in Bejing: the American Rock Project; the Youngman Project and the Xidiaoyutai Project – Yushuiyuan; the Phoenix Tower Project in Shenzhen; the Tianjin Lacchengxiang Project in Tianjin and the Chongqing Yuanjiagang Project in Chongqing. Total gross floor area ("GFA") amounted to approximately 3,049,500 sq.m., representing an increase of approximately 280% as compared to year 2005:–

Projects under development:

(1) The American Rock Project

The project is situated in No. 16 Baiziwan Road, Chaoyang District, Beijing, the PRC and is adjacent to the central business district of Beijing which is a major financial and commercial center in Beijing. The project is targeting young professionals and executives aged from 28 to 35. Total gross floor area of the project is over 500,000 sq.m.. The development of the whole project is divided into two phases (I and II) which are sub-divided into four zones (Zones A, B, C and D) with different development themes, such as Zones A and B are for the BOBOS, Zones C and D are for the Kidults. The Company currently holds 85% equity interest in project.

Residential/commercial blocks in Zones A and B have been sold. Zones C and D consist total 10 residential/commercial blocks. 2 out of the 10 blocks have been sold and recognised as revenue. It is expected that the legal title of 6 blocks out of the 10 blocks, with a total gross floor area of approximately 144,255 sq.m., will be passed to buyers within the next few months.

(2) The Youngman Point Project

The project is situated in No. 2 Ganluyuan, Zhongli, Qingnian Road, Chaoyang District, Beijing, the PRC. The project's total gross floor area is over 300,000 sq.m. The development of the project is divided into 2 phases (I and II). Phase I has 1,587 residential units and 25 commercial units in total for sale purpose. Phase II is still at the planning stage. The project is targeting the young executives who just started working in central business district. The construction work for Phase I has been completed and that of Phase II is expected by December 2007. The Company currently holds 70% equity interest in the project.

(3) The Phoenix Tower Project

The project is situated in the central district of Futian District, Shenzhen, the PRC. The project is planned to develop into a complex of office building, service apartment and shopping arcade with a gross floor area of approximately 106,000 sq.m. The project is now under construction and is expected to be completed later this year. Up to now, approximately 46,000 sq.m. of residential apartments have been sold. The remaining area will be kept by the Group for investment purpose.. The Company currently holds 82% interest of the project.

(4) The Xidiaoyutai Project – Yushuiyuan

The project is situated at the riverside of Kunyu River, the most prestigious area in Beijing, the PRC, and is targeting the elite of the society. The project is developed into waterfront luxury apartments and hotel. The project's total gross floor area is 254,625 sq.m. and the development of the whole project is divided into Phase I and Phase II with gross floor area of 101,724 sq.m. and 152,901 sq.m. respectively.

On 22 May 2006, the Company entered into the Agreement with Beijing Xi Hua Wei Ye Construction Trading Company Limited in relation to the acquisition of further 20% effective interest in the project. Up to the date of this announcement, the acquisition has already been completed. It is expected that the legal tile of the whole Phase I will be passed to buyers within the next few months. The Company currently holds 50% interest in the project.

(5) ***The Chongqing Yuanjiagang Project***

The project is located at a premier location at Yuanjiagang District, Hi-Tech Zone, Chongqing, the PRC, which is a popular residential and commercial area with stable residential and commercial market conditions. The project's total gross floor area is 798,650 sq.m. and is divided into five different sites for development purpose. Construction work for three of these sites have been started and it is anticipated that the whole project will be completed by the end of 2007.

On 26 May 2006, the Company received the confirmation from the Shanghai United Assets and Equity Exchange in relation to the acquisition of a further 70% effective equity interest in the project with a consideration of HK$405,865,385. Up to the date of this announcement, the acquisition has already been completed. Currently, the Company holds 90% effective interest in the project.

(6) ***The Tianjin Project***

On 26 June 2006, the Company entered into the agreement with Mr. Li Song Xiao (the Chairman and the controlling shareholder of the Company) in relation to the acquisition of seven parcels of land in Tianjin (the "Tianjin Project") for an aggregate consideration of HK$845,263,700. The consideration will be satisfied at completion by the allotment and issue by the Company to Mr. Li Song Xiao (or his nominee) of 1,243,034,853 consideration shares at the issue price of HK$0.68 per share. The acquisition constituted a major and connected transaction under the relevant listing rules. The Special General Meeting for approving the acquisition transaction by the independent shareholders was held on 8 August 2006 and the relevant resolution was passed subsequently. The acquisition transaction is expected to be completed by August 2006. Upon completion of the acquisition, the Company will hold 100% equity interest in the project.

The project is a residential and commercial property project located at Old Urban Area, which is the heart of Tianjin City, the PRC, with total gross floor area of approximately 1,087,000 sq.m. As mentioned above, the project consists seven parcels of land (Land Lot Nos. 1, 2, 9, 11, 12, 13 and 15), of which, the legal title of Land Lot No. 11, with gross floor area of 53,231 sq.m., will be passed to buyers in the next few months.

In the coming year, the Company will endeavor to complete existing projects to a high standard and will also ensure various new development projects will progress on schedule. Developing new projects and increasing land reserves will form an integral part of the Company's business in coming year. The Company will converge its human resources and capital assets to enlarge its development and investment of its new projects. The Company will focus its attention and keep track on the new districts in Beijing as well as cities outside Beijing with potentials for development projects. It will also participate in land auction, projects or company equity transfers to enlarge its development of its new projects.

The continuous steady growth of the PRC economy, persistent urbanization and increasing consumption power of Chinese citizens have produced strong demand for residential housing. Renminbi appreciation and upward market growth are likely to reinforce the property market as the key sector of consumption in the coming year.

Furthermore, as the 2008 Olympic Games approaches, the overall business environment in Beijing city, and the cities nearby, continue to maintain a steady growth with GDP recording a 11.1% increase, while per capita GDP is growing at 8.1% for 2005. During the year, a series of austerity measures targeted at overheating of property market were imposed by the central government through to the local authorities. These measures are to curb speculations, divert demands, improving the supply of properties etc. The nation's overall investment in the Beijing property market experienced a soft landing resulting from these measures. The effects of the austerity measures have just begun to take effect in the property market with investment growth starting to gradually subside. However, due to the strong local economy, demand for properties will continue to remain buoyant with market growth at a steady and healthy pace.

With existing edges, the Company will capture any future industry opportunities, implement the nationwide expansion strategy, pursue acquisition and consolidate resources in order to achieve better development.

The Company will implement a nationwide expansion strategy to increase its land bank portfolio. By maintaining and enhancing its capability of obtaining land bank resources, the Company will tap into new markets in the interest of diversifying development between major cities and second-tier cities, improving efficiency and further enjoying economies of scale.

In the past year, the Company acquired numerous high quality property development projects as outlined above, the returns and appreciation of which will be shown in the years ahead. Accordingly, we have strong confidence in the development prospects of the Group and will accomplish our mission and achieve greater results for the Company's development and give fruitful returns to investors.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 April 2006, the Group had cash and bank balance of HK$315.7 million with net current assets totaling to HK$692.2 million with current ratio at approximately 1.29. The total borrowings of the Group as at 30 April 2006 amounted to HK$426.2 million making the Group's gearing ratio at 30 April 2006 calculated a total borrowings over total equity was approximately 27.7%.

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

CONTINGENCIES AND COMMITMENTS

(1) At 30 April 2006, the Company gave a guarantee in favour of Phoenix Satellite Television Company Limited, under which the Company guaranteed the due performance of Oasiscity Limited, a wholly-owned subsidiary of the Group, of the Group's obligations under the subscription and shareholders' agreement related to Phoenix Tower Project.

(2) At 30 April 2006, the Group has given guarantees to banks amounting to approximately HK$672.1 million (30 April 2005: HK$704.4 million) in respect of certain facilities granted to the buyers of the Group's completed properties.

(3) A subsidiary together with two associates of the Group have been named as joint defendants in a court action in the PRC in respect of an alleged breach of contractual undertakings for an amount of HK$36.0 million. The subsidiary and its legal counsel are strongly resisting this claim accordingly, no provision for any potential liability has been made in the consolidated financial statements.

(4) The following contingent liabilities arise from interest in associates:

	2006	2005
	HK$'000	*HK$'000*
Share of contingent liabilities of associates arising from guarantees given to banks in respect of bank facilities utilised by buyers' of associates' properties	**38,553**	–

(5) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han 2004 No. 938 on 2 August 2004 to strengthen the levy of land appreciation tax on property developers. In the opinion of the directors, land appreciation tax shall not be levied in respect of properties already completed and full provision for land appreciation tax has not been made in the financial statements. The Group has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that the chance that full land appreciation tax might be levied is less than probable in accordance with the rule of State Administration of Taxation. Should such levies take place, land appreciation tax would be approximately HK$26.0 million (2005: HK$26.0 million).

At 30 April 2006, the Group was committed to development expenditure of approximately HK$285.2 million (30 April 2005: HK$321.7 million) for the completion of properties under development in PRC. The Group also has committed capital expenditure of HK$364.8 million (30 April 2005: Nil) in respect of acquisition of subsidiaries contracted for but not provided for in the financial statements.

CHARGE ON GROUP'S ASSETS

At 30 April 2006, the Group pledged 30% equity interest in Phoenix Real Property Limited to Phoenix Satellite TV. The Group also has pledged bank deposits of HK$77 million to banks to secure long-term mortgage loans granted by banks to the buyers of the pre-sold properties of the Group.

Included in the properties under development is an amount of HK$331.3 million (2005: HK$142.9 million) has been pledged as security for bank borrowings of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 April 2006, the Group had a total of 233 employees (including Hong Kong and PRC offices). The remuneration packages consist of basic salary, mandatory provident fund and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and the performance of individual staff. They are under periodic review based on individual merit and other market factors.

POST BALANCE SHEET EVENTS

(a) On 22 May 2006, the Group entered an equity transfer agreement with an independent third party for acquisition of additional 25% equity interest in Beijing New Shine Land for a consideration of approximately HK$125,000,000. Prior to the acquisition, the Group held 25% equity interest in Beijing New Shine Land and subsequent to the acquisition, the Group is entitled to 50% equity interest in Beijing New Shine Land. Details of the acquisition of 25% equity interest in Beijing New Shine Land are included in a circular of the Company dated 15 June 2006.

(b) The Group has also signed a memorandum of understanding ("the MOU") during the year with two other shareholders of Chongqing China Enterprises for the possible acquisition of 70% equity interest in Chongqing China Enterprises at a consideration of approximately HK$405,865,000. The Group executed the MOU on 26 May 2006 through successfully tendering the right to acquire 70% interest in Chongqing China Enterprises in Shanghai United Assets and Equity Exchange. The transfer of 70% equity interest has been completed in July 2006 and Chongqing China Enterprises became a subsidiary of the Group accordingly. In the view point of directors, it is impracticable to disclose the assets and liabilities of the subsidiary as of the date of completion.

    Details of the acquisition of 70% interest in Chongqing China Enterprises are included in a circular of the Company dated 26 June 2006.

(c) The Company has entered into a conditional subscription agreement with J.P. Morgan Securities Limited, and BOCI Asia Limited, in connection with the issue by the Company of zero coupon convertible bonds due 2011 ("the Bonds") with an aggregated principal amount of HK$1,340,000,000. The Bonds are convertible into ordinary shares at an initial conversion price of HK$1.5048 per share which is at a premium of approximately 32 per cent over the closing price of the share of the Company on the Stock Exchange on 12 May 2006. The issue of the Bonds was completed on 12 June 2006. Details of the Bonds issued are included in an announcement of the Company on 15 May 2006.

(d) On 26 June 2006, the Group entered into a sale and purchase agreement with Mr. Li Song Xiao, the chairman and controlling shareholder of the Group, to acquire the entire interest in DIVO Success Limited and Lead Mix Limited, which owns certain properties in Tianjin, the PRC, for a consideration of HK$845,263,700. The consideration is to be satisfied by the allotment and issue of 1,243,034,853 ordinary shares at HK$0.01 each of the Company at an issue price of HK$0.68 each. Details of the acquisition is included in the circular dated 20 July 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 30 April 2006.

CODE OF CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year, except for the deviations disclosed in the Company's latest interim report for the six months ended 31 October 2005. Detailed information is set out in the Corporate Governance Report included in the Company's Annual Report to be dispatched to the shareholders in due course.

The Company has adopted the Model Code (Appendix 10 to the Listing Rules) as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

The Company has received, from each the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprising three independent non-executive directors, Ms. Nie Mei Sheng, Mr. Zheng Kuan and Mr. Wang Shiyong. The audit committee of the Company has reviewed the final results for the year ended 30 April 2006.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

As at the date of this announcement, Directors are as follows:–

Executive Directors:
Mr Li Song Xiao
Mr Liu Yi
Ms Niu Xiao Rong
Mr Yuan Kun
Ms Liu Yan

Independent Non-Executive Directors:
Ms Nie Mei Sheng
Mr Wang Shiyong
Mr Zheng Kuan

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

Hong Kong, 19 August 2006

Please also refer to the published version of this announcement in The Standard.