

地产唯新力量



INTERIM REPORT
2008



中新地产
NEO CHINA LAND

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

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



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Corporate Information

Directors

Executive Directors

Mr. Li Song Xiao (*Chairman*)
Mr. Liu Yi
Ms. Niu Xiao Rong
Mr. Yuan Kun
Ms. Liu Yan
Mr. Jia Bo Wei
Mr. Lu Zhao Qun
Ms. Bao Jing Tao
Mr. Lam Kwan Sing

Non-Executive Director

Mr. Lai Leong (*Vice chairman*)

Independent Non-Executive Directors

Ms. Nie Mei Sheng
Mr. Gao Ling
Mr. Zhang Qing Lin
Mr. Lai Man Leung

Company Secretary

Mr. Szeto Chak Wah

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

Tricor Secretaries Limited
26th Floor,
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Legal Advisers

Richards Butler
Conyers Dill & Pearman
Mason Ching & Associates

Registered Office

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Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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Listing Information

The Stock Exchange of Hong Kong Limited
Ordinary Shares
Code: 0563
Zero Coupon Convertible Bonds due 2011
Code: 2528

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Auditors

CCIF CPA Limited

To our shareholders:

On behalf of the Board of Director (the “Board”) of Neo-China Land Group (Holdings) Limited (“Neo-China” or the “Company”), I am pleased to present the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2008.

Financial Review

During the six months ended 31 October 2008, the Group recorded a turnover of HK\$57.8 million (2007: HK\$1,024.5 million), representing a decrease of approximately 94.4% as compared to the same period in 2007.

As at 31 October 2008, presale receipts from customers was HK\$4,945.8 million (as at 30 April 2008: HK\$2,727.4 million), representing an increase of approximately 81.3% as compared to the prior year end. Loss attributable to equity holders of the Company amounted to HK\$271.4 million for the six months ended 31 October 2008 against profit attributable to equity holders of the Company amounted to HK\$132.7 million for the same period of 2007. For the six months ended 31 October 2008, basic loss per share was HK13.95 cents and diluted loss per share was HK13.95 cents. For the same period of 2007, basic earnings per share was HK7.64 cents and diluted earnings per share was HK3.43 cents. As at 31 October 2008, total equity was HK\$8,459.2 million (30 April 2008: HK\$9,079.3 million).

Payment of Dividend

The Board of the Company has resolved not to declare an interim dividend for the six months ended 31 October 2008 (six months ended 31 October 2007: HK1.0 cent).

Senior Notes/Warrants

Details of senior notes/warrants of the Company are set out in note 16 to the unaudited financial statements.

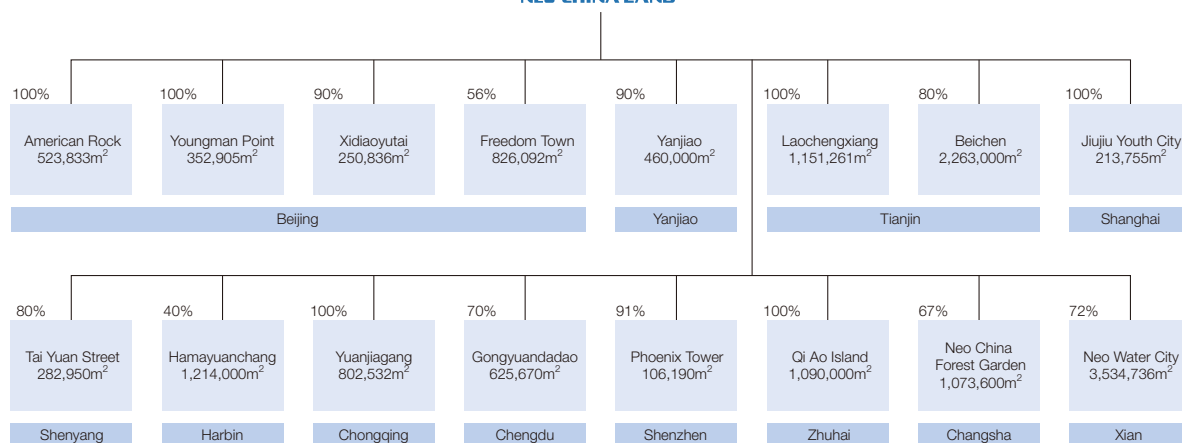
Review of Operations

During the reporting period, due to the macro control policies and austerity measures implemented on the real estate market by the PRC Government as well as the material downturn in the global financial market which has resulted in tightened monetary policy in the PRC and worldwide, the sentiment of the PRC real estate market has been adversely affected and become stagnant. Added with the impact of the earthquake occurred in Sichuan, the PRC in May 2008, completion of the construction/development of the Group's several projects in the PRC had to be delayed resulting in the Group generating substantially less sales for the six months ended 31 October 2008 as compared to the six months period of last year. Nevertheless, management of the Group has undertaken to use its best endeavour to accelerate the completion of the existing projects and improve the sales of the Group in the second half of the financial year.

Management Discussion and Analysis

Land Bank

The Group has placed great emphasis on the diversification of its land bank portfolio, which comprises comprehensive residential projects, service apartments, commercial and office buildings, and high end hotels. During the report period, the Company has increased its equity interests in Youngman Point Project in Beijing to 100%, increased its interests in Freedom Town Project in Beijing to approximately 56%. At present, the Group's 16 projects comprise a GFA of 14,771,360 sq.m. or a saleable GFA of 12,848,246 sq.m., including completed property developments with a saleable GFA of 1,938,262 sq.m., property under development with a planned saleable GFA of 2,223,342 sq.m., and properties held for future development with a planned saleable GFA of 8,686,642 sq.m..



Note: m² shown represents total GFA

- **Beijing**

Xidiaoyutai Project

Xidiaoyutai Project is situated on the banks of the Kunyu River, a prestigious area in Beijing. The Group has 90% interest in this project.

The project divides into three phases, and comprises waterfront luxury residential and service apartments. The project occupies a site area of approximately 42,541 sq.m., with a GFA of approximately 250,836 sq.m. The completed property development consists of a saleable GFA of approximately 175,682 sq.m., the construction of the phase III of the project with a saleable GFA approximately 45,000 sq.m. is scheduled to commence in 2009.



American Rock Project

The American Rock Project is situated at Baizwan Road, Chaoyang District, Beijing, adjacent to the central business district. The development is divided into four zones with different development themes to cater for the needs of customer groups. The project with a GFA (both saleable and non-saleable) of 523,833 sq.m., consists of approximately 5,400 residential and commercial units. The Company has 100% interest in this development.

As of 31 October 2008, this property development project is fully completed, with a saleable GFA of approximately 453,064 sq.m. has been sold.

Youngman Point Project

The Youngman Point Project is located at No. 2 Ganluyuan, Zhongli, Qingnian Road, Chaoyang District, Beijing, and is close to the central business district. The project will be completed by three phases, with a GFA of 352,905 sq.m. The Group currently has 100% interest in this development.

As of 31 October 2008, a saleable GFA of approximately 213,085 sq.m. for the project I and II has completed and the sales of phase III has been commenced in November of 2008.

During the six months ended 31 October 2008, the Group has fully paid the consideration for repurchasing 26.30% of its registered capital pursuant to the agreement entered with independent third party.



Freedom Town Project

The project is situated at Liyuan Town, Tong Zhou District, Beijing. The project is planned to be developed into a composite development including luxury residential buildings, together with ancillary facilities. The development occupies a site area of 253,043 sq.m. and has a planned GFA of approximately 826,092 sq.m. The project will be completed by two phases. Phase I of the said development is scheduled to be completed before the end of 2010.

During the period, the Group has completed the acquisition of 12% equity interest in project company, the details of which were disclosed in the Company's circular dated 4th July 2008. By far, the Group totally has 56% interest in this project.



Yanjiao Project

The project is situated in Yanjiao Economic Development Zone, Hebei Province and will be developed into a composite project including residential, commercial and hotel properties. The project occupies a site area of 333,333 sq.m. and has a planned GFA of approximately 460,000 sq.m. The Group has 90% interest in this project.



Management Discussion and Analysis

- **Tianjin**

Laochengxiang Project

The project is located in an old urban area in the center of Tianjin city and is one of the largest comprehensive planning zone in Tianjin. The project comprises seven parcels of land, including residential, commercial, office building and hotel, with a GFA (including saleable and non-saleable) of 1,151,261 sq.m.. The Group has 100% interest in this development.



As of 31 October 2008, completed property developments of the project comprises a saleable GFA of approximately 129,445 sq.m., among which, with a saleable GFA of approximately 81,559 sq.m. has been sold. The Group will keep a saleable GFA of approximately 46,857 sq.m. for rental purposes.

As of 31 October 2008, properties under development comprises an expected saleable GFA of approximately 380,812 sq.m., among which, a saleable GFA of 240,000 sq.m. has been pre-sold.

Beichen Project

Beichen Project is situated at the old village of Yi Xing Fu. The project is planned to be developed into residential units and occupies a site area of 1,115,476 sq.m., with a GFA of 2,263,000 sq.m. As the existing constructions on the land are still in the process of being demolished and relocated, the whole area of the land is currently being held for future development. The Group has 80% interest in this project.



- **Chongqing**

Yuanjiagang Project

This project is located at a premier location at Yuanjiagang, the intersection of the Yuzhong District and the Hi-Tech Zone, Chongqing. The project comprises five plots, including residential, commercial and office buildings, and a hotel property. The project occupies a site area of 113,268 sq.m., with a GFA (both saleable and non-saleable) of 802,532 sq.m.. The Group has 100% interest in this development.



As of 31 October 2008, the completed property development of the project comprised a saleable GFA of approximately 425,737 sq.m., among which a saleable GFA of approximately 121,657 sq.m. has been sold.

As of 31 October 2008, properties under development comprises a saleable GFA of approximately 309,345 sq.m., among which a saleable GFA of 92,602 sq.m. has been pre-sold.

Management Discussion and Analysis

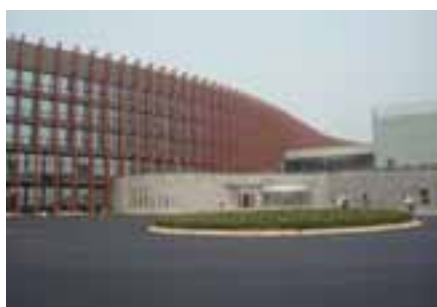
- **Chengdu**

Gongyuandadao Project

The project is located at Wen Jiang Xin Cheng District and is mainly being developed into high quality residential units. The project occupies a total site area of approximately 228,200 sq.m. with GFA (including saleable and non-saleable) of 625,670 sq.m., and is planned to be developed into two phases, the first phase of which has commenced construction, the sales of the project had been delayed to the end of 2008 by the effect of Sichuan Earthquake. The Group has 70% interest in this project.



- **Xian**



Neo Water City Project

Neo Water City is located at the intersection of Chan River and Ba River, in the only large ecological community in Xian. The project will be mainly developed for residential units and commercial buildings. The project has a planned GFA of approximately 3,534,736 sq.m.. The Group has 71.5% interest in this project.

As of 31 October 2008, the completed property development of the project comprised a saleable GFA of approximately 409,612 sq.m. has been completed, including a five star hotel of a saleable GFA of 68,745 sq.m., among which the saleable GFA of 339,425 sq.m. has been sold.

As of 31 October 2008, properties under development comprises a saleable GFA of approximately 844,213 sq.m. As of 31 October 2008, the properties held for future development comprised saleable GFA of approximately 1,951,874 sq.m..

- **Changsha**



Neo-China Forest Garden Project

Neo-China Forest Garden is situated in Wangcheng Xian, Changsha City, approximately 15 kilometers from the Changsha Municipal Government Headquarters and is being developed mainly for residential purpose. The project comprises five parcels of land and occupies a total site area of approximately 667,749 sq.m., with a GFA (both saleable and non-saleable) of approximately 1,073,600 sq.m., among which 992,335 sq.m. are saleable GFA. The Group has 67% interest in this project.

As of 31 October 2008, the saleable GFA of completed properties of the project were approximately 50,700 sq.m., properties under development comprises a saleable GFA of approximately 194,833 sq.m. and the remaining properties held for future development.

Management Discussion and Analysis

- **Shanghai**

Jiujiu Youth City Project

Jiujiu Youth City Project is situated in Gui Dao Jiao Tong Jiu Ting Zhen No. 1, Song Jiang District, Shanghai. The project will be mainly developed into office buildings and service apartments. The project occupies a site area of approximately 57,944 sq.m., with a GFA of 213,754 sq.m., properties under development comprises all the saleable GFA of approximately 162,888 sq.m. As of 31 October 2008, a saleable GFA of 67,896 sq.m. has been pre-sold. The Group has 100% interest in this project.



- **Shenzhen**

Phoenix Tower Project

Phoenix Tower project is located in the central zone of Futian District, Shenzhen, and is co-developed with Phoenix Satellite Television Holdings, Ltd. The Group has 91% interest in this project.

The project comprises apartment, office and commercial units, with a GFA of approximately 106,190 sq.m. The project has been fully completed with a saleable GFA of approximately 79,391 sq.m., among which a saleable GFA of approximately 59,765 sq.m. has been sold.



- **Shenyang**



Tai Yuan Street Project

The property is situated in the commercial hub of Tai Yuan Street, Shenyang. The project primarily will be developed into commercial buildings. The project occupies a land area of 22,651 sq.m. and a planned GFA of 282,950 sq.m. The Group has 80% equity interest in this project.

- **Harbin**

Hamayuanchang Project

The property is situated at Nan Gang District, Harbin. It is a composite of high quality high-rise apartments and commercial premises which can accommodate up to 30,000 residents. The project has a GFA of approximately 1,214,000 sq.m., among which an area of approximately 50,000 sq.m. will be developed for commercial purpose. The Group has 40% equity interest in this project. Phase I of the project is planned to commence construction in 2009.



Management Discussion and Analysis

- **Zhuhai**

Qi Ao Island Project

The project is located at Qi Ao Island, Zhuhai, and is going to be developed into a mix of high class villas and commercial properties. The project occupies a site area of 2,215,516 sq.m. and a GFA of approximately 1,090,000 sq.m. The Group has 100% equity interest in this project.



Investment Property

As of the date of this report, the aggregate saleable GFA held by the Group has reached 386,638 sq.m. Some investment properties have been leased to retailers for rental purpose. The Group has been enhancing the pool of talented professionals in property operations and seeking partnerships with internationally recognized property management companies, and at the same time, timely adjusting distribution of properties held in different districts and industries in accordance with market changes. This has ensured development strategies for investment properties operating of the Group.

Prospects

Since the end of 2007, the property market has suffered a significant adjustment for more than one year. With the spreading global financial crisis, the PRC Government has launched various financial stimulating plans to expand the domestic demand, together with a series of interest rate cuts to stabilize the economy, and the property industry is one of the industries benefiting from such stimulating plans. The management of the Company has been optimistic about the medium and long term development of the property market in China, an unbalanced supply-demand relationship will last in the property market, as the demand has been driven by long term steady increase in residents' income in China, urbanization, increasing population, and the desire for improvement of living conditions. We believe that the volatile property market will stabilize with emerging effects of such stimulating policies, the Group will be better positioned in the future competition as outstanding financial situation and diversified products.

In the second half of the year, the Group has launched new sites in Beijing, Tianjin, Chengdu, Xian, Changsha, Shanghai and other cities, with various projects at prime locations while speeding up transferring property buildings to purchasers, our diversified products may better meet the demand of various customers. At the meantime, the Group has been focusing on the R&D of new products, adjusting the present land portfolio, establishing our brand-name, and speeding up our cash flow by flexible sales strategies, so as to enhance our defense capability against risks.

Liquidity and Financial Resources

As at 31 October 2008, the Group had cash and bank balance of approximately HK\$2,522 million with net assets totaling to HK\$8,459 million and current ratio at approximately 1.85. The net debt of the Group as at 31 October 2008 amounted to HK\$6,585 million making the Group's gearing ratio at 77.8% at 31 October 2008 calculated by net debt over total equity of HK\$8,459 million.

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

Management Discussion and Analysis

Human Resources

As at 31 October 2008, the Group employed 983 employees (including Hong Kong and PRC offices).

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

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

Staff benefits include contributions to the Mandatory Provident Fund Schemes and discretionary bonus payment which is linked to the profit performance of the Group and individual performance.

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

Contingent Liabilities

Details of contingent liabilities are set out in note 21 to the financial statement.

Charge on Group's assets

Certain bank deposits of approximately HK\$65,738,000 (30 April 2008: HK\$104,495,000) were pledged to banks to secure long-term mortgage loans granted by banks to the purchasers of pre-sold properties and are therefore also classified as non-current assets. These pledged deposits will be released upon the transfer of the property title certificates to the respective purchasers.

Except for bank borrowings of approximately HK\$342,000,000 (30 April 2008: HK\$310,800,000), the remaining bank borrowings are secured by:

- (i) certain properties under development, certain completed properties held for sale and other properties of the Group located in the PRC with total carrying amounts of approximately HK\$5,104,804,000 (30 April 2008: HK\$2,755,744,000), HK\$330,933,000 (30 April 2008: HK\$288,891,000) and HK\$1,609,542,000 (30 April 2008: HK\$3,395,620,000) respectively.
- (ii) certain bank deposits of the Group amounting to approximately HK\$33,878,000 (30 April 2008: HK\$11,100,000) and HK\$90,000 (30 April 2008: HK\$ Nil), which have been pledged to secure current and non-current bank borrowings and are therefore classified as current assets and non-current assets, respectively.

Advanced payment of RMB700,000,000 (equivalent to approximately HK\$798,000,000) (30 April 2008: RMB990,000,000 (equivalent to approximately HK\$1,098,900,000)) from a minority shareholder is secured by 20% equity interest in the registered capital of Tianjin City Yi Jia He Zhi Ye Co., Ltd., a subsidiary of the Company established in the PRC, interest free and has no fixed terms of repayment.

Loan Payable denominated in RMB bears interest at 20% per annum and is secured by:

- (i) share mortgage over the issued capital of Moral Luck Group Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands;
- (ii) equity pledge over the registered capital of Zhuhai City Qi Zhou Island Movie Town Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC;
- (iii) subordination of intra-group's balances between certain wholly-owned subsidiaries of the Company in favour of this independent third party; and
- (iv) corporate guarantees given by the Company and certain of the Company's subsidiaries.

Equity

The Company's issued and fully paid share capital as at 31 October 2008 amounted to HK\$77,825,608 divided into 1,945,640,189 ordinary shares of HK\$0.04 each.

During the period under review, no convertible notes were converted into ordinary shares of HK\$0.04 each of the Company.

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

As at 31 October 2008, the interests of the directors of the Company in the shares and underlying shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Capacity	No. of ordinary shares interested	% of the Company's issued share capital
Li Song Xiao	Interest in corporations (note)	1,051,762,995	
	Beneficial owner	3,157,500	
		1,054,920,495	54.21
Liu Yan	Beneficial owner	800,000	0.04
Niu Xiao Rong	Beneficial owner	1,375,000	0.07

Note: Li Song Xiao was deemed to be interested in 1,051,762,995 shares of the Company which were held by Invest Gain Limited.

Other Information

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

Name of Director	Capacity	No. of share options outstanding	% of the underlying shares over the Company's issued share capital
Li Song Xiao	Beneficial owner	750,000	0.04
Liu Yi	Beneficial owner	10,000,000	0.51
Niu Xiao Rong	Beneficial owner	8,625,000	0.44
Yuan Kun	Beneficial owner	6,000,000	0.31
Liu Yan	Beneficial owner	10,700,000	0.55
Jia Bo Wei	Beneficial owner	2,500,000	0.13
Bao Jing Tao	Beneficial owner	250,000	0.01

Save as disclosed above and disclosed under the section headed "Share Option Scheme" below, as at 31 October 2008, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; nor had there been any grant or exercise of rights during the interim period.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 October 2008, so far as is known to the Directors or chief executive of the Company, the following persons had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

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

Name of substantial shareholder	Long/short position	Capacity	No. of shares of the Company interested	% of the Company's issued share capital
Invest Gain Limited <i>(note (a))</i>	Long	Beneficial Owner	1,051,762,995	54.05
Liu Hui <i>(note (b))</i>	Long	Beneficial owner and Interest in spouse	1,054,920,495	54.21
Deutsche Bank Aktiengesellschaft	Long	Beneficial owner and person having a security interest in shares	199,657,260	10.26
	Short	Beneficial owner and person having a security interest in shares	57,804,655	2.97

Notes:

- (a) These shares held by Invest Gain Limited were beneficially owned by Li Song Xiao. Such interest was also disclosed as the interest of Li Song Xiao in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above.
- (b) Liu Hui was deemed to be interested in 1,051,762,995 ordinary shares of the Company, being the interest held beneficially by her spouse, Li Song Xiao.

Other Information

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

(i) Physically settled unlisted equity derivatives

Name of substantial shareholder	Long/short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage of the underlying shares over the Company's issued share capital
Liu Hui (note)	Long	Interest of spouse	750,000	0.04

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

(ii) Physically settled listed equity derivatives

Name of substantial shareholder	Long/short position	Number of underlying shares interested	Percentage of the underlying shares over the Company's issued share capital
Deutsche Bank Aktiengesellschaft	Long	92,580,656	4.76

(iii) Cash settled unlisted equity derivatives

Name of substantial shareholder	Long/short position	Number of underlying shares interested	Percentage of the underlying shares over the Company's issued share capital
Deutsche Bank Aktiengesellschaft	Long	4,191,000	0.22

Save as disclosed above, as at 31 October 2008, no person (other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Share Option Scheme

Pursuant to a resolution passed by shareholders of the Company on 12 December 2002, the Company adopted a share option scheme (the "Share Option Scheme").

As at 31 October 2008, the underlying shares of the outstanding share options were 132,875,000, representing 6.83% of the issued share capital of the Company at 31 October 2008.

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

	No. of options outstanding at 30 April 2008	Increase/ (Decrease)	No. of options outstanding at 31 October 2008
Directors			
– Mr. Li Song Xiao	750,000	–	750,000
– Mr. Liu Yi	10,000,000	–	10,000,000
– Ms. Niu Xiao Rong	8,625,000	–	8,625,000
– Mr. Yuan Kun	6,000,000	–	6,000,000
– Ms. Liu Yan	10,700,000	–	10,700,000
– Mr. Jia Bo Wei	2,500,000	–	2,500,000
– Ms. Bao Jing Tao	250,000	–	250,000
Employees	94,050,000	–	94,050,000
Total	132,875,000	–	132,875,000

Other Information

Details of share options granted were as follows:

Date of grant/ acceptance	Exercise period	Exercise price per share	Closing price immediately before date of offer	Closing price immediately before date of grant
4 Apr 2006	4 Apr 2006 – 3 Apr 2016	HK\$3.60*	HK\$3.52*	HK\$4.36*
17 Nov 2006	17 Nov 2006 – 22 Oct 2016	HK\$3.72*	HK\$3.40*	HK\$3.92*
14 Mar 2007	14 Mar 2007 – 6 Mar 2017	HK\$3.92*	HK\$3.96*	HK\$4.00*

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

Purchase, Sale or Redemption of Securities

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

Pre-emptive Rights

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

Code of Corporate Governance

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six-month period ended 31 October 2008, except for the following:–

- (1) 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 four 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.
- (2) 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 of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules of the Stock Exchange. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards as set out in the Model Code during the period.

Audit Committee

The Company's audit committee comprises three independent non-executive directors of the Company. Its terms of reference have been modified to incorporate certain provisions with reference to the Appendix 14 of the Listing Rules. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements of the Company for the six months ended 31 October 2008.

The Group's external auditors, CCIF CPA Limited, have reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 31 October 2008 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and Hong Kong Accounting Standard 34, "Interim Financial Reporting", both of which were issued by the Hong Kong Institute of Certified Public Accountants.

Suspension of Trading

At the request of the Company, trading in the shares and the convertible bonds (stock code: 2528) of the Company was suspended with effect from 10:10 a.m. on 22 January 2008 pending the release of an announcement in respect of certain price-sensitive information. Trading in the shares and convertible bonds of the Company will remain suspended pending the release of further announcement(s) in relation to certain further price-sensitive information.

Appreciation

I would like to express my sincere gratitude to the Board, our management and to all our staff for their dedicated efforts during this period, as well as to our customers, suppliers, business partners and shareholders for their continued enthusiastic support of our Group.

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

Hong Kong, 13 January 2009

Report on Review of Interim Financial Information



CCIF

CCIF CPA LIMITED

20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

中新地產集團(控股)有限公司

(Incorporated in Bermuda with limited liabilities)

Introduction

We have reviewed the interim financial report set out on pages 19 to 40 which comprises the condensed consolidated balance sheet of Neo-China Land Group (Holdings) Limited as of 31 October 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and the explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 13 January 2009

Yau Hok Hung

Practising Certificate Number P04911

Condensed Consolidated Income Statement

For the six months ended 31 October 2008 – Unaudited

	NOTE	Six months ended 31 October	
		2008	2007
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Turnover	2	57,802	1,024,526
Cost of sales		(38,332)	(920,745)
Gross profit		19,470	103,781
Other revenue and net income/(loss)		205,209	(28,520)
Net valuation (loss)/gain on investment properties	8	(100,757)	450,401
Distribution and selling expenses		(113,287)	(64,833)
General and administrative expenses		(185,199)	(150,695)
(Loss)/profit from operations		(174,564)	310,134
Finance costs		(143,893)	(42,150)
Share of (losses)/profits of associates		(769)	110
Loss on disposal of a subsidiary	19	–	(32,814)
(Loss)/profit before taxation	3	(319,226)	235,280
Income tax	4	21,345	(110,574)
(Loss)/profit for the period		(297,881)	124,706
Attributable to:			
Equity shareholders of the Company		(271,426)	132,745
Minority interests		(26,455)	(8,039)
(Loss)/profit for the period		(297,881)	124,706
Dividends	5	–	19,456
(Loss)/earnings per share	6		
– Basic		HK(13.95) cents	HK7.64 cents
– Diluted		HK(13.95) cents	HK3.43 cents

The notes on pages 23 to 40 form part of this interim report.

Condensed Consolidated Balance Sheet

At 31 October 2008 – Unaudited

		At 31 October 2008 HK\$'000 (unaudited)	At 30 April 2008 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	8	3,070,435	3,395,620
Other property, plant and equipment	8	943,161	780,553
Interests in associates		834,455	1,445,771
Restricted bank deposits	9	65,828	104,495
Derivative financial instrument – Redemption Right of the Issuer	15	3,000	46,000
Deferred tax assets		25,867	25,186
		4,942,746	5,797,625
CURRENT ASSETS			
Inventories	10	19,947,412	15,811,195
Investments in securities held for trading		1,507	1,486
Trade and other receivables	11	1,155,599	1,458,957
Income tax recoverable		181,171	119,224
Restricted bank deposits	9	33,878	11,100
Cash and cash equivalents		2,522,262	4,363,937
		23,841,829	21,765,899
CURRENT LIABILITIES			
Trade and other payables	12	4,106,907	3,928,235
Pre-sale receipts from customers		4,945,812	2,727,406
Bank borrowings	13	752,309	541,491
Loan payables	14	2,036,165	2,394,346
Derivative financial instrument – Warrants	16	14,520	158,000
Income tax payable		1,017,658	963,455
Dividend payable		6,473	4,360
		12,879,844	10,717,293
NET CURRENT ASSETS		10,961,985	11,048,606
TOTAL ASSETS LESS CURRENT LIABILITIES		15,904,731	16,846,231
NON-CURRENT LIABILITIES			
Bank borrowings	13	2,424,757	2,772,558
Convertible notes	15	983,201	939,480
Senior notes	16	2,910,893	2,897,838
Derivative financial instrument – Redemption Right of the Holder	15	49,000	34,000
Deferred tax liabilities		1,077,673	1,123,032
		7,445,524	7,766,908
NET ASSETS		8,459,207	9,079,323
CAPITAL AND RESERVES			
Share capital	17	77,826	77,826
Reserves		7,615,666	8,296,226
Total equity attributable to equity holders of the Company		7,693,492	8,374,052
Minority interests		765,715	705,271
TOTAL EQUITY		8,459,207	9,079,323

The notes on pages 23 to 40 form part of this interim report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 October 2008 – Unaudited

Attributable to equity shareholders of the Company

	Attributable to equity shareholders of the Company												
	Share capital	Share premium	Contributed surplus	Convertible notes equity reserve	Share options reserve	Investment revaluation reserve	Other revaluation reserve	Special reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	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
At 1 May 2007	68,754	3,673,938	203,752	67,832	101,170	49,847	87,795	(23,069)	120,848	478,018	4,828,885	552,720	5,381,605
Exchange differences on translation into presentation currency	-	-	-	-	-	-	-	-	103,474	-	103,474	16,339	119,813
Changes in fair value of available-for-sale investments	-	-	-	-	-	2,700	-	-	-	-	2,700	-	2,700
Deferred tax liability on change in fair value of available-for-sale investment	-	-	-	-	-	(240)	-	-	-	-	(240)	-	(240)
Net income recognised in equity	-	-	-	-	-	2,460	-	-	103,474	-	105,934	16,339	122,273
Release of reserves arising on sales of properties	-	-	-	-	-	-	(1,547)	10,707	-	-	9,160	-	9,160
Profit for the period	-	-	-	-	-	-	-	-	-	132,745	132,745	(8,039)	124,706
Total recognised income and expense for the period	-	-	-	-	-	2,460	(1,547)	10,707	103,474	132,745	247,839	8,300	256,139
Shares issued under conversion of convertible notes	2,678	419,853	-	(22,349)	-	-	-	-	-	-	400,182	-	400,182
Shares issued for the acquisition of subsidiaries	6,076	1,377,583	-	-	-	-	-	-	-	-	1,383,659	-	1,383,659
Shares issued under exercise of share options	151	18,619	-	-	(5,084)	-	-	-	-	-	13,686	-	13,686
Disposal of a subsidiary (note 19)	-	-	-	-	-	-	-	-	(2,586)	-	(2,586)	-	(2,586)
Equity settled share-based transactions	-	-	-	-	60,153	-	-	-	-	-	60,153	-	60,153
Deemed distribution	-	-	(203,752)	-	-	-	-	-	-	(280,018)	(483,770)	-	(483,770)
Dividend	-	-	-	-	-	-	-	-	-	(90,453)	(90,453)	-	(90,453)
At 31 October 2007	77,659	5,489,993	-	45,483	156,239	52,307	86,248	(12,362)	221,736	240,292	6,357,595	561,020	6,918,615
At 1 May 2008	77,826	5,515,551	-	44,365	187,561	-	46,541	-	738,254	1,763,954	8,374,052	705,271	9,079,323
Exchange differences on translation into presentation currency	-	-	-	-	-	-	-	-	(147,808)	-	(147,808)	17,989	(129,819)
Net income/(expense) recognised in equity	-	-	-	-	-	-	-	-	(147,808)	-	(147,808)	17,989	(129,819)
Release of other revaluation reserve arising on sales of properties	-	-	-	-	-	-	(3,492)	-	-	-	(3,492)	-	(3,492)
Loss for the period	-	-	-	-	-	-	-	-	-	(271,426)	(271,426)	(26,455)	(297,881)
Total recognised income and expense for the period	-	-	-	-	-	-	(3,492)	-	(147,808)	(271,426)	(422,726)	(8,466)	(431,192)
Revaluation reserve and minority interests recognised upon the acquisition of subsidiaries from interests in an associate	-	-	-	-	-	-	(5,946)	-	-	-	(5,946)	68,910	62,964
Dividend	-	-	-	-	-	-	-	-	-	(272,390)	(272,390)	-	(272,390)
Equity settled share-based transactions	-	-	-	-	20,502	-	-	-	-	-	20,502	-	20,502
At 31 October 2008	77,826	5,515,551	-	44,365	208,063	-	37,103	-	590,446	1,220,138	7,693,492	765,715	8,459,207

The notes on pages 23 to 40 form part of this interim report.

Condensed Consolidated Cash Flow Statement

For the six months ended 31 October 2008 – Unaudited

	Six months ended 31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in)/from operating activities	(1,388,620)	1,146,065
Net cash from/(used in) investing activities	196,504	(3,026,043)
Net cash (used in)/from financing activities	(753,597)	3,726,288
Net (decrease)/increase in cash and cash equivalents	(1,945,713)	1,846,310
Cash and cash equivalents at the beginning of the period	4,363,937	1,490,701
Effect of foreign exchange rate changes	104,038	27,486
Cash and cash equivalents at the end of the period	2,522,262	3,364,497

The notes on pages 23 to 40 form part of this interim report.

Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2008

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance by the Board of Directors (the "Board") on 13 January 2009.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007/2008 annual financial statements.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively included HKASs and Interpretations, that are first effective or available for early adoption for the current accounting period of the Group. The Board has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 30 April 2009 on the basis of HKFRSs currently in issue which, the Board believes, do not have a significant impact on the Group's prior year financial position and results of operations but may result in new or amended disclosures.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2007/2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by the independent auditor, CCIF CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The independent review report of CCIF CPA Limited to the Board is included on page 18. This interim financial report has also been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 30 April 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 April 2008 are available from the Company's registered office. The independent auditor has expressed an unqualified opinion on those financial statements in their report dated 22 August 2008.

Items included in the financial statements of each of the Group's subsidiaries and associates are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its major subsidiaries are Renminbi ("RMB"). For the purposes of presenting the interim financial report, the Group adopted Hong Kong dollars ("HK\$") as its presentation currency for the convenience of the readers.

Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2008

2. REVENUE AND SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

As the Group mainly operates in the People's Republic of China (the "PRC"), no geographical segment information is presented.

Business segments

The Group comprises the following main business segments:

Property development: the development and sale of commercial and residential properties.

Property investment: the leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term.

For the six months ended 31 October
(unaudited)

	Property development		Property investment		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
REVENUE						
External sales	48,999	1,017,513	8,803	7,013	57,802	1,024,526
RESULT						
Segment result	(173,714)	(27,856)	(153,061)	456,195	(326,775)	428,339
Unallocated corporate income/(expenses), net					152,211	(118,205)
Finance costs					(143,893)	(42,150)
Share of (losses)/profit of associates					(769)	110
Loss on disposal of a subsidiary	-	(32,814)	-	-	-	(32,814)
(Loss)/profit before taxation					(319,226)	235,280
Income tax					21,345	(110,574)
(Loss)/profit for the period					(297,881)	124,706

Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2008

3. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Effective interest on convertible notes	43,721	56,221
Effective interest on senior notes	165,986	90,513
Interest expense on bank borrowings	137,198	93,195
Interest expense on loan payables	196,498	34,392
Interest on loan from a minority shareholder	22,567	1,248
Less: capitalised under properties under development	(422,077)	(233,419)
	143,893	42,150
(b) Other items		
Interest income from bank deposits	(12,640)	(7,006)
Loss/(gain) on disposal of investment properties	48,124	(3,011)
Changes in fair values of derivative financial instruments	(85,480)	144,198
Exchange gain on convertible notes	(25,713)	(33,658)
Exchange gain on senior notes	(90,001)	(27,746)
Other net exchange gain	(17,711)	(10,076)
Depreciation	22,407	3,707
Equity-settled share-based payment expense	20,502	60,153
Cost of properties sold	38,332	920,745

4. INCOME TAX

	Six months ended 31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The income tax in the income statement represents:		
Current tax		
– PRC Enterprise Income Tax	20,449	14,099
– Land Appreciation Tax	32,191	13,450
	52,640	27,549
Deferred tax		
– Current period	(73,985)	75,387
– Attributed to a change in tax rate	–	7,638
	(73,985)	83,025
	(21,345)	110,574

Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2008

4. INCOME TAX (CONTINUED)

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

The provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rates of 18% to 25% (2007: 15% to 33%) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC during the period.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is charged on the appreciated amount of the properties developed by the Group for sale in the PRC at progressive rates ranging from 30% to 60%.

5. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

	Six months ended 31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
No interim dividend declared after the interim period end (2007: 1.0 cents per ordinary share)	–	19,456

The interim dividend has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

	Six months ended 31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend in respect of the financial year ended 30 April 2008 approved and paid during the following interim period, of HK 14.0 cents per ordinary share (year ended 30 April 2007: HK 4.8 cents per ordinary share)	272,390	90,453

Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2008

6. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss for the period attributable to equity shareholders of the Company of HK\$271,426,000 (2007: profit of HK\$132,745,000) and the weighted average number of approximately 1,945,640,189 ordinary shares (2007: 1,737,435,858 ordinary shares) in issue during the period.

(b) Diluted (loss)/earnings per share

The diluted loss per share for the six months ended 31 October 2008 is the same as basis loss per share because the existence of outstanding convertible notes and the Company's share options during the period have an anti-dilutive effect on the calculation of diluted loss per share.

The calculation of diluted earnings per share for the six months ended 31 October 2007 is based on the profit for that period attributable to equity shareholders of the Company of HK\$66,620,000 (after adjusting the effect of conversion of convertible notes) and the weighted average number of approximately 1,942,011,686 shares (after adjusting the effect of conversion of convertible notes and exercise of share options) in issue during that period.

7. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE

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

	2008	2007
Outstanding at 1 May	132,875,000	570,000,000
Exercised during the period	–	(15,100,000)
Share consolidation (note)	–	(416,175,000)
Outstanding at 31 October	132,875,000	138,725,000

The aggregate amount of equity-settled share-based payment expense charged to condensed consolidated income statement for the period was HK\$ 20,502,000 (six months ended 31 October 2007: HK\$60,153,000).

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

Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2008

8. MOVEMENTS IN INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties were fair-valued by external valuers, Savills Valuations and Professional Services Limited, at 31 October 2008. The resulting decrease in fair value of investment properties of HK\$100,757,000 (six months ended 31 October 2007: increase in fair value of HK\$450,401,000) has been recognised directly in the condensed consolidated income statement for the six months ended 31 October 2008.

During the six months ended 31 October 2008, the Group acquired certain plant and equipment at a cost of HK\$102,945,000 (six months ended 31 October 2007: HK\$389,281,000). In addition, plant and equipment at a cost of approximately HK\$3,513,000 (2007: HK\$2,931,000) was acquired through acquisition of subsidiaries (note 18).

9. RESTRICTED BANK DEPOSITS

- a) The Group has entered into agreements with certain banks with respect to mortgage loans provided to the buyers of the property units. As at 31 October 2008, the Group made deposits of RMB57,665,000 (equivalent to approximately HK\$65,738,000) (as at 30 April 2008: RMB94,140,000 (equivalent to approximately HK\$104,495,000)) as security for settlement of the mortgage instalments by the mortgagors under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the banks can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. These restricted bank deposits will be released when the property title deeds are pledged to banks as security for respective mortgage loans, which generally take place within one year after the property title deeds are passed to buyers.

The directors of the Company are in view that the above restricted bank deposits are not expected to be released within one year.

- b) As at 31 October 2008, the Group's bank deposits of RMB29,796,000 (equivalent to approximately HK\$33,968,000) (as at 30 April 2008: RMB10,000,000 (equivalent to approximately HK\$11,100,000)) were pledged as collateral for the bank borrowings, details of which are set out in note 13.

Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2008

10. INVENTORIES

	At 31 October 2008 HK\$'000 (unaudited)	At 30 April 2008 HK\$'000 (audited)
Properties under development	19,539,680	15,277,716
Completed properties held for sale	402,438	533,479
Consumable stores	5,294	–
	19,947,412	15,811,195

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 31 October 2008 HK\$'000 (unaudited)	At 30 April 2008 HK\$'000 (audited)
Less than 90 days	18,372	128,786
More than 90 days but less than 180 days	–	–
More than 180 days	28,478	10,411
	46,850	139,197

Trade debtors are generally due within 90 days from the dates of the sale and purchase agreements.

Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2008

12. TRADE AND OTHER PAYABLES

	At 31 October 2008 HK\$'000 (unaudited)	At 30 April 2008 HK\$'000 (audited)
Accrued expenditure on properties under development	836,916	1,161,342
Retentions payable to contractors	86,039	98,623
Consideration payable for acquisition of subsidiaries	494,691	381,396
Consideration payable for acquisition of associates	28,013	307,131
Interest payable	272,413	128,928
Accrued charges and other payables	305,879	205,033
Amounts due to former shareholders of the Company's subsidiaries (note 12(a))	159,817	156,187
Amounts due to related companies (note 12(a))	82,084	84,018
Amount due to a shareholder (note 12(a))	–	20,412
Amounts due to associates (note 12(a))	88,639	75,816
Amounts due to minority shareholders (note 12(b))	935,630	201,165
Financial liabilities measured at amortised cost	3,290,121	2,820,051
Advance payment from a minority shareholder for the property development project (note 12(c))	798,000	1,098,900
Other taxes payables (note 12(d))	18,786	9,284
	4,106,907	3,928,235

- (a) The amounts due to former shareholders of the Company's subsidiaries, a shareholder and associates are interest free, unsecured and have no fixed terms of repayment. The amounts due to related companies are interest free, unsecured and have no fixed terms of repayment. These related companies are controlled by Mr. Li Song Xiao, the controlling shareholder of the Company.
- (b) Included in the amounts due to minority shareholders is an amount of RMB140,000,000 (equivalent to approximately HK\$159,600,000) (30 April 2008: RMB140,000,000 (equivalent to approximately HK\$155,400,000)), which is secured by certain properties under development of the Group located in the PRC with a total carrying amount of approximately HK\$569,035,000 (30 April 2008: HK\$386,132,000), bears interest at 7.02% per annum and is repayable within one year. Another amount of approximately RMB641,124,000 (equivalent to approximately HK\$730,882,000) (30 April 2008: HK\$Nil) is unsecured, repayable on demand and bears interest at 12.50% per annum. All other amounts due to minority shareholders are unsecured, interest free and have no fixed terms of repayment.
- (c) Advance payment of RMB700,000,000 (equivalent to approximately HK\$798,000,000) (30 April 2008: RMB990,000,000 (equivalent to approximately HK\$1,098,900,000)) from a minority shareholder is secured by 20% equity interest in the registered capital of Tianjin City Yi Jia He Zhi Ye Co., Ltd., a subsidiary of the Company established in the PRC, interest free and has no fixed terms of repayment.
- (d) Other taxes payables comprise urban real estate tax payable, real estate tax payable and business tax payable.

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For the six months ended 31 October 2008

13. BANK BORROWINGS

At the balance sheet date, the bank loans were repayable as follows:

	At 31 October 2008 HK\$'000 (unaudited)	At 30 April 2008 HK\$'000 (audited)
Within 1 year or on demand	752,309	541,491
After 1 year but within 2 years	1,060,200	1,980,240
After 2 years but within 5 years	936,738	363,525
After 5 years	427,819	428,793
Total bank loans	3,177,066	3,314,049
Less: repayable within 1 year or on demand as classified under current liabilities	(752,309)	(541,491)
Repayable after 1 year as classified under non-current liabilities	2,424,757	2,772,558

During the six months ended 31 October 2008, the Group obtained new bank borrowings amounting to HK\$551,988,000 (six months ended 31 October 2007: HK\$1,497,600,000) and assumed bank borrowings of HK\$Nil (six months ended 31 October 2007: HK\$67,600,000) through acquisitions of subsidiaries. The proceeds were used to finance the development of properties.

At 31 October 2008 and 30 April 2008, all the bank borrowings are denominated in Renminbi.

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

The effective interest rates (being the People's Bank of China's lending rate) on the Group's bank borrowings denominated in RMB are ranging from 6.75% to 8.32% (30 April 2008: ranging from 5.91% to 8.32%) per annum.

Except for unsecured bank borrowings of approximately HK\$342,000,000 (30 April 2008: HK\$310,800,000), the remaining bank borrowings are secured by:

- (i) certain properties under development, certain completed properties held for sale and other properties of the Group located in the PRC with total carrying amounts of approximately HK\$5,104,804,000 (30 April 2008: HK\$2,755,744,000), HK\$330,933,000 (30 April 2008: HK\$288,891,000) and HK\$1,609,542,000 (30 April 2008: HK\$3,395,620,000) respectively.
- (ii) certain bank deposits of the Group amounting to approximately HK\$33,878,000 (30 April 2008: HK\$11,100,000) and HK\$90,000 (30 April 2008: HK\$ Nil), which have been pledged to secure current and non-current bank borrowings and are therefore classified as current assets and non-current assets, respectively.

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For the six months ended 31 October 2008

14. LOAN PAYABLES

	At 31 October 2008 HK\$'000 (unaudited)	At 30 April 2008 HK\$'000 (audited)
Loan Payable denominated in RMB (see note (a))	1,710,000	1,665,000
Loan Payable A (see note (b))	–	197,025
Loan Payable B (see note (c))	326,165	532,321
	2,036,165	2,394,346

a) Loan Payable denominated in RMB

Loan Payable denominated in RMB bears interest at 20% per annum and is secured by:

- (i) share mortgage over the issued capital of Moral Luck Group Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands;
- (ii) equity pledge over the registered capital of Zhuhai City Qi Zhou Island Movie Town Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC;
- (iii) subordination of intra-group's balances between certain wholly-owned subsidiaries of the Company in favour of this independent third party; and
- (iv) corporate guarantees given by the Company and certain of the Company's subsidiaries.

The Company's directors expect the Loan Payable denominated in RMB to be settled within one year.

(b) Loan Payable A

During the six months ended 31 October 2008, the Group fully repaid Loan Payable A (six months ended 31 October 2007: HK\$52,000,000 repaid).

(c) Loan Payable B

During the six months ended 31 October 2008, the Group repaid an amount of approximately RMB200,000,000 (equivalent to approximately HK\$228,000,000) (six months ended 31 October 2007: HK\$ Nil) in respect of Loan Payable B. As at 31 October 2008, the carrying amount of Loan Payable B was RMB286,110,000 (equivalent to approximately HK\$326,165,000) (30 April 2008: RMB479,568,000 (equivalent to approximately HK\$532,321,000)) inclusive of the effective interest payable.

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For the six months ended 31 October 2008

15. CONVERTIBLE NOTES

In prior years, 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 adjusted conversion price of HK\$6.0193 per share, subject to anti-dilutive adjustment. The conversion right can be exercised at any time on or after 60 days from the date on which Convertible Note 2011 is issued up to, and including, the close of business on the business day seven days prior to the Maturity Date.

On 12 June 2009, the holders of Convertible Note 2011 can put back the Convertible Note 2011 to the Company at the price of 120.103% of principal amount ("Redemption Right of the Holder"). As the economic characteristics and risks of the Redemption Right of the Holder are not closely related to the host contract, the Redemption Right of the Holder is separately accounted for at fair value at each reporting date as derivative financial instrument. The fair value of the Redemption Right of the Holder at 31 October 2008 was HK\$49,000,000 (30 April 2008: HK\$34,000,000). Accordingly, a change in the fair value of the derivative financial instrument of approximately HK\$15,000,000 was debited (six months ended 31 October 2007: HK\$39,000,000 was credited) to the consolidated income statement for the period.

At any time after 12 June 2009 but not less than seven business days prior to the Maturity Date, the Company may redeem Convertible Note 2011 in whole but not in part at a 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 a derivative financial instrument. The fair value of the Redemption Right of the Issuer at 31 October 2008 was HK\$3,000,000 (30 April 2008: HK\$46,000,000). Accordingly, a change in the fair value of the derivative financial instrument of HK\$43,000,000 was debited (six months ended 31 October 2007: HK\$4,000,000 was credited) to the consolidated income statement for the period.

In the event that the Company's shares cease to be listed or admitted to trading on the Stock Exchange, each holder of Convertible Note 2011 shall have a 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 a derivative financial instrument. The fair value of the Delisted Put Right is insignificant as at both 31 October 2008 and 30 April 2008.

During the six months ended 31 October 2008, no Convertible Note 2011 was converted into the Company's new ordinary shares. During the six months ended 31 October 2007, the holders of the Convertible Note 2011 converted part of the Convertible Note 2011 with principal amount of HK\$402,990,000 into shares of the Company.

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

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For the six months ended 31 October 2008

16. SENIOR NOTES/WARRANTS

On 23 July 2007, the Company issued 4,000 units consisting in aggregate of senior notes at a par value of US\$400,000,000, (equivalent to approximately HK\$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bear interest at 9.75% and will mature on 23 July 2014 ("Notes Maturity Date"). The Senior Notes 2014 are guaranteed by all of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 are separated immediately upon their issuance and the Warrants 2012 are detachable from the Senior Notes 2014.

The Warrants 2012 are exercisable at any time from the date of issue to 23 July 2012 at an initial exercise price of HK\$1.68 per share, subject to anti-dilutive adjustment, to subscribe for shares of the Company. The Warrants 2012 are denominated in Hong Kong dollars and will be settled in net share settlement upon exercise. As the Warrants 2012 may be settled other than by exchange of a fixed amount of cash for a fixed number of the Company's shares, the Warrants 2012 are classified as a derivative financial liability and measured at fair value with changes in fair value recognised in the consolidated income statement.

Pursuant to the terms and conditions of Warrants 2012, on 29 October 2007, the subscription price of Warrants 2012 was adjusted following the consolidation of the Company's shares. Warrants 2012 holders were entitled to subscribe in cash for fully paid shares at the adjusted subscription price of HK\$6.72 per share. The number of shares issuable on the exercise of the Warrants 2012 was reduced to one-fourth of the outstanding shares issuable under Warrants 2012 as at 29 October 2007.

The fair value of Warrants 2012 at 31 October 2008 was HK\$14,520,000 (30 April 2008: HK\$158,000,000). Accordingly, a change in fair value of warrants of HK\$143,480,000 was credited (six months ended 31 October 2007: HK\$187,198,000 was debited) to the consolidated income statement for the period.

As at 31 October 2008, 66,000,000 (30 April 2008: 66,000,000) of Warrants 2012 were outstanding. Exercise in full of the outstanding Warrants 2012 would result in the issue of 66,000,000 additional shares with an aggregate subscription value of HK\$443,520,000.

At any time prior to the Notes Maturity Date, the Company may redeem the Senior Notes 2014, in whole or in part, at a redemption price equal to 100% of the principal amount plus the greater of (1) 1% of the principal amount of Senior Notes 2014 being redeemed and (2) the excess of (A) the present value at such redemption date of (i) 100% of the principal amount of the Senior Notes 2014 plus (ii) all required remaining scheduled interest payments due on Senior Notes 2014 through to the Notes Maturity Date, computed using a discount rate equal to the comparable treasury issue plus 100 basis points, over (B) the principal amount of Senior Notes 2014 on such redemption date ("100% Redemption Right of the Issuer – Senior Notes 2014"). As the economic characteristics and risks of the 100% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 100% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 100% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at both 31 October 2008 and 30 April 2008.

At any time prior to 23 July 2011, the Company may redeem up to 35% of the principal amount of the Senior Notes 2014 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 109.75% of the principal amount of the Senior Notes 2014 ("35% Redemption Right of the Issuer – Senior Note 2014"). As the economic characteristics and risk of the 35% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 35% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 35% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at both 31 October 2008 and 30 April 2008.

The Senior Notes 2014 contain a liability element, Warrants 2012, 100% Redemption Right of the Issuer – Senior Notes 2014 and 35% Redemption Right of the Issuer – Senior Notes 2014. The effective interest rate of the liability element is 11.35%.

Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2008

17. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
At 1 May 2008 and 31 October 2008 – ordinary share of HK\$0.04 each	10,000,000,000	400,000
Issued and fully paid:		
At 1 May 2008 and 31 October 2008 – ordinary shares of HK\$0.04 each	1,945,640,189	77,826

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For the six months ended 31 October 2008

18. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

The Group acquired the following assets and liabilities through the acquisition of subsidiaries with details below:

For the period ended 31 October 2008

On 30 June 2008, the Group acquired 12% equity interest in Beijing Jun He Bai Nian Property Development Co., Ltd. ("Jun He Bai Nian"), a company established in the PRC and engaged in property development in Beijing, the PRC, for a total consideration of RMB82,090,000 (equivalent to approximately HK\$93,369,000). Prior to the acquisition, the Group held 43.95% interest in Jun He Bai Nian and this has been accounted for as interest in an associate. Jun He Bai Nian then became a 55.95% owned subsidiary of the Group subsequent to the acquisition.

Details of the net assets acquired in respect of the acquisition of Jun He Bai Nian are summarised below:

	Fair values on acquisition
	HK\$'000
NET ASSETS ACQUIRED	
Plant and equipment	900
Properties under development	1,583,651
Trade and other receivables and prepayments	308,162
Bank balances and cash	1,280
Accruals and other payables	(554,522)
Amounts due to a shareholder	(480,987)
Amounts due to group companies	(8,304)
	<hr/>
	850,180
Minority interests	(68,910)
	<hr/>
	781,270
Less: interest in an associate held prior to the acquisition	(693,847)
Add: revaluation reserve on previously held interest	5,946
	<hr/>
	93,369
	<hr/>
Total consideration satisfied by:	
Cash consideration paid	(93,369)
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	(93,369)
Bank balances and cash acquired	1,280
	<hr/>
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<hr/> <hr/> (92,089)

Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2008

18. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the period ended 31 October 2007

In October 2007, the Group acquired a property project in Tianjin, the PRC ("Beichen Project") and its related assets and liabilities for a total consideration of approximately HK\$743,205,000, which was satisfied by cash of approximately HK\$416,305,000 and by the allotment and issue of 35,000,000 ordinary shares at HK\$9.34 each of the Company. The purchase was by way of acquisition of the entire issued share capital of Wah Po Holdings Limited. This transaction has been reflected as a purchase of assets and liabilities.

Details of the net assets acquired in respect of the acquisition of Beichen Project are summarized below:

	Fair values on acquisition
	HK\$'000
NET ASSETS ACQUIRED	
Plant and equipment	334
Properties under development	979,061
Trade and other receivables and prepayments	525
Advances to suppliers	41,605
Tax recoverable	3
Amounts due from related companies	47
Bank balances and cash	35,477
Accruals and other payables	(4,907)
Amounts due to group companies	(308,940)
	<u>743,205</u>
Total consideration satisfied by:	
Cash consideration paid	(161,135)
Deposit for acquisition of subsidiaries in prior period	(255,170)
Equity instruments of the Company (see note below)	(326,900)
	<u>(743,205)</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(161,135)
Bank balances and cash acquired	35,477
	<u>(125,658)</u>

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

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For the six months ended 31 October 2008

19. DISPOSAL OF A SUBSIDIARY

For the period ended 31 October 2007

During the six months ended 31 October 2007, the Group completed the disposal of the entire interest in 天津中新名仕地產開發有限公司 ("Tianjin Zhongxin Mingshi") for a consideration of approximately HK\$223,086,000. A loss of disposal of HK\$32,814,000 arose from this disposal.

Details of the net assets disposed of in respect of the disposal of a Tianjin Zhongxin Mingshi are summarised below:

	HK\$'000
NET ASSETS DISPOSED OF	
Properties under development	201,774
Bank balances and cash	79,229
Amounts due from group companies	16,518
Deferred tax liabilities	(39,035)
	258,486
Exchange reserve realised	(2,586)
	255,900
Loss on disposal of subsidiary	(32,814)
	223,086
Total consideration satisfied by	
Cash received	161,524
Deposit received for disposal of a subsidiary in prior period	61,562
	223,086
Net cash inflow arising on disposal:	
Cash consideration received	161,524
Bank balances and cash disposed of	(79,229)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiary	82,295

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20. COMMITMENTS

Commitments in respect of properties under development outstanding at the balance sheet date not provided for in the condensed consolidated financial statements were as follows:

	At 31 October 2008 HK\$'000 (unaudited)	At 30 April 2008 HK\$'000 (audited)
Authorised and contracted for but not provided for	6,813,755	3,720,684

21. CONTINGENCIES

The Group had the following contingent liabilities as at the balance sheet date:

	At 31 October 2008 HK\$'000 (unaudited)	At 30 April 2008 HK\$'000 (audited)
Guarantees in respect of mortgage facilities for certain purchasers	1,479,102	2,131,318

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers.

In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the parties involved is remote, and in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the condensed consolidated financial statements for guarantees.

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22. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, is as follows:

	Six months ended 31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term employee benefits	5,235	3,710
Equity compensation benefits	10,853	42,058
	16,088	45,768

(b) Transactions with other related parties

During the period, 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		Decoration income	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Related companies	-	6,200	-	10,863

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

Decoration income were received from related companies for providing design and decoration services by the Group.

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 30 APRIL 2009

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 30 April 2009 and which have not been adopted in this interim financial report.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, HKFRS 8 "Operating segments" and HKAS 1 (Revised) "Presentation of financial statements", which are effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.