NEO-CHINA GROUP (HOLDINGS) LIMITED
中新集團(控股)有限公司
(Incorporated in Bermuda with limited liability) (Stock Code: 563)

地产唱新力量

Annual Report 2007

Contents


地产唯新力量

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 Ning
Mr. Zhang Qing Lin

COMPANY SECRETARY

Ms. Chan Yim Kum

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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LEGAL ADVISERS

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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

Corporate Profile

Neo-China Group (Holdings) Limited ("Neo-China" or "the Company", together with its subsidiaries ("the Group"), is one of the leading property developers in China, it primarily develops quality residential and commercial properties mainly targeting middle to high income occupants in Mainland China. The Group benefits from the extensive industry experience of its management team. To date, Neo-China has completed over 600,000 sq.m. GFA and sales have exceeded HK$3.9 billion in the last 3 years.

Neo-China has successfully expanded its portfolio of development project from 6 at year end April 2006 to 11 currently. A large portion of the Group's growth has come through the acquisition of equity interests in existing development projects, representing a prudent growth strategy.

Neo-China has been very successful in implementing its sustainable expansion strategy and strengthening its land bank through various acquisition. The Group is well positioned to continue to replenish its land bank supported by its strong industry and government relationships and primary land development projects and has a proven ability to execute its development projects on time and on budget supported by the Group's efficient and effective development process.

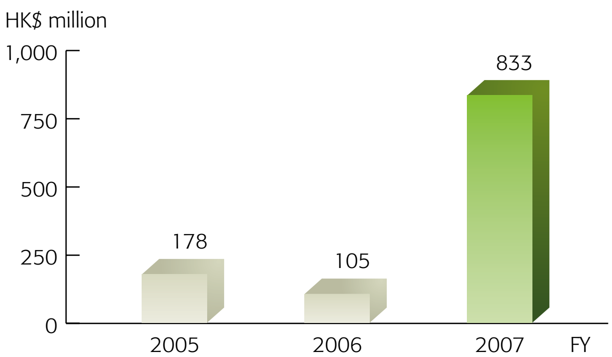
The Group is focused on expanding its stable rental income to ensure a base level of recurring earnings. The Group's competitive position is supported by its focus on product innovation and design which it combines with a targeted customer approach.

Financial Highlights

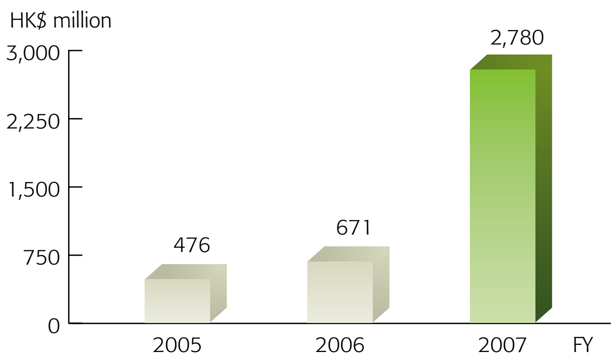
For the year ended 30 April	2007	2006	Increase (Decrease) (%)
Financial Highlights (HK$'000)			
Turnover	**2,779,845**	671,140	314
Profit attributable to equity shareholders of the Company	**833,319**	104,663	696
Financial Ratios			
Net debt to shareholders' funds (%) (Note 1)	**51.3%**	7.9%	549
Interest cover (Note 2)	**4.0**	3.7	(5)
Current ratio	**2.68**	1.29	109
Financial Information per share (HK cents)			
Earnings			
– Basic	**14.67**	3.78	288
– Diluted	**13.18**	3.50	277
Dividends (HK$'000)			
– Interim dividend	**96,156**	37,255	158
– Final dividend	**–**	54,640	(100)
Equity attributable to equity shareholders	**4,958,831**	1,391,702	256
Land Reserve (million sq.m.)			
Development land bank	**9.2**	3.0	207

Notes: 1: Change in percentage points
2: Change in number of times

Profit Attributable to equity holders of the Group



Turnover



Notes

1 Net debt = total borrowings (include bank borrowings, loan payables and convertible notes) – bank and cash

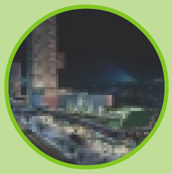
2 Interest cover = EBIT / total interest obligations

City, what does it mean to everyone that grows up and lives in it? *Is it a home to rest in, an office to hustle in, a road broad or narrow, a forest with many trees or just one tree, a supermarket round the corner of the street, a shopping mall on the weekend, a theater that is phasing out of memory, a pleasure ground, walking…*

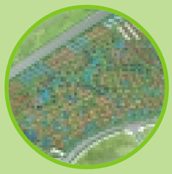

Beijing


Shanghai

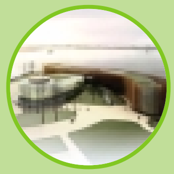

Tianjin


Chengdu


Chongqing


Changsha


Shenzhen


Xian

Passion is productivity, integration, a catalyst! *The city has its character. The engine for its liveliness is passion, which can always keep a city maintain its progress. A highly diversified city always brings its dwellers wonders from time to time.*

To our Shareholders,

On behalf of the Board of Directors of Neo-China Group (Holdings) Limited ("Neo-China" or "the Company"), I am pleased to present to you the operating results of the Company for the year ended 30 April 2007.

FINANCIAL REVIEW

The operating results of the Company again rose to historic high in 2007. For the year ended 30 April 2007, under the Hong Kong Financial Reporting Standards ("HKFRS"), the Group recorded a turnover of HK$2,780 million (2006: HK$671 million), representing an increase of approximately 314% over the prior period. Profit attributable to shareholders amounted to HK$833 million (2006: HK$105 million). Basic earnings per share was HK14.67 cents (2006: HK3.78 cents) and diluted earnings per share was HK13.18 cents (2006: HK3.5 cents). Total prepaid receipts from customers as at 30 April 2007 were HK$1,922 million. Total GFA of 274,000 sq.m. of the Group were sold and recognized.

PAYMENT OF DIVIDEND

The Board of Directors (the "Board") 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 recommended a payment of final dividend of HK1.2 cents per share payable on 29 October 2007 to those shareholders whose names are shown in the register of members of the Company on 17 October 2007. Together with an interim dividend of HK1.5 cents per share distributed on 5 February 2007, the total dividend for the whole year amounted to HK2.7 cents per share.

BUSINESS REVIEW

During the period under review, the Group underwent an effective consolidation of our businesses in accordance with its strategic plan, focusing its efforts and resources to accelerate the high potential property investment and development in several cities in PRC. The turnover of the Group increased by 314% to HK$2,780 million, thus resulting in the gross profit contribution increased by 464% to HK$342 million. The consolidated net profit of the Group sustained an increase of over 368% for three consecutive years, fulfilling the promise to the investors. During the year, the share price of the Company's share performed well, thus enhancing the value for the shareholders of the Company.

Land Bank

The Group has successfully accumulated a valuable land bank representing a diversified portfolio of properties in selected cities in which we intend to focus on development activities.

Over the year, through taking part in mainly acquisitions of equity interests and by other means of increasing our equity interests in projects, the Group had increased its land bank by approximately 7 million sq.m. GFA, an increase of 230% over last year.

As at the date of this report, the aggregate land bank of the Group amounts to 10,032,615 sq.m. GFA is detailed below:

				Completed Property Developments			Properties Under Development			
Property	**Location**	**Aggregate GFA for Entire Project**	**Saleable GFA for Entire Project**	**Total Completed Saleable GFA**	**Total Saleable GFA Sold**	**Total Saleable GFA held for rent**	**Total Saleable GFA Under Development**	**Total Saleable GFA Pre-sold**	**GFA Held for Future Development**	**Interest Attributable to Us**
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	
Phoenix Tower	Shenzhen	106,190	79,391	79,391	43,684	31,305	–	–	–	91%
Tianjin Laochengxiang	Tianjin	1,013,061	903,075	45,534	2,073	43,461	258,570	75,991	598,971	100%
American Rock	Beijing	523,075	455,888	402,003	400,930	–	53,885	26,568	–	100%
Youngman Point	Beijing	352,305	290,874	109,507	93,917	–	122,067	81,809	59,300	74%
Xidiaoyutai	Beijing	249,621	230,116	92,517	73,562	–	85,999	60,844	51,600	90%
Wen Jiang	Chengdu	775,000	761,501	–	–	–	–	–	761,501	70%
Yuanjiqgang	Chongqing	787,000	697,270	–	–	–	567,016	43,950	130,254	100%
Neo Water City	Xian	3,350,500	3,144,250	–	–	–	451,714	–	2,692,536	72%
Neo-China Flower City	Changsha	1,073,600	990,100	–	–	–	328,802	–	661,298	67%
Beichen	Tianjin	2,263,000	2,115,700	–	–	–	–	–	2,115,700	100%
Jiu Jiu Youth City	Shanghai	206,900	175,100	–	–	–	41,400	–	133,700	100%
		10,700,252	9,843,265	728,952	614,166	74,766	1,909,453	289,162	7,204,860	
Less: recognised up to 30 April 07		667,637	614,166	614,166	–					
total		10,032,615	9,229,099	114,786	–					

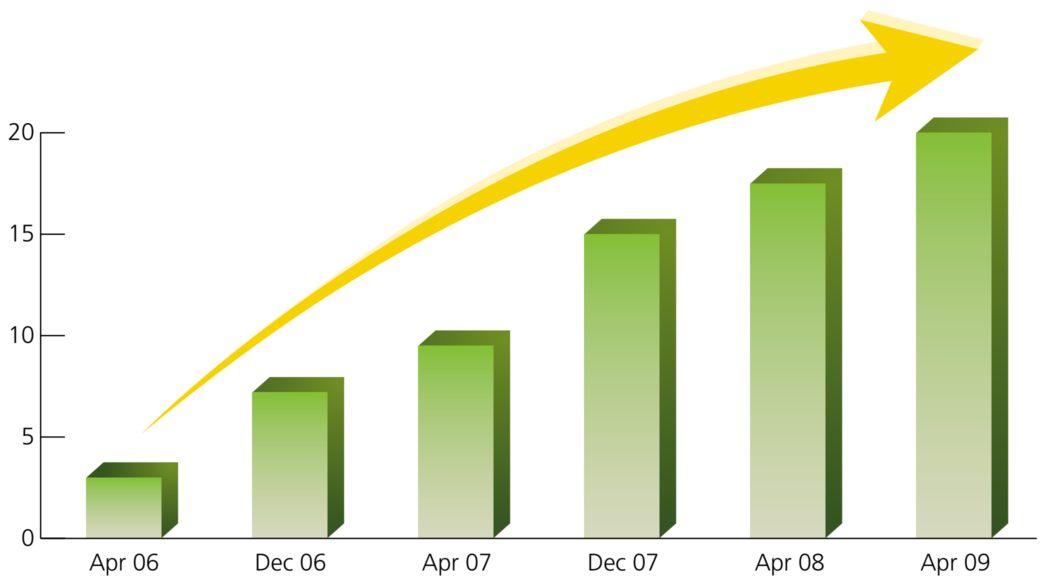
Substantial increase in land bank of the Group has further built up its foundation for continuous growth. The coverage of the Group's business has been extended from 4 cities to 8 cities.

During the year under review, the Group increased its land bank by means of mainly acquisition or increasing our equity in interests in projects, are as follows:

- May 2006: acquired a 20% effective interest in the Xidiaoyutai Project
- May 2006: acquired 70% interest in Chongqing Yuanjiagang Project
- June 2006: acquired 100% interest in Tianjin Laochengxiang Project
- September 2006: further acquired a 40% equity interest in The Xidiaoyutai Project
- October 2006: acquired 71.5% interest in The Number One Water City Project in Xian
- January 2007: further acquired 15% equity interest in The American Rock Project
- January 2007: further acquired 22.1% equity interest Youngman Point Project
- January 2007: acquired 67% interest in Neo-China Forest Garden Project in Changsha
- January 2007: acquired 70% interest in Wen Jiang Project in Chengdu
- January 2007: acquired 100% interest in Beichen Project in Tianjin. As at the date of this report, the acquisition is pending our shareholders' approval of the issuance of shares to the seller.
- March 2007: acquired 100% interest in Jiujiu Youth City Project in Shanghai. As at the date of this report, the acquisition has not been completed.

The Group plans to expand its land bank to a GFA of approximately 15 million sq.m. by this year end reflecting its very strong growth potential, which ensures economics of scale and diversification. Beyond 2007, The Group's rate of land bank expansion will be at more sustainable levels with the Group planning to expand its land bank by 2 to 3 million sq.m. each year, such that it reaches 20 million sq.m. by end of 2009.

The Group's primary land development projects described in the later part of this statement also ensure the Group is well positioned to acquire these lands in the future.



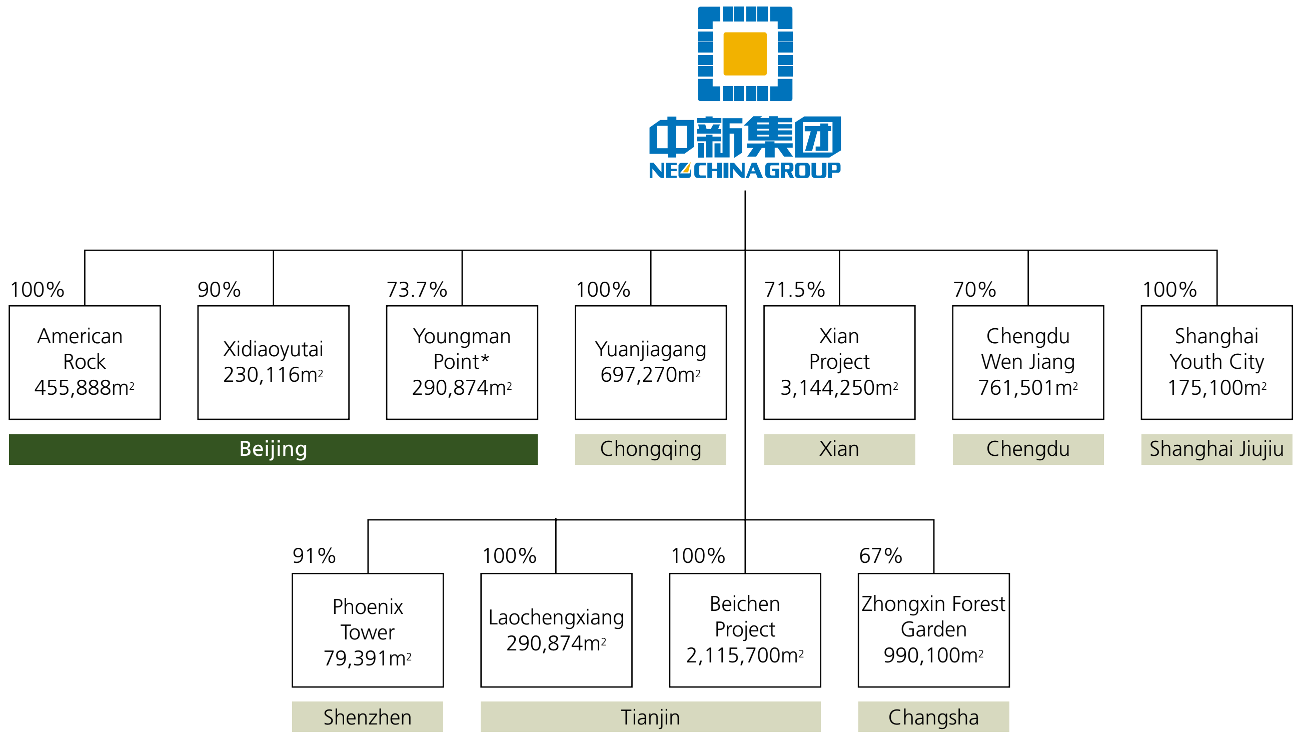
In the expansion of the its land bank, the Group is focused on tier 1 and fast growing tier 2 cities which offer good return potential.

The Group currently has 11 projects under development in eight cities. These 11 projects have an aggregate site area of 5.4 million sq.m. and an aggregate GFA of approximately 10 million sq.m. or saleble GFA of approximately 9.2 million sq.m., including completed property developments with a total salesable GFA of 114,786 sq.m., properties under development with a total planned salesable GFA of 1.9 million sq.m., and properties held for future development with a total planned GFA of 7.2 million sq.m..

The map of the PRC set out below shows the cities in which our property development projects and primary land development projects are located.

Development Projects

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. Only approximately one third of our properties are exclusively residential complexes, whereas the remainder of our projects are a mixture of property types: three projects include hotels, two include offices, three have apartments, and over half of our projects offer retail space. We believe that by diversifying our portfolio in this manner we reduce our dependence on any particular sector of the market, as well as position ourself to take advantage of a greater variety of future opportunities as we build development expertise across a broad range of property types.



Note : m^2 shown represents total saleable areas

Because it provides a possible revitalization movement for the city of the future; It is like a book that discusses the city of the future and the life style in it; It is a declaration for adding charms to the city; And more…

Phoenix Tower Project

- **Shenzhen**

Phoenix Tower Project

Phoenix Tower is located in the center district of Futian District, Shenzhen, and was co-developed with Phoenix Satellite Television Holdings, Ltd., one of China's leading television networks. The project comprises an office building and a shopping mall. The project occupies a total site area of 11,038 sq.m. with a GFA (including saleable and non-saleable) of approximately 106,190 sq.m. As of 30 April 2007, we had 91% ownership in this development. We have retained approximately 16%, 43% and 57% of the apartment, retail and office space, respectively, of this development for rental income.

As of 30 April 2007, the completed property developments occupied a site area of approximately 11,038 sq.m. with saleable GFA of approximately 79,391 sq.m. As of 30 April 2007, saleable GFA of approximately 43,684 sq.m. had been sold, with the remaining GFA being retained for rental purposes.

- **Beijing**

Xidiaoyutai Project – Yushuiyuan

Xidiaoyutai Project is situated on the banks of the Kunyu River, one of the most prestigious areas in Beijing. The property is being developed into waterfront luxury apartments and a hotel. The project occupies a site area of 42,541 sq.m., with a GFA (including saleable and non-saleable) of 249,621 sq.m. We have a 90% ownership in this development.

As of 30 April 2007, the completed property developments comprised a saleable GFA of approximately 92,517 sq.m. As of 30 April 2007, saleable GFA of approximately 73,562 sq.m. had been sold, with a saleable GFA of approximately 18,955 sq.m. remaining for sale.

If all the efforts we spend in the past are for the pursue of a fine future, all our endeavors now are to glorify the totem of our city.The park keeps a large number of the original trees, lakes and old architectures.

Xidiaoyutai Project – Yushuiyuan

As of 30 April 2007, the properties under development comprised an expected saleable GFA of approximately 85,999 sq.m., and we estimate that an attributable saleable GFA of 77,399 sq.m. will be completed in fiscal year 2008. As of 30 April 2007, GFA of 60,844 sq.m. had been pre-sold.

As of 30 April 2007, the properties held for future development comprised an expected GFA (including saleable and non-saleable) of approximately 51,600 sq.m.

American Rock Project

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 GFA (including saleable and non-saleable) of 523,075 sq.m. 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. We have 100% ownership in this development.

As of 30 April 2007, the completed property developments comprised saleable GFA of approximately 402,003 sq.m. As of 30 April 2007, GFA of 400,930 sq.m had been sold.

As of 30 April 2007, the properties under development comprised an expected saleable GFA of approximately 53,885 sq.m., and we estimate that whole area will be completed in fiscal year 2008. As of 30 April 2007, GFA of 26,568 sq.m. had been pre-sold.

We held an 85% interest in the joint venture company which owned this property project. In February 2007, our wholly-owned subsidiary, Beijing New Shine Land Investment Consultancy Limited, acquired the remaining 15% interest for an aggregate consideration of HK$100,000,000 in cash.

A real internationalization should begin from its own village, a city that worth to love should consider the citizens' feeling, and a blood-boiling land should start from its own totem.

Youngman Point Project

Youngman Point Project

Youngman Point Project is located at No. 2 Ganluyan, Zhongli, Qingnian Road, Chaoyang District, Beijing, and is close to the central business district. The project occupies a site area of 113,166 sq.m., with a GFA (including saleable and non-saleable) 352,305 sq.m.

As of 30 April 2007, the completed property developments comprises a saleable GFA of approximately 109,507 sq.m. As of 30 April 2007, saleable GFA of approximately 93,917 sq.m. had been sold, with a saleable GFA of approximately 15,590 sq.m. remaining for sale.

As of 30 April 2007, the properties under development comprised an expected saleable GFA of approximately 122,067 sq.m., and we estimate that an attributable saleable GFA of 89,963 sq.m. will be completed in fiscal year 2008. As of 30 April 2007, GFA of 81,809 sq.m. had been pre-sold.

As of 30 April 2007, the properties held for future development comprised an expected GFA (including saleable and non-saleable) of approximately 59,300 sq.m.

The Group purchased a 70% share interest in the company that owns this project from Mr. Li, the chairman of the Group, in March 2006 for HK$650,595,000. In January 2007, our wholly-owned subsidiary, Beijing New Shine Land Investment Consultancy Limited, entered into an acquisition agreement with Beijing Guoke Xinye Technology Development Company Limited, a company controlled by Mr. Li, to acquire another 22.1% interest in the company that holds this project, for an aggregate consideration of HK$90,000,000 in cash, bringing our interest in the company that holds this project to 73.7%. The acquisition was completed in February 2007.

Her dwellers can enjoy the same life as others who live in other metropolitan cities around the world, such as in London, Paris, New York, and Tokyo. It is called "vogue" to create such a modern life style.

Chongqing Yuanjiagang Project: Chongqing China New City

- **Chongqing**

Chongqing Yuanjiangang Project: Chongqing China New City

Yuanjiagang is located at a premier location at Yuanjiagang, the intersection of the Yuzhong District and the Hi-Tech District, a premier location in Chongqing. As well as residential, commercial, and office buildings, this development will also include a hotel. The project comprises five different sites and occupies a site area of 113,268 sq.m., with a GFA (including saleable and non-saleable) of 787,000 sq.m. We have a 100% ownership in this development.

As of 30 April 2007, the properties under development comprised an expected saleable GFA of approximately 567,016 sq.m. We estimate that an attributable saleable GFA of 504,788 sq.m. will be completed in fiscal year 2008. As of 30 April 2007, GFA of 43,950 sq.m. had been pre-sold.

As of 30 April 2007, the properties held for future development comprised an expected GFA (including saleable and non-saleable) of approximately 130,254 sq.m.

Tianjin Project: No.9 District and No.13 district, Post Modern City, Tianjin

- **Tianjin**

Tianjin Laochengxiang Project

Tianjin Laochengxiang is located in an old urban area in the center of Tianjin city. This development will contain residential, commercial, office buildings and a hotel. The project comprises seven parcels of land and occupies a total site area of 353,014 sq.m., with a GFA (including saleable and non-saleable) of 1,013,061 sq.m. We have a 100% ownership in this development.

We have a very simple aim to pay respect to everything that has been there, the land, the houses, the people and the water. In this way, we can influence the new things to reach the goal of harmony.

Tianjin Project: No.11 Old Town

As of 30 April 2007, the completed property developments comprised a saleable GFA of approximately 45,434 sq.m. As of 30 April 2007, saleable GFA of approximately 2,073 sq.m. had been sold, with a saleable GFA of approximately 43,361 sq.m. remaining that we plan to retain for rental purposes.

As of 30 April 2007, the properties under development comprised an expected saleable GFA of approximately 258,570 sq.m. and we estimate that an attributable saleable GFA of 80,500 sq.m. will be completed in fiscal year 2008. As of 30 April 2007, GFA of 75,991 sq.m. had been pre-sold.

As of 30 April 2007, the properties held for future development comprised an expected GFA (including saleable and non-saleable) of approximately 598,571 sq.m.

In June 2006, our wholly-owned subsidiary, Neo-China Property Limited, entered into an agreement with Mr. Li, our chairman, to acquire from him this project for an aggregate consideration of HK$758,252,000, which was satisfied by the issue and allotment of 1,243,034,853 shares in the Company. Our independent shareholders approved the acquisition in a general meeting on 8 August 2006. The acquisition was completed in August 2006.

Beichen Project

Beichen Project is situated at the old village of Yi Xing Fu, Beichen District in Tianjin. The development will mainly comprise residential units. In January 2007, we entered into an agreement to purchase 100% of the equity interest in this project. The acquisition is currently pending our shareholders' approval of the issuance of shares to the seller. The project occupies a site area of 1,115,550 sq.m., with a GFA (including saleable and non-saleable) of 2,263,000 sq.m., all of which is currently being held for future development. After we complete the acquisition, we will have a 100% ownership in this development.

The City's totem can always bring its citizens pride. Like the weapon of a knight, it represents status and power. The totem attracts the worship and appreciation of its offspring and outsiders.

- **Changsha**

Neo-China Forest Garden Project

Neo-China Forest Garden is situated in Wancheng Xian, Changsha City, approximately 15 kilometers from the Changsha 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 GFA (including saleable and non-saleable) of 1,073,600 sq.m.

As of 30 April 2007, the properties under development comprised an expected saleable GFA of approximately 328,802 sq.m. and we estimate that an attributable saleable GFA of 220,297 sq.m. will be completed in fiscal year 2008. As of 30 April 2007, no GFA have been pre-sold.

As of 30 April 2007, the properties held for future development comprised a expected GFA (including saleable and non-saleable) of approximately 661,298 sq.m.

On 2 January 2007, the Company, entered into an acquisition agreement with Beijing New Shine Investment Group Limited, a company controlled by Mr. Li, to acquire 67% of the equity interest in the company holding this development for consideration of RMB216,000,000 in cash. Our independent shareholders approved the acquisition in our general meeting on 27 February 2007. The acquisition was completed on 28 February 2007.

It can be architecture, it can be a piece of land, it can be an object, but it must be the innermost spirit of the city. The totem inspires the imagination and creativity in any period of time, and finally it creates the most marvelous life.

- **Xian**

Neo Water City Project

Neo Water City is located at the intersection of the Chan River and Ban River, in the only large ecological community in Xian and will comprise, in addition to residential and commercial developments, a hotel that is schedule to be completed in 2007 and is planned to be the permanent location of the Euro Asia Economic Forum. The project occupies a site area of 2,569,668 sq.m., with a GFA (including saleable and non-saleable) of approximately 3,350,500 sq.m. The project is divided into three phases. We have a 71.5% ownership in this development.

As of 30 April 2007, the properties under development comprised an expected saleable GFA of approximately 451,714 sq.m. and we estimate that an attributable saleable GFA of 322,976 sq.m. will be completed in fiscal year 2008. As of 30 April 2007, no GFA had been pre-sold.

As of 30 April 2007, the properties held for future development comprised an expected GFA (including saleable and non-saleable) of approximately 2,692,536 sq.m.

- **Chengdu**

Wen Jiang Project

Wen Jiang is located at Wen Jiang Xin Cheng District in Chengdu City and is being developed mainly for residential use. The project occupies a site area of 228,200 sq.m., with a GFA (including saleable and non-saleable) of 775,000 sq.m., all of which is currently being held for future development. We have 70% ownership in this development. We are required to purchase the remaining 30% by 2 January 2009.

As the high density fortune center, the global business elites and capitals concentrate here, which means the trends of the city's economic development is brewed here.

- **Shanghai**

Jiujiu Youth City Project

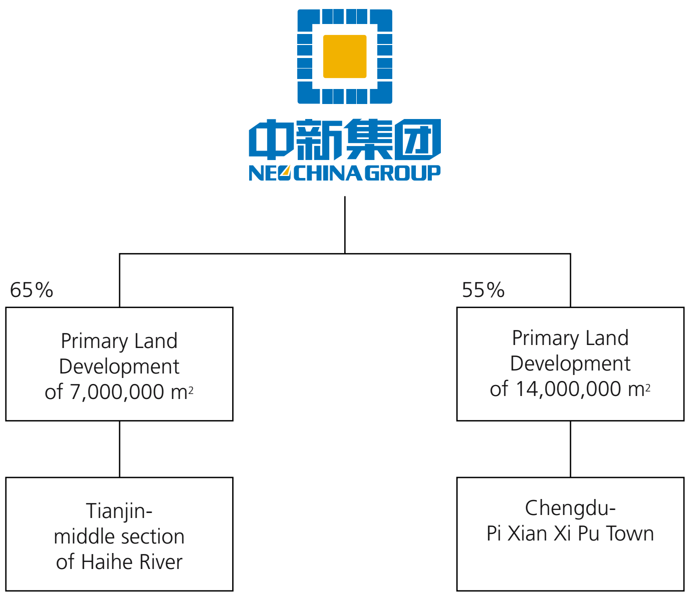
Jiujiu Youth City Project is situated in Song Jiang District Gui Dao Kiao Tong Kiu Tiang Zhen No. 1. The project will be developed into office buildings and serviced apartments. On 26 March 2007, our wholly-owned subsidiary entered into an agreement with Invest Gain Limited, a company wholly-owned by Mr. Li, to acquire 100% of the equity interest in this project. The consideration will be HK$505,000,000, which will be satisfied by the issuance of shares in the Company. Our independent shareholders approved the acquisition in our general meeting on 1 June 2007 and the issuance of consideration shares to the seller is still pending. The project occupies a site area of approximately 57,944 sq.m., with a GFA (including saleable and non-saleable) of approximately 206,900 sq.m. After we complete the acquisition, we will have a 100% ownership in this development.

As of 30 April 2007, the properties under development comprised an expected GFA (including saleable and non-saleable) of approximately 41,400 sq.m. They are expected to comprise saleable GFA of approximately 31,950 sq.m., and the project is expected to be completed in April 2009. As of 30 April 2007, no GFA had been pre-sold.

As of 30 April 2007, the properties held for future development comprised an expected GFA (including saleable and non-saleable) of approximately 13,370 sq.m.

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 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 complete 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.

The table below summarizes the details of our two land development projects as of 30 April 2007:

Development Site	**Total Site Area** *(sq.m.)*	**Start Date**	**Estimate Completion Date**
Tianjin	7,000,000	2006	2008
Pi Xian, Chengdu	1,400,000	2007	2010
Total	8,400,000		

- **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 30 April 2007, approximately 74,765 sq.m. of our total GFA is available for lease. 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 the 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.

PROSPECT

In the past few years, a series of macroeconomic measures were introduced by the PRC central government, mainly targeting regions with an overheated property market. In May 2006, the Ministry of Land of the PRC and eight other governmental authorities jointly issued an opinion regarding adjustments in the structure of housing supplies and measures for stabilization of housing prices.

The Group believes that the global economy will maintain a steady growth while economic development in emerging markets will continue a growth rapidly in the year ahead. The effects of the said measures on macro economic control will be gradually seen and will better regulate and benefit the PRC property market in the long run. In China, 8% GDP growth is set by the Chinese government. With the robust economic development in China and appreciation of Renminbi, the Group is confident that it can achieve better shareholder returns.

Land bank replenishment is one of the key strategies of the Group for boosting our sustainable development. In order to diversify the Group's source of income and to have a better advantage to acquire new land bank, the Group will continue to participate in the primary land development business. We believe that participating in primary land development projects can effectively increase in land reserve as well as strengthen our relationship with local governments and deepen our knowledge of the local development process.

Over the year, through taking part in mainly acquisition of equity interests and other means of increasing our equity interests in projects, the Group had increased its land bank by approximately 9.2 million sq.m. The Group will continue to focus on high potential investments and opportunities in several main cities in the PRC, such as Beijing, Shanghai, Tianjin, etc. so as to achieve a sustainable level of land bank for its business development.

Through the Board's extensive network, experience and market knowledge that enable the Group to source potential sites in emerging high-growth cities with attractive development opportunities. The Board's knowledge of market trends have helped the Group identify significant development opportunities in several cities, enabling the Group to acquire sites at reasonable prices and positioning the Group to benefit from the ensuing rapid market growth. The Board believes that the Group has entered into its target cities at opportune times and that its management team's understanding of market trends will lead the Group to continued success.

Looking forward, we are committed to maximum returns through strategic project developments and rapid asset turnover, while maintaining our existing operational model, replicating this in new high-growth areas and expanding our projects development allocation. With the dedication of our seasoned management team and a dynamic and healthy working force, Neo-China will explore further on our competitive strengths with a strong national presence and brand name.

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 year. Your dedication and involvement will be the most valuable asset for the growth of the Group.

Li Song Xiao
Chairman

28 August 2007

The directors present their annual report and the audited financial statements for the year ended 30 April 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries and associates are set out in note 46 and 18 respectively to the consolidated statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 April 2007 are set out in the consolidated income statement on page 47.

The directors recommend the payment of a final dividend of HK 1.2 cents per share payable on 29 October 2007 to those shareholders whose name are shown on the register of members of the Company on 17 October 2007. An interim dividend of HK1.5 cents per ordinary share amounting to HK$96,155,615 was paid to the shareholders on 5 February 2007.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group are set out in note 16 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 130. This summary does not form pat of the audited financial statements.

SHARE CAPITAL

Details of movements during the year in the issued share capital of the Company are set out in note 35 to the financial statements.

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 30 April 2007, the Company had HK$809,167,000 reserves available for distribution, consists of contributed surplus of HK$331,149,000 and retained profits of HK$478,018,000 (2006: Nil).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become dues; or

(b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account of HK$3,673,938,000 (2006: HK$1,605,480,000) may be distributed in the form of fully paid bonus shares.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Li Song Xiao	
Mr. Liu Yi	
Ms. Niu Xiao Rong	
Mr. Yuan Kun	
Ms. Liu Yan	(appointed on 31 July 2006)
Ms. Song Xuan	(resigned on 15 June 2006)
Mr. Zhang Huai An	(resigned on 15 June 2006)

Independent non-executive directors:

Ms. Nie Mei Sheng	
Mr. Zhang Qing Lin	(appointed on 3 November 2006)
Mr. Gao Ning	(appointed on 16 April 2007)
Mr. Wang Shi Yong	(resigned on 16 April 2007)
Mr. Zheng Kuan	(resigned on 3 November 2006)

In accordance with clause 87 of the Company's Bye-laws, Mr. Li Song Xiao, Ms. Niu Xiao Rong and Mr. Zhang Qing Lin and Mr. Gao Lin retire by rotation and, being eligible, offer themselves for re-election.

In accordance with clause 86(2) of the Company's Bye-laws, Mr. Li Song Xiao, Ms. Niu Xiao Rong and Mr. Zhang Qing Lin and Mr. Gao Lin retire and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

Directors

Executive directors

Mr. Li Song Xiao, aged 42, is the Chairman of the Company. Mr. Li graduated from the Department of Architectural Engineering, Nanjing College of Architectural Engineering in 1985 and obtained a master degree in Architectural Management from the Graduate School of Chongqing College of Architectural Engineering in 1988 and an EMBA degree from Guanghua School of Management, Peking University in 2004. Mr. Li has vast experience in property management and development in the PRC, and has been working in related fields since 1987. Mr. Li is currently vice-chairman of Housing Industry Association of All China Federation of Industry Commerce and assistant head of Consolidate Development Committee of Research Committee of Real Estate and Accommodation in the PRC.

Mr. Liu Yi, aged 54, is the Executive Director and Chief Executive Officer of the Company. Mr. Liu, who graduated from the Department of Biology, Peking University in 1981 and obtained the EMBA degree from Guanghua School of Management, Peking University in 2004, holds the title of Senior Engineer. He has been general manager for several major state-owned enterprises in the PRC, and has over 21 years of experience in senior corporate management. Mr. Liu has successful experience in overall strategic planning, management and business development.

Ms. Niu Xiao Rong, aged 42, is the Executive Director of the Company. Ms. Niu has over 20 years of experience in construction and engineering industries. Ms. Niu holds a bachelor degree of construction from The Nanjing College of Architectural Engineering, the PRC.

Mr. Yuan Kun, aged 33, is the Executive Director and Chief Financial Officer of the Company. Mr. Yuan has over 8 years of experience in the fields of finance and investment. Prior to joining the Company, Mr. Yuen has worked for the investment banking division of Hai Tong Securities Limited in the PRC. Mr. Yuen holds an accounting degree from Australia.

Ms. Liu Yan, aged 36, is the Executive Director of the Company. Ms. Liu has over 6 years of experience in the PRC property industry. She graduated from Guanghua School of Management, Peking University in 2006. Ms. Liu is the sister-in-law of Mr. Li Song Xiao (the chairman and the controlling shareholder of the Company). Prior to the appointment of an Executive Director of the Company, Ms. Liu was a deputy General Manager of the sales department of Beijing Jin Ma Wen Hua Yuan Properties Co Ltd (a subsidiary of the Company).

Independent Non-executive Directors

Ms. Nie Mei Sheng, aged 65, is the Independent Non-Executive Director of the Company. Ms. Nie is a senior engineer of professor grade and has over 31 years of experience in the civil engineering and construction technology and was the Secretary of Technology Department of Ministry of Construction. Ms. Nie was awarded first class technology enhancement prize from National Teaching Committee and first class technology enhancement prize from National Ministry of Construction. Ms. Nie is currently the director of China Housing Industry Association, standing committee member of China Civil Engineering Society and head of sub-committee of Water Industry Association.

Mr. Gao Ning, aged 52, is the independent non-executive director of the Company. Mr. Gao received his Master degree in politics and laws from Capital Normal University, PRC and is a certified Accountant, certified Economist and certified Asset Valuer in the PRC. Mr. Gao has over 20 years of experience in financial, accounting and auditing areas.

Mr. Zhang Qing Lin, aged 63, a professor-graded chief engineer. He has over 38 years of experience in the property construction industry. He was the deputy director, director-general and secretary of the National Planning Committee（國家計委）, the Administrative Bureau for Construction of the National Ministry of Construction（國家建設部施工管理局）, and the deputy general manager of China State Construction Engineering Group（中國建築工程總公司）. Currently, he is a committee member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC)（全國政協）, a part-time professor of the international project management research institute of Qing Hua University（清華大學）, an expatriate associate in charge of the management of Singapore projects, a president of the Engineering Project Management Committee of Construction Industry Association of China（中國建築業項目管理委員會）and a fellow member of Rayal Institute of British Architects（英國皇家特許建築師學會）.

Company Secretary

Ms. Chan Yim Kum, aged 42, is the Company Secretary. Ms. Chan holds a Bachelor's Degree (Honours) in Business Administration from the United Kingdom and a Master's Degree in Professional Accountancy from Hong Kong. Ms. Chan is a member of The Institute of Chartered Secretaries and Administration of the United Kingdom, The Hong Kong Institute of Company Secretaries and The Taxation Institute of Hong Kong. Ms Chan has over 17 years of experience in corporate management and administration.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each director is the period up to his or her retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 April 2007, the interests of the directors and their associates in the shares and underlying shares of the share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the 'Stock Exchange') pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position

(1) Issued ordinary shares of HK$0.01 each of the Company:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Li Song Xiao	Held by controlled corporation (note)	4,122,983,982	59.97%
	Beneficial owner	9,630,000	0.14%
		4,132,613,982	60.11%

Note: (a) 3,522,983,982 shares/underlying shares held by Invest Gain Limited, a company wholly-owned by Mr. Li; and

(b) 600,000,000 shares held by Sinoeagle Pacific Limited, a company wholly-owned by Mr. Li.

(2) Share options outstanding under the share option scheme of the Company:

Name of director	Capacity	Number of shares options held	Number of underlying shares
Mr. Li Song Xiao	Beneficial owner	3,000,000	3,000,000
Mr. Liu Yi	Beneficial owner	40,000,000	40,000,000
Ms. Niu Xiao Rong	Beneficial owner	40,000,000	40,000,000
Mr. Yuan Kun	Beneficial owner	24,000,000	24,000,000
Ms. Liu Yan	Beneficial owner	46,000,000	46,000,000

Save as disclosed above, during the year, none of Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

SHARE OPTIONS

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

For the year ended 30 April 2007, the Company granted 570 million share options to the Company's directors and employees under the Share Option Scheme. The underlying shares of the outstanding share options were 570 million, representing 8.29% of the issued share capital of the Company at 30 April 2007.

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

	No. of options outstanding at 30 April 2006	Increase/ (Decrease)	No. of Options outstanding at 30 April 2007
Directors			
– Mr. Li Song Xiao	3,000,000	–	3,000,000
– Mr. Liu Yi	16,000,000	24,000,000	40,000,000
– Ms. Niu Xiao Rong	16,000,000	24,000,000	40,000,000
– Mr. Yuan Kun	8,000,000	16,000,000	24,000,000
– Ms. Liu Yan	–	46,000,000	46,000,000
Employees	43,000,000	374,000,000	417,000,000
Total	86,000,000	484,000,000	570,000,000

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$0.90	HK$0.88	HK$1.09
17 Nov 2006	17 Nov 2006 – 22 Oct 2016	HK$0.93	HK$0.85	HK$0.98
14 Mar 2007	14 Mar 2007 – 6 Mar 2017	HK$0.98	HK$0.99	HK$1.00

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY

The Company's issued and fully paid share capital as at 30 April 2007 amounted to HK$68,753,743 divided into 6,875,374,340 ordinary shares of HK$0.01 each.

During the year, no convertible note were converted into ordinary shares of the Company.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 April 2007, the Group had cash and bank balance of approximately HK$1,411 million with net assets totaling to HK$5,512 million and current ratio at approximately 2.68. The total borrowings of the Group as at 30 April 2007 amounted to 3,956 million making the Group's gearing ratio at 79.8% at 30 April 2007 calculated by total borrowings over total equity of HK$4,959 million.

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

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 41 to the financial statement.

CHARGE ON GROUP'S ASSETS

Certain bank deposits pledged to banks to secure long-term mortgage loans granted by banks to the purchasers of the pre-sold properties and are therefore also classified as non-current assets. These pledged deposits will be released upon the transfer of the properties titles to the respective purchasers.

The deposits carry interest rates at respective bank saving deposits ranged from 0.72% to 0.79% for both years.

Certain properties under development and investment properties of the Group with a carrying amount amounting to approximately HK$2,137,157,000 (2006: HK$331,258,000) and HK$1,475,834,000 (2006: nil) have been pledged as security for bank borrowings of the Group.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 April 2007, the Group employed 890 employees (including Hong Kong and PRC offices).

The emolument policy of the employees 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 operating 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. Details of the scheme is set out in note 36 to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 48 to the financial statements.

CLOSURE OF REGISTER MEMBERS

The Register of Members of the Company will be closed from 15 October 2007 to 17 October 2007, both dates inclusive. In order to entitle for the said final dividend, all transfers of share accompanied by the relevant share certificates must be lodged with Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 pm on 12 October 2007.

CODE OF CORPORATE GOVERNANCE PRACTICE

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 fiscal year ended 30 April 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 compiled with the required standard 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 audited financial statements for the year ended 30 April 2007.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 30 April 2007, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

(A) Ordinary share of HK$0.01 each of the Company

Name of Substantial Shareholder	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Invest Gain Limited	Beneficial owner (note a)	3,522,983,982	51.24%
Sinoeagle Pacific Limited	Beneficial owner (note b)	600,000,000	8.73%
Ms. Liu Hui	Held by spouse (note c)	4,132,613,982	60.11%

Notes:

(a) These shares/underlying shares held by Invest Gain Limited which were beneficially owned by Mr. Li Song Xiao. Such interest was also disclosed as the interest of Mr. Li Song Xiao in the above section headed "Directors' Interests in Shares and Underlying Shares".

(b) These shares held by Sinoeagle Pacific Limited which were beneficially owned by Mr. Li Song Xiao. Such interest was also disclosed as the interest of Mr. Li Song Xiao in the above section headed "Directors' Interests in Shares and Underlying Shares".

(c) Ms. Liu Hui is deemed to be interested in 4,132,613,982 ordinary shares of the Company, being the interests held beneficially by her spouse.

(B) Long positions in the underlying shares of the Company – physically settled unlisted equity derivatives

Name of Substantial Shareholder	Nature of interest	Number of underlying shares in respect of the share options granted	Percentage of the issued share capital of the Company
Ms. Liu Hui	Held by spouse (note)	3,000,000	0.04%

Note: Ms. Liu Hui was deemed to be interested in 3,000,000 share options of the Company owned by her spouse, Mr. Li Song Xiao, pursuant to Part XV of the SFO.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30 April 2007.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 5.34% of the Group's total revenue for the year and the sales attributable to the Group's largest customer were approximately 1.84% of the Group's total revenue for the year.

The aggregate purchase attributable to the Group's five largest suppliers comprised approximately 10.68% of the Group's total purchases and the purchases of the year attributable to the Group's largest supplier were approximately 5.10% of the Group's total purchases for the year.

None of the directors, their associates or any shareholder of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers and suppliers of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws or Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

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 2007.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years to set out on page 130 of the annual report.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date set out in note 48 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Li Song Xiao
Chairman
28 August 2007

CODE OF BEST PRACTICE AND CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standards of accountability and protect interests of shareholders and other stakeholders.

The Company has complied with the all Code Provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Limited throughout the year ended 30 April 2007 except for the certain deviations disclosed herein:

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules of the Stock Exchange. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board is collectively responsible for the formulating of the Group's overall strategy, reviewing and monitoring the business performance of the Group preparing and approving financial statements, recommendation of the directors' appointment or re-appointment, considering and approving material contracts and transactions as well as other significant policy and financial matters. The Board also gives clear directions as to the powers delegated to the management for the day-to-day operation and administration function of the Group.

During the fiscal year, the Board comprises nine members, including Chairman, five executive directors and three independent non-executive directors. One of the independent non-executive directors has relevant financial management expertise required by the Listing Rules.

The Board schedules four meetings a year and also meets as and when required. During the year, the Board held four regular meetings.

The members of the Board and the attendance of each member are as follows:–

Directors	Number of attendance
Executive Directors	
Mr. Li Song Xiao	4/4
Mr. Liu Yi	4/4
Ms. Song Xuan (Note 1)	1/1
Ms. Niu Xiao Rong	4/4
Mr. Zhang Huai An (Note 1)	1/1
Mr. Yuan Kun	4/4
Ms. Liu Yan (Note 2)	3/3
Independent Non-executive Directors	
Ms. Nie Mei Sheng	4/4
Mr. Wang Shi Yong (Note 1)	0/0
Mr. Zheng Kuan (Note 1)	1/4
Mr. Zhang Qing Lin (Note 2)	3/4
Mr. Gao Ling (Note 2)	1/4

Notes:

1. Ms. Song Xuan, Mr. Wang Shi Yong, Mr. Zheng Kuan and Mr. Zhang Huai An resigned as directors of the Company on 15 June 2006, 16 April 2006, 3 November 2006 and 15 June 2006 respectively.

2. Ms. Liu Yan, Mr. Zhang Qing Lin and Mr. Gao Ling were appointed as directors of the Company on 31 July 2006, 3 November 2006 and 16 April 2007 respectively.

The Company has received annual confirmation of independence from independent non-executive directors and the Company considers them to be independent.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on pages 18 to 19 of this annual report respectively.

CHAIRMAN AND CHIEF EXECUTIVE DIRECTOR

Mr. Li Song Xiao is the Chairman of the Board and Mr. Liu Yi is the Chief Executive Officer ("CEO") of the Company. The roles o the Chairman and the CEO are two distinctively separate positions. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. The CEO is responsible for the Group's business development and management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REMUNERATION COMMITTEE

The Remuneration Committee has been established. It currently consists three independent non-executive directors of the Company namely Ms. Nie Mei Sheng, Mr. Zhang Qing Lin and Mr. Gao Ning (as Chairman).

The responsibilities of our Remuneration Committee are:

1. To make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management;

2. To have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management;

3. To review and approve above performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office;

5. To review and approve compensation arrangements relating to dismissal or removal of directors; and

6. To ensure that no director or any of his associates is involved in deciding his own remuneration.

There was no meeting held for the year ended 30 April 2007. Nevertheless, the remuneration packages of the Board for the year ended 30 April 2007 had been reviewed by the Remuneration Committee and approved by the Board by taking into consideration factors such as salaries paid by comparable companies, time commitment, responsibility, market conditions elsewhere in the Group and desirability of performance-based remuneration.

NOMINATION OF DIRECTORS

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.

AUDITORS' REMUNERATION

During the year, the remuneration paid to the Company's auditors, Deloittee Touche Tohmatsu, is set out below:–

	HK$'000
Services rendered	
– audit fee paid for the fiscal year ended 30 April 2007	2,700,000
– non-audit service	
Review on 6-month accounts ended 31 October 2006	2,035,000
Review on 11-month accounts for Issuance of 4,000 Units consisting of US$400,000,000 9.75% Senior Notes due 2014	4,629,000
	9,364,000

During the year, audit fees paid to auditors, CCIF CPA Limited, for the acquisitions of:

– Tianjin Laochengxiang Project (Major and Connected Transaction)	600,000
– Xian Project (Disclosable Transaction)	240,000
– American Rock, Youngman Point and Changsha Projects (Major and Connected Transaction)	1,750,000
	2,590,000

AUDIT COMMITTEE

The Audit Committee has been established. It currently consists of three independent non-executive directors namely Ms. Nie Mei Sheng, Mr. Zhang Qing Lin and Mr. Gao Ning (as Chairman).

The main responsibilities for the Audit Committee are:–

1. To review the accounting principles and practices adopted by the Group;

2. To review the financial reporting process and internal control system of the Group; and

3. To review the Independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors.

There were two Audit Committee meetings held for the year ended 30 April 2007. The following was the attendance record of the Audit Committee meetings held during the year:–

Audit Committee Members	**Number of attendance**
Ms. Nie Mei Sheng	2/2
Mr. Zheng Kuan (Note 1)	1/2
Mr. Zhang Qing Lin (Note 2)	1/2
Mr. Gao Ling (Note 2)	1/2

Notes:

1. Mr. Zheng Kuan resigned on 3 November 2006.

2. Mr. Zhang Qing Lin and Mr. Gao Ling were appointed on 3 November 2006 and 16 April 2007 respectively.

The Audit Committee reviewed the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors for the Board's approval. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 30 April 2007.

The Chairman of the Audit Committee, Mr. Gao Ning, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

ACCOUNTABILITY

The directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flow for the period. In preparing the financial statements for the year ended 30 April 2007, appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants which are pertinent to its operations and relevant to the financial statements on the going concern basis. The Company has received acknowledgements from all directors of their responsibility for preparing the financial statements. It is the responsibility of the auditors to form an independent opinion, based on their audit, on these financial statements and to report their opinion to the members of the Company, as a body, and for no other purpose. The auditors do not assume responsibilities toward or accept liability to any other person for the contents of this report.

INTERNAL CONTROLS

The Board has, through the Audit Committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with all shareholders. Extensive information on the Company's activities is provided in the annual and interim reports, which are sent to shareholders. The Company's annual general meeting is a valuable forum for the board to communicate directly with the shareholders. The Chairman of the board as well as Chairman of the Audit Committee and Remuneration Committee are present to answer shareholders' questions. Details of some transactions undertaken by the Group are also disclosed on a timely manner to shareholders through press announcements to facilitate shareholders' understanding of the Group's activities.

Deloitte.
德勤

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Hong Kong

TO THE MEMBERS OF NEO-CHINA GROUP (HOLDINGS) LIMITED
中新集團(控股)有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Neo-China Group (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 129, which comprise the consolidated balance sheet as at 30 April 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, Section 90 of the Bermuda Company Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 April 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August, 2007

Consolidated Income Statement

For the year ended 30 April 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	6	**2,779,845**	671,140
Cost of sales	7	**(2,438,229)**	(610,572)
Gross profit		**341,616**	60,568
Other income	8	**72,657**	42,078
Change in fair value of derivative financial instruments	33	**436**	–
Change in fair value of investment properties	17	**214,700**	–
Fair value gain on transfer of properties held for sale to investment properties	17	**323,083**	–
Gain on disposal of subsidiaries	39	**283,247**	125,018
Impairment loss on assets classified as held for sale	26	**(20,000)**	–
Administrative expenses		**(197,145)**	(54,725)
Selling expenses		**(90,604)**	(44,606)
Finance costs	9	**(81,402)**	(10,774)
Share of losses of associates	18	**(5,258)**	(8,579)
Profit before taxation		**841,330**	108,980
Income tax expense	10	**(23,090)**	(14,752)
Profit for the year	11	**818,240**	94,228
Attributable to:			
Equity holders of the Company		**833,319**	104,663
Minority interests		**(15,079)**	(10,435)
		818,240	94,228
Dividends	14	**96,156**	91,895
Earnings per share	15		
– Basic		**14.67 HK cents**	3.78 HK cents
– Diluted		**13.18 HK cents**	3.50 HK cents

Consolidated Balance Sheet

At 30 April 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	16	**137,933**	6,698
Investment properties	17	**1,475,834**	–
Interests in associates	18	**–**	117,375
Loan to an associate	18	**–**	483,735
Long-term receivable	19	**–**	272,661
Available-for-sale investments	20	**–**	9,471
Deposits for acquisition of subsidiaries	21	**255,170**	185,675
Derivative financial instrument	33	**20,000**	–
Deferred tax assets	34	**15,739**	–
Pledged bank deposits	22	**94,225**	77,049
		1,998,901	1,152,664
Current assets			
Properties held for sale	23	**375,493**	25,721
Properties under development	23	**8,299,508**	1,923,255
Advances to suppliers		**690,612**	467,452
Trade and other receivables and prepayments	24	**872,336**	292,363
Amount due from an associate	18	**–**	22,248
Tax recoverable		**123,907**	46,306
Available-for-sale investments	20	**90,900**	–
Bank balances and cash	25	**1,411,472**	315,664
		11,864,228	3,093,009
Assets classified as held for sale	26	**281,002**	–
		12,145,230	3,093,009
Current liabilities			
Accruals and other payables	27	**1,239,112**	459,010
Presale receipts from customers	28	**1,921,783**	1,587,456
Amounts due to related companies	29	**214,379**	5,567
Amount due to a shareholder	30	**20,412**	1,678
Amounts due to minority shareholders	30	**53,081**	–
Dividend payable		**9**	23,121
Tax payable		**201,224**	141,967
Secured bank borrowings – due within one year	31	**671,700**	16,750
Loan payables	32	**170,422**	65,972
Convertible notes	33	**–**	99,307
		4,492,122	2,400,828
Liabilities directly associated with assets classified as held for sale	26	**39,035**	–
		4,531,157	2,400,828
Net current assets		**7,614,073**	692,181
Total assets less current liabilities		**9,612,974**	1,844,845

Consolidated Balance Sheet

At 30 April 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current liabilities			
Secured bank borrowings – due after one year	31	**1,401,880**	244,135
Deferred tax liabilities	34	**934,295**	59,309
Loan payables	32	**458,174**	–
Derivative financial instrument	33	**53,000**	–
Convertible notes	33	**1,254,074**	–
		4,101,423	303,444
		5,511,551	1,541,401
Capital and reserves			
Share capital	35	**68,754**	40,793
Reserves		**4,890,077**	1,350,909
Equity attributable to the equity holders of the Company		**4,958,831**	1,391,702
Minority interests		**552,720**	149,699
		5,511,551	1,541,401

The financial statements on pages 47 to 129 were approved and authorised for issue by the Board of Directors on 28 August, 2007 and are signed on its behalf by:

Li Song Xiao
Chairman

Liu Yi
Director

Consolidated Statement of Changes in Equity

For the year ended 30 April 2007

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note a)	Investment revaluation reserve HK$'000	Convertible note equity reserve HK$'000	Special reserve HK$'000	Revaluation reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 May 2005	24,836	120,407	368,234	–	11,234	–	–	–	140	66,174	591,025	242,047	833,072
Exchange difference arising on translation of foreign operations and net income recognised directly in equity	–	–	–	–	–	–	–	–	4,115	–	4,115	3,633	7,748
Profit for the year	–	–	–	–	–	–	–	–	–	104,663	104,663	(10,435)	94,228
Total recognised income for the year	–	–	–	–	–	–	–	–	4,115	104,663	108,778	(6,802)	101,976
Issue of shares for a private placement	4,967	418,740	–	–	–	–	–	–	–	–	423,707	–	423,707
Issue of shares for the acquisition of subsidiaries	10,990	1,071,079	–	–	–	–	–	–	–	–	1,082,069	–	1,082,069
Transaction costs attributable to issue of shares	–	(5,178)	–	–	–	–	–	–	–	–	(5,178)	–	(5,178)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	81,177	81,177
Acquisition of additional interest in a subsidiary (note b)	–	–	–	–	–	(18,653)	–	–	–	–	(18,653)	(166,723)	(185,376)
Release of special reserve arising on sales of properties	–	–	–	–	–	4,840	–	–	–	–	4,840	–	4,840
Deemed distribution (note 37 and 38 (iii))	–	–	(276,339)	–	–	–	–	–	–	(430,939)	(707,278)	–	(707,278)
Dividend	–	–	(91,895)	–	–	–	–	–	–	–	(91,895)	–	(91,895)
Recognition of share based payments	–	–	–	–	–	–	–	4,287	–	–	4,287	–	4,287
At 30 April 2006 and 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
Gain on fair value change of available-for-sale investments	–	–	–	57,927	–	–	–	–	–	–	57,927	–	57,927
Deferred tax liability on change of available-for-sale investments	–	–	–	(8,080)	–	–	–	–	–	–	(8,080)	–	(8,080)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	119,427	–	119,427	12,523	131,950
Net income recognised directly in equity	–	–	–	49,847	–	–	–	–	119,427	–	169,274	12,523	181,797
Profit for the year	–	–	–	–	–	–	–	–	–	833,319	833,319	(15,079)	818,240
Total recognised income for the year	–	–	–	49,847	–	–	–	–	119,427	833,319	1,002,593	(2,556)	1,000,037

Consolidated Statement of Changes in Equity

For the year ended 30 April 2007

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note a)	Investment revaluation reserve HK$'000	Convertible note equity reserve HK$'000	Special reserve HK$'000	Revaluation reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Issue of shares by conversion of convertible note	4,000	106,541	–	–	(11,234)	–	–	–	–	–	99,307	–	99,307
Issue of shares for a private placement	6,880	771,936	–	–	–	–	–	–	–	–	778,816	–	778,816
Issue of shares for the acquisition of subsidiaries	17,081	1,201,521	–	–	–	–	–	–	–	–	1,218,602	–	1,218,602
Transaction costs attributable to issue of shares	–	(11,108)	–	–	–	–	–	–	–	–	(11,108)	–	(11,108)
Capital contribution by minority shareholders	–	–	–	–	–	–	–	–	–	–	–	45,000	45,000
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	–	–	–	–	–	–	–	–	–	–	–	571,053	571,053
Acquisition of additional interest in subsidiaries (note b)	–	–	–	–	–	(40,528)	–	–	–	–	(40,528)	(210,476)	(251,004)
Revaluation reserve recognised upon acquisition of subsidiaries from interests in associates (note c)	–	–	–	–	–	–	140,228	–	–	–	140,228	–	140,228
Release of revaluation and special reserve arising on sales of properties	–	–	–	–	–	31,272	(52,433)	–	(285)	–	(21,446)	–	(21,446)
Deemed contribution (note 37 and 38 (i))	–	–	331,149	–	–	–	–	–	–	–	331,149	–	331,149
Dividend	–	–	–	–	–	–	–	–	–	(96,156)	(96,156)	–	(96,156)
Recognition of share based payments	–	–	–	–	–	–	–	97,840	–	–	97,840	–	97,840
Transfer to accumulated profits upon forfeiture of share options	–	–	–	–	–	–	–	(957)	–	957	–	–	–
At 30 April 2007	**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**

Notes:

(a) The contributed surplus at 1 May 2005 represents the credit balance arising from the reduction of the nominal value of the issued share capital of the Company from HK$0.10 per share to HK$0.01 per share by way of cancellation of HK$0.09 of the paid up capital on each share of the Company on 31 December 2001. The deemed contribution represents the shortfall of the fair value of the consideration below the fair value of the net assets acquired from acquisition of subsidiaries from the controlling shareholder. The deemed distribution represents the excess of the fair value of consideration over the fair value of the net assets acquired from acquisition of subsidiaries to the controlling shareholder.

(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 minority shareholders. This special reserve will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

(c) Revaluation reserve represents the difference between the fair value, net of deferred tax, and the carrying amount of additional interest in associates being acquired and become subsidiaries of the Group. This revaluation reserve will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

Consolidated Cash Flow Statement

For the year ended 30 April 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**841,330**	108,980
Adjustments for:			
Depreciation of property, plant and equipment		**3,270**	1,295
Finance costs		**81,402**	10,774
Interest income		**(18,845)**	(29,218)
Change in fair value of derivative financial instruments		**(436)**	–
Change in fair value of investment properties		**(214,700)**	–
Fair value gain on transfer of properties held for sale to investment properties		**(323,083)**	–
Gain on disposal of subsidiaries		**(283,247)**	(125,018)
Gain on disposal of available-for-sale investments		**(149)**	–
Dividend income from unlisted investments held for trading		**(14,286)**	–
Release of revaluation reserve arising on sales of properties		**(52,433)**	–
Release of special reserve arising on sales of properties		**31,272**	4,840
Impairment loss on assets classified as held for sale		**20,000**	–
Share based payments		**97,840**	4,287
Share of results of associates		**5,258**	8,579
Operating cash flows before movements in working capital		**173,193**	(15,481)
Increase in properties held for sale		**(345,010)**	(12,061)
Increase in properties under development		**(596,166)**	(213,449)
Decrease (increase) in advances to suppliers		**254,070**	(79,592)
Decrease in trade and other receivables		**194,284**	109,323
Increase (decrease) in accruals and other payables		**324,416**	(298,246)
(Decrease) increase in presale receipts from customers		**(926,857)**	686,295
Cash (used in) from operations		**(922,070)**	176,789
The People's Republic of China (the "PRC") tax paid		**(173,459)**	(61,927)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(1,095,529)**	114,862

Consolidated Cash Flow Statement

For the year ended 30 April 2007

	Notes	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries	37	**(763,032)**	7,577
Acquisition of additional interest in subsidiaries	37(i), 38(i) & (ii)	**(249,900)**	–
Deposits paid for acquisition of subsidiaries		**(230,337)**	(185,675)
Advance to subsidiaries prior to acquisitions		**(222,552)**	–
Acquisition of additional interest in an associate	37(ii)	**(128,713)**	–
Addition in investment properties		**(62,290)**	–
Purchase of property, plant and equipment		**(35,935)**	(3,601)
Increase in pledged bank deposits		**(5,869)**	(28,078)
Advance to related companies		**(2,397)**	(43,720)
Acquisition of an associate		**–**	(116,442)
Proceeds on disposal of available-for-sale investment		**9,620**	–
Dividend income from unlisted investment held for trading		**14,286**	–
Interest received		**18,845**	2,112
Proceeds on disposal of subsidiaries	39	**64,623**	214,997
Repayment from (advance to) an associate		**135,696**	(188,370)
Decrease in long-term receivable		**272,661**	–
NET CASH USED IN INVESTING ACTIVITIES		**(1,185,294)**	(341,200)
FINANCING ACTIVITIES			
New bank borrowings raised		**1,565,651**	244,135
Proceeds on issue of convertible notes		**1,340,000**	–
Proceeds from issue of shares		**778,816**	423,707
Increase in loan payables		**420,110**	–
Advance from minority shareholders		**53,081**	–
Capital injection by minority shareholders		**45,000**	–
Repayment to a shareholder		**(1,488)**	(5,620)
Expenses on issue of shares		**(11,108)**	(5,178)
Expenses on issue of convertible notes		**(48,787)**	–
Interest paid		**(83,014)**	(21,333)
Dividend paid		**(119,268)**	(68,774)
Repayment of bank borrowings		**(492,038)**	(95,913)
NET CASH FROM FINANCING ACTIVITIES		**3,446,955**	471,024
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,166,132**	244,686
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**315,664**	69,648
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**8,905**	1,330
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,490,701**	315,664
Represented by:			
Bank balances and cash		**1,411,472**	315,664
Bank balances and cash included in assets classified as held for sale		**79,229**	–
		1,490,701	315,664

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" to the annual report.

In November 2006, the Company has changed its functional currency from Hong Kong dollars to Renminbi as the Company substantially reduced its activity in trading of investments and as a consequence mainly holds its investments in subsidiaries whose operations are primarily in the PRC.

The consolidated financial statements are presented in Hong Kong dollars for the convenience of the readers.

The Company's principal activity is investment holding and the activities of its subsidiaries and associates are set out in notes 46 and 18, respectively.

2. 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 standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006, 1 March 2006 or 1 May 2006. The adoption of the new HKFRSs had no material effect on how the results for the current and prior accounting years are prepared and presented. Accordingly, no prior period adjustment has been required.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group has not early applied the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendment and interpretations that have been issued but are not yet effective. Except for the application of HKAS23 (revised) "Borrowing costs" that the directors are not yet in a position to determine whether the application will have a significant impact on how the results of operations and financial positions of the Group are prepared and presented, the directors of the Company anticipate that the application of these new and revised standards, amendment or interpretations will have no material impact on the results and the financial positions of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[4]
HK(IFRIC) – INT 11	HKFRS 2 – Company and Treasury Share Transactions[5]
HK(IFRIC) – INT 12	Service Concession Arrangements[6]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 June 2006
4 Effective for annual periods beginning on or after 1 November 2006
5 Effective for annual periods beginning on or after 1 March 2007
6 Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments respectively, which are measured at revalued amounts and fair values, as explained in the accounting policies set out below:

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Business combination under common control

Acquisition of subsidiaries and businesses under common control are accounted for using the purchase method of accounting. The shortfall of the cost of the business combination below the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities are recognised as deemed contribution from the controlling shareholder as an adjustment to special reserve in equity. The excess of the cost of the business combination over the Group's interest in the net fair value of the identified assets, liabilities and contingent liabilities are recognised as deem distribution to the controlling shareholder as an adjustment to special reserve in equity.

Acquisition of additional interest in subsidiaries

Goodwill arising on acquisition of additional interest in subsidiaries represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interest in the subsidiaries. The difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited directly to special reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary now an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant associate.

Non-current assets held for sale

Disposal entities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal entity is available for immediate sale in its present condition.

Disposal entities classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for properties sold and rental income in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When a development property is pre-sold in advance of completion, revenue is only recognised upon completion of the development. Presales receipts from customers prior to this stage are included in current liabilities.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income from operating lease is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Services income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying value.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimate residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions.

Once determined, the functional currency of an entity is not changed unless there is change in those underlying transactions, events and conditions relevant to the entity, in which case the translation procedures applicable to the new functional currency is applied prospectively from the date of the change. All items are translated into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation previously classified in equity are not recognised in profit or loss until the disposal of the operation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 May 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Properties held for sale

Properties held for sale in the ordinary course of business are stated at the lower of cost and net realisable value.

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Cost of property in the course of development comprises costs of land use rights, development costs and borrowing costs capitalised during the development period.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent 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 recognised directly in the consolidated income statement in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loan to an associate, long-term receivable, pledged bank deposits, amount due from an associate, trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets through profit or loss, loans and receivables and held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the consolidated income statement. Any impairment losses on available-for-sale financial assets are recognised in the consolidated income statement. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including other payables, loan payables, secured bank borrowings, amounts due to related companies/a shareholder/minority shareholders and dividend payable are subsequently measured at amortised cost, using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity *(continued)*

Convertible note contains liability and equity components

Convertible note issued by the Group that contains both liability and conversion option components is classified separately into respective liability and equity components on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible note equity reserve until the conversion option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be released to the accumulated profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible note are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to convertible note equity reserve. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial liabilities and equity** (continued)*

Convertible notes contain liability and equity components plus embedded early redemption options

Convertible notes issued by the Group that contain liability and conversion option components and embedded early redemption options that are not closely related to the host contract are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar debts without conversion option and early redemption options. The fair value of embedded early redemption options are determined by appropriate option pricing models. The difference between the proceeds of the issue of the convertible notes, and the fair value assigned to the liability component and the fair value of the embedded early redemption options, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The early redemption options components are measured at fair value with changes in fair value recognised in profit or loss. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes contain liability and equity components plus embedded early redemption options are allocated to the liability and equity components and embedded early redemption options in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to convertible note equity reserve. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method. Transaction costs related to the embedded early redemption options are charged to profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity *(continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

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.

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 fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is 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. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss 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".

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of estimates, if any, is recognised immediately in the consolidated income statement, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including sales charges, borrowing costs and all property development expenditure.

The Group is subject to land appreciation taxes in PRC. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgments are required in estimating the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the cost of sales and related income tax provisions in the period in which such determination is made.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Trade and other receivables

The Group assesses periodically if trade and other receivables have suffered any impairment in accordance with the accounting policy stated in note 3.

The receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. An impairment loss is recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the judgement, management considers detailed procedures which have been in place to monitor this risk. If there is an indication of impairment, the Group estimates impairment losses taking into consideration of the estimation of future cash flows and discounted using the original effective interest rate.

5. FINANCIAL INSTRUMENTS

5a. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, other payables, convertible notes, bank deposits, bank balances, available-for-sale investments, amounts due from (to) related companies/a shareholder/minority shareholders, loan payables and secured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

(i) Cash flow interest rate risk

The Group has variable-rate borrowings and is therefore exposed to cash flow interest rate risk (see note 31 for details of these borrowings).

(ii) Fair value interest rate risk

The Group has fixed-rate borrowings and is therefore exposed to fair value interest rate risk (see note 32 for details of these borrowings).

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

5. FINANCIAL INSTRUMENTS (continued)

5a. Financial risk management objectives and policies (continued)

Price risk

The Group is exposed to equity price risk though its available-for-sale investments. The management monitors the price risk exposure actively by frequently review the fair value of the available-for-sale investments.

Credit risk

As at 30 April 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors which the Group has provided financial guarantees is arising from:

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

– the amount disclosed in Note 41 contingent liabilities.

In order to minimise the credit risk in relation to each class of recognised financial assets as stated in the consolidated financial statements, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover over debts. In addition, the Group reviews the recoverable amount of each individual trade debt and non-trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

In relation to the Group providing guarantees to secure obligations of properties purchasers for repayments, the legal title of the related properties and the customers' deposits are retained by the Group. In this regards, the directors of the Company consider that the Group's credit risk on such guarantees is significantly reduced. Detailed disclosure of these guarantees has been made in note 41.

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

Except for the receivable for disposal of subsidiaries of approximately HK$512,430,000, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with banks with good credit ratings.

5. FINANCIAL INSTRUMENTS (continued)

5b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of optional derivative instruments are determined using option pricing models; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The Directors consider the carrying amounts of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair value.

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS

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

	2007	2006
	HK$'000	HK$'000
Sales of properties	**2,779,642**	669,404
Rental income	**203**	–
Provision of property management consultancy services	**–**	1,736
	2,779,845	671,140

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments

For management purposes, the Group is currently organised into two operating divisions – sales of properties and property investment. The operation of property investment business commenced in August 2006. The Group was primarily engaged in one operating division of sales of properties for the year ended 30 April 2006 and so no business segment analysis is presented for the year ended 30 April 2006.

Segmental information about these business is presented below.

2007

	Sales of properties HK$'000	Property investment HK$'000	Consolidated HK$'000
REVENUE			
External sales	2,779,642	203	2,779,845
RESULT			
Segment result	520,054	208,737	728,791
Unallocated corporate expenses			(128,755)
Other income			64,271
Change in fair value of derivative financial instruments			436
Gain on disposal of subsidiaries			283,247
Impairment loss on assets classified as held for sale			(20,000)
Finance costs			(81,402)
Share of losses of associates			(5,258)
Profit before taxation			841,330
Income tax expense			(23,090)
Profit for the year			818,240

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

BALANCE SHEET

	Sales of properties HK$'000	Property investment HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	10,210,885	1,483,296	11,694,181
Derivative financial instrument			20,000
Deferred tax assets			15,739
Tax recoverable			123,907
Available-for-sale investments			90,900
Pledged bank deposits			94,225
Bank balances and cash			1,411,472
Other unallocated corporate assets			693,707
Consolidated total assets			14,144,131
LIABILITIES			
Segment liabilities	3,133,869	172,669	3,306,538
Tax payable			201,224
Secured bank borrowings			2,073,580
Convertible notes			1,254,074
Deferred tax liabilities			934,295
Derivative financial instrument			53,000
Other unallocated corporate liabilities			809,869
Consolidated total liabilities			8,632,580

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

OTHER INFORMATION

	Sales of properties HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions				
Acquisition of subsidiaries	7,767	560,924	90,000	658,691
Other additions	9,055	62,366	26,804	98,225
Depreciation	2,501	740	471	3,712
Fair value gain on transfer of properties held for sale to investment properties	323,083	–	–	323,083
Change in fair value of investment properties	–	214,700	–	214,700
Gain on disposal of a subsidiary	283,247	–	–	283,247

Geographical segments

Over 90% of the activities of the Group for the year ended 30 April 2007 and 30 April 2006 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.

7. COST OF SALES

Cost of sales included land appreciation tax in the PRC of approximately HK$200,613,000 (2006: HK$4,124,000).

8. OTHER INCOME

	2007 HK$'000	2006 HK$'000
Interest income on:		
Bank deposits	**6,749**	2,112
Loan to an associate	**5,494**	24,660
Other loans	**6,602**	2,446
Dividend income from unlisted investments held for trading	**14,286**	–
Exchange gain on convertible notes	**24,291**	–
Other net exchange gain	**14,394**	6,449
PRC government subsidies	**545**	5,696
Gain on disposal of available-for-sale investments	**149**	–
Others	**147**	715
	72,657	42,078

9. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**88,842**	21,333
Amount due to a related company	**5,770**	–
Effective interest expense on convertible notes	**96,007**	6,393
Interest expense on loan payables	**37,712**	4,381
	228,331	32,107
Less: amount capitalised under properties under development	**(146,929)**	(21,333)
	81,402	10,774

Borrowing costs capitalised during the year arose on the borrowing pool and are calculated by applying a capitalisation rate of 7.48% (2006: 5.94%) to expenditure on qualifying assets.

10. INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000
The income tax expense comprises:		
Current tax – PRC enterprise income tax	**171,678**	29,083
Deferred taxation		
– current period	**(24,915)**	(14,331)
– attributed to a change in tax rate	**(123,673)**	–
	(148,588)	(14,331)
	23,090	14,752

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 enterprise income tax on their taxable income at the rate of 33%. A subsidiary established in Shenzhen Special Administrative Region in the PRC is entitled to a preferential rate of 15%.

During the 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 credit of HK$123,673,000 has been recognised in the consolidated income statement for the year.

10. INCOME TAX EXPENSE (continued)

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

	2007	2006
	HK$'000	HK$'000
Profit before taxation	**841,330**	108,980
Tax charge at PRC income tax rate of 33%	**277,639**	35,963
Tax effect of share of results of associates	**1,735**	2,831
Tax effect of expenses not deductible for tax purposes	**68,030**	12,800
Tax effect of income not taxable for tax purposes	**(109,524)**	(43,059)
Tax effect of tax loss not recognised	**11,024**	8,436
Tax effect of temporary difference not recognised	**17,784**	–
Utilisation of tax loss previously not recognised	**(6,280)**	(293)
Income tax on concessionary rate	**(113,415)**	–
Decrease in deferred tax liability resulting from decrease in applicable tax rate	**(123,673)**	–
Others	**(230)**	(1,926)
Income tax expense for the year	**23,090**	14,752

11. PROFIT FOR THE YEAR

	2007 HK$'000	2006 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration		
– current year	**3,031**	2,021
– underprovision in prior year	**100**	13
	3,131	2,034
Staff costs, including directors' emoluments		
– capitalised under properties under development	**10,081**	3,902
– included in administrative expenses	**28,899**	14,719
	38,980	18,621
Share based payments	**97,840**	4,287
Retirement benefit scheme contributions	**1,571**	707
Total staff costs	**138,391**	23,615
Depreciation of property, plant and equipment	**3,712**	1,396
Less: capitalised in property under development	**(442)**	(101)
	3,270	1,295
Cost of properties held for sale/properties under development recognised as an expense	**2,237,616**	610,572

12. DIRECTORS' EMOLUMENTS

Fees and other emoluments paid or payable to each of the 12 (2006: 9) directors for the year ended 30 April 2007 and 2006 were as follows:

	Year ended 30 April 2007												
	Li Song Xiao	**Liu Yi**	**Niu Xiao Rong**	**Yuan Kun**	**Song Xuan**	**Liu Yan**	**Zhang Huai An**	**Nie Mei Sheng**	**Wang Shi Yong**	**Zheng Kuan**	**Zhang Qing Lin**	**Gao Ling**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Fees	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other emoluments													
Salaries and other benefits	**2,028**	**1,420**	**1,100**	**900**	**–**	**770**	**–**	**–**	**–**	**–**	**–**	**–**	**6,218**
Contributions to retirement benefit schemes	**4**	**4**	**4**	**4**	**–**	**4**	**–**	**–**	**–**	**–**	**–**	**–**	**20**
Share based payments	**262**	**6,511**	**6,511**	**4,108**	**1,395**	**10,736**	**–**	**–**	**–**	**–**	**–**	**–**	**29,523**
Total emoluments	**2,294**	**7,935**	**7,615**	**5,012**	**1,395**	**11,510**	**–**	**–**	**–**	**–**	**–**	**–**	**35,761**

	Year ended 30 April 2006									
	Li Song Xiao	Liu Yi	Niu Xiao Rong	Yuan Kun	Song Xuan	Zhang Huai An	Nie Mei Sheng	Wang Shi Yong	Zheng Kuan	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	–	–	–	–	–	–	–	–	–	–
Other emoluments										
Salaries and other benefits	650	1,250	962	750	962	962	–	–	–	5,536
Contributions to retirement benefit schemes	19	19	19	19	19	19	–	–	–	114
Share based payments	149	798	798	399	798	798	–	–	–	3,740
Total emoluments	818	2,067	1,779	1,168	1,779	1,779	–	–	–	9,390

No directors waived any emoluments for the years ended 30 April 2007 and 2006.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2006: five) were directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining three (2006: nil) individuals were as follows:

	2007 HK$'000	2006 HK$'000
Salary and other benefits	**684**	–
Contributions to retirement benefit schemes	**11**	–
Share-based payment	**39,070**	–
	39,765	–

Their emoluments were within the following bands:

	2007 No. of employees	2006 No. of employees
HK$12,500,001 to HK$13,000,000	**1**	–
HK$13,500,001 to HK$14,000,000	**2**	–

14. DIVIDENDS

	2007 **HK$'000**	2006 HK$'000
Dividends recognised as distributions during the year:		
2007 Interim, paid – HK1.5 cents (2006: HK1.5 cents) per ordinary share	**96,156**	37,255
2006 Final, paid – Nil (2005: HK2.2 cents) per ordinary share	**–**	54,640
	96,156	91,895

The final dividend of HK1.2 cents (2006: nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

Pursuant to the sales and purchase agreements for the acquisition of Lucky Merit Development Limited ("Lucky Merit") and New Direction Development Limited ("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 (see note 37 and 38 (iii)) during the year ended 30 April 2006.

15. 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:

	2007 **HK$'000**	2006 HK$'000
Earnings:		
Earnings for the purposes of basic earnings per share	**833,319**	104,663
Effect of dilutive potential ordinary shares in respect of Convertible Note 2011 and Convertible Note 2005	**19,968**	6,393
Earnings for the purposes of diluted earnings per share	**853,287**	111,056
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**5,679,325,194**	2,770,710,769
Effect of dilutive potential ordinary shares on		
Convertible Note 2011 and Convertible Note 2005	**791,552,730**	400,000,000
Options	**3,600,122**	316,804
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,474,478,046**	3,171,027,573

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 May 2005	2,184	3,027	3,394	–	–	8,605
Exchange adjustments	9	33	48	–	–	90
Acquired on acquisition of subsidiaries (note 37)	194	–	41	–	–	235
Additions	207	424	2,970	–	–	3,601
At 30 April 2006 and 1 May 2006	2,594	3,484	6,453	–	–	12,531
Exchange adjustments	60	191	462	17	1,339	2,069
Acquired on acquisition of subsidiaries (note 37)	2,166	854	4,062	685	90,000	97,767
Additions	634	3,855	9,258	297	21,891	35,935
Disposal of a subsidiary	(374)	–	(258)	–	–	(632)
At 30 April 2007	**5,080**	**8,384**	**19,977**	**999**	**113,230**	**147,670**
DEPRECIATION						
At 1 May 2005	1,770	1,572	1,075	–	–	4,417
Exchange adjustments	1	2	17	–	–	20
Provided for the year	135	335	926	–	–	1,396
At 30 April 2006 and 1 May 2006	1,906	1,909	2,018	–	–	5,833
Exchange adjustments	10	57	141	6	–	214
Provided for the year	293	960	2,168	291	–	3,712
Eliminated on disposal of a subsidiary	(12)	–	(10)	–	–	(22)
At 30 April 2007	**2,197**	**2,926**	**4,317**	**297**	**–**	**9,737**
CARRYING VALUES						
At 30 April 2007	**2,883**	**5,458**	**15,660**	**702**	**113,230**	**137,933**
At 30 April 2006	688	1,575	4,435	–	–	6,698

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and fixtures	20% – 33⅓%
Computer and office equipment	33⅓%
Motor vehicles	12½% – 20%
Leasehold improvement	20%

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 30 April 2006 and 1 May 2006	–
Exchange adjustments	18,079
Additions	62,290
Acquired on acquisition of subsidiaries (note 37)	560,924
Transfer from properties held for sale	619,841
Increase in fair value recognised in consolidated income statement	214,700
At 30 April 2007	**1,475,834**

During the year, properties held for sale with carrying amount of approximately HK$296,758,000 were transferred from properties held for sale to investment properties as the management had changed the intention of use of the properties upon entering into various operating leases with tenants. The properties were fair-valued by external valuers, Savills Valuations and Professional Services Limited, a firm of qualified professional valuers at the date of transfer. The resulting increase in fair value of approximately HK$323,083,000 has been recognised directly in the consolidated income statement.

The fair value of the Company's investment property at 30 April 2007 has been arrived at on the basis of a valuation carried out on that date by Savills Valuation and Professional Service Limited, a firm of qualified professional valuers. The director of Savills Valuation and Professional Service Limited who carries out the valuation is a registered professional surveyor, and has appropriate qualifications and recent experiences in the valuation of similar properties in the PRC. The valuation, which conforms to the Valuation Standards on Properties (First Edition January 2005) published by the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of recent transaction prices for similar properties.

The Group's investment properties are all situated in the PRC and are held under a medium-term lease. They are rented out under operating leases to earn rentals or for capital appreciation purpose.

18. INTERESTS IN ASSOCIATES

	2007	2006
	HK$'000	HK$'000
Cost of investments in unlisted associates	–	125,404
Share of post-acquisition results and reserves, net of dividends received	–	(8,029)
	–	117,375

During the year, the Group acquired additional equity interest in the associates, and they became subsidiaries of the Group. Details of acquisitions have been set out in note 37(i) & (ii).

The summarised financial information in respect of the Group's associates is set out below:

	2007	2006
	HK$'000	HK$'000
Total assets	–	2,091,060
Total liabilities	–	(1,601,734)
Net assets	–	489,326
Group's share of net assets of associates	–	117,375
Revenue	–	–
Loss for the year	**(14,184)**	(24,678)
Group's share of loss of associates for the year	**(5,258)**	(8,579)

The Group's entitlement to share in profits of its associates is in proportion to its ownership interest.

18. INTERESTS IN ASSOCIATES (continued)

For the year ended 30 April 2006

On 31 March 2006, the Group entered into an agreement with an independent third party for the acquisition of 30% equity interest in Chongqing China Enterprises, a company established in the PRC and engaged in property development business in Chongqing, the PRC, for a total consideration of approximately HK$173,038,000 in which HK$116,442,000 is for the acquisition of 20% equity interest. On 3 April 2006, the registration of transfer in the 20% equity interest to the Group in Chongqing China Enterprises has been completed. Upon the transfer of the 20% equity interest to the Group, Chongqing China Enterprises became an associate of the Group as the Group has the power to appoint directors in Chongqing China Enterprises and can exercise significant influence.

The remaining 10% equity interest in Chongqing China Enterprises will be transferred to the Group upon the completion of the further acquisition of the remaining 70% equity interest in Chongqing China Enterprises. The consideration of the remaining 10% equity interest is approximately HK$59,900,000. The transfer of the remaining 10% equity interest Chongqing China Enterprises has been completed on 31 August 2006, after the Group completed the acquisition of 70% equity interest in Chongqing China Enterprises at 30 June 2006 (note 37(i)).

Particulars of the Group's associates during the year and at 30 April 2006 were set out below:

Name	Place of incorporation and operation	Particulars of registered capital	Class of share held	Effective percentage of registered capital held by the Group	Principal activities
北京新松置地投資顧問有限公司 ("Beijing New Shine Land Investment")	PRC	RMB30,000,000	Registered capital	25%	Investment holding
北京市御水苑房地產開發有限責任公司 ("Beijing Yu Shui Yuan")	PRC	RMB20,000,000	Registered capital	30%*	Development and sale of properties in Beijing
重慶中華企業房地產發展有限公司 ("Chongqing China Enterprises")	PRC	RMB50,000,000	Registered capital	20%	Development and sale of properties in Chongqing

* Beijing Yu Shui Yuan was 80% owned by Beijing New Shine Land and 10% owned by the Group directly.

18. INTERESTS IN ASSOCIATES (continued)

Loan to an associate

The loan was lent to Beijing New Shine Land Investment which was then an associate of the Group, for development of a property project in Beijing, the PRC. Development of the property project has been commenced and is expected to be completed in 2008.

The loan was secured by the 80% equity interest in Beijing Yu Shui Yuan held by Beijing New Shine Land. The effective interest of the loan was 8.28% per annum and repayable upon completion of the property project.

Amount due from an associate

The amount at 30 April 2006 was unsecured, non-interest bearing and repayable upon request.

19. LONG-TERM RECEIVABLE

The amount represented an advance to a third party plus interest receivable. The amount was secured by certain properties of the borrower, bearing effective interest at 6.03% per annum in the PRC and had been fully settled in July 2006.

20. AVAILABLE-FOR-SALE INVESTMENTS

As at 30 April 2007, the available-for-sale investment represents an investment in an unlisted equity security. It was measured at fair value with reference to current market transaction.

As at 30 April 2006, the available-for-sale investment represented an investment in an unlisted equity security in the PRC. It was measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates was so significant that the directors were of the opinion that the fair value cannot be measured reliably.

21. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

The amounts represent deposits paid for acquisitions of certain subsidiaries, the acquisitions of which are subject to certain conditions which are not yet satisfied at the balance sheet date.

22. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure long-term bank borrowings and long-term mortgage loans granted by banks to the purchasers of the pre-sold properties and are therefore classified as non-current assets. The pledged deposits in relation to secure long-term mortgage loans grant to properties purchasers will be released upon the transfer of the properties titles to the respective purchasers.

The deposits carry interest rates at respective bank saving deposits ranged from 0.72% to 0.79% for both years.

23. PROPERTIES HELD FOR SALE/PROPERTIES UNDER DEVELOPMENT

The properties held for sale/properties under development are carried at cost. Properties under development of HK$6,105,928,000 (2006: HK$760,700,000) is not expected to be realised within twelve months from the balance sheet date.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	2007	2006
	HK$'000	HK$'000
Trade receivables (note a)	**46,346**	9,820
Loan receivable (note b)	**–**	77,690
Receivable for disposal of subsidiaries (note c)	**512,430**	–
Other tax recoverable	**51,994**	89,213
Deferred sales commission	**122,741**	20,357
Deposits paid for acquisition of properties under development	**78,287**	65,077
Other receivables, deposits and prepayments	**60,538**	30,206
	872,336	292,363

Notes:

(a) The following is an aged analysis of trade receivables as at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
0 – 90 days	**24,080**	4,948
90 – 180 days	**22,266**	–
Over 180 days	**–**	4,872
	46,346	9,820

The Group allows a credit period of 90 days to the purchasers for properties on the price differences from contracted area to actual area for properties sold.

(b) The loan receivable represented is a loan to a third party of US$10,000,000 (equivalent to approximately HK$77,690,000). The loan is unsecured, bearing effective interest at 9.00% per annum and had been fully repaid in May 2006.

(c) The receivable from disposal of subsidiaries is secured by shares of the disposed subsidiary and is interest-free and receivable within one year from the balance sheet date (note 39).

25. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. All bank saving deposit balances are interest bearing at commercial interest rates, and the effective interest rates of the Group's bank balances ranged from 0.72% (2006: 0.72%) to 2.50% (2006: 0.79%).

26. NON-CURRENT ASSETS HELD FOR SALE

The Group entered into a sale and purchase agreement on 26 March 2007 with an independent third party for the disposal of the entire equity interest in 天津中新名仕房地產開發有限公司 ("Tianjin Zhongxin Mingshi"). The transaction has not been completed up to the date of report and is subjected to the approval of relevant authority in the PRC. The assets and liabilities attributable to Tianjin Zhongxin Mingshi, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet. The operations are included in the Group's sales of property for segment reporting purposes (see note 6).

The proceeds of disposal are expected to be less than the net carrying amount of the relevant assets and liabilities and, accordingly, an impairment loss of approximately HK$20,000,000 has been recognised.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	HK$'000
Properties under development	201,773
Bank balances and cash	79,229
Total assets	281,002
Deferred tax liabilities associated with these assets	(39,035)
	241,967

27. ACCRUALS AND OTHER PAYABLES

	2007 HK$'000	2006 HK$'000
Accruals for properties under development	**590,041**	397,298
Other tax payables (note a)	**248,217**	45,567
Payables for acquisition of subsidiaries (note b)	**109,876**	–
Deposit received for disposal of a subsidiary (note 26)	**61,562**	–
Accrued sales commission	**101,247**	–
Other payables and accruals	**128,169**	16,145
	1,239,112	459,010

Note: (a) Included in other tax payables is land appreciation tax payable in the PRC of HK$206,272,000 (2006: nil).

(b) The payables for acquisition of subsidiaries are unsecured, interest-free and repayable within one year from the balance sheet date.

28. PRESALE RECEIPTS FROM CUSTOMERS

Included in the presale receipts from customers is an amount of HK$273,063,000 (2006: nil) which is not expected to be realised with twelve months from the balance sheet date.

29. 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.

30. AMOUNTS DUE TO A SHAREHOLDER/MINORITY SHAREHOLDERS

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

31. SECURED BANK BORROWINGS

	2007 HK$'000	2006 HK$'000
Secured bank loans repayable within a period of:		
Less than one year	**221,700**	16,750
More than one year but within two years	**764,080**	244,135
More than two years but within five years	**1,087,800**	–
	2,073,580	260,885
Less: Amount due within one year	**(221,700)**	(16,750)
Reclassify to current due to breach of financial covenants	**(450,000)**	–
Amount due after one year	**1,401,880**	244,135

The bank loans are variable-rate borrowings which carry commercial interest rates in the PRC.

Except for a borrowings of HK$500,000,000 (2006: HK$nil) denominated in Hong Kong dollars, all the remaining borrowings are denominated in Renminbi.

The effective interest rates (being the People's Bank of China's lending rate) on the Group's borrowings are ranged from 6.03% to 6.80% (2006: 5.94%) per annum.

The bank borrowings are secured by:

(i) certain properties under development and investment properties of the Group with a carrying amount amounting to approximately HK$2,137,157,000 (2006: HK$331,258,000) and HK$1,475,834,000 (2006: nil) respectively located in the PRC;

(ii) the pledge of certain of the Group's bank deposits amounting to approximately HK$94,225,000 (2006: HK$77,049,000) have been pledged to secure long-term borrowings and are therefore classified as non-current assets.

31. SECURED BANK BORROWINGS (continued)

Bank borrowing of HK$500,000,000 which is originally repayable after one year has been reclassified under current liabilities as the Company had breached certain financial covenant and consequently the lender might demand immediate payment. On discovery of the breach, the directors informed the bank and commenced a renegotiation of the terms of the borrowing with the relevant bank. As at 30 April 2007, those negotiations had not been concluded. 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. The negotiation process has been completed subsequent to the balance sheet date and the bank has issued consent to remove the financial undertakings.

32. LOAN PAYABLES

For the year ended 30 April 2007

The loan payables include a capital injection of 26.3% registered capital in a group entity at a nominal amount approximately HK$252,500,000 from an independent third party with a fixed dividend at 6.5% per annum ("Loan Payable A"), a capital injection of 30% registered capital in a group entity at a nominal amount approximately HK$60,600,000 plus a loan from an independent third party ("Loan Payable B") and a loan issued as part of the consideration for the acquisition of 西安滻灞建設開發有限公司 ("Xian Chan Ba Construction") ("Loan Payable Xian").

According to an agreement in May 2006 regarding Loan Payable A, the independent third party has no right to share further profit of the group entity other than the 6.5% guaranteed annual dividend. 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$291,890,000 inclusive of the 6.5% annual dividend. The effective interest rate of Loan Payable A is 7.27%. The carrying amount of the loan payable at 30 April 2007 was approximately HK$271,481,000 (2006: nil).

32. LOAN PAYABLES (continued)

For the year ended 30 April 2007 (continued)

According to an agreement in February 2007 regarding Loan Payable B, the independent 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 independent third party the 30% registered capital and repay the loan in January 2009 in accordance with the contractual agreement at a price of approximately HK$404,000,000 plus an amount which will be determined based on the pre-sales price of the properties developed by the group entity. At 30 April 2007, approximately HK$171,811,000 out of Loan Payable B has been received from the lender. The effective interest rate of Loan Payable B is 14.47%. The carrying amount of the loan payable at 30 April 2007 was approximately HK$186,693,000 (2006: nil).

The Group completed the acquisition of 54.5% equity interest in Xian Chen Ba Construction on 28 February 2007. In relation to this acquisition, the Group issued Loan Payable Xian, which is with a nominal amount of RMB170,000,000, approximately HK$171,700,000, at an annual interest rate of 3.88% with a term of six months to the vendors in association with this acquisition. The effective interest rate of Loan Payable Xian is 5.14%. The carrying amount of the loan payable at 30 April 2007 was approximately HK$170,422,000.

For the year ended 30 April 2006

The loan payable at a nominal amount of HK$69,065,000 is unsecured, non-interest bearing and will not be repayable before the completion of the development of a property project in Shenzhen, the PRC, which is expected to be completed in late 2006.

The fair value of the Group's loan payable at the balance sheet date, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at 30 April 2006 approximates to the carrying amount of the loan payable.

The effective interest rate on the loan payable at 30 April 2006 is 6.89% per annum.

33. CONVERTIBLE NOTES

At 30 April 2007

On 12 June 2006, the Company issued zero coupon convertible notes at par with a principal amount of HK$1,340,000,000 ("Convertible Note 2011"). Convertible Note 2011 will be redeemed at 135.7% of the principal amount on 11 May 2011 ("Maturity Date"). The Convertible Note 2011 is listed on the Stock Exchange.

The holders of Convertible Note 2011 have the right to convert all or any portion of Convertible Note 2011 into shares of the Company at an initial conversion price of HK$1.5048 per share, subject to anti-dilutive adjustment. The conversion right can be exercised at any time on or after 60 days from the date on which Convertible Note 2011 is issued up to, and including, the close of business on the business day seven days prior to the Maturity Date.

On 12 June 2009, the holders of Convertible Note 2011 can put back 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 derivate financial instrument. The fair value of the Redemption Right of the Holder at 12 June 2006 and 30 April 2007 was HK$33,436,000 and HK$53,000,000, respectively. Accordingly, a change in fair value of derivative financial instrument of approximately HK$19,564,000 is debited to the consolidated income statement for the year.

At any time after 12 June 2009 but not less than seven business days prior to the Maturity Date, the Company may redeem Convertible Note 2011 in whole but not in part at a 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 is insignificant at 12 June 2006. The fair value of the Redemption Right of the Issuer at 30 April 2007 is HK$20,000,000. Accordingly, a change in fair value of derivative financial instrument of HK$20,000,000 is credited to the income statement for the year.

In the event of the Company's shares cease to be listed or admitted to trading on the Stock Exchange, each holder of the 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 12 June 2006 and 30 April 2007.

33. CONVERTIBLE NOTES (continued)

At 30 April 2007 (continued)

Convertible Note 2011 contains liability element, early redemption rights, 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%.

For the year ended 30 April 2006

On 24 January 2005, the Company issued a convertible note at par with a principal amount of HK$210,000,000 ("Convertible Note 2005") to Mr. Wang Yan as the consideration for the acquisition of Top Fair Limited ("Top Fair").

The convertible note bears interest at 1% per annum and is redeemable at par on 28 February 2007. The holder of the convertible note has the rights to convert all or any portion of the convertible note into shares of the Company at an initial conversion price of HK$0.26 per share, subject to anti-dilutive adjustment. The conversion rights can be exercised at any time from the date of issue until the repayment of the convertible note, provided that the public float of the Company will not be less than 25% immediately after such conversion. For the year ended 30 April 2005, the holder of the convertible note converted part of the convertible note with principal amount of HK$106,000,000 into shares of the Company. The remaining Convertible Note 2005 was converted into 400,000,000 shares of the Company on 2 May 2006.

The convertible note contains two components, liability and equity elements. Upon the application of HKAS 32 "Financial Instruments: Disclosure and Presentation", the convertible note is split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity heading "convertible note equity reserve". The effective interest rate of the liability component is 6.89%.

34. DEFERRED TAX LIABILITIES (ASSETS)

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

	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 2005	–	–	–	–	–	–	–
Acquisition of subsidiaries	–	–	–	73,640	–	–	73,640
Credit to consolidated income statement	–	–	–	(14,331)	–	–	(14,331)
At 30 April 2006 and 1 May 2006	–	–	–	59,309	–	–	59,309
Exchange differences	–	–	1,039	15,047	(227)	(310)	15,549
Acquisition of subsidiaries	–	–	69,091	989,914	(22,690)	–	1,036,315
Effect of change in tax rate	–	–	(16,749)	(106,924)	–	–	(123,673)
Charge to equity for the year	31,830	8,080	–	–	–	–	39,910
(Credit) charge to consolidated income statement for the year	(3,763)	–	96,149	(101,872)	–	(15,429)	(24,915)
Disposal of a subsidiary	–	–	–	(44,904)	–	–	(44,904)
Reclassify to liabilities associated with assets classified as held for sale	–	–	–	(39,035)	–	–	(39,035)
At 30 April 2007	**28,067**	**8,080**	**149,530**	**771,535**	**(22,917)**	**(15,739)**	**918,556**

34. DEFERRED TAX LIABILITIES (ASSETS) (Continued)

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:

	2007	2006
	HK$'000	HK$'000
Deferred tax assets	**(15,739)**	–
Deferred tax liabilities	**934,295**	59,309
	918,556	59,309

At 30 April 2007, the Group had unused tax losses of HK$146,214,000 (2006: HK$131,838,000) available for offset against future profits. In addition, at 30 April 2007, the Group had other deductible temporary differences of HK$54,118,000 (2006: HK$229,000). 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 year, unrecognised tax losses of approximately HK$19,030,000 has been utilised to offset assessable profit for the year.

35. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Authorised:		
Shares of HK$0.01 per share at 30 April 2006 and 30 April 2007	40,000,000,000	400,000
Issued and fully paid:		
Shares of HK$0.01 per share at 30 April 2005	2,483,632,950	24,836
Issue of shares for a private placement (note a)	496,720,000	4,967
Issue of shares for the acquisition of Lucky Merit (note b)	499,221,153	4,992
Issued of shares for the acquisition of New Direction (note c)	599,765,384	5,998
Shares of HK$0.01 per share at 30 April 2006 and at 1 May 2006	4,079,339,487	40,793
Issue of shares for a private placement (note d)	688,000,000	6,880
Issue of shares by conversion of Convertible Note 2005 (note 33)	400,000,000	4,000
Issue of shares for acquisition of subsidiaries (note 37(a)(i) to (iii))	1,708,034,853	17,081
Shares of HK$0.01 per share at 30 April 2007	6,875,374,340	68,754

Notes:

(a) On 10 February 2006, 496,720,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$0.89 per share giving a total consideration of HK$442,081,000. These new shares rank pari passu with other shares in issue in all respects.

(b) On 28 February 2006, 499,221,153 ordinary shares of HK$0.01 each were issued at a price of HK$0.87 per share for a total consideration of approximately HK$434,322,000 for the acquisition of Lucky Merit (note 37).

(c) On 30 March 2006, 599,765,384 ordinary shares of HK$0.01 each were issued at a price of HK$1.08 per share for a total consideration of approximately HK$647,747,000 for the acquisition of New Direction (note 37).

35. SHARE CAPITAL (Continued)

Notes: (Continued)

(d) On 28 November 2006, 688,000,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$1.132 per share giving a total consideration of HK$778,816,000.

The proceeds were used for the acquisition of subsidiaries or other property projects in the PRC and for general working capital of the Group. These new shares rank pari passu with other shares in issue in all respects.

36. SHARE OPTIONS

Pursuant to a special general meeting of the Company held on 12 December 2002, the Company adopted a share option scheme (the "Scheme"). Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of the Company, but in any case must be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

At 30 April 2007, the number of shares of the Company in respect of which options had been granted and remained outstanding under the Scheme of the Company was 570,000,000 (2006: 86,000,000), representing 8.29% (2006: 2.11%) of the shares of the Company in issue at that date.

36. SHARE OPTIONS (Continued)

The following table discloses details of the share options of the Company held by directors and employees and movements in such holdings during the year.

For the year ended 30 April 2007

Grantees	Date of grant	Outstanding at 1 May 2006	Granted during the year	Cancelled during the year	Exercised during the year	Outstanding at 30 April, 2007	Exercisable period	Exercise price per share (subject to anti-dilutive adjustment) HK$
Directors of the Company	4 April 2006 (note a)	75,000,000	–	(16,000,000)	–	59,000,000	4 April 2006 – 3 April 2016	0.90
	17 November 2006 (note b)	–	80,000,000	–	–	80,000,000	17 November 2006 – 22 October 2016	0.93
	14 March 2007 (note c)	–	30,000,000	–	–	30,000,000	14 March 2007 – 6 March 2017	0.98
		75,000,000	110,000,000	(16,000,000)	–	169,000,000		
Other employees of the Group	4 April 2006 (note a)	11,000,000	–	–	–	11,000,000	4 April 2006 – 3 April 2016	0.90
	17 November 2006 (note b)	–	230,000,000	–	–	230,000,000	17 November 2006 – 22 October 2016	0.93
	14 March 2007 (note c)	–	160,000,000	–	–	160,000,000	14 March 2007 – 6 March 2017	0.98
		11,000,000	390,000,000	–	–	401,000,000		
		86,000,000	500,000,000	(16,000,000)	–	570,000,000		
Exercisable at the end of the year						144,000,000		

36. SHARE OPTIONS (Continued)

For the year ended 30 April 2006

Grantees	Date of grant	Outstanding at 1 May 2005	Granted during the year (note a)	Cancelled during the year	Exercised during the year	Outstanding at 30 April, 2006	Exercisable period	Exercise price per share (subject to anti-dilutive adjustment) HK$
Directors of the Company	4 April 2006	–	75,000,000	–	–	75,000,000	4 April 2006 – 3 April 2016	0.90
Other employees of the Group	4 April 2006	–	11,000,000	–	–	11,000,000	4 April 2006 – 3 April 2016	0.90
		–	86,000,000	–	–	86,000,000		
Exercisable at the end of the year						17,200,000		

Notes:

(a) The interests are by virtue of 75,000,000 share options accepted by the directors of the Company and 11,000,000 share options accepted by the employees of the Group on 4 April 2006, would entitle the relevant directors and employees to subscribe for shares in the Company at an exercise price of HK$0.90 per share. The share options are vested and exercisable in whole or in part at the staggered manner within 5 options period, commencing 4 April 2006, 4 April 2007, 4 April 2008, 4 April 2009 and 4 April 2010 respectively and all ending on 3 April 2016. The estimated fair values of the options granted were HK$18,542,000 of which HK$7,428,000 (2006: HK$4,287,000) was charged to the consolidated income statement during the year.

(b) The interests are by virtue of 80,000,000 share options accepted by the directors of the Company and 230,000,000 accepted by the employees of the Group, would entitle the relevant directors and employees to subscribe for shares of the Company at an exercise price of HK$0.93 per share. The share options are vested and exercisable in whole or in part at the staggered manner within 5 options period, commencing 17 November 2006, 17 November 2007, 17 November 2008, 17 November 2009, 17 November 2010 respectively and all ending on 22 October 2016. The estimated fair values of the options granted are HK$170,145,000 of which HK$44,001,000 was charged to the consolidated income statement during the year.

(c) The interests are by virtue of 30,000,000 share options accepted by a director of the Company and 160,000,000 accepted by the employees of the Group, would entitle the relevant director and employees to subscribe for shares of the Company at an exercise price of HK$0.98 per share. The share options are vested and exercisable in whole or in part at the staggered manner within 2 options period, commencing 14 March 2007 and 14 March 2008 and all ending on 6 March 2017. The estimated fair values of the options granted are HK$81,989,000 of which HK$46,411,000 was charged to the consolidated income statement during the year.

36. SHARE OPTIONS (Continued)

For the year ended 30 April 2006 (continued)

Notes: (continued)

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	4 April 2006	17 November 2006	14 March 2007
Closing share price at the date of offer	HK$0.90	HK$1.08	HK$0.99
Exercise price	HK$0.90	HK$0.93	HK$0.98
Expect volatility	40%	50%	50%
Expected life	10 years	4.3 to 8.3 years	4.7 to 5.7 years
Risk-free rate	4.58%	3.8%	4.1%
Expected dividend yield	5%	1.5%	1.1%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

37. ACQUISITION OF SUBSIDIARIES

The Group acquired the following subsidiaries with details below.

For the year ended 30 April 2007

(i) Chongqing China Enterprises

On 30 June 2006, the Group acquired 70% equity interest in Chongqing China Enterprises, a company established in the PRC and engaged in property development in Chongqing, the PRC, at a cash consideration of HK$444,886,000. Prior to the acquisition, the Group held 20% interest in Chongqing China Enterprises and this has been accounted for as interest in an associate. Chongqing China Enterprises then became a 90% owned subsidiary of the Group subsequent to the acquisition. This acquisition has been accounted for by the purchase method of accounting.

On 31 August 2006, the Group completed the acquisition of the remaining 10% equity interest in Chongqing China Enterprises at a cash consideration of HK$59,900,000. This acquisition has been accounted for as acquisition of additional interest in subsidiary and is not included in the table below.

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2007 (continued)

(i) Chongqing China Enterprises (continued)

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

	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
NET ASSETS ACQUIRED			
Property, plant and equipment	1,424	–	1,424
Properties under development	600,759	244,428	845,187
Trade and other receivables and prepayments	692	–	692
Bank balances and cash	68,520	–	68,520
Accruals and other payables	(1,590)	–	(1,590)
Secured bank borrowings	(198,020)	–	(198,020)
Deferred tax liabilities	–	(80,661)	(80,661)
	471,785	163,767	635,552
Minority interests			(63,556)
			571,996
Less: interest in an associate held prior to the acquisition			(119,104)
revaluation reserve on previously held interest			(8,006)
			444,886
Satisfied by:			
Cash consideration paid			(203,472)
Payables for acquisition of a subsidiary			(73,145)
Deposits for acquisition of a subsidiary in prior period			(168,269)
			(444,886)

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2007 (continued)

(ii) Beijing New Shine Land Investment

On 30 June 2006, the Group acquired additional 25% equity interest in Beijing New Shine Land Investment on 30 June 2006 at a cash consideration of HK$128,713,000. Prior to this acquisition, the Group held 25% interest in Beijing New Shine Land Investment and Beijing New Shine Land Investment then became a 50% owned associate.

On 31 August 2006, the Group acquired the remaining 50% equity interest in Beijing New Shine Land Investment at a cash consideration of HK$257,426,000 and Beijing New Shine Land Investment then became a wholly-owned subsidiary of the Group. Beijing New Shine Land Investment owns 80% equity interest in Beijing Yu Shui Yuen, a company established in the PRC and engaged in property development in Beijing, the PRC. This acquisition has been accounted for by the purchase method of accounting.

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2007 (continued)

(ii) ***Beijing New Shine Land Investment*** *(continued)*

Details of the net assets acquired in respect of the acquisition of Beijing New Shine Land Investment at 31 August 2006 are summarized below:

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
NET ASSETS ACQUIRED			
Property, plant and equipment	592	–	592
Properties under development	1,030,224	867,937	1,898,161
Trade and other receivables and prepayments	57,383	–	57,383
Advances to suppliers	400,712	–	400,712
Tax recoverable	46,025	–	46,025
Pledged bank deposits	7,246	–	7,246
Bank balances and cash	127,838	–	127,838
Accruals and other payables	(168,730)	–	(168,730)
Presale receipts from customers	(929,807)	–	(929,807)
Tax payable	(29,272)	–	(29,272)
Amounts due from related companies	35,939	–	35,939
Amount due to group companies	(399,786)	–	(399,786)
Secured bank borrowings	(186,878)	–	(186,878)
Deferred tax liabilities	–	(286,419)	(286,419)
	(8,514)	581,518	573,004
Minority interests			(58,152)
			514,852
Less: interest in associates held prior to the acquisition			(125,204)
revaluation reserve on previously held interest			(132,222)
			257,426
Satisfied by:			
Cash consideration paid			(257,426)

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2007 (continued)

(iii) Lead Mix Limited and DIVO Success Limited

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

Lead Mix directly owns 100% equity interest in Joyful Fortune Limited, Capital Team Investment Limited, Eastern Winway Limited, Reliapoint Limited and Maxsun Limited, which are established in the British Virgin Islands and engaged in investment holding.

Lead Mix indirectly owns 100% equity interest in 天津中新華安房地產開發有限公司, 天津中新信捷房地產開發有限公司, 天津中新濱海房地產開發有限公司, Tianjin Zhongxin Mingshi and 天津中新嘉業房地產開發有限公司 which are established in the PRC and engaged in property development in Tianjin, the PRC.

DIVO Success directly owns 100% of 天津中新華城房地產有限公司 and 天津新潤房地產開發有限公司, which are established in the PRC and engaged in property development in Tianjin, the PRC.

Lead Mix and DIVO Success are acquired from the controlling shareholder. The acquisitions of Lead Mix and DIVO Success give rise to a deemed contribution from the controlling shareholder of HK$305,611,000, represents the shortfall of the fair value of the consideration below the fair value of the net assets acquired.

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

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2007 (continued)

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

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

	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
NET ASSETS ACQUIRED			
Property, plant and equipment	1,963	–	1,963
Investment properties	351,557	209,367	560,924
Properties under development	538,084	793,685	1,331,769
Trade and other receivables and prepayments	92,874	–	92,874
Tax recoverable	4,460	–	4,460
Bank balances and cash	204,897	–	204,897
Accruals and other payables	(48,533)	–	(48,533)
Presale receipts from customers	(247,892)	–	(247,892)
Amounts due to related companies	(149,860)	–	(149,860)
Amounts due to group companies	(8,777)	–	(8,777)
Amount due to a shareholder	(20,222)	–	(20,222)
Secured bank borrowings	(326,733)	–	(326,733)
Deferred tax liabilities	–	(331,007)	(331,007)
	391,818	672,045	1,063,863
Deemed contribution from the controlling shareholder (note b)			(305,611)
			758,252
Satisfied by:			
Equity instruments of the Company (note a(i))			(758,252)

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2007 (continued)

(iv) Xian Chan Ba Construction

During the year, the Group completed the acquisition of 17% equity interest in Xian Chan Ba Construction, a company established in the PRC and engaged in property development in Xian at a total consideration of HK$140,000,000 and further acquired 54.5% equity interest in Xian Chan Ba Construction at a total consideration of RMB781,600,000, satisfied by cash of HK$276,000,000, 340,000,000 shares of the Company and the issuance of Loan Payable Xian with a fair value of HK$169,000,000 (note 32), from independent parties. Xian Chan Ba Construction then became a 71.5% owned subsidiary of the Group. These acquisitions have been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisition of Xian Chan Ba Construction are summarized below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	HK$'000	HK$'000
NET ASSETS ACQUIRED			
Property, plant and equipment	92,228	–	92,228
Properties under development	624,661	969,945	1,594,606
Trade and other receivables and prepayments	1,632	–	1,632
Advances to suppliers	30,700	–	30,700
Bank balances and cash	4,810	–	4,810
Accruals and other payables	(83,728)	–	(83,728)
Amounts due to group companies	(131,500)	–	(131,500)
Deferred tax assets (liabilities)	22,690	(242,487)	(219,797)
	561,493	727,458	1,288,951
Minority interests			(367,351)
			921,600
Satisfied by:			
Cash consideration paid			(380,000)
Payables for acquisition of a subsidiary			(36,000)
Loan Payable Xian (note a(ii))			(169,000)
Equity instruments of the Company (note a(ii))			(336,600)
			(921,600)

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2007 (continued)

(v) 湖南淺水灣湘雅溫泉花園有限公司 ("Hunan Qianshuiwan Shuangya")

On 28 February 2007, the Group completed the acquisition of 67% equity interest in Hunan Qianshuiwan Shuangya, a company established in the PRC and engaged in property development in Changsha, the PRC, at a cash consideration of HK$216,000,000. This acquisition has been accounted for by the purchase method of accounting.

Hunan Qianshuiwan Shuangya is acquired from the controlling shareholder. The acquisition of Hunan Qianshuiwan Shuangya gives rise to a deemed contribution of HK$24,474,000, represents the shortfall of the fair value of the consideration below the fair value of the net assets acquired.

(vi) 中住佳展地產（徐州）有限公司 ("Zhongzhu Jiazhan Real Estate")

On 28 February 2007, the Group acquired 100% equity interest in Zhongzhu Jiazhan Real Estate, a company established in the PRC and engaged in property development in Xuzhou, the PRC, at a cash consideration of HK$150,000,000 plus the issuance of 125,000,000 of the Company's shares (note a (iii)). This acquisition has been accounted for by the purchase method of accounting.

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2007 (continued)

Details of the net assets acquired in respect of the acquisition of Hunan Qianshuiwan Shuangya and Zhongzhu Jiazhan Real Estate are summarized below:

	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
NET ASSETS ACQUIRED			
Property, plant and equipment	1,560	–	1,560
Properties under development	343,796	473,730	817,526
Trade and other receivables and prepayments	7,238	–	7,238
Advances to suppliers	20,000	–	20,000
Bank balances and cash	37,801	–	37,801
Accruals and other payables	(21,761)	–	(21,761)
Amounts due to related companies	(59,000)	–	(59,000)
Amounts due to group companies	(88,715)	–	(88,715)
Deferred tax liabilities	–	(118,431)	(118,431)
	240,919	355,299	596,218
Minority interests			(81,994)
Deemed contribution from the controlling shareholder (note b)			(24,474)
			489,750
Satisfied by:			
Cash consideration paid			(366,000)
Equity instruments of the Company (note a(iii))			(123,750)
			(489,750)

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2007 (continued)

Details of the aggregate net assets acquired in respect of the acquisition of the above subsidiaries are summarised below:

	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
NET ASSETS ACQUIRED			
Property, plant and equipment	97,767	–	97,767
Investment properties	351,557	209,367	560,924
Properties under development	3,137,524	3,349,725	6,487,249
Trade and other receivables and prepayments	159,819	–	159,819
Advances to suppliers	451,412	–	451,412
Tax recoverable	50,485	–	50,485
Pledged bank deposits	7,246	–	7,246
Bank balances and cash	443,866	–	443,866
Accruals and other payables	(324,342)	–	(324,342)
Presale receipts from customers	(1,177,699)	–	(1,177,699)
Tax payable	(29,272)	–	(29,272)
Amounts due to related companies	(172,921)	–	(172,921)
Amounts due to group companies	(628,778)	–	(628,778)
Amount due to a shareholder	(20,222)	–	(20,222)
Secured bank borrowings	(711,631)	–	(711,631)
Deferred tax assets (liabilities)	22,690	(1,059,005)	(1,036,315)
	1,657,501	2,500,087	4,157,588
Minority interests			(571,053)
Deemed contribution from the controlling shareholder (note b)			(330,085)
			3,256,450
Less: interest held prior to the acquisition			
interests in associates			(244,308)
revaluation reserve			(140,228)
			2,871,914
Satisfied by:			
Cash consideration paid			(1,206,898)
Deposit for acquisition of a subsidiary in prior period			(168,269)
Payable for acquisition of subsidiaries			(109,145)
Loan Payable Xian (note a(ii))			(169,000)
Equity instruments of the Company			
– Lead Mix Limited and DIVO Success Limited (note a(i))			(758,252)
– Xian Chan Ba Construction (noted a(ii))			(336,600)
– Zhongzhu Jiazhan Real Estate (note (a(iii))			(123,750)
			(2,871,914)
Net cash outflow arising on acquisition:			
Cash consideration paid			(1,206,898)
Bank balances and cash acquired			443,866
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			(763,032)

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2007 (continued)

The subsidiaries acquired during the year contributed HK$1,011,537,000 to the Group's revenue and profit of HK$255,253,000.

If the acquisitions had been completed on 1 May 2006, total Group's revenue for the year would have been HK$2,779,845,000, and profit for the year would have been HK$803,689,000. The 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 acquisitions been completed on 1 May 2006, nor is it intended to be a projection of future results.

Notes:

(a) (i) Pursuant to the sales and purchase agreements for the acquisition of Lead Mix and DIVO Success, 1,243,034,853 ordinary shares of the Company with par value of HK$0.01 each were issued to the Company's controlling shareholder. The fair values of the shares issued for the acquisition of Lead Mix and DIVO Success amount to approximately HK$758,252,000 determined using the quoted bid price at the date of the acquisition.

(ii) Pursuant to the sales and purchase agreements for the acquisition of Xian Chan Ba Construction, 340,000,000 ordinary shares of the Company with par value of HK$0.01 each and Loan Payable Xian were issued to third party. The fair values of the 340,000,000 shares and Loan Payable Xian at 28 February 2007 issued for the acquisition of Xian Chan Ba Construction are HK$336,600,000 and HK$169,000,000 respectively, which are determined using the quoted bid price and the valuation on Loan Payable Xian is in accordance with determined pricing model based on discount cash flow analysis performed by Knight Frank Hong Kong Limited at the date of the acquisition, respectively.

(iii) Pursuant to the sales and purchase agreements for the acquisition of Zhongzhu Jiazhan Real Estate, 125,000,000 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair values of the shares issued for the acquisition of Zhongzhu Jiazhan amount to approximately HK$123,750,000 determined using the quoted bid price at the date of the acquisition.

(b) Lead Mix, DIVO Success and Hunan Qianshuiwan Shuangya are acquired from the controlling shareholder. The deemed contribution represents the shortfall of the fair value of the consideration below the fair value of the net assets acquired.

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2006

On 30 March 2006, the Company acquired 100% equity interest in New Direction at a consideration of HK$647,747,000 which was settled by the issue of 599,765,384 ordinary shares of the Company (note a). New Direction owns 70% equity interest in 北京新松房地產開發有限公司, a company established in the PRC and engaged in properties development project in Beijing. This acquisition has been accounted for by the purchase method of accounting.

Details of the net assets acquired in respect of the acquisition of New Direction are summarised below:

	2006		
	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	HK$'000	HK$'000
NET ASSETS ACQUIRED			
Plant and equipment	235	–	235
Available-for-sale investment	9,471	–	9,471
Long-term receivable	270,831	–	270,831
Interest in an associate	–	–	–
Properties under development	663,168	223,152	886,320
Trade and other receivables and prepayments	76,731	–	76,731
Advances to suppliers	123,716	–	123,716
Tax recoverable	14,519	–	14,519
Amounts due from related companies	32	–	32
Pledged bank deposits	6,239	–	6,239
Bank balances and cash	7,577	–	7,577
Accruals and other payables	(389,431)	–	(389,431)
Presale receipts from customers	(614,994)	–	(614,994)
Tax payable	(14,519)	–	(14,519)
Amounts due to related companies	(15,237)	–	(15,237)
Secured bank borrowings	(17,259)	–	(17,259)
Deferred tax liabilities	–	(73,640)	(73,640)
	121,079	149,512	270,591
Minority interests			(81,177)
			189,414

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2006 (continued)

	2006		
	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	HK$'000	HK$'000
Represented by:			
Equity instruments of the Company (note a)			647,747
Deemed distribution to the controlling shareholder (note b)			(458,333)
			189,414
Net cash inflow arising on acquisition:			
Cash paid			–
Bank balances and cash acquired			7,577
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries			7,577

The subsidiary acquired during the year ended 30 April 2006 contributed HK$429,418,000 to the Group's revenue and HK$7,855,000 to the Group's profit for that year.

If the acquisition had been completed on 1 May 2005, the group's revenue for 2006 would have been HK$671,140,000, and profit for that year would have been HK$115,736,000. 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 2005, nor is it intended to be a projection of future results.

Note:

(a) Pursuant to the sales and purchase agreements for the acquisition of New Direction, 599,765,384 ordinary shares of the Company with par value of HK$0.01 each were issued respectively. The fair values of the shares issued for the acquisition of New Direction amount to approximately HK$647,747,000 respectively determined using the published prices available at the dates of the acquisition.

(b) New Direction is acquired from Mr. Li Song Xiao, the controlling shareholder. The deemed distribution represents the difference between the fair value of the consideration and the fair value of the net assets acquired.

38. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

For the year ended 30 April 2007

(i) On 28 February 2007, the Group completed the acquisition of 15% equity interest in 北京金馬文華園房地產開發有限公司 ("Beijing Jinma") at a cash consideration of HK$100,000,000 from an independent third party. Prior to the acquisition, the Group had 85% interest in Beijing Jinma and Beijing Jinma then became a wholly-owned subsidiary of the Group. The acquisition in Beijing Jinma gives rise to a special reserve of HK$33,860,000, represents the difference between the fair value and the carrying amount of net assets attributable to the additional interest in a subsidiary being acquired from a minority shareholder. Due to the acquisition of additional interest in Beijing Jinma, the minority interest was decreased by HK$66,140,000.

(ii) On 28 February 2007, the Group completed the acquisition of 22.1% equity interest in 北京新松房地產開發有限公司 ("Beijing Newshine") at a cash consideration of HK$90,000,000 from a related company controlled by the controlling shareholder. Prior to the acquisition, the Group had 51.6% interest in Beijing Newshine and Beijing Newshine then became a 73.7% owned subsidiary of the Group. The acquisition of 22.1% interest in Beijing Newshine gives rise to a deemed contribution from the controlling shareholder of HK$1,064,000 and a special reserve of HK$10,636,000. The shortfall from the fair value of the consideration below the fair value of net assets attributable to the additional interest in the subsidiary being acquired from a minority shareholder is considered as deemed contribution from the controlling shareholder. Due to the acquisition of the additional interest in Beijing Newshine, the minority interest was decreased by HK$80,428,000.

For the year ended 30 April 2006

(iii) On 28 February 2006, the Group completed the acquisition of 100% equity interest in Lucky Merit at a consideration of HK$436,652,000, which was settled by the issue of 499,221,153 ordinary shares of the Company. Lucky Merit owns 40% equity interest in Beijing Jinma, a 45% owned subsidiary of the Group. The acquisition in Lucky Merit gives rise to a deemed distribution to the controlling shareholder of HK$248,945,000, cost directly attributable to the acquisition of Lucky Merit of HK$2,330,000 and a special reserve of HK$18,653,000. The difference between the fair value of the consideration and the fair value of net assets attributable to the additional interest in the subsidiary being acquired from a minority shareholder is considered as deemed distribution to the controlling shareholder. Due to the acquisition of the additional interest in Beijing Jinma, the minority interest was decreased by HK$166,723,000.

39. DISPOSAL OF SUBSIDIARIES

For the year ended 30 April 2007

In April 2007, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Well Development Investment Limited together with its 90% direct interest in a subsidiary, Zhongzhu Jiazhan Real Estate, for a consideration of HK$580,000,000. The disposal was completed in April 2007. A gain of disposal of HK$283,247,000 arose from this disposal.

For the year ended 30 April 2006

In October 2005, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Spot On Assets Limited ("Spot On") together with its 100% direct interest in a subsidiary, Best Modern Properties Limited, and its indirect 39% interest in an associate, Shanghai Xin Yao Property Development Company Limited, for a consideration of HK$180,000,000. The disposal was completed in October 2005. A gain of disposal of HK$90,019,000 arose from this disposal.

In October 2005, the Group entered into a sales and purchase agreement with an independent third party to dispose of the entire interest in Neo-China Industrial Limited and its 26.12% interest in an associate, 新疆光正鋼結構工程技術有限公司, for a consideration of HK$35,000,000. The disposal was completed in October 2006. A gain of disposal of HK$34,999,000 arose from this disposal.

39. DISPOSAL OF SUBSIDIARIES (continued)

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

	2007	2006
	HK$'000	HK$'000
NET ASSETS DISPOSED OF		
Interests in associates	**–**	42,040
Property, plant and equipment	**610**	–
Properties under development	**388,196**	–
Trade and other receivables and payments	**2,692**	–
Bank balances and cash	**2,947**	3
Other payables and accruals	**(14,536)**	(2)
Amounts due to group companies	**(5,279)**	–
Deferred tax liability	**(44,904)**	–
	329,726	42,041
Attributable goodwill	**–**	47,941
Available-for-sale investment	**(32,973)**	–
	296,753	89,982
Gain on disposal of subsidiaries	**283,247**	125,018
	580,000	215,000
Satisfied by:		
Cash consideration received	**67,570**	215,000
Receivable for disposal of subsidiaries	**512,430**	–
	580,000	215,000
Net cash inflow arising on disposal:		
Cash received	**67,570**	215,000
Bank balances and cash disposed of	**(2,947)**	(3)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**64,623**	214,997

The subsidiaries disposed of during the year did not contribute significantly to the Group's results and cash flows.

40. COMMITMENTS

	2007 HK$'000	2006 HK$'000
At balance sheet date, the Group had the following commitments:		
Authorised and contracted for but not provided:		
Development expenditure of properties in the PRC	**5,100,526**	285,220
Capital expenditure in respect of acquisitions of subsidiaries (note)	**44,830**	291,711
Capital expenditure in respect of acquisitions of property, plant and equipment	**12,225**	73,106
	5,157,581	650,037

Note: The Group entered into sales and purchase agreements with independent third parties for acquisition of equity interests of several companies. The total purchase consideration is approximately HK$300,000,000 in cash, plus the allotment and issue of 717,592,592 ordinary shares of the Company. At 30 April 2007, approximately HK$255,170,000 had been paid, resulting in a capital commitment of approximately HK$44,830,000.

41. CONTINGENT LIABILITIES

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

	2007 HK$'000	2006 HK$'000
Guarantees in respect of mortgage facilities for certain purchasers	**1,278,429**	672,074

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 legal 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 consolidated financial statements for the financial guarantees as the fair value of the financial guarantee contracts is insignificant.

41. CONTINGENT LIABILITIES (continued)

(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$37,789,000 (2006: HK$35,976,000). The directors, having taken their legal counsel's view, and are of the opinion that the likelihood of success of defending the claim is high. Accordingly, no provision for any potential liability has been made in the consolidated financial statements.

(iii) The Group's share of contingent liabilities of its associates:

	2007	2006
	HK$'000	HK$'000
Share of contingent liabilities of associates arising from guarantees given to banks for mortgage facilities for by purchasers of associates' properties	**–**	38,553

42. MAJOR NON-CASH TRANSACTIONS

For the year ended 30 April 2007

The consideration for the purchase of Chongqing China Enterprise, Lead Mix Limited and DIVO Success Limited, Xian Chan Ba Construction and Zhongzhu Jiazhan Real Estate was settled by issue of ordinary shares of the Company and loan payables. Further details of the acquisitions are set out in note 37.

For the year ended 30 April 2006

The consideration for the purchase of Lucky Merit and New Direction was settled by issue of ordinary shares of the Company. Further details of the acquisitions are set out in note 37 and 38.

43. PLEDGE OF ASSETS

Certain bank deposits pledged to secure mortgage loans granted to the purchasers of the Group's properties, details of which are set out in note 22.

Certain properties under development and investment properties of the Group with a carrying amount amounting to approximately HK$2,137,157,000 (2006: HK$331,258,000) and HK$1,475,834,000 (2006: nil) have been pledged as security for bank borrowings of the Group.

44. OPERATING LEASE COMMITMENTS

The Group as lessee

	2007 HK$'000	2006 HK$'000
Minimum lease payments paid under operating leases during the year for premises	**5,464**	2,715

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**3,814**	1,717
In the second to fifth year inclusive	**2,010**	457
Over five years	**–**	360
	5,824	2,534

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of 3 years.

The Group as lessor

Property rental income earned during the year was HK$203,000 (2006: nil). At the balance sheet date, the Group had contracted with tenants for the following minimum lease payments:

	2007 HK$'000	2006 HK$'000
Within one year	**3,359**	–
In the second to fifth year inclusive	**13,077**	–
After five years	**1,462**	–
	17,898	–

45. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, and the contribution by employees is at 5%. The maximum contribution for each employee is limited to HK$12,000 per annum.

Employees of subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

The total cost charged to the consolidated income statement of HK$1,571,000 (2006: HK$707,000) represents contributions payable to the schemes by the Group for the year.

46. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30 April 2007 are set out below:

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held		Principal activities
			Directly	Indirectly	
Capital Team Investment Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
DIVO Success Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Eastern Winway Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Joyful Fortune Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Lead Mix Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Leadway Pacific Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Lucky Merit Development Limited ("Lucky Merit")	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding

46. PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held Directly	Indirectly	Principal activities
Maxsun Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Neo-China Property Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
New Direction Development Limited ("New Direction")	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Oasiscity Limited ("Oasiscity")	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Phoenix Real Property Limited ("Phoenix Real Property")	British Virgin Islands/Hong Kong	200 ordinary shares of US$1 each	–	100%	Investment holding
Reliapoint Ltd	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Richspeed Investment Ltd.	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Richstar Pacific Ltd.	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Sunkit Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Top Fair Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1 each	–	100%	Investment holding
Shenzhen Phoenix Real Estates Company Limited 深圳鳳凰置業有限公司 ("Shenzhen Phoenix", notes a)	The PRC	US$10,000,000	–	100%	Property investment
中置(北京)企業管理有限公司 (note b)	The PRC	HK$200,000,000	–	100%	Investment holding
北京金馬文華園房地產開發有限公司 ("Beijing Jinma, note b")	The PRC	US$12,000,000	–	100%	Property development

46. PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held Directly	Indirectly	Principal activities
北京新松房地產開發有限公司 (note a)	The PRC	RMB190,000,000	–	73.7% (note c)	Property development
中新綿世(成都)建設發展有限公司(note a)	The PRC	RMB100,000,000	–	55%	Property development
天津中新水城置地有限公司 (note b)	The PRC	US$15,000,000	–	100%	Property development
北京御水苑房地產開發有限責任公司(note a)	The PRC	RMB20,000,000	–	90%	Property development
北京新松置地投資顧問有限公司(note b)	The PRC	RMB300,000,000	–	100%	Property development
成都中新錦泰房地產開發有限公司(note a)	The PRC	RMB200,000,000	–	70% (note d)	Property development
西安滻灞建設開發有限公司 (note a)	The PRC	US$190,000,000	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司(note a)	The PRC	RMB30,000,000	–	67%	Property development
重慶中華企業房地產發展有限公司(note b)	The PRC	RMB50,000,000	–	100%	Property development
天津新潤房地產開發有限公司(note b)	The PRC	RMB240,000,000	–	100%	Property development
天津中新濱海房地產開發有限公司(note b)	The PRC	HK$10,000,000	–	100%	Property development
天津中新華安房地產開發有限公司(note b)	The PRC	RMB240,000,000	–	100%	Property development
天津中新華城房地產開發有限公司(note b)	The PRC	RMB80,000,000	–	100%	Property investment

46. PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held		Principal activities
			Directly	Indirectly	
天津中新嘉業房地產開發有限公司(note b)	The PRC	RMB120,000,000	–	100%	Property development
天津中新名仕房地產開發有限公司(note b)	The PRC	RMB160,000,000	–	100%	Property development
天津中新信捷房地產開發有限公司(note b)	The PRC	RMB240,000,000	–	100%	Property development

Notes:

(a) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(b) These companies were established in the PRC in the form of wholly owned foreign enterprises.

(c) 26.3% registered capital is held by an independent party in the PRC. The Group has entered into an agreement with the independent third party that the independent third party has no right to share profit of 新松房地產開發有限公司 other than the a fixed dividend at 6.5% per annum. The Group shall purchase back from the independent the 26.3% registered capital in May 2008 at a mutually agreed price. (see Loan Payable A in note 32)

(d) 30% registered capital is held by an independent party in the PRC. The Group has entered into an agreement with the independent third party that the independent third party has no right to share profit of 成都中新錦泰房地產開發有限公司. The Group shall purchase back from the independent party the 30% registered capital in January 2009 at a mutually agreed price. (see Loan Payable B in note 32)

The above table only includes those subsidiaries which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would in the opinion of directors, result in particulars of excessive length.

None of subsidiaries had any debt capital outstanding at the end of the year or any time during the year.

47. RELATED PARTIES TRANSACTIONS

During the year, the Group entered into the following transactions with related companies which are controlled by the controlling shareholder of the Company, Mr. Li Song Xiao:

	Agency fee expenses		Interest expenses		Interest income	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Related companies	**15,746**	1,977	**5,770**	–	**–**	–
An associate	**–**	–	**–**	–	**5,494**	24,660

The agency fee expenses were paid to the related companies for providing property promotion and management services to the group companies.

Details of the balances with related parties as at balance sheet date are set out in the balance sheet and notes 18, 29 and 30.

The Group acquired certain subsidiaries from Mr. Li Song Xiao. Details are set out in notes 37 and 38.

A group entity had entered into agreements with 北京新松建築裝飾工程有限公司(「新松裝飾」) with a total consideration of approximately HK$146,516,000 prior to the group entity became a subsidiary of the Company. Pursuant to the agreements, 新松裝飾 will provide decoration services for the properties under development held by the group entity. At 30 April 2006, approximately HK$128,384,000 has been paid to 新松裝飾 and was included in advances to suppliers. The contracts were cancelled in April 2007 and the amount paid has been refunded at 30 April 2007.

The Group had entered into agreements with 北京新松建築研究發展有限公司(「新松建築研究」) and 北京新松沃克建築裝飾工程有限公司(「北京新松沃克」), with a total contracted amounts of HK$12,957,000 (2006: nil) and HK$1,797,000 (2006: HK$2,270,000) for design services and decoration services respectively. Pursuant to the agreements, 新松建築研究 and 北京新松沃克 will provide design services and decoration services for the properties under development held by the Group. At 30 April 2007, HK$5,541,000 (2006: nil) and HK$1,316,000 (2006: HK$1,232,000) for design services and decoration services has been paid to 新松建築研究 and 北京新松沃克 and was included in property under development.

北京新松投資集團有限公司(「新松投資集團」) and 北京新松家園房地產開發有限公司(「新松家園」), both are related companies of the Group, provided corporate guarantee amounting to approximately HK$323,200,000 (2005: HK$307,692,000) and HK$177,600,000 (2005: HK$169,231,000) respectively for securing bank borrowings to the Group at no charge.

47. RELATED PARTIES TRANSACTIONS (continued)

Compensation of key management personnel

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

	2007 HK$'000	2006 HK$'000
Short-term benefits	**6,916**	7,049
Other long-term benefits	**31**	182
Share-based payments	**74,831**	4,287
	81,778	11,518

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

48. POST BALANCE SHEET EVENTS

(a) On 26 March 2007, the Group entered into a sale and purchase agreement with Invest Gain Limited, which is controlled by Mr. Li Song Xiao, the chairman and controlling shareholder of the Group, to acquire the entire interest in One Alliance Investment Limited for a consideration of approximately HK$505,000,000. One Alliance Investment Limited hold 100% equity interest in a property project in Shanghai, the PRC. The consideration is to be satisfied by the allotment and issue of 467,592,592 ordinary shares at HK$0.01 each of the Company. Details of the acquisition are included in a circular of the Company dated 8 May 2007. The transaction has not yet been completed as at 30 April 2007 and up to the date of this report.

(b) On January 2007, the Group entered into two sale and purchase agreements with three independent third parties for acquisition of 100% equity in Tianjin City Yi Jia he Zhi Ye Company Limited, which carry out property project development in Tianjin, the PRC, for a consideration of approximately HK$667,926,000. The total purchase consideration is approximately HK$217,926,000 in cash, plus the allotment and issue of 250,000,000 ordinary shares of the Company. Details of the transaction are included in an announcement of the Company dated 26 January 2007. The transaction has not yet been completed as at 30 April 2007 and up to the date of this report.

(c) On 12 July 2007, the Company entered into purchase agreements with BOCI Asia Limited and Deutsche Bank Securities Inc. in connection with the issue of 4000 units consisting of US$400,000,000 9.75% senior notes due 2014 and warrants to purchase 264,000,000 ordinary shares of the Company. Details of the transaction are included in an announcement of the Company dated 18 July 2007.

	For the year ended 30 April				
	2003 HK$'000	2004 HK$'000	2005 HK$'000 (restated)	2006 HK$'000	**2007** **HK$'000**
Revenue	522	654	476,472	671,140	**2,779,845**
(Loss) profit before taxation	(24,020)	(14,665)	332,390	108,980	**841,330**
Income tax credit (expense)	1,354	15,288	(73,374)	(14,752)	**(23,090)**
(Loss) profit for the year	(22,666)	623	259,016	94,228	**818,240**
Attributable to:					
Equity holders of the Company	(20,311)	9,748	177,817	104,663	**833,319**
Minority interests	(2,355)	(9,125)	81,199	(10,435)	**(15,079)**
(Loss) profit for the year	(22,666)	623	259,016	94,228	**818,240**

	As at 30 April				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
Assets and liabilities					
Total assets	308,112	498,515	1,893,377	4,245,673	**14,144,131**
Total liabilities	(32,922)	(193,334)	(1,067,779)	(2,704,272)	**(8,632,580)**
	275,190	305,181	825,598	1,541,401	**5,511,551**
Equity attributable to equity holders of the Company	248,128	287,205	583,551	1,391,702	**4,958,831**
Minority interests	27,062	17,976	242,047	149,699	**552,720**
	275,190	305,181	825,598	1,541,401	**5,511,551**

The application of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005 did not result in material changes to the Group's results for the year ended 30 April 2003 and 2004, and the summary of assets and liabilities for the Group at 30 April 2003 and 30 April 2004.

Particulars of Major Properties

Particulars of the Group's property under development at 30 April 2007 are set out below:

Location	Type	Gross floor (s.m.)	Effective % held	Stage of completion	Anticipated completion
No. 16, Baiziwan Road, Chaoyang District, Beijing, the People's Republic of China	Residential and commercial	Zone A: 108,543 Zone B: 125,386 Zone C: 166,400 Zone D: 108,014	100%	Zone A: Whole development Zone B: Whole development Zone C: Construction works commenced Zone D: Whole development	2006 2006 2008 2007
No. 2, Ganluguan Zhongli, Qingnian Road, Chaoyang District, Beijing, the People's Republic of China	Residential	Phase 1: 145,434 Phase 2: 158,660	100%	Phase 1: Whole development Phase 2: Construction works commenced	2007 2008
Lot No.1, 2, West Diaoyutai Villiage Haidian District Beijing, the People's Republic of China	Residential and commercial	Phase 1: 101,724 Phase 2: 97,875 Phase 3: 49,799	90%	Phase 1: Whole development Phase 2: Construction works commenced Phase 3: Construction works commenced	2007 2008 2008
Lot No.1,2,9,12,15, Lao Cheng Xiang Area, Nankai District, Tianjin, the People's Republic of China	Residential and commercial	Lot# 1: 201,300 Lot# 2: 72,400 Lot# 9: 172,362 Lot# 12: 153,200 Lot# 13: 294,038 Lot# 15: 140,700	100%	Lot# 1: Construction works not started Lot# 2: Construction works not started Lot# 9: Construction works commenced Lot# 12: Construction works not started Lot# 13: Construction works not started Lot# 15: Construction works commenced	2009 2010 2008 2010 2009 2007
Nos. B1, B2 & A9 of Stadium centre, Yuan Jia Gang, Chongqing, the People's Republic of China	Residential and commercial	B1, B2 &A9: 647, 082 C1: 105,800 E4: 40,000	100%	B1, B2 &A9: Construction works commenced C1: Construction works not started E4: Construction works not started	2007 2010 2009
Land A, Chanba River Delta, Xi'an City, Shanxi Province, the People's Republic of China	Residential and commercial	2,831,669	71.5%	Construction works commenced	2009

Particulars of Major Properties

Location	Type	Gross floor (s.m.)	Effective % held	Stage of completion	Anticipated completion
Gao Tang Ling Town Wangcheng Country, Changsha, Hunan Province, the People's Republic of China	Residential and commercial	Phase 1: 301,000 Phase 2: 473,450	67%	Phase 1: Construction works commenced Phase 2: Construction works commenced	2008 2009

Particulars of major investment properties held by the Group as at 30 April 2007 are as follows:

Property	Use	Group Interest	Category of lease
Lot 26-3 Central Area Futian District, Shenzhen Guangdong Province, the People's Republic of China	Commercial	100%	medium lease
Lot No.11, Lao Cheng Xiang Area, Nankai District, Tianjin, the People's Republic of China	Residential and commercial	100%	medium lease