



中新集團
NEO CHINA GROUP

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

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED
31 OCTOBER 2006

The board of directors of Neo-China Group (Holdings) Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 October 2006, together with the comparative figures for the corresponding period in the prior year were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

		Six months ended	
	<i>NOTES</i>	31.10.2006	31.10.2005
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	1,979,282	32,749
Cost of sales	4	(1,726,293)	(12,144)
Gross profit		252,989	20,605
Other income		39,623	21,561
Change in fair value of derivative financial instrument		8,780	–
Change in fair value of investment properties		134,214	–
Fair value gain on transfer of properties held for sales to investment properties		235,076	–
Gain on disposal of subsidiaries		–	125,018
Administrative expenses		(44,520)	(10,699)
Selling expenses		(44,546)	(13,425)
Finance costs		(53,267)	(4,075)
Share of losses of associates		(5,258)	(2,945)
Profit before taxation		523,091	136,040
Income tax expense	5	(126,716)	(4,269)
Profit for the period	6	396,375	131,771

* For identification purpose only

Attributable to:			
Equity holders of the Company		400,637	127,004
Minority interests		(4,262)	4,767
		<u>396,375</u>	<u>131,771</u>
Dividends paid	7	<u>–</u>	<u>54,640</u>
Earnings per share	8		
– Basic		<u>8.08 cents</u>	<u>5.11 cents</u>
– Diluted		<u>7.82 cents</u>	<u>4.55 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 31 OCTOBER 2006

		31.10.2006	30.4.2006
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Plant and equipment		11,261	6,698
Investment properties		1,340,587	–
Deposits for acquisitions of subsidiaries		424,270	185,675
Interests in associates		–	117,375
Loan to an associate		–	483,735
Long-term receivable		–	272,661
Available-for-sale investment		–	9,471
Pledged bank deposits		56,292	77,049
		<u>1,832,410</u>	<u>1,152,664</u>
CURRENT ASSETS			
Properties held for sale		451,783	25,721
Properties under development		5,309,911	1,923,255
Advances to suppliers		722,029	467,452
Trade and other receivables and prepayments	9	308,785	292,363
Investments held for trading		1,485	–
Amount due from an associate		–	22,248
Tax recoverable		55,655	46,306
Pledged bank deposits		9,911	–
Bank balances and cash		946,152	315,664
		<u>7,805,711</u>	<u>3,093,009</u>

CURRENT LIABILITIES			
Accruals and other payables	10	908,626	459,010
Advances from customers		1,429,921	1,587,456
Amounts due to related companies		84,143	5,567
Amount due to a shareholder		21,294	1,678
Dividend payable		44	23,121
Tax payable		231,931	141,967
Secured bank borrowings – due within one year		601,730	16,750
Loan payable		–	65,972
Convertible notes		–	99,307
		<u>3,277,689</u>	<u>2,400,828</u>
NET CURRENT ASSETS		<u>4,528,022</u>	<u>692,181</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,360,432</u>	<u>1,844,845</u>
		31.10.2006	30.4.2006
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Secured bank borrowings – due after one year		722,772	244,135
Deferred tax liabilities		774,206	59,309
Loan payable		256,660	–
Derivative financial instrument		24,656	–
Convertible notes		1,199,196	–
		<u>2,977,490</u>	<u>303,444</u>
		<u>3,382,942</u>	<u>1,541,401</u>
CAPITAL AND RESERVES			
Share capital		57,224	40,793
Share premium and reserves		3,117,448	1,350,909
		<u>3,174,672</u>	<u>1,391,702</u>
Equity attributable to equity holders of the Company		208,270	149,699
Minority interests		<u>3,382,942</u>	<u>1,541,401</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Investments held for trading

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

Derivative financial instrument

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

Embedded derivatives

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

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

Financial guarantee contracts

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

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

The Group acts as the issuer of the financial guarantee contracts

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

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

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

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

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

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

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

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

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

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

3. REVENUE AND BUSINESS SEGMENTS

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

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

Business segments

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

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

	Sales of properties <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
REVENUE				
External sales	1,979,267	–	6,302	1,985,569
Inter-segment sales	–	–	(6,287)	(6,287)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>1,979,267</u>	<u>–</u>	<u>15</u>	<u>1,979,282</u>

Inter-segment sales are charged at prevailing market rates.

RESULT				
Segment result	<u>418,669</u>	<u>133,806</u>	<u>(546)</u>	<u>551,929</u>
Unallocated corporate expenses				(18,431)
Other income				39,338
Change in fair value of derivative financial instrument				8,780
Share of losses of associates	(5,258)	–	–	(5,258)
Finance costs				<u>(53,267)</u>
Profit before taxation				523,091
Income tax expense				<u>(126,716)</u>
Profit for the period				<u>396,375</u>

4. COST OF SALES

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

5. INCOME TAX EXPENSE

Six months ended	
31.10.2006	31.10.2005
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

The income tax expense comprises:

Current tax – PRC enterprise income tax	142,570	4,269
Deferred taxation	<u>(15,854)</u>	<u>–</u>
	<u>126,716</u>	<u>4,269</u>

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

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

6. PROFIT FOR THE PERIOD

Six months ended	
31.10.2006	31.10.2005
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Profit for the period has been arrived at after charging (crediting):

Depreciation of plant and equipment	1,308	523
Effective interest on convertible notes	41,129	4,075
Interest expense on loan payable	9,046	–
Imputed interest expense on loan payable	3,092	–
Interest income on:		
Bank deposits	(1,445)	(430)
Loan to an associate	(5,440)	(18,048)
Other loans	(4,532)	–
Exchange gain	(16,334)	–
Dividend income from investments held for trading	(11,676)	–
Gain on disposal of subsidiaries	–	(125,018)
	<u>–</u>	<u>(125,018)</u>

7. DIVIDEND

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

8. EARNINGS PER SHARE

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

Six months ended	
31.10.2006	31.10.2005
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Earnings:

Earnings for the purposes of basic earnings per share	400,637	127,004
Effect of dilutive potential ordinary shares in respect of interest on convertible notes	41,129	4,075
	<u>441,766</u>	<u>131,079</u>

Number of shares:

Weighted average number of ordinary shares for the purposes of basic earnings per share	4,956,814,978	2,483,632,950
Effect of dilutive potential ordinary shares on convertible notes	689,395,095	400,000,000
	<u>5,646,210,073</u>	<u>2,883,632,950</u>

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

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

10. ACCRUALS AND OTHER PAYABLES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

Dividend

The Board of Directors (the “Board”) of the Company has made very effort to maintain a stable dividend policy while keeping a sound financial position for further development. For the best interests of shareholders, the Board resolved on distribution of an interim dividend of HK1.5 cents (2005: HK1.5 cents) per share on 5 February 2007 to those shareholders whose name are shown in the register of members of the Company on 30 January 2007.

Review of Operations and Future Prospects

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

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

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

Land Bank

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

During the period under review, and up to the date of this announcement, there were 9 major projects which are under development. These include 3 projects in Beijing: American Rock Project; Youngman Point Project and Xidiaoyutai Project – Yushuiyuan. Other projects include Phoenix Tower Project in Shenzhen; Tianjin Laochengxiang Project in Tianjin; Chongqing Yuanjiagang Project – Chongqing China New City in Chongqing; Xian Project and Neo-China Flower City Project in Changsha.

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

- ***Shenzhen***

- The Phoenix Tower Project*

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

- ***Beijing***

- Xidiaoyutai Project - Yushuiyuan*

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

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

American Rock Project

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

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

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

Youngman Point Project

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

The Youngman Point Project is solely developed by New Shine Properties Development Company Limited. It is situated in No. 2 Ganluyuan, Zhongli, Qingnian Road, Chaoyang District, Beijing, the PRC, with an aggregate site area and GFA of 114,000 sq.m. and 353,108 sq.m. respectively, comprising GFA of approximately 143,734 sq.m. for Phase I and approximately 209,374 sq.m. for Phase II respectively. Approximately 62% residential and commercial units of Phase I were sold and recognised during the fiscal year 2006. During the period under review, a total GFA of approximately 5,000 sq.m. of Phase I were sold and recognised. The expected completion date of Phase II is in December 2007 and the pre-sale of which has commenced. The project is targeting at the young executives who just start working in the central business district.

The entering into of the agreement constitutes a major and connected transaction under the Listing Rules. A circular and notice will be dispatched to shareholders for convening a special general meeting for approving the aforesaid transaction by independent shareholders of the Company as soon as practicable. The acquisition is expected to be completed by February 2007. Upon completion of the acquisition, the effective equity interest of the Group in the Youngman Point Project will increase from 52.6% to 73.7%.

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

- ***Chongqing***

The Chongqing Yuanjiagang Project: Chongqing China New City

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

The total GFA of the property project is approximately 799,000 sq.m. and is divided into five different sites for development purpose. Construction work for three of the five sites have started. It is anticipated that the whole project development will be completed by end of 2008. The property project is located at premier location at Yuanjiagang District, Hi-Tech Zone, Chongqing, the PRC, which is a popular residential and commercial area with stable residential and commercial market conditions. The development of the whole project is divided into 2 phases with GFA of 648,000 sq.m. and 151,000 sq.m. respectively. The pre-sale of Phase I has started.

- ***Tianjin***

Tianjin Laochengxiang Project

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

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

Investment in Primary Land Development Project

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

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

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

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

- **Changsha**

The Neo-China Flower City Project

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

The Neo-China Flower City Project is solely developed by Wunan Qianshuiwan. It is situated in Wancheng County, Changsha City, the PRC. It comprises five parcels of land with an aggregated site area of 665,987 sq.m. The Neo-China Flower City Project will be developed into a large scale residential development, including villa, low to high-rise residential buildings, clubhouse and other ancillary facilities with a total GFA of approximately 800,000 sq.m. It is planned to be developed by two phases and scheduled for completion in around 2010.

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

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

- **Xian**

The Number One Water City in Western China

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

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

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

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

- **Chengdu**

Investment in Primary Land Development Project – Pi Xian Project

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

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

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

Wen Jiang Project

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

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

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

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

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

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

Apart from the above, upon completion of transaction of various projects being acquired, the Company has 9 projects under development/will be developed in 7 cities in the PRC with aggregated GFA of approximately 7.2 million sq.m..

The above mentioned two primary land agreements (in Tianjin and Pi Xian Project in Chengdu) will effectively allow the Company to acquire lands at lower costs in future. The Board is confident that the land bank of the Group can reach 10 million sq.m. GFA in the next 2 to 3 months.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

HUMAN RESOURCES

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

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

CONTINGENT LIABILITIES

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

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

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

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

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

CHARGE ON GROUP'S ASSETS

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

EQUITY

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

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

POST BALANCE SHEET EVENTS

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

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

The acquisition of Xian Chan Ba have not been completed up to the date of this announcement.

Details of the acquisition of 54.5% and 17% interest in Xian Chan Ba are included in a circular of the Company dated 8 December 2006.

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

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

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

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

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

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

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

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 30 January 2007 to 3 February 2007, both dates inclusive. In order to entitle for the said interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged with Share Registrar, Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 pm on 29 January 2007, Monday.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

PRE-EMPTIVE RIGHTS

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

CODE OF CORPORATE GOVERNANCE

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

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

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

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

AUDIT COMMITTEE

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

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

Hong Kong, 16 January 2007

As at the date of this announcement, the board of directors of the Company comprises Mr. Li Song Xiao as chairman, Mr. Liu Yi, Ms. Niu Xiao Rong, Mr. Yuan Kun, Ms. Liu Yan as executive directors; Ms. Nie Mei Sheng, Mr. Wang Shiyong and Mr. Zhang Qing Lin as independent non-executive directors.

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