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If you have sold or transferred all your shares in Neo-China Land Group (Holdings) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中新地產
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)

(Shares – Stock Code: 563; Convertible bonds due 2011 – Stock Code: 2528)

**POSSIBLE SUBSCRIPTION OF SHARES
BY NOVEL GOOD LIMITED**

CONNECTED TRANSACTION

**Independent financial adviser to the Independent Board Committee and
the Independent Neo-China Shareholders**

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

A letter from the Board is set out on pages 7 to 21 of this circular.

Letters from the Ch. 14A IBC containing its advice to the Independent Neo-China Shareholders are set out on page 22 of this circular. A letter from Anglo Chinese Corporate Finance, Limited containing its advice to the Ch. 14A IBC and the Independent Neo-China Shareholders is set out on pages 23 to 44 of this circular.

A notice convening a special general meeting of Neo-China Land Group (Holdings) Limited to be held at Suites 3005-3007, 30/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on 3 June 2010 at 10:00 a.m. is set out on pages 245 to 246 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular. The form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.neochinagroup.com.hk). If they are not able to attend the special general meeting, shareholders should please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Branch Share Registrar of the Company in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:

“Acquisition”	the acquisition of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
“acting in concert”	the meaning ascribed to it under the Takeovers Code
“associates”	the meaning ascribed to it under the Takeovers Code
“Board”	the board of directors of the Company as at the date of this circular
“Business Day”	a day other than a Saturday or Sunday, on which banks in Hong Kong are open for business generally
“CB Holders”	the holders of the Convertible Bonds
“CB Offer”	the possible mandatory conditional cash offer for all the Convertible Bonds (other than those already owned or agreed to be acquired by Novel Good and parties acting in concert with it) to be made for and on behalf of Novel Good
“Ch. 14A IBC”	an independent board committee originally established to advise Independent Neo-China Shareholders in respect of the subscription and the Qi Ao Agreement for the purposes of the Listing Rules, comprising both the independent non-executive Directors of Neo-China, Ms. Nie Mei Sheng and Mr. Gao Ling
“Code IBC”	an independent board committee established to advise holders of relevant securities of Neo-China in respect of the Offers for the purposes of the Takeovers Code, comprising Mr. Lai Leong, who is a non-executive Director of Neo-China, and both the independent non-executive Directors of Neo-China, Ms. Nie Mei Sheng and Mr. Gao Ling
“Completion”	completion of the Acquisition and the Subscription
“connected person(s)”	the meaning ascribed to it in the Listing Rules

DEFINITIONS

“Convertible Bonds”	HK\$1,340,000,000 zero coupon convertible bonds due 2011 issued by Neo-China of which HK\$52,160,000 principal amount remains outstanding
“Director(s)”	the director(s) of the Company
“DTZ”	DTZ Debenham Tie Leung Limited, an independent property valuer
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“ICAC”	the Hong Kong Independent Commission Against Corruption
“Independent Board Committee(s)”	the Code IBC and/or the Ch14A IBC, as the context may indicate
“Independent Financial Adviser” or “Anglo Chinese”	a licensed corporation under the SFO to conduct type 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities, the independent financial adviser to the Independent Board Committees and the Independent Neo-China Shareholders
“Independent Neo-China Shareholders”	the holders of Neo-China Shares other than (i) Mr. Li, connected persons of Mr. Li and persons acting in concert with any of them; (ii) Novel Good and parties acting in concert with it
“Invest Gain” or “Vendor”	Invest Gain Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Li
“Joint Announcement”	a joint announcement dated 19 January, 2010 made by the Company, SIH and Novel Good
“Last Trading Day”	22 January 2008, the last trading day prior to the suspension of trading in the Neo-China Shares

DEFINITIONS

“Latest Practicable Date”	11 May 2010 being the latest practicable date before the despatch of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	30 September 2010 (or such other date as may be agreed among Invest Gain, the Purchaser and Neo-China)
“Mr. Li”	Mr. Li Song Xiao, a former executive director and chairman of Neo-China, who resigned with effect from 22 August 2009
“Neo-China” or “the Company”	Neo-China Land Group (Holdings) Limited, company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Neo-China Board”	the board of directors of Neo-China
“Neo-China Group”	Neo-China and its subsidiaries
“Neo-China Shareholders”	the holders of Neo-China Shares
“Neo-China Shares”	ordinary shares of HK\$0.04 each in the share capital of Neo-China
“Novel Good”	Novel Good Limited 穎佳有限公司, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of SIH
“Offers”	collectively, the Share Offer, the CB Offer, the Warrant Offer and the Option Offer
“Option Holders”	holders of the Share Options
“Option Offer”	the possible mandatory conditional cash offer for the cancellation of all the outstanding Share Options (other than those already owned or agreed to be acquired by Novel Good and parties acting in concert with it) to be made for and on behalf of Novel Good
“PRC”	the People’s Republic of China

DEFINITIONS

“Qi Ao Agreement”	an agreement dated 19 January 2010 between Turbo Wise and Neo-China relating to the sale and purchase of the Neo-China Group’s interest in a project known as the Qi Ao Island Project and related shareholders’ loans which was terminated by an agreement on 11 May 2010
“Qi Ao Island Project”	All that plot of land Lot No. A0203001 at east of Qiao East Line Road, Wangchiling Hills, Qiao Island, Zhuhai, Guangdong Province of the PRC occupying an area of approximately 2.2 million square metres.
“Retained Shares”	554,170,495 Neo-China Shares, representing approximately 28.48% of the issued share capital of Neo-China as at the date of this circular and approximately 21.08% of the issued share capital of Neo-China as enlarged by the Subscribed Shares, to be retained by Mr. Li and Invest Gain immediately after Completion
“RMB”	renminbi, the lawful currency of the PRC
“Sale Shares”	500,000,000 Neo-China Shares, currently legally and beneficially owned by Invest Gain, representing approximately 25.70% of the issued share capital of Neo-China at the Latest Practicable Date
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 19 January 2010 and entered into between Invest Gain, Novel Good and Mr. Li in relation to the acquisition by Novel Good of the Sale Shares from Invest Gain
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance of Hong Kong
“SGM”	the special general meeting of Neo-China notice of which is set out on pages 245 to 246 of this circular
“Share Offer”	the possible mandatory conditional cash offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired or subscribed by Novel Good and parties acting in concert with it) to be made for and on behalf of Novel Good

DEFINITIONS

“Share Options”	the outstanding share options granted under the share option scheme adopted by Neo-China on 12 December 2002
“SIH”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange
“SIH Directors”	the directors of SIH
“SIH Group”	SIH and its subsidiaries
“SIH Shareholders”	the shareholders of SIH
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribed Shares”	683,692,000 Neo-China Shares to be subscribed by Novel Good at completion of the Subscription
“Subscription”	the subscription of the Subscribed Shares pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 19 January 2010 and entered into between the Neo-China and Novel Good in relation to the subscription of the Subscribed Shares by Novel Good
“Subscription Price”	HK\$1,586,165,440, which is the aggregate subscription price for the whole of the Subscribed Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transactions”	collectively, the Acquisition, the Subscription and the Offers
“Turbo Wise”	Turbo Wise Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Li
“Warrants”	66,000,000 warrants expiring on 22 July 2012 to subscribe new Neo-China Shares at a price of HK\$6.72 each, subject to adjustments
“Warrant Holders”	the holders of the Warrants

DEFINITIONS

“Warrant Offer”	the possible mandatory conditional cash offer for all the outstanding Warrants (other than those already owned or agreed to be acquired by Novel Good and parties acting in concert with it) to be made for and on behalf of Novel Good
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

Sums in this circular expressed in RMB have for illustration only been translated into HK\$ at the rate RMB1.00 = HK\$1.14, being the approximate rate prevailing at close of business in Hong Kong on 19 January 2010, being the date of the announcement of the Offers.

At the date of this circular, the Neo-China Board is comprised of:

Executive directors:

Mr. Liu Yi, Ms. Niu Xiao Rong, Mr. Yuan Kun, Ms. Liu Yan, Mr. Jia Bo Wei, Ms. Bao Jing Tao and Mr. Lam Kwan Sing

Non-executive director:

Mr. Lai Leong

Independent non-executive directors:

Ms. Nie Mei Sheng and Mr. Gao Ling

LETTER FROM THE BOARD



中新地產
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)

(Shares – Stock Code: 563; Convertible bonds due 2011 – Stock Code: 2528)

Executive Directors:

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

Non-Executive Director:

Mr. Lai Leong

Independent Non-Executive Directors:

Ms. Nie Mei Sheng
Mr. Gao Ling

Registered office:

Clarendon House Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place

of Business in Hong Kong
Suites 3005-3007,
30th Floor,
Great Eagle Centre,
23 Harbour Road,
Wanchai,
Hong Kong

14 May 2010

To Neo-China Shareholders

Dear Sir or Madam,

**POSSIBLE SUBSCRIPTION OF SHARES
BY NOVEL GOOD LIMITED**

CONNECTED TRANSACTION

INTRODUCTION

In a joint announcement dated 19 January, 2010 the Company, SIH and Novel Good announced amongst other things that on 19 January 2010:-

- Novel Good, a wholly-owned subsidiary of SIH, had entered into the Sale and Purchase Agreement with Invest Gain pursuant to which, amongst other things, Invest Gain had conditionally agreed to sell, and Novel Good has

* *for identification only*

LETTER FROM THE BOARD

conditionally agreed to purchase, the Sale Shares at a total consideration of HK\$1,160,000,000, equivalent to approximately HK\$2.32 per Sale Share; and

- Novel Good had entered into the Subscription Agreement with Neo-China, pursuant to which, amongst other things, Neo-China had conditionally agreed subject to completion of the Sale and Purchase Agreement to allot and issue to Novel Good, and Novel Good has conditionally agreed to subscribe, the Subscribed Shares; and
- Turbo Wise and Neo-China had entered into the Qi Ao Agreement which was subsequently terminated on 11 May 2010 (as announced on 11 May 2010) by an agreement between Neo-China and Turbo Wise (the "Termination Agreement").

In light of the Termination Agreement, Neo-China, Novel Good, the Vendor and Mr. Li entered into a supplemental agreement on the same date (the "Supplemental Agreement") mainly to supplement, amend and waive certain terms and conditions of the Sale and Purchase Agreement and the Subscription Agreement that relate to the Qi Ao Agreement. In particular, pursuant to the Supplemental Agreement, completion of the Sale and Purchase Agreement and the Subscription Agreement is no longer conditional on:

- (a) the Qi Ao Agreement having been approved by the independent shareholders of Neo-China;
- (b) the Qi Ao Agreement having become unconditional; and
- (c) obtaining certain consents relating to the Qi Ao Agreement.

Further details are set out in the joint announcement dated 11 May 2010.

Upon Completion, Novel Good and parties acting in concert with it will be interested in an aggregate of 1,183,692,000 Neo-China Shares, representing approximately 45.02% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares). Subject to Completion, Novel Good will be required to make the Offers.

Independent Board Committees

Under Chapter 14A of the Listing Rules, the Independent Board Committee which is required to be formed under those rules to advise Independent Neo-China Shareholders and the Subscription Agreement (being connected transactions falling within Chapter 14A of the Listing Rules) is required to consist of only the independent non-executive directors of Neo-China.

Under Rule 2.8 of the Takeovers Code, members of the Independent Board Committee of Neo-China in respect of the Offers and the Subscription Agreement should comprise all non-executive directors of Neo-China who have no direct or indirect interest in the Transactions,

LETTER FROM THE BOARD

Mr. Lai Leong is a non-executive director of Neo-China but is not an independent non-executive director of Neo-China. Accordingly, as the Company announced on 29 January, 2010 to comply strictly with the requirements of Rule 2.8 of the Takeovers Code as well as the requirements of Chapter 14A of the Listing Rules, Neo-China has established two separate independent board committees, one including Mr. Lai and one not including Mr. Lai.

The Ch. 14A IBC has been established to advise Independent Neo-China Shareholders in respect of the Subscription for the purposes of Chapter 14A of the Listing Rules. Its members comprise both the independent non-executive Directors of Neo-China, namely Ms. Nie Mei Sheng and Mr. Gao Ling.

The Code IBC has been established to advise holders of relevant securities in Neo-China in respect of the Offers for the purposes of the Takeovers Code. Its members comprise Mr. Lai Leong and both the independent non-executive Directors of Neo-China, Ms. Nie Mei Sheng and Mr. Gao Ling.

Anglo Chinese has been appointed independent financial adviser to advise the Ch. 14A IBC and the Independent Neo-China Shareholders regarding the Subscription and to advise the Code IBC regarding the Offers. Each of the Ch. 14A IBC and the Code IBC has approved the appointment of Anglo Chinese as the independent financial adviser to give advice to it (and, in the case of the Ch. 14A IBC only, the Independent Neo-China Shareholders).

The purpose of this circular is to provide you with further details of the above matters, the recommendation from the Ch. 14A IBC, the advice from Anglo Chinese to the Ch. 14A IBC and the Independent Neo-China Shareholders, and a valuation report on the Group's interests in properties.

THE SALE AND PURCHASE AGREEMENT

Sale Shares

Neo-China has been advised that pursuant to the Sale and Purchase Agreement, Novel Good has conditionally agreed to acquire from Invest Gain an aggregate of 500,000,000 Neo-China Shares, representing approximately 25.70% of the issued share capital of Neo-China as at the date of this circular and approximately 19.02% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares).

Conditions precedent

Completion of the Sale and Purchase Agreement (and thus of the Subscription Agreement and the Qi Ao Agreement) is subject to the following conditions being satisfied and/or waived (other than (v) below which cannot be waived):

- (i) the Stock Exchange has cleared the joint announcement to be issued by SIH and Neo-China regarding the completion of the sale and purchase of the Sale

LETTER FROM THE BOARD

Shares and the Subscription, which shall contain the statement to the effect that an application has been made for trading of the shares in Neo-China to be resumed on the date stated therein;

- (ii) the Neo-China Group has unencumbered and unrestricted aggregate free cash of an amount not less than HK\$3 billion (assuming none of the outstanding Convertible Bonds have been redeemed or repurchased) or HK\$2.94 billion (assuming all of the outstanding Convertible Bonds have been redeemed or repurchased) as evidenced by the management accounts of Neo-China dated the month end immediately prior to Completion;
- (iii) aggregate loan and indebtedness of the Neo-China Group does not exceed HK\$6.5 billion (assuming none of the outstanding Convertible Bonds have been redeemed or repurchased) or HK\$6.44 billion (assuming all of the outstanding Convertible Bonds have been redeemed or repurchased) as evidenced by the management accounts of Neo-China dated the month end immediately prior to Completion;
- (iv) no assets and/or documents have been confiscated or retained by any governmental or regulatory authority after the date of the Sale and Purchase Agreement that will have a material adverse impact on the business or financial condition or prospects of the Neo-China Group;
- (v) the Subscription and the Qi Ao Agreement have been approved by the Independent Neo-China Shareholders and the Stock Exchange has granted listing approval for, and permission to deal in, the Neo-China Shares to be issued pursuant to the Subscription. On 11 May 2010 Novel Good irrevocably waived this condition in so far only as if relates to the Qi Ao Agreement;
- (vi) the Qi Ao Agreement has become unconditional (other than the condition requiring completion of the Acquisition and the Subscription). On 11 May 2010 Novel Good irrevocably waived this condition;
- (vii) any applicable waiting periods for a response from the Ministry of Commerce of the PRC having expired or been terminated and/or any anti-trust consent or approval of the Ministry of Commerce of the PRC in connection with the Transactions or the completion thereof has been obtained on an unconditional basis pursuant to the provisions of any laws or regulations in the PRC;
- (viii) the due diligence on the financial, legal and business affairs of the Neo-China Group by Novel Good has been completed and Novel Good is satisfied with the results of such due diligence in all respects;
- (ix) all warranties remaining true and correct at all times as from the signing of the Sale and Purchase Agreement up to the month ending immediately prior to Completion;
- (x) all the consents required to give effect to the Acquisition and the Subscription and/or that are necessary to avoid events of default or acceleration of debt by

LETTER FROM THE BOARD

the Neo-China Group have been obtained, and Invest Gain has provided a written confirmation that it has not intentionally withheld any material information in respect of the consents; and

- (xi) there has been no material adverse change in the general affairs, management, business, financial, trading condition or prospects of the Neo-China Group since the end of the financial period for which the latest published interim report or annual report of Neo-China is prepared up to the month end immediately prior to Completion.

In the event that any of the conditions referred to above shall not have been fulfilled or waived (as the case may be) on or before the Longstop Date, the rights and obligations of the parties under the Sale and Purchase Agreement will lapse and the Sale and Purchase Agreement shall thereupon terminate and be of no further effect (and Subscription Agreement will not proceed).

THE SUBSCRIPTION AGREEMENT

Date

19 January 2010

Parties

Issuer : Neo-China

Subscriber : Novel Good

To the best of the directors' knowledge, information and belief having made all reasonable enquiries Novel Good and SIH are third parties independent of Neo-China and its connected persons.

Subscribed Shares

Pursuant to the Subscription Agreement, Neo-China has conditionally agreed to allot and issue to Novel Good, and Novel Good has conditionally agreed to subscribe from Neo-China, the Subscribed Shares, being 683,692,000 Neo-China Shares representing approximately 35.14% of the issued share capital of Neo-China as at the date of this circular and approximately 26.00% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares). On completion of the Subscription Agreement and the Sale and Purchase Agreement Novel Good and parties acting in concert with it will own a total 1,183,692,000 Neo Shares representing 45.02% of the issued share capital of Neo-China as enlarged by the issue of the Subscribed Shares and assuming that none of the Convertible Bonds, Warrants or Share Options are converted or exercised before then. The Subscribed Shares represent a significant increase in Neo-China's share capital. Independent Neo-China Shareholders, who currently control 45.83% of the issued share

LETTER FROM THE BOARD

capital of the Company, will be diluted to 33.90% of the issued share capital on completion of the Subscription Agreement and the Sale and Purchase Agreement.

Consideration

The aggregate consideration for the Subscribed Shares pursuant to the Subscription Agreement is HK\$1,586,165,440, equivalent to HK\$2.32 per Subscribed Share, which is payable in cash at Completion. Such cash consideration was agreed between Novel Good and Invest Gain after arm's length negotiations, taking into consideration the historical and (as at the date of the Subscription Agreement) then most recent published financial information of Neo-China, (which did not include its audited consolidated financial statements at 31 December, 2009) Novel Good's review of Neo-China's assets and business prospects.

The issue price of HK\$2.32 per Neo-China Share represents:

- (i) a discount of approximately 54.51% over the closing price of HK\$5.10 per Neo-China Share, as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 53.13% over the closing price of HK\$4.95 per Neo-China Share, after the declaration of a final dividend of HK\$14 cents per Neo-China Share, as quoted on the Stock Exchange on 11 September 2008 (adjusted due to the aforesaid declaration of a final dividend, notwithstanding the suspension of trading in the Neo-China Share and the Convertible Bonds since 22 January 2008);
- (iii) a discount of approximately 59.23% over the average closing price of approximately HK\$5.69 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 61.27% over the average closing price of approximately HK\$5.99 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 64.09% over the average closing price of approximately HK\$6.46 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day;
- (vi) (a) a discount of approximately 46.05% to the Neo-China Group's unaudited consolidated attributable net tangible assets of approximately HK\$4.30 per Neo-China Share, calculated based on the Neo-China Group's unaudited consolidated attributable net tangible assets of approximately HK\$8,369 million as at 31 October 2009 and 1,945,640,189 Neo-China Shares in issue as at the date of the joint announcement of 19 January 2010; and

LETTER FROM THE BOARD

- (b) a discount of approximately 25.64% to the Neo-China Group's audited consolidated attributable net tangible assets of approximately HK\$3.12 per Neo-China Share, calculated based on the Neo-China Group's audited consolidated attributable net tangible assets of approximately HK\$6,073 million as at 31 December 2009 and 1,945,640,189 Neo-China Shares in issue as at the date of the joint announcement of 19 January 2010;

The negotiations in relation to the Subscription Agreement formed part of the overall negotiations in respect of the Sale and Purchase Agreement. The subscription price for the Neo-China Shares was arrived at following arm's length negotiation, taking into consideration then available historical and most recent published financial information of Neo-China and Novel Good's review of Neo-China's assets and business prospects.

In addition, the prolonged suspension of trading in the Neo-China Shares and the investigation by the ICAC have been taken into consideration in the negotiations in relation to the subscription price which represents a significant discount to the last closing market price as well as the attributable net tangible asset value of the Company. The Neo-China Shares have been suspended from trading since 22nd January, 2008 and may be subject to further extended suspension. Accordingly, the Company considers that the last closing market price of Neo-China on 22nd January, 2008 is not an appropriate basis of comparison to the Subscription Price as it has not reasonably reflected the market value of the Neo-China Shares from 22nd January, 2008 to 19th January, 2010, the date of the Subscription Agreement, when taking into account the market fluctuations in the overall stock market as well as the performance of the share prices of the PRC property companies listed on the Stock Exchange during the suspension period. In addition, the lack of marketability of the Neo-China Shares during this period impacts on the price at which investors may be prepared to acquire shares in the Company as opposed to comparable companies that were not subject to an extended suspension of trading. The suspension of trading of the Neo-China Shares also inhibits the ability of the Company to raise additional capital through the issue of new shares of the Company, and it is also believed that the suspension and the circumstances relating to the suspension are likely to result in the raising of other forms of funding being more difficult and costly, particularly in the light of the ICAC investigations.

The Board (including the Ch. 14A IBC) considers that the Subscription Price is fair and reasonable and in the interests of the Neo-China Shareholders as a whole.

LETTER FROM THE BOARD

Dilution of attributable net tangible assets per Neo-China Share

Based on the consolidated attributable net tangible assets of HK\$3.12 per Neo-China share as referred to in (vi)(b) immediately above, the consolidated attributable net tangible assets per Neo-China Share will be diluted by the Subscription as follows:

	<i>HK\$ million</i>
Audited consolidated net tangible assets as at 31 December 2009	6,660
<i>Less:</i> Non-controlling interest	587
 Audited consolidated attributable net tangible assets	 6,073
<i>Add:</i> Subscription of new Shares	1,586
 Adjusted consolidated attributable net tangible assets after the Subscription	 7,659
Number of Shares in issue after completion of the Subscription Agreement	2,629,332,189
Adjusted attributable net tangible asset per Neo-China Share	HK\$2.91

Accordingly based on the above calculation the existing holders of Neo-China Shares would incur a dilution of the attributable net tangible assets per Neo-China Share of approximately 6.73%.

Condition precedent

Completion of the Subscription is conditional only upon completion of the Acquisition.

Completion

Completion of the Subscription is to take place immediately after completion of the Acquisition.

LETTER FROM THE BOARD

BACKGROUND

The Neo-China Shares and the Convertible Bonds were suspended from trading on the Stock Exchange on 22 January 2008 at the request of Neo-China after the ICAC had executed a search warrant on the offices of Neo-China in Hong Kong. Since then, Neo-China has not been able to formulate a proposal for the resumption of dealing in the Neo-China Shares and the Convertible Bonds that is satisfactory to the Stock Exchange. An announcement was made on 11 May 2009 stating that on 10 January 2008, the ICAC executed a search warrant at Neo-China's offices in Hong Kong and seized certain documents and articles from Neo-China's premises. It was also announced that the ICAC is investigating suspected offences under Section 9(1), 9(2) and 9(3) of the Prevention of Bribery Ordinance and asserted that it had reasonable cause to believe that they were documents and articles which are or contain evidence of the suspected offences at Neo-China's premises. Section 9 relates to corrupt transactions with agents. It is believed that the investigation by the ICAC is still continuing.

On 24 August 2009 it was announced that Mr. Li had resigned as an executive director and chairman of Neo-China with effect from 22 August 2009 and that Mr. Liu Yi, an executive director was appointed chairman of Neo-China.

POSSIBLE MANDATORY CONDITIONAL CASH OFFER

Upon Completion, Novel Good and parties acting in concert with it will be interested in an aggregate of 1,183,692,000 Neo-China Shares, representing approximately 45.02% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares). Subject to Completion, Novel Good will be required to make the Share Offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired or subscribed by it and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Under Rule 13.1 of the Takeovers Code and subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects, Novel Good will also be required to make the CB Offer, the Warrant Offer and the Option Offer to acquire, or for the cancellation of, all the outstanding Convertible Bonds, Warrants and Share Options.

Upon Completion, Mr. Li and the Vendor will together hold the Retained Shares (i.e. the remaining 554,170,495 Neo-China Shares held by them and not agreed to be sold), representing approximately 21.08% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares). Each of Mr. Li and the Vendor has undertaken and covenanted with Novel Good that they will not, amongst other things, accept the Share Offer in respect of the Retained Shares, and that they will not dispose of the Retained Shares until the closing date of the Offers.

LETTER FROM THE BOARD

WARNING

The Offers will only be made if Completion takes place. Completion is subject to, as applicable, satisfaction and/or waiver of the conditions, including subjective conditions contained in the Sale and Purchase Agreement and the Subscription Agreement and on the receipt of certain consents, as detailed in this circular. Accordingly, the Offers may or may not be made or implemented. The issue of this circular does not in any way imply that the Offers will be made. The SIH Shareholders, the Neo-China Shareholders, the CB Holders, the Warrant Holders, the Option Holders and potential investors should exercise extreme caution when dealing in the relevant securities. A further announcement will be issued if the Offers are made or implemented.

Subject to Completion, the Offers will be made for and on behalf of Novel Good in compliance with the Takeovers Code on and the Share Offer will be made on the basis:

Share Offer

For each Neo-China Share HK\$2.32 in cash

INFORMATION ON THE NEO-CHINA GROUP

The Neo-China Group is principally engaged in the business of property development, property investment and hotel operations.

As at 31 December 2009, the audited net asset value of Neo-China Group was approximately HK\$6,660 million.

For the financial years ended 30 April 2008 and 30 April 2009, and for the eight months ended 31 December 2009, the audited consolidated net profits (both before and after taxation and extraordinary items) of the Neo-China Group were approximately as follows:

Audited net profits/(loss) before taxation and extraordinary items <i>(HK\$ million)</i>			Audited net profits/(loss) after taxation and extraordinary items <i>(HK\$ million)</i>		
For the financial year ended 30 April		For the eight months ended 31 December 2009	For the financial year ended 30 April		For the eight months ended 31 December 2009
2008	2009	2009	2008	2009	2009
2,376	339	(2,035)	1,567	90	(2,184)

LETTER FROM THE BOARD

For the financial years ended 30 April 2008 and 30 April 2009, and for the eight months ended 31 December 2009, the audited earnings/(loss) per Neo-China Share were approximately as follows:

Audited earnings/(loss) – basic (Hong Kong cents)			Audited earnings/(loss) – diluted (Hong Kong cents)		
For the financial year ended 30 April		For the eight months ended 31 December 2009	For the financial year ended 30 April		For the eight months ended 31 December 2009
2008	2009	2009	2008	2009	2009
84.23	6.51	(108.26)	68.19	5.56	(127.94)

SHAREHOLDING STRUCTURE OF NEO-CHINA

Assuming that none of the Convertible Bonds, Warrants and Share Options are converted or exercised and no Neo-China Shares are repurchased prior to Completion, based on notifications made under the provisions of Part XV of the Securities and Futures Ordinance prior to the Latest Practicable Date, the existing shareholding structure of Neo-China and the anticipated shareholding structure of Neo-China after completion of the Acquisition and the Subscription but before the Offers, will be as follows:

	Existing Shareholding		Shareholding immediately after Completion but before the Offers	
	<i>Number of Neo-China Shares</i>	%	<i>Number of Neo-China Shares</i>	%
Novel Good and parties acting in concert with it	–	–	1,183,692,000	45.02
Vendor and Mr. Li and their respective concert parties	1,054,170,495	54.17	554,170,495	21.08
Public	891,469,694	45.83	891,469,694	33.90
	<u>1,945,640,189</u>	<u>100.00</u>	<u>2,629,332,189</u>	<u>100.00</u>

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Neo-China Board believes that the Subscription will strengthen the capital base of Neo-China and provide it with funds to pay down debts and/or to fund new investment or working capital requirements. It also believes that the introduction of the SIH Group as the new single largest shareholder of Neo-China and the related Offers are likely to assist Neo-China in achieving an uplift of the suspension of trading in its shares that the board has been seeking for many months without any success.

LETTER FROM THE BOARD

The directors of Neo-China (including the independent non-executive directors and, in the case of the Code IBC, the non-executive director, whose views are set out in the letters from the Independent Board Committees) consider that the Subscription entered into on an arm's length basis and on normal commercial terms and are fair and reasonable and are in the interest of Neo-China and Neo-China Shareholders taken as a whole.

The Neo-China Group's audited consolidated financial statements for the eight months ended 31 December 2009 were published on 9 April 2010 and copies can be obtained at <http://www.neochinagroup.com.hk>.

USE OF PROCEEDS

The estimated gross proceeds of the Subscription Agreement are HK\$1,580 million. The Directors intend that the proceeds will be applied as to HK\$1,500 million in repayment of debts and as to the remaining HK\$80 million in investments and development as and when suitable opportunities are identified. As there are likely to be changes to the composition of the board of Neo-China at Completion, the intended use of the proceeds may change as the Directors of Neo-China from time to time consider appropriate.

INFORMATION ON SIH

SIH and its subsidiaries are principally engaged in the business of infrastructure, consumer products and real estate. Neo-China understands that Novel Good is a newly-established wholly-owned subsidiary of SIH acquired for the purpose of the Transactions.

GENERAL

Independent Financial Adviser to the Independent Board Committees

The Ch. 14A IBC has been established to advise Independent Neo-China Shareholders in respect of the Subscription for the purposes of Chapter 14A of the Listing Rules. Its members comprise both the independent non-executive Directors of Neo-China, namely Ms. Nie Mei Sheng and Mr. Gao Ling.

The Code IBC has been established to advise holders of relevant securities of Neo-China in respect of the Offers for the purposes of the Takeovers Code. Its members comprise Mr. Lai Leong and both the independent non-executive Directors of Neo-China, Ms. Nie Mei Sheng and Mr. Gao Ling.

Anglo Chinese has been appointed independent financial adviser to advise the Ch. 14A IBC and the Independent Neo-China Shareholders regarding the Subscription and to advise the Code IBC regarding the Offers. Each of the Ch. 14A IBC and the Code IBC has approved the appointment of Anglo Chinese as the independent financial adviser to give advice to it (and, in the case of the Ch. 14A IBC only, the Independent Neo-China Shareholders).

LETTER FROM THE BOARD

The Subscribed Shares

The Subscribed Shares will be Neo-China Shares of HK\$0.04 each and will rank pari passu in all respects with the Neo-China Shares in issue at the date of issue of the Subscribed Shares and will entitle the holders thereof to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Subscribed Shares.

An application will be made to the Stock Exchange for the listing of, and for permission to deal in, the Subscribed Shares.

Approval will also be sought from the Neo-China Shareholders for, amongst other things, the Subscription Agreement. Only Independent Neo-China Shareholders will be permitted to vote on the relevant resolution.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any fund raising activities by issue of equity securities in the twelve months immediately prior to the Latest Practicable Date.

CONVERTIBLE BONDS

Under the Conditions of the Convertible Bonds, amongst other things on the occurrence of a "Relevant Event", CB Holders have the right to require the Company to redeem their Convertible Bonds. A Relevant Event occurs when there is a "Change of Control". Under the Conditions of the Convertible Bonds, amongst other things a Change of Control includes where any person or persons, acting together, acquires the right to appoint and/or remove all or the majority of the members of the Company's Board of Directors.

Under the Sale and Purchase Agreement and the Subscription Agreement, subject to the satisfaction of certain conditions, Novel Good has the right to appoint and/or remove all or the majority of the members of Neo-China's Board of Directors. This right, if it becomes unconditional, will constitute a Change of Control and thus a Relevant Event so that each CB Holder would have the right at such holder's option to require the Company to redeem in whole and not in part such CB Holder's Convertible Bonds at an amount representing for the CB Holders a gross yield of 6.20 percent on a semi-annual basis calculated on a basis set out in the documents constituting the Convertible Bonds.

At the Latest Practicable Date the Company had not received notice from any CB Holder of its intention to exercise a redemption right if it arises. In the event that CB Holders acquired the right to require the Company to redeem in whole the Convertible Bonds at an amount representing for the CB Holders a gross yield of 6.20 percent on a semi-annual basis and all CB Holders exercised that right the total amount payable by the Company would be HK\$52,160,000 principal amount plus interest the amount of which would vary depending on when the right was exercised by different CB Holders. If CB Holders had acquired the right to require the Company to redeem in whole the Convertible Bonds and all CB Holders exercised that right at the Latest Practicable Date the total amount payable by the Company would have been HK\$52,160,000 principal amount plus interest of about HK\$14,000,000.

The Directors are satisfied that the Company will after Completion have internal resources sufficient to repay the CBs whether upon maturity or on exercise of the rights referred to above.

LETTER FROM THE BOARD

The Company is considering different ways of dealing with this issue. Neo-China will make announcements on the progress of this proposal as and when appropriate.

LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

Whilst SIH itself, and Novel Good, are independent third parties, the Subscription Agreement was entered into as part of or in connection with the overall Transactions, of which it forms part, and thus also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules, including the independent shareholders' approval requirements under Rule 14A.18 of the Listing Rules. It is therefore subject to the approval of the Independent Neo-China Shareholders in general meeting.

At the request of the Stock Exchange, the Company has engaged an external auditor to conduct an independent review of its financial position as at 30 April 2009. The external auditor is finalising the report for the review and the review will not result in any recommendation for any adjustment in the Group's consolidated financial statements as at 30 April 2009. The Company has also commissioned a review of its internal controls, which is still in progress and whilst at the Latest Practicable Date the Company was not aware of any materially unusual matters discovered in the review the Directors can give no assurance that the review will not reveal materially unusual matters.

ANALYSIS OF THE PROJECTS OF THE GROUP ON INDIVIDUAL BASIS

No.	Project Name	City	Valuation	Carrying	Surplus/ (shortfall)	
			by DTZ as at 31 January 2010 HK\$'000	amount as at 31 December 2009 HK\$'000		
1	American Rock	Beijing	74,328	49,706	24,622	
2	Youngman Point	Beijing	811,680	536,556	275,124	
3	Xidiaoyutai	Beijing	1,047,888	771,616	276,272	
4	Laochengxiang	Tianjin	4,700,220	4,266,840	433,380	
5	Yanjiao	Sanhe	723,900	718,554	5,346	
6	Tai Yuan Street	Shenyang	923,400	810,479	112,921	
7	Gongyuandadao	Chengdu	1,495,680	1,317,404	178,276	
8	Jiujiu Youth City	Shanghai	1,425,000	1,221,751	203,249	
9	Yanjiagang	Chongqing	3,249,456	3,198,158	51,298	
10	Neo Water City	Xian	4,887,750	4,116,541	771,209	
11	Qi Ao Island	Zhuhai	2,565,000	2,732,108	(167,108)	<i>Note a</i>
12	Phoenix Tower	Shenzhen	57,935	36,742	21,193	
13	Neo-China Forest Garden	Changsha	795,720	633,874	161,846	
Total			22,757,957	20,410,330	2,347,627	

LETTER FROM THE BOARD

Note

- a The carrying amount of the Qi Ao Island Project in the audited balance sheet as at 31 December 2009 is approximately HK\$2,732 million, which is the net asset value of the Qi Ao Island Project (after taking into account the impairment loss of HK\$1,790 million) as included in "Assets/Liabilities of disposal group/non-current assets classified as held as sale", comprising (i) the consideration under Qi Ao Agreement of approximately HK\$2,500 million and (ii) the related foreign exchange reserve of approximately HK\$232 million, which would be reclassified to profit or loss upon the completion of disposal of the Qi Ao Island Project, which is in accordance with the Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements" and the Group's accounting policy.
- b The above 13 projects cover all of the Neo-China Group's properties and the valuations performed by DTZ, report of which is set out in Appendix II of this circular.

Save as stated herein there is no material shortfall between the audited figures of the carrying value of the Group's assets as at 31 December 2009 with the DTZ valuation as at 31 January 2010 on an individual basis, and therefore, no impairment loss was recognised in the Group's financial statements as at 31 December 2009.

SUSPENSION OF TRADING OF NEO-CHINA SHARES AND THE CONVERTIBLE BONDS

Trading in the Neo-China Shares and the Convertible Bonds on the Main Board of the Stock Exchange was suspended with effect from 10:10 a.m. on 22 January 2008 at the request of Neo-China pending the release of an announcement in respect of certain price sensitive information. Trading of the Neo-China Shares and the Convertible Bonds will continue to be suspended until further notice.

RECOMMENDATION

The Independent Financial Adviser has been appointed to advise the Independent Board Committees and the Independent Neo-China Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder.

The Board (including the Ch. 14A IBC), having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Subscription Agreement are fair and reasonable and the entering into of the Subscription Agreement is in the interests of the Company and Neo-China Shareholders as a whole for the purposes of the Listing Rules and recommends the Independent Neo-China Shareholders to vote in favour of the relevant resolution at the SGM.

FURTHER INFORMATION

Your attention is drawn to the further information contained in the appendices to this circular.

By order of the Board
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED
Liu Yi
Chairman

LETTER FROM THE CH.14A IBC

The following is the text of a letter prepared for the purpose of incorporation in this circular received from the Ch. 14A IBC formed for the purposes of the Listing Rules to advise the Independent Neo-China Shareholders about the Subscription Agreement.



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)

(Shares – Stock Code: 563; Convertible bonds due 2011 – Stock Code: 2528)

14 May 2010

To the Independent Neo-China Shareholders

Dear Sir or Madam,

**POSSIBLE SUBSCRIPTION OF SHARES
BY NOVEL GOOD LIMITED
CONNECTED TRANSACTION**

We refer to the circular of the Company dated 14 May 2010 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular are used herein with those defined meanings

We have been appointed by the Board for the purposes of the Listing Rules to advise the Independent Neo-China Shareholders as to whether the terms of the Subscription Agreement are fair and reasonable so far as the Company and the Independent Neo-China Shareholders are concerned and whether entering into of the Subscription Agreement is in the interests of the Company and its Shareholders as a whole. Anglo Chinese has been appointed as the independent financial adviser to advise us and you in this respect.

Having taken into account the principal reasons and factors considered by and the advice of Anglo Chinese set out in its letter of advice set out on pages 23 to 44 of the Circular, we are of the opinion that for the purposes of the Listing Rules, the terms of the Subscription Agreement are fair and reasonable so far as the Company and the Independent Neo-China Shareholders are concerned and the entering into of the Subscription Agreement is in the interests of the Company and its Shareholders as a whole.

Yours faithfully,
Independent Board Committee of
Neo-China Land Group (Holdings) Limited
Ms. Nie Mei Sheng and Mr. Gao Ling
(Independent Non-executive Directors)

* for identification only

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Anglo Chinese to the Ch. 14A IBC (and the Independent Neo-China Shareholders) prepared for inclusion in this circular.

ANGLO CHINESE CORPORATE FINANCE, LIMITED

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
www.anglochinesegroup.com

英高
財務顧問有限公司

14 May, 2010

To the Ch. 14A IBC and the Independent Neo-China Shareholders

Dear Sir or Madam,

POSSIBLE SUBSCRIPTION OF SHARES BY NOVEL GOOD LIMITED CONNECTED TRANSACTION

We refer to the joint announcements by SIH, Novel Good and Neo-China dated 19 January 2010 and 11 May 2010 and to the circular dated 14 May 2010 of which this letter forms a part. The joint announcement dated 19 January 2010 sets out information relating to the possible acquisition of Neo-China Shares by Novel Good, a wholly-owned subsidiary of SIH, the possible subscription of Neo-China Shares by Novel Good under the Subscription Agreement, the possible disposal of interests in the Qi Ao Island Project under the Qi Ao Agreement and a possible mandatory conditional cash offer on behalf of Novel Good for Neo-China Shares not already owned by Novel Good and persons acting in concert with it, and the other Offers. According to the joint announcement dated 11 May 2010, the Qi Ao Agreement was subsequently terminated by an agreement between Neo-China and Turbo Wise. In light of the Termination Agreement, Neo-China, Novel Good, the Vendor and Mr. Li entered into the Supplemental Agreement mainly to supplement, amend and waive certain terms and conditions of the Sale and Purchase Agreement and the Subscription Agreement that relate to the Qi Ao Agreement. Following the joint announcements, the circular, of which this letter forms part, is being sent out to the Neo-China Shareholders containing, among other information, details of the Subscription Agreement which is conditional upon the approval of the Independent Neo-China Shareholders. Terms used in this letter shall have the meanings ascribed to them in that circular unless the context requires otherwise.

We were originally engaged as the independent financial adviser to advise for the purpose of the Listing Rules the Ch. 14A IBC and the Independent Neo-China Shareholders as to whether the terms of the Subscription Agreement and the Qi Ao Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole and to advise the Ch. 14A IBC on the recommendations to be made to the Independent Neo-China Shareholders in respect of the resolutions to approve the Subscription Agreement and Qi Ao Agreement. As the Qi Ao Agreement has been terminated our mandate is now only to advise for the purpose of the Listing Rules the Ch. 14A IBC and the Independent Neo-China Shareholders as to whether the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole and to advise the Ch. 14A IBC on the recommendations to be made to the Independent Neo-China Shareholders in respect of the resolution to approve the Subscription Agreement.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Ch. 14A IBC, the members of which comprise the current independent non-executive Directors, namely Ms. Nie Mei Sheng and Mr. Gao Ling, has been formed to consider whether the terms of the Subscription are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Anglo Chinese has also been engaged to advise the Code IBC in respect of the Offers (if and when they are made). In addition to the independent non-executive directors referred to above, the Code IBC includes Mr. Lai Leong, a non-executive director of the Company who has no direct or indirect interest in the Transactions. As the Offers under the Takeovers Code have not yet been made, and making of these Offers is conditional on, among other things, the approval by the Independent Neo-China Shareholders of the Subscription Agreement, we cannot yet advise on the terms of the Offers. A further document will be sent to the Neo-China Shareholders in the event the Offers are made at which stage our advice to the Code IBC in respect of the Offers will be made available.

Each of the Ch. 14A IBC and the Code IBC has approved the appointment of us as the independent financial adviser to give advice to it (and, in the case of the Ch. 14A IBC only, the Independent Neo-China Shareholders).

In formulating our opinion and recommendation, we have relied on the information and the facts supplied to us by the Company. We have reviewed, among other things, the Sale and Purchase Agreement, the Subscription Agreement, the Termination Agreement, the Supplemental Agreement, the recently published information on the Company including its annual reports and accounts for the two years ended 30 April 2009 and the report for the eight months ended 31 December 2009 (Neo-China changed its year end date from 30 April to 31 December in late 2009), the unaudited interim accounts of the Company for the six months periods to 31 October 2008 and 2009 and the price data of the shares and certain broadly comparable companies listed on the Stock Exchange. To gain a better understanding of the background to and reasons for entering into the Transactions, we have also had the opportunity to discuss with the management and members of the Board of the Company the business strategy for the Company, its performance and prospects.

We refer to the responsibility statement made by the Directors which confirms that the Directors collectively and individually accept full responsibility for the accuracy of the information contained in the circular and that, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the circular misleading. We have relied on the accuracy of the information, facts, representations and opinions expressed by the Company and the Directors contained in and as referred to in the circular. We have assumed that the information, facts, representations and opinions were true at the time they were made and continue to be true at the date of this circular. We have not been given information about the nature of the ICAC investigations other than (as announced) that investigations are being conducted of suspected offences under Section 9(1), 9(2) and 9(3) of the Prevention of Bribery Ordinance and therefore we have been unable to make any assessment as to the impact that the matters being investigated may have on the business and prospects of Neo-China. Save for this, we consider that we have reviewed sufficient information to reach the conclusions set out in this letter and have no reason to believe any of the

LETTER FROM INDEPENDENT FINANCIAL ADVISER

information provided to us by the Directors is inaccurate or that any material information has been omitted or withheld from the information supplied or the opinions expressed in the circular. We have not, however, conducted any independent investigation into the business and affairs of the Company.

SUMMARY OF THE PROPOSALS

It is proposed amongst other things that:

- pursuant to Sale and Purchase Agreement, SIH will acquire from the Vendor, a company wholly owned by Mr. Li, the Sale Shares representing approximately 25.70% of the existing issued share capital of the Company. As at the Latest Practicable Date Mr. Li and persons acting in concert with him controlled 54.17% of the existing issued share capital of Neo-China. The aggregate price to be paid for the 500,000,000 Sale Shares is HK\$1,160 million, equivalent to HK\$2.32 per Sale Share, which is payable on Completion. Set out in the letter from Neo-China Board contained in the circular is a summary of the conditions precedent to which completion of the Sale and Purchase Agreement is subject. Conditions precedent to completion of the Sale and Purchase Agreement include that the Subscription has been approved by the Independent Neo-China Shareholders and that the Stock Exchange has granted listing approval for, and permission to deal in, the Neo-China Shares to be issued pursuant to the Subscription;
- pursuant to the Subscription Agreement, which is conditional on completion of the Sale and Purchase Agreement, SIH will, through the subscription by its wholly owned subsidiary, Novel Good, acquire 683,692,000 new Neo-China Shares at an issue price also of \$2.32 per Neo-China Share. Following completion of the Sale and Purchase Agreement and the Subscription Agreement SIH will control 1,183,692,000 Neo-China Shares, representing 45.02% of the issued share capital of Neo-China as enlarged by the Subscription, assuming that none of the Convertible Bonds, Warrants or Share Options are converted or exercised; and
- upon completion of the Sale and Purchase Agreement and the Subscription Agreement, Novel Good will have acquired control of 30% or more of the share capital of Neo-China and will therefore be required under the Takeovers Code to extend an offer, the Share Offer, to all the Independent Neo-China Shareholders at a price of not less than \$2.32 per Neo-China Share. As completion of the Sale and Purchase Agreement is still to take place and may not occur, the Share Offer is only a possibility and may never be made. Under the Takeovers Code and subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects, Novel Good will also be required to make the CB Offer, the Warrant Offer and Option Offer to acquire or cancel all the outstanding Convertible Bonds, Warrants and Share Options.

Whilst SIH itself, and Novel Good, are independent third parties, the Subscription Agreement was entered into as part of or in connection with the overall Transactions, of which it forms part, and thus also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement

LETTER FROM INDEPENDENT FINANCIAL ADVISER

requirements under the Listing Rules, including the independent shareholders' approval requirements under Rule 14A.18 of the Listing Rules. It is therefore subject to the approval of the Independent Neo-China Shareholders in general meeting.

In the event that the Sale and Purchase Agreement and Subscription Agreement are completed Mr. Li, who currently controls 54.17% of the issued share capital, will cease to be the largest shareholder in Neo-China. SIH through its wholly owned subsidiary will control 45.02% of the share capital and may change the composition of the Board. Although we will analyse the terms of the Subscription Agreement, the Transactions are effectively inter-conditional and will not proceed if any other part of the proposed overall transaction does not complete. We therefore consider that the Subscription Agreement should principally be considered in the context of the Transactions as a whole.

BACKGROUND

The Shares in Neo-China were suspended from trading on the Stock Exchange on 22 January 2008. We understand that the reason for the suspension was that the ICAC had executed a search warrant on the offices of the Company and in the light of the event a suspension of dealings in the shares was requested by the Company. Since then the Stock Exchange has not agreed to a resumption of dealing in the Neo-China Shares. An announcement was made on 11 May 2009 stating that on 10 January 2008, the ICAC executed a search warrant at the Company's offices in Hong Kong and seized certain documents and articles from the Company's premises. It was also announced that the ICAC was investigating suspected offences under Section 9(1), 9(2) and 9(3) of the Prevention of Bribery Ordinance and had asserted that it had reasonable cause to believe that there were documents and articles which were or contained evidence of the suspected offences at the Company's premises. Section 9 relates to corrupt transactions with agents. It is believed that the investigation by the ICAC is still continuing.

On 24 August 2009 it was announced that Mr. Li had resigned as an executive director and chairman of the Company and that Mr. Liu Yi, an executive director, had been appointed chairman of the Company.

The Transactions

As stated above, the Sale and Purchase Agreement and Subscription are effectively inter-conditional and neither of these two transactions will proceed independently. The Offers will only be made on completion of these agreements. Accordingly in arriving at a decision whether to support the Subscription Agreement we advise that the Independent Board Committees and the Independent Neo-China Shareholders should consider the Transactions and their effects as a whole. The decision of the Independent Neo-China Shareholders as to whether to accept or decline the Share Offer can be taken after the Share Offer is made which will only occur if the Sale and Purchase Agreement and the Subscription Agreement are completed. We express no opinion at this stage on any of the Offers.

PRINCIPAL FACTORS

The following principal factors have been taken into account in arriving at our advice to the Ch. 14A IBC and the Independent Neo-China Shareholders.

The Subscription Agreement

Under the Subscription Agreement Novel Good will subscribe for 683,692,000 Neo-China Shares at HK\$2.32 per Share, following which Novel Good and parties acting in concert with it will own a total 1,183,692,000 Neo-China Shares representing approximately 45.02% of the issued share capital of Neo-China as enlarged by the issue and assuming that none of the Convertible Bonds, Warrants or Share Options are converted or exercised. The new issue of Subscription Shares amounts to approximately 35.14% of the existing share capital of Neo-China and accordingly represents a significant increase in its share capital. The Independent Neo-China Shareholders, who currently control approximately 45.83% of the issued share capital of the Company, will be diluted to approximately 33.90% of the issued share capital on completion of the Subscription Agreement.

The issue price of HK\$2.32 per Neo-China Share represents:

- (i) a discount of approximately 54.51% to the closing price of HK\$5.10 per Neo-China Share, as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 53.13% to the closing price of HK\$4.95 per Neo-China Share, after the declaration of a final dividend of HK\$14 cents per Neo-China Share, as quoted on the Stock Exchange on 11 September 2008 (adjusted due to the aforesaid declaration of a final dividend, notwithstanding the suspension of trading in the Neo-China Share and the Convertible Bonds since 22 January 2008);
- (iii) a discount of approximately 59.23% to the average closing price of approximately HK\$5.69 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 61.27% to the average closing price of approximately HK\$5.99 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 64.09% to the average closing price of approximately HK\$6.46 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day;

LETTER FROM INDEPENDENT FINANCIAL ADVISER
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- (vi) a discount of approximately 46.05% to the Neo-China Group's unaudited consolidated attributable net tangible assets of approximately HK\$4.30 per Neo-China Share, calculated based on the Neo-China Group's unaudited consolidated attributable net tangible assets of approximately HK\$8,369 million as at 31 October 2009 and 1,945,640,189 Neo-China Shares in issue as at the date of the joint announcement of 19 January 2010; and
- (vii) a discount of approximately 25.64% to the Neo-China Group's audited consolidated attributable net tangible assets of approximately HK\$3.12 per Neo-China Share, calculated based on the Neo-China Group's audited consolidated attributable net tangible assets of approximately HK\$6,073 million as at 31 December 2009 and 1,945,640,189 Neo-China Shares in issue as at the date of the joint announcement of 19 January 2010.

The negotiations in relation to the Subscription Agreement formed part of the overall negotiations in respect of the Sale and Purchase Agreement. The subscription price for the Neo-China Shares was arrived at following arm's length negotiation, taking into consideration the historical and most recent published financial information of Neo-China and Novel Good's review of Neo-China's assets and business prospects.

Dilution of consolidated attributable net tangible assets per Neo-China Share

Based on the consolidated attributable net tangible assets of \$3.12 per Neo-China Share as calculated in item (vii) immediately above, the consolidated attributable net tangible assets per Neo-China Share will be diluted by the Subscription as follows:

	<i>HK\$ million</i>
Audited consolidated net tangible assets as at 31 December 2009	6,660
Less: Non-controlling interest	587
Audited consolidated attributable net tangible assets as at 31 December 2009	6,073
Subscription of new shares	1,586
Adjusted consolidated attributable net tangible assets after the Subscription	7,659
Number of shares in issue after completion of the Subscription Agreement	2,629,332,189
Adjusted attributable net tangible asset per Neo-China Share	HK\$2.91

Accordingly based on the above calculation the existing holders of Neo-China Shares would incur a dilution of the attributable net tangible assets per Neo-China Share of approximately 6.73%.

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Comparable companies and transactions

Set out below is a table which summarises the terms of the initial public offerings of all the comparable companies selected on the basis that they:

- (a) are engaged in property investment and development in the PRC; and
- (b) listed on the Stock Exchange from 1 January 2008 to 19 January 2010, the date of the Subscription Agreement (based on information extracted from the website of the Stock Exchange):

Company name	Stock code	Listing date	IPO price (HK\$)	IPO net proceeds (HK\$ million)	Closing price on the Latest Practicable Date ("Last Price") (HK\$)	Change from IPO price	Market capitalisation on the Latest Practicable Date (HK\$ million)	Unaudited pro forma adjusted net tangible asset value per share (HK\$)	Premium/(discount) to unaudited pro forma adjusted attributable net tangible assets per share	
									IPO price	Last price
Kaisa Group Holdings Ltd.	1638	09-Dec-2009	3.45	3,210	2.23	-35.36%	11,150	1.44	139.48%	54.80%
Fantasia Holdings Group Co., Limited	1777	25-Nov-2009	2.18	2,500	1.25	-42.66%	6,092	0.84	160.97%	49.64%
Longfor Properties Co. Ltd.	960	19-Nov-2009	7.07	6,697	7.13	0.85%	36,720	2.32	205.35%	207.94%
Mingfa Group (International) Company Limited	846	13-Nov-2009	2.39	2,023	2.33	-2.51%	13,980	0.70	239.89%	231.36%
Evergrande Real Estate Group Limited	3333	05-Nov-2009	3.50	3,188	2.51	-28.29%	37,650	0.88	299.03%	186.16%
Yuzhou Properties Company Limited	1628	02-Nov-2009	2.70	1,582	2.48	-8.15%	5,952	1.54	75.67%	61.36%
Powerlong Real Estate Holdings Limited	1238	14-Oct-2009	2.75	2,436	2.14	-22.18%	8,747	1.27	115.81%	67.94%
Glorious Property Holdings Limited	845	02-Oct-2009	4.40	10,155	2.68	-39.09%	20,884	1.55	183.80%	72.86%
China South City Holdings Limited	1668	30-Sep-2009	2.10	2,916	1.20	-42.86%	7,200	1.23	71.24%	-2.15%
Renhe Commercial Holdings Company Limited	1387	22-Oct-2008	1.13	3,234	1.83	61.95%	40,260	0.27	322.23%	583.79%
Central China Real Estate Limited	832	06-Jun-2008	2.75	1,260	1.88	-31.64%	3,760	1.39	98.31%	35.57%
		Max	7.07	10155.43	7.13	61.95%	40,260	2.32	322.23%	583.79%
		Min	1.13	1259.86	1.20	-42.86%	3,760	0.27	71.24%	-2.15%
		Average	3.13	3563.59	2.51	-17.27%	17,490	1.22	173.80%	140.84%
		Median	2.75	2916.00	2.23	-28.29%	11,150	1.27	160.97%	67.94%

The Subscription	Stock code	Subscription Price per Subscribed Share (HK\$)	Market capitalisation on the Latest Practicable Date (HK\$ million)	Adjusted attributable net tangible assets per Subscribed Share (HK\$)	Premium/(discount) to adjusted attributable net tangible assets per Subscribed Share
Neo-China Land Group Holdings Ltd.	563	2.32	9,631	2.91	-20.27%

Note: 1 RMB = 1.1378 HKD
Sources: Bloomberg, HKExnews

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We used 1 January 2008 as the start of the comparison period since the Neo-China Shares were suspended from trading on the Stock Exchange on 22 January 2008.

We also set out below a table which summarises the terms of all placings in 2009 (when trading of the Neo-China Shares remained suspended) by comparable companies selected on the basis that they:

- (a) are engaged in property investment and development in the PRC;
- (b) listed on the Stock Exchange; and
- (c) have market capitalisations ranging from HK\$2,800 million to HK\$19,000 million (as at the Latest Practicable Date) (based on information extracted from the Fact Book 2009 issued by the Stock Exchange).

Company	Stock code	Market capitalisation on the Latest Practicable Date (HK\$ million)	Transaction	Announcement date	Plaing price (HK\$)	Premium/ (Discount) to Last trading day before placings	Last 5-day average before placings	Premium/ (discount) to unaudited pro forma adjusted attributable net tangible assets per share
Shui On Land Limited	272	17,378	Placing of existing shares	10-Jun-2009	4.87	-7.06%	-9.31%	9.90%
Shenzhen Investment Limited	604	7,952	Placing of existing shares	4-Aug-2009	3.72	-6.80%	-5.10%	12.33%
Hopson Development Holdings Limited	754	16,823	Placing of new shares under general mandate	4-Jun-2009	13.30	-8.02%	4.64%	-2.13%
Franshion Properties (China) Limited	817	18,964	Placing of existing shares	22-Jul-2009	2.52	-8.00%	-6.70%	47.54%
Sinolink Worldwide Holdings Limited	1168	4,072	Placing of existing shares	9-Oct-2009	1.87	-8.30%	-6.50%	25.26%
SRE Group Limited	1207	2,883	Placing of existing shares	29-Jun-2009	0.96	-10.28%	-8.57%	-51.26%
KWG Property Holding Limited	1813	11,949	lacing of existing shares	30-Jun-2009	5.10	-8.60%	-0.97%	31.57%
China Aoyuan Property Group Limited	3883	3,135	Placing of existing shares	12-Jul-2009	1.73	-12.20%	-13.90%	-27.26%
				High	13.30	-6.80%	4.64%	47.54%
				Low	0.96	-12.20%	-13.90%	-51.26%
				Average	4.26	-8.66%	-5.80%	5.74%
				Median	3.12	-8.16%	-6.60%	11.12%

The Subscription	Stock code	Market capitalisation on the Latest Practicable Date (HK\$ million)	Subscription Price per Share (HK\$)	Premium/ (Discount) to Last Trading Day before the Subscription	Last 5-day average before the Subscription	Premium/ (discount) to adjusted attributable net tangible assets per Subscribed Share
Neo-China Land Group Holdings Ltd.	563	9,631	2.32	54.51%	59.23%	-20.27%

Note: 1 RMB = 1.1378 HKD

Sources: Bloomberg, HKExnews

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As the Neo-China Shares have been suspended from trading for a prolonged period we do not consider the comparisons of the issue prices and trading prices of the shares of the issuing companies to be helpful in assessing the terms of the Subscription. However the comparisons of the issue price to net asset value are relevant and on the basis of the information set out in the tables above, the discount to net asset value of the Subscription would be higher than most of the precedents set out above. It is however relevant that the prolonged suspension of dealing in Neo-China Shares and the uncertainty of the impact of the matters relating to the ICAC investigations would be expected to materially and adversely affect the price at which the Company could raise additional equity capital.

The table below shows all comparable companies selected on the basis that they:

- (a) are engaged in property investment and development in the PRC;
- (b) were trading on the Stock Exchange in 2007 during which time Neo-China was also trading; and
- (c) have market capitalisations ranging from HK\$2,800 million to HK\$21,500 million (as at the Latest Practicable Date).

For the purpose of analysing the Subscription Price, we set out below the table followed by a chart showing the percentage of decline in (i) the Subscription Price from the 2007 high for Neo-China Shares and (ii) the share price of each of the comparable companies from their respective highs in 2007 to 19 January 2010, the date of the Subscription Agreement.

Company	Stock code	Market capitalisation on the Latest Practicable Date (HK\$ million)	Highest price during the relevant period (HK\$)	Date of the highest price	Closing price on 19 January 2010 (HK\$)	Price change
SRE Group Limited	1207	2,883	3.61	12-Jul-07	0.82	-77.29%
China Aoyuan Property Group Limited	3883	3,135	7.26	10-Oct-07	1.38	-80.99%
China Properties Group Limited	1838	3,727	6.31	12-Oct-07	2.30	-63.54%
SPG Land (Holdings) Limited	337	3,984	7.16	24-Jul-07	4.40	-38.55%
Sinolink Worldwide Holdings Limited	1168	4,072	2.30	7-Sep-07	1.45	-37.07%
Zhong An Real Estate Limited	672	4,254	6.79	14-Nov-07	2.60	-61.73%
Beijing Capital Land Ltd.	2868	4,427	6.48	5-Oct-07	3.06	-52.82%
Shanghai Zendai Property Limited	755	4,497	0.63	16-Jul-07	0.34	-46.83%
Shanghai Forte Land Co., Ltd.	2337	4,907	6.93	18-Oct-07	2.33	-66.37%
Tian An China Investments Company Limited	28	7,157	12.61	2-Nov-07	4.73	-62.49%
Shenzhen Investment Limited	604	7,952	6.79	13-Sep-07	3.07	-54.80%
KWG Property Holding Limited	1813	11,949	14.91	2-Oct-07	5.31	-64.38%
Yuexiu Property Company Limited	123	11,991	2.99	12-Oct-07	2.18	-27.11%
New World China Land Limited	917	13,414	7.84	7-Nov-07	2.81	-64.15%

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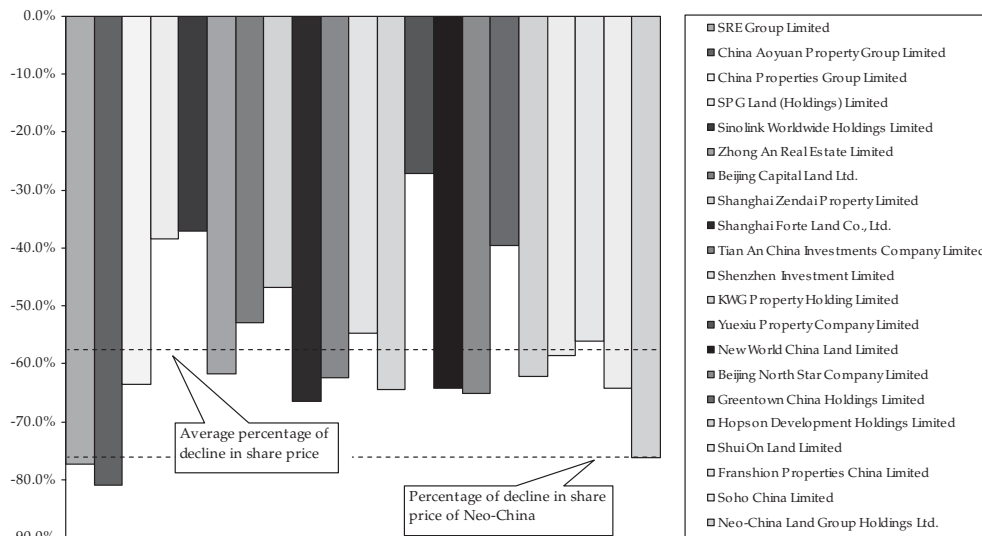
Company	Stock code	Market capitalisation on the Latest Practicable Date (HK\$ million)	Highest price during the relevant period (HK\$)	Date of the highest price	Closing price on 19 January 2010 (HK\$)	Price change
Beijing North Star Company Limited	588	13,604	7.67	27-Aug-07	2.67	-65.20%
Greentown China Holdings Limited	3900	13,664	18.39	24-Jul-07	11.10	-39.63%
Hopson Development Holdings Limited	754	16,823	29.29	1-Nov-07	11.10	-62.10%
Shui On Land Limited	272	17,378	10.22	1-Nov-07	4.24	-58.52%
Franshion Properties China Limited	817	18,964	6.19	7-Nov-07	2.72	-56.07%
Soho China Limited	410	21,373	11.33	8-Nov-07	4.06	-64.18%
					Lowest discount	-27.11%
					Highest discount	-80.99%
					Average discount	-57.19%
					Median discount	-61.91%

Company	Stock code	Market capitalisation on the Latest Practicable Date (HK\$ million)	Highest price during the relevant period (HK\$)	Date of the highest price	Subscription Price per Subscribed Share (HK\$)	Price change
Neo-China Land Group Holdings Ltd.	563	9,631	9.75	25-Oct-07	2.32	-76.21%

Source: Bloomberg

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Percentage of decline in share price from 2007 highs to 19th January, 2010



Source: Bloomberg

The Neo-China Shares were suspended from trading on 22 January 2008. The shares of the remaining comparable companies have all declined from their respective highs in 2007. The average decline from their 2007 closing high prices to the prices for these comparable companies on the Latest Practicable Date was 57.19% and the highest and lowest declines were 80.99% and 27.11% respectively. Applying the average decline of the above selection of comparable companies to the price of Neo-China Shares from their 2007 closing high would result in a price of HK\$4.17 per Neo-China Share. The price per Neo-China Share in the Subscription represents a discount of 44.36% to such price. The discount to the 2007 closing high of Neo-China Shares of the Subscription price is 76.21% is closely comparable to the equivalent discount of some of companies in the comparable tables, including SRE Group Limited (Stock Code: 1207), China Aoyuan Property Group Limited (Stock Code: 3883) and Shanghai Forte Land Co. Ltd. (Stock Code: 2337), whose average decline from their 2007 closing high prices to the prices on the 19 January 2010 was 77.29%, 80.99% and 66.37% respectively. On the basis of these comparisons and taking into account the extended suspension of dealings in the Neo-China Shares and the ICAC investigation, the terms of the Subscription in isolation are considered to be fair and reasonable. The Subscription price however would not appear to reflect a premium for the Takeovers Code control of the Company that will be acquired by Novel Good through the Sale and Purchase Agreement and the Subscription Agreement.

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Earnings

Set out below is a summary of Neo-China Group's results for the five years ended 30 April 2009, the results for the six months ended 31 October 2008 and 2009, together with the results for the eight months ended 31 December 2009.

	For 8 months ended 31 December		For the six months ended 31 October			For the year ended 30 April			
	2009	2009	2008	2009	2008	2007	2006	2005	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(audited)	(unaudited)	(unaudited)	(audited)	(audited)	(restated)	(audited)	(restated)	
Revenue	513,086	398,486	57,802	2,534,580	5,029,260	2,779,845	671,140	476,472	
Gross profit	64,948	84,889	19,470	490,493	968,686	341,616	60,568	222,663	
Gross margin	13%	21%	34%	19%	19%	12%	9%	47%	
Operating profit	(868,210)	(347,754)	(174,564)	751,413	1,900,390	126,524	3,405	227,624	
Operating margin	N/A	N/A	N/A	30%	38%	5%	1%	48%	
Profit attributable to equity holders of the Company	(2,106,392)	126,679	(271,426)	126,567	1,550,486	833,319	104,663	177,817	
Net margin	N/A	32%	N/A	5%	31%	30%	16%	37%	
	As at 31 December		As at 31 October			As at 30 April			
	2009	2009	2008	2009	2008	2007	2006	2005	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(audited)	(unaudited)	(unaudited)	(audited)	(audited)	(restated)	(audited)	(restated)	
Net asset value	6,659,982	9,024,636	8,459,207	9,072,143	9,079,323	5,511,551	1,541,401	825,598	
Pre-sale receipts from customers	8,763,402	8,106,357	4,945,812	5,415,588	2,727,406	1,921,783	1,587,456	280,768	

As the financial year end date of the Group and the Company has been changed from 30 April to 31 December, the figures (which cover a period of twelve months from 1 May 2008 to 30 April 2009) for the financial statements of the Group for the year ended 30 April 2009 are not comparable with those for the eight months ended 31 December, 2009.

The turnover and profitability of Neo-China Group have been fluctuating over the past five financial years.

For the eight months period to 31 December 2009, Neo-China Group recorded a turnover of HK\$513.09 million, the significant majority of which arose from the property development segment of Neo-China Group's business. According to the report of Neo-China for the eight months ended 31 December 2009, the lower turnover was due to fewer properties delivered and hence lower sales revenue recognised during the period. While pre-sale receipts from customers, being proceeds received on property units sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy, increased from approximately HK\$5.42 billion as at 30 April 2009 to approximately HK\$8.76 billion as at 31 December 2009, we note that the Company is to expedite the progress of the delivery of the pre-sale properties to ensure that the

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corresponding pre-sale revenue can be recognised in 2010. Total saleable gross floor area (GFA) pre-sold by the Group for the eight months ended 31 December 2009 amounted to 623,000 square metres (for the year ended 30 April 2009: 769,000 square metres). Total recognised saleable GFA for the eight months ended 31 December 2009 amounted to 138,000 square metres (for the year ended 30 April 2009: 299,000 square metres).

The loss from operations of the Company of approximately HK\$868.21 million for the eight months ended 31 December 2009 was partly due to (i) higher cost of sales; (ii) a net valuation loss of approximately HK\$158.34 million as opposed to a net valuation gain of approximately HK\$409.05 million for the twelve months ended 30 April 2009; (iii) the significantly larger amounts of fair value gains of derivative financial instruments and exchange gains on convertible notes and senior notes for the twelve months ended 30 April 2009, which were not recurring in the eight months ended 31 December 2009 and (iv) higher selling and distribution expenses as result of higher advertising expenses for the eight months ended 31 December 2009 in respect of property development projects to be completed by the Group in various cities. The operating loss, together with, amongst others, an impairment loss of HK\$1.79 billion on the Qi Ao Island Project and mitigated by lower finance costs, a gain of approximately HK\$426.07 million on redemption of convertible notes and a gain of approximately HK\$336.87 million on disposal of subsidiaries during the period, in turn led to a significant amount of loss attributable to equity shareholders of the Company of approximately HK\$2.11 billion for the eight months ended 31 December 2009.

Overall profit attributable to the equity shareholders of Neo-China for the six months ended 31 October 2009 was HK\$126.68 million compared with a loss of HK\$271.43 million in respect of the comparable period in 2008. However the loss from operations for the six months period to 31 October 2009 was HK\$347.75 million compared with a loss of HK\$174.56 million for the corresponding period in 2008. The principle contributors to the net profit for the six months ended 31 October 2009 were the gain on the redemption of the Convertible Bonds of HK\$426.07 million and gain on the disposal of subsidiaries, Beijing Jun He Bai Nian Property Development Co., Ltd., and Tianjin City Yi Jia He Zhi Ye Co., Ltd., engaged in property development in Beijing and Tianjin respectively. While the profits arising from the disposal of the companies engaged in property development would be part of Neo-China Group's normal business, the HK\$426.07 million on the favourable redemption of the convertible notes will not be repeated. Without this item the Neo-China Group would have incurred a loss before tax of HK\$179.94 million for the six months ended 31 October 2009.

For the financial year ended 30 April 2009, the lower operating profit was primarily due to a significant decline in turnover in the year amid a market downturn and the realisation of a non-recurring fair value gain on arising from the reclassification of completed properties held for sale to investment properties in the prior financial year. The fair value gain together with, amongst others, an exchange gain on convertible notes and senior notes in the financial year ended 30 April 2008 also contributed to the higher operating profit in the year compared to the financial year ended 30 April 2007.

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We do not consider that using a price earning multiple is a helpful measure to assess the merits of the proposed transaction due to the volatility of the results, which have also been subject to distortions arising from non-recurrent items. In addition, as Neo-China incurred a net loss for the eight months ended 31 December 2009, being the date of the latest published accounts of the Neo-China Group, the use of a price earnings multiple is not suitable in the circumstances.

Net asset value

Net asset value would generally be regarded as a key measure in assessing the value of an asset based company such as a property development and investment company. The value of land for or under development should reflect its saleable value taking into account various factors including uncertainty. On the basis of the adjusted consolidated attributable net tangible assets of the Neo-China Group after the Subscription, the issue price of the Neo-China Shares represents a discount of 20.27%. We regard this as a relatively large discount to the attributable net tangible assets for a property company to issue new shares and it compares less favourably with the selected comparable companies and transactions set out above, but may be justified in the light of the circumstances surrounding the Company, including the prolonged suspension of trading in its shares and the investigation by the ICAC. Accordingly, we consider the issue price of the Neo-China Shares under the Subscription to be fair and reasonable and in the interests of the Neo-China Shareholders and the Company as a whole.

Dividend

In respect of the financial year ended 30 April 2008 the Company paid dividends to its shareholders but, since then, has not declared or recommended any dividend payment.

We consider the non-payment of dividends to be a material factor in considering the terms of the new Neo-China Shares, which may adversely affect the price at which the shares may be issued.

Liquidity and gearing

As shown in the report of Neo-China for the eight months ended 31 December 2009, the Group had focused on enhancing its cash inflows during the period under review with the launch of new projects or new phases in Xian, Chengdu, Tianjin and Shanghai. As at 31 December 2009, Neo-China Group had cash and bank balances of approximately HK\$1.63 billion with a current ratio of 1.50 times calculated by dividing current assets by current liabilities (as at 30 April 2009: 1.86 times).

The Neo-China Group's gearing ratio as of 31 December 2009 stood at 69.40% (as of 30 April 2009: 79.10%) calculated by dividing net debt¹ by shareholders' funds of Neo-China.

¹ *Net debt = total borrowings (including bank borrowings, loan payables, senior notes and convertible notes) – cash and cash equivalents – restricted bank deposits secured against bank borrowings*

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It is a condition, which may be waived by SIH, that the Neo-China Group has unencumbered and unrestricted free cash of an amount of not less than HK\$3,000 million (assuming that none of the outstanding Convertible Bonds have been redeemed or repurchased) or HK\$2,940 million (assuming all the outstanding Convertible Bonds have been redeemed or repurchased) as evidenced by the management accounts of Neo-China dated the month end immediately prior to Completion.

We note that the Directors are of the opinion that, following Completion, after taking into account the financial resources available to the Neo-China Group, including internally generated funds, available banking facilities and proceeds from shares subscribed by Novel Good upon completion of the Subscription Agreement, the Neo-China Group has sufficient working capital for its present requirements with and without the redemption of the Convertible Bonds for at least the next twelve months from the date of the circular, in the absence of unforeseen circumstances.

Business prospect

As at 31 December 2009, the Group had 14 projects in 11 cities and a land bank of approximately 12.29 million square metres. The Company believes its existing land bank is sufficient to cater for its development needs in the coming three to four years. At the same time, the Company plans to launch new properties for sale in places such as Xian, Chengdu and Changsha and focus on enhancing its product quality and brand building with a view to long term development and improving profitability. It is also the intention of Neo-China to expedite the progress of delivery of properties presold by the Group and hence the recognition of the corresponding pre-sale revenue in the books of the Group.

Since 15 April 2010, the PRC central government has introduced a series of measures to curb rising home prices in the PRC and promote healthier development in the PRC property market. Such measures include, amongst other things, the State Council raising mortgage rates on second homes to 1.1 times the central bank's benchmark lending rate, up from the current 80 per cent and the mainland banks being asked not to approve loans for third home purchases. It is expected that home prices will fall in the short term as an immediate reaction to the measures. The following table summarises the share performance and the average decline in share prices of all comparable companies selected on the basis that they:

- (a) are engaged in property investment and development in the PRC;
- (b) listed on the Stock Exchange; and
- (c) have market capitalisations ranging from HK\$6,200 million to HK\$13,650 million (as at the Latest Practicable Date),

from the day before the introduction of the above-mentioned measures to the Latest Practicable Date.

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Company name	Stock code	Market capitalisation on the Latest Practicable Date (HK\$ million)	Closing price on 14 April 2010 (HK\$)	Closing price on the Latest Practicable Date (HK\$)	Price change
China SCE Property Holdings Limited	1966	6,277	2.85	2.20	-22.81%
Tian An China Investments Company Limited	28	7,157	5.18	4.75	-8.30%
China South City Holdings Limited	1668	7,200	1.38	1.20	-13.04%
Shenzhen Investment Limited	604	7,952	2.79	2.25	-19.35%
Powerlong Real Estate Holdings Limited	1238	8,747	2.63	2.14	-18.63%
Kaisa Group Holdings Ltd.	1638	11,150	2.80	2.23	-20.36%
KWG Property Holding Limited	1813	11,949	5.78	4.13	-28.55%
Yuexiu Property Company Limited	123	11,991	2.08	1.68	-19.23%
New World China Land Limited	917	13,414	2.81	2.33	-17.08%
Beijing North Star Company Limited	588	13,604	2.43	1.92	-21.09%
				Average	-18.84%

Source: Bloomberg

Suspension of trading

The Neo-China Shares have been suspended from trading since 22 January 2008 and may be subject to further extended suspension but we speculate that the current proposals will be helpful to Neo-China in obtaining a resumption of trading. Indeed, the current proposals will not proceed unless there is a resumption of trading. The lack of marketability of the Neo-China Shares impacts on the price at which investors may be prepared to acquire shares in the Company as opposed to comparable companies that were not subject to an extended suspension of trading. The suspension of trading of the Neo-China Shares also inhibits the ability of Neo-China to raise additional capital through the issue of new capital. Further it is also believed that the suspension and the circumstances relating to the suspension are likely to result in the raising of other forms of funding being more difficult and costly, particularly in the light of the ICAC investigations.

The Subscription Agreement is conditional on completion of the Sale and Purchase Agreement. In addition to other conditions it is a condition precedent of the completion of the Sale and Purchase Agreement that, in effect, trading in Neo-China Shares will be resumed on a date to be stated. This condition is capable of being waived by SIH, but we understand that SIH does not intend to waive it. If the condition is not waived the Transactions as a whole will only become effective if trading in Neo-China Shares resumes which occurrence will be a material benefit to the Neo-China Shareholders who wish not to accept the Share Offer but instead to trade their shares in an orderly and regulated market.

As stated before, the Subscription Agreement should be considered in the context of all the Transactions which should result in, among other things, the resumption of trading in the Neo-China Shares. The extended suspension arising out of the ICAC investigation impacts materially on investor interest in the group. A proposal which includes a package of transactions which enables the trading of Neo-China Shares to be resumed should be attractive to the Neo-China Shareholders, notwithstanding that the terms of any individual Transaction may in isolation be considered to be somewhat unattractive.

Change of Takeovers Code control

Under the Sale and Purchase Agreement and by reason also of the Subscription Agreement, Mr. Li, who currently controls approximately 54.17% of the Company, will be surrendering Takeovers Code control to SIH at a price of HK\$2.32. Generally it would be expected that an acquirer of Takeovers Code control of a company would pay a premium to the prevailing market price of the shares of the company, control of which is being acquired.

Mr. Li acquired control of Neo-China in 2003 following which the consolidated attributable net tangible assets of Neo-China have grown from HK\$149 million to HK\$6,073 million in the five years to 31 December 2009. As part of the overall transaction Mr. Li has agreed to dispose of 500 million Neo-China Shares representing approximately half his holding at \$2.32 per share, the same price as the subscription price. Following completion of the Sale and Purchase Agreement and the Subscription Mr. Li and persons

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acting in concert with him will retain an interest in about 21.08% of the issued share capital of Neo-China. He has also ceased to be on the Board. SIH will have an interest in 45.02% of the issued share capital of Neo-China acquired at a price that Mr. Li has informed us was negotiated on an arm's length basis.

The Listing

As stated earlier, SIH's intention is to retain the listing of the Neo-China Shares and Convertible Bonds. Trading in the Neo-China Shares and Convertible Bonds has been suspended since 22 January 2008. The Stock Exchange has reminded the Company of Rule 6.04 of the Listing Rules which states that the continuation of a suspension for a prolonged period without the issuer taking action to obtain restoration of listing may lead the Stock Exchange cancelling the listing. Since the suspension the Company has had discussion and exchanged correspondence with the Exchange on this subject. Following initial discussions and correspondence with the Listing Division, on 2 April 2008 the Company made a submission to the Stock Exchange requesting an application for the resumption of trading in the Neo-China Shares and Convertible Bonds. The Company stated that up to the date of the submission, it had not detected any significant effect, whether adverse or otherwise, on the operational and financial situation of Neo-China Group arising out of the investigation or the search by the ICAC. Neo-China Board also informed the Stock Exchange that it had formed a special committee of four Directors including a newly appointed non-executive Director. The special committee had commenced and would undertake the completion of certain tasks as soon as possible, among others, reviewing the existing financial systems of Neo-China Group's operation in Hong Kong with regard to its payments and receipts, assessing any possible weaknesses with respect to these systems and recommending appropriate measures to rectify and/or improve the relevant systems if necessary. It would also state that Neo-China Board would engage an independent firm of accountants to conduct necessary independent reviews on the existing financial systems of Neo-China Group's operations in Hong Kong and to examine the items so seized by the ICAC with a view to identifying any matters which are in the view of the independent firm linked to any possible offences under the Sections 9(1), 9(2) and 9(3) of the Prevention of Bribery Ordinance.

The Stock Exchange responded to the submission and imposed three conditions prior to the lifting of the suspension pursuant to Rule 6.04:

- (i) the Company should demonstrate that the market is properly informed of all material information related to the investigation that is necessary to enable them to appraise the position of Neo-China Group, including but not limited to, the matters being investigated under the ICAC investigation, whether such matters are related to Neo-China Group and the implications of such matters to Neo-China Group's operations, assets and financial position;
- (ii) the Company should demonstrate that circumstances no longer exist to suggest that there may be significant deficiencies in the internal control system of Neo-China Group and/or concern about management integrity which will pose a risk to investors and may further damage market confidence; and

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- (iii) the Company's independent non-executive Directors to review matters pertaining to the Investigation and the work done by the independent firm of accountants as referred to in the submission to provide reasonable assurance in respect of matters set out in (i) and (ii) above.

The Company has maintained that it does not have first hand information on the matters being investigated. Furthermore Section 30 of the Prevention of Bribery Ordinance provides that it is a criminal offence for any person who knows or suspects that an ICAC investigation is underway to disclose the investigation or any details of the investigation without lawful authority or reasonable excuse. The Company considered it was restricted from making disclosure about the ICAC investigation. However it was sought to satisfy the three conditions.

In respect of condition (i) set out above, the Company in its announcement of 11 May 2009 disclosed that on 10 January 2008, the ICAC executed a search warrant at the Company's offices in Hong Kong and seized certain documents and articles from the Company's premises and that the ICAC was investigating suspected offences under Section 9(1), 9(2) and 9(3) of the Prevention of Bribery Ordinance and had asserted that it had reasonable cause to believe that there were documents and articles which were or contained evidence of the suspected offences at the Company's premises. The Company also understood that the ICAC had arrested a former employee of the Company for suspected corruption.

CCIF Corporate Consultancy Limited, which is associated with Neo-China Group's auditors, prepared an internal control report which was issued on 26 November 2008 and Neo-China Board is satisfied that there are no significant weaknesses or deficiencies in the internal controls or systems of Neo-China Group. Neo-China Group considered it has satisfied condition (ii).

The special committee comprising four Directors and one independent non-executive Director, all of whom were appointed to Neo-China Board after the ICAC visit to the Company's premises in January 2008 have reviewed matters pertaining to the investigation and the work done by the independent firm of accountants to provide reasonable assurance in respect of the matters set out in conditions (i) and (ii). Accordingly, the Company has submitted that it has met the requisite conditions for resumption of trading.

Nevertheless the Stock Exchange has declined to permit trading in the Neo-China Shares to resume on the basis there is insufficient information for it to appraise the Company's position and its request for trading resumption. The Stock Exchange also stated that the ICAC had conducted a second search after the conclusion of the independent review by the Company's independent advisers. The Stock Exchange was uncertain about the implication of the ICAC's second search, completeness of the scope of work of the previous review and the validity of the conclusion.

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We understand that at the request of the Stock Exchange, the Company has engaged an external auditor to conduct an independent review of its financial position as at 30 April 2009. According to the Board, the external auditor is finalising the report for the review and the review will not result in any recommendation for any adjustment in the Group's consolidated financial statements as at 30 April 2009. The Company has also commissioned a review of its internal controls, which is still in progress and whilst at the Latest Practicable Date the Company was not aware of any materially unusual matters discovered in the review we note that the Directors can give no assurance that the review will not reveal materially unusual matters.

Although the Company has taken steps to arrange for trading in Neo-China Shares to resume, to date these have been unsuccessful. In the two years since suspension the Company has not been able to satisfy the Stock Exchange that trading in the Neo-China Shares may be resumed, notwithstanding that in addition to the review conducted by CCIF Corporate Consultancy Limited, the Group since the ICAC search in January 2008, has prepared audited accounts for the two financial years ended 30 April 2009 and the eight months ended 31 December 2009. The auditors' reports for these audit periods are not subject to any auditors' qualification.

It is a condition of Sale and Purchase Agreement and therefore effectively of all the Transactions that the Stock Exchange has cleared the joint announcement to be issued by SIH and Neo-China regarding the completion of the sale and purchase of the Sale Shares and the Subscription, which announcement shall contain the statement to the effect that application has been made for trading of the Neo-China Shares to be resumed on a date to be contained in that announcement. The completion of the Transactions is thus conditional on resumption of trading in the Shares being granted. Novel Good as purchaser has the right under the Sale and Purchase Agreement to waive this condition, but has indicated through lawyers that it does not intend to do so. Accordingly the Transactions will not proceed unless trading in the Neo-China Shares resumes.

SIH and its intentions in respect of Neo-China

SIH, a company incorporated in Hong Kong, is listed on the Stock Exchange. Based on the closing price of its shares on the Latest Practicable Date it had a total market capitalisation of approximately HK\$33,635 million. 51% of the issued share capital is controlled by Shanghai Industrial Investment Company which in turn is ultimately controlled by the PRC Government. Its activities are divided into four segments comprising:

- real estate, being property development and investment and hotel operations;
- infrastructure facilities, being investment in toll road projects and water related business;
- medicine, being the manufacture and sale of medicine, health food and medical equipment; and
- consumer products, being the manufacture and sale of cigarettes, packaging material, printed products and daily products.

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For the financial year ended 31 December 2009 the consolidated turnover of SIH's continuing operations was HK\$6,917.89 million (2008: HK\$7,452.11 million) and the profit from continuing operations was HK\$2,716.12 million (2008: HK\$2,263.64 million), and the real estate business contributed 33.38% (2008: 39.75%) of the total turnover of SIH's continuing operations for the period.

At 31 December 2009 the consolidated net asset of SIH attributable to shareholders amounted to HK\$24,891.25 million (at 31 December 2008: HK\$23,401.36 million) and the SIH Group's bank balances and cash, including short-term unpledged bank deposits were HK\$9,518.59 million (at 31 December 2008: HK\$8,836.46 million).

SIH has stated that it is actively pursuing opportunities to acquire more land reserves and high quality projects for further expansion. The acquisition of a significant stake in Neo-China through the Sale and Purchase Agreement and the Subscription Agreement and, potentially, the Offers, is therefore in line with SIH's strategy of building up core business and optimising its business structure.

If the Offers are completed, SIH intends that Neo-China will continue to carry on its current business, subject to a continuing review of its operations and the development of a plan to realise synergies with SIH's real estate business in the PRC. Subject to compliance with the Listing Rules, this may or may not include the injection of assets or businesses into the Neo-China Group by SIH or the acquisition or disposal of assets by Neo-China. In its announcement dated 31 March 2010 in respect of its annual results for the year ended 31 December 2009, SIH announced that upon completion of the acquisition of the controlling interest of Neo-China, it will be able to rapidly expand its real estate business development across the country, thereby maximizing the benefits of economies of scale and synergy effects, capitalizing on the opportunities for sustainable growth and creating robust growth momentum.

SIH intends Neo-China to remain listed on the Main Board of the Stock Exchange after closing the Offers. SIH will, together with Neo-China, use reasonable endeavours to maintain the listing of Neo-China Shares on the Stock Exchange and ensure that not less than 25% of the Neo-China Shares will be held by the public in compliance with the Listing Rules.

The acquisition of a controlling interest in Neo-China by SIH would clearly be a significant development for Neo-China and its shareholders. The standing and reputation of SIH would likely result in such acquisition of control being viewed positively by the investment market. Further the intention is that as a pre-condition to completion of the Sale and Purchase Agreement and Subscription Agreement, trading in the Neo-China Shares and Convertible Bonds should resume. Although no confirmation has been given by the Stock Exchange at the time of this letter that trading in the Neo-China Shares will resume, the Neo-China Shareholders may consider that the potential acquisition of a significant interest giving rise to Code control by SIH may facilitate the resumption of trading.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Completion of the Transactions would result in the Independent Neo-China Shareholders being diluted from holding approximately 45.83% of the issued share capital of Company to approximately 33.90%. Following the completion the Neo-China Shareholders will have the opportunity to sell their Shares at the same price that SIH had acquired its 45.02% interest in Neo-China. In addition the Company will have raised HK\$1,586.17 million as a result of the completion of the Subscription Agreement. It is effectively a condition precedent to completion of the Transactions trading in the Neo-China Shares will resume, enabling Neo-China Shareholders to trade their shares again through the Stock Exchange. Although SIH has the right to waive this condition, it has stated through lawyers that it does not intend to do so. In addition to taking these matters in account, we have also considered the other principal factors described earlier.

Although at this stage no assurances have been given that the suspension in dealings in the Neo-China Shares will be lifted on or prior to the completion of the Sale and Purchase Agreement and the Subscription Agreement, it is a condition of the Transactions that trading in the Neo-China Shares will resume. Accordingly in the absence of the Transactions proceeding, the Neo-China Shareholders should consider whether another proposal may be submitted and how long that may take and whether that is likely to result in the resumption of trading and, upon the Share Offer being made, the opportunity of selling Neo-China Shares at HK\$2.32 per Share. On the basis that completion of the Sale and Purchase Agreement and the Subscription Agreement will lead to the resumption of trading in Neo-China Shares and in the absence of such or similar transactions proceeding the suspension may be significantly or indefinitely delayed, we consider that on balance the terms of the Subscription Agreement, taken in the context of the Transactions as a whole, are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Neo-China Shareholders as a whole. Accordingly, for the purpose of the Listing Rules we advise the Ch. 14A IBC to recommend the Independent Neo-China Shareholders to vote in favour of the resolutions to approve the Subscription Agreement. If however the Independent Neo-China Shareholders consider lifting of the suspension is likely to take place within a reasonable period without the Transactions being completed, Independent Neo-China Shareholders may take the view the Company should continue under its existing structure and management by voting against the resolutions to approve the Subscription Agreement.

Yours faithfully,
for and on behalf of

Anglo Chinese Corporate Finance, Limited
Dennis Cassidy

Director and Head of Corporate Finance

AUDITED FINANCIAL STATEMENTS FOR THE EIGHT MONTHS ENDED 31 DECEMBER 2009

The following are the audited consolidated financial statements of the Company for the eight months ended 31 December 2009, with the comparative figures for the year ended 30 April 2009.

Consolidated Income Statement

for the eight-month period from 1 May 2009 to 31 December 2009

		8 months ended 31 December 2009 <i>HK\$'000</i>	Year ended 30 April 2009 <i>HK\$'000</i>
	<i>Note</i>		
Turnover	3	513,086	2,534,580
Cost of sales		(448,138)	(2,044,087)
Gross profit		64,948	490,493
Other revenue	4	20,450	47,080
Other net (loss)/income	4	(23,943)	289,477
Net valuation (loss)/gain on investment properties	12	(158,337)	409,047
Write down of inventories	16(b)	(124,398)	–
Distribution and selling expenses		(252,359)	(121,029)
General and administrative expenses		(394,571)	(363,655)
(Loss)/profit from operations		(868,210)	751,413
Finance costs	5(a)	(132,342)	(210,224)
Gain on redemption of convertible notes	26	426,074	–
Share of losses of associates		(1,789)	(477)
Gain on disposal of subsidiaries	33(b)	336,866	–
Loss on disposal of associate		(5,100)	(1,014)
Impairment loss on assets of disposal group/ non-current assets classified as held for sale	28	(1,790,000)	(201,000)
(Loss)/profit before taxation	5	(2,034,501)	338,698
Income tax	6(a)	(149,798)	(249,142)
(Loss)/profit for the period/year		(2,184,299)	89,556
Attributable to:			
Equity shareholders of the Company		(2,106,392)	126,567
Minority interests		(77,907)	(37,011)
(Loss)/profit for the period/year		(2,184,299)	89,556
(Loss)/earnings per share	10		
Basic		(108.26) HK cents	6.51 HK cents
Diluted		(127.94) HK cents	5.56 HK cents

Consolidated Statement of Comprehensive Income

for the eight-month period from 1 May 2009 to 31 December 2009

	8 months ended 31 December 2009	Year ended 30 April 2009
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period/year	(2,184,299)	89,556
Other comprehensive (loss)/income for the period/year (after tax and reclassification adjustments)	<i>6(c)</i>	
Exchange differences on translation into presentation currency	(1,235)	77,110
Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interests in subsidiaries	(145,234)	–
Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interest in an associate	(22,681)	–
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held for sale	(270)	(312)
Other comprehensive (loss)/income for the period/year	(169,420)	76,798
Total comprehensive (loss)/income for the period/year	<u>(2,353,719)</u>	<u>166,354</u>
Attributable to:		
Equity shareholders of the Company	(2,275,812)	184,776
Minority interests	(77,907)	(18,422)
Total comprehensive (loss)/income for the period/year	<u>(2,353,719)</u>	<u>166,354</u>

APPENDIX I FINANCIAL INFORMATION ABOUT THE NEO – CHINA GROUP

Consolidated Balance Sheet

as at 31 December 2009

	<i>Note</i>	31 December 2009		30 April 2009	
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Fixed assets					
– Investment properties	12		2,949,328		3,313,447
– Other property, plant and equipment	13		<u>827,900</u>		<u>641,308</u>
			3,777,228		3,954,755
Interests in associates	14		328,380		–
Restricted bank deposits	15(a)		55,023		173,399
Derivative financial instrument					
– Redemption Right of the Issuer	26		600		–
Deferred tax assets	23(b)		<u>24,142</u>		<u>24,832</u>
			4,185,373		4,152,986
Current assets					
Inventories	16	14,462,055		20,908,384	
Investments in securities held for trading	17	–		1,513	
Loan receivables	18	412,626		–	
Trade and other receivables	19	2,231,914		707,980	
Prepaid income tax	23(a)	339,673		231,172	
Restricted bank deposits	15(b)	–		19,030	
Cash and cash equivalents	20(a)	<u>1,627,196</u>		<u>2,618,105</u>	
			19,073,464		24,486,184
Assets of disposal group/non-current assets classified as held for sale					
	28	<u>2,732,943</u>		<u>656,578</u>	
		<u>21,806,407</u>		<u>25,142,762</u>	

APPENDIX I FINANCIAL INFORMATION ABOUT THE NEO – CHINA GROUP

		31 December 2009		30 April 2009	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities					
Trade and other payables	21	2,413,007		3,286,936	
Pre-sale receipts from customers	22	8,763,402		5,415,588	
Bank borrowings	24	702,240		971,656	
Loan payables	25	1,402,200		2,737,281	
Derivative financial instrument					
– Warrants	27	29,600		32,100	
Income tax payable	23(a)	1,238,927		1,093,457	
Dividend payable		6,473		6,473	
		<u>14,555,849</u>		<u>13,543,491</u>	
Liabilities of disposal group classified as held for sale	28	<u>835</u>		<u>–</u>	
		<u>14,556,684</u>		<u>13,543,491</u>	
Net current assets			<u>7,249,723</u>		<u>11,599,271</u>
Total assets less current liabilities			11,435,096		15,752,257
Non-current liabilities					
Bank borrowings	24	768,064		1,554,048	
Convertible notes	26	62,136		1,028,195	
Senior notes	27	2,942,803		2,923,895	
Deferred tax liabilities	23(b)	1,002,111		1,173,976	
			<u>4,775,114</u>		<u>6,680,114</u>
NET ASSETS			<u>6,659,982</u>		<u>9,072,143</u>
CAPITAL AND RESERVES					
Share capital	29		77,826		77,826
Reserves			<u>5,995,603</u>		<u>8,238,558</u>
Total equity attributable to equity shareholders of the Company			6,073,429		8,316,384
Minority interest			<u>586,553</u>		<u>755,759</u>
TOTAL EQUITY			<u>6,659,982</u>		<u>9,072,143</u>

APPENDIX I FINANCIAL INFORMATION ABOUT THE NEO – CHINA GROUP

Consolidated Statement of Changes in Equity

for the eight-month period from 1 May 2009 to 31 December 2009

	Attributable to equity shareholders of the Company									
	Convertible			Share options reserve	Other revaluation reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	Share capital	Share premium	notes equity reserve							
Balance 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
Profit for the year	-	-	-	-	-	-	126,567	126,567	(37,011)	89,556
Other comprehensive income for the year:										
– Exchange differences on translation into presentation currency	-	-	-	-	-	58,521	-	58,521	18,589	77,110
– Realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	-	-	-	-	(312)	-	-	(312)	-	(312)
Total comprehensive income for the year	-	-	-	-	(312)	58,521	126,567	184,776	(18,422)	166,354
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	68,910	68,910
Equity settled share-based transactions	-	-	-	29,946	-	-	-	29,946	-	29,946
Transfer to retained profits upon forfeiture of share options	-	-	-	(9,123)	-	-	9,123	-	-	-
Dividend approved in respect of the previous year	-	-	-	-	-	-	(272,390)	(272,390)	-	(272,390)
Balance at 30 April 2009	<u>77,826</u>	<u>5,515,551</u>	<u>44,365</u>	<u>208,384</u>	<u>46,229</u>	<u>796,775</u>	<u>1,627,254</u>	<u>8,316,384</u>	<u>755,759</u>	<u>9,072,143</u>

APPENDIX I FINANCIAL INFORMATION ABOUT THE NEO – CHINA GROUP

Attributable to equity shareholders of the Company

	Share capital	Share premium	Convertible notes equity reserve	Share options reserve	Other revaluation reserve	Exchange reserve	(Accumulated losses)/ 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
Balance at 1 May 2009	77,826	5,515,551	44,365	208,384	46,229	796,775	1,627,254	8,316,384	755,759	9,072,143
Loss for the period	-	-	-	-	-	-	(2,106,392)	(2,106,392)	(77,907)	(2,184,299)
Other comprehensive loss for the period:										
– Exchange differences on translation into presentation currency	-	-	-	-	-	(1,235)	-	(1,235)	-	(1,235)
– Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interests in subsidiaries	-	-	-	-	-	(145,234)	-	(145,234)	-	(145,234)
– Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interest in an associate	-	-	-	-	-	(22,681)	-	(22,681)	-	(22,681)
– Reclassification adjustment for realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	-	-	-	-	(270)	-	-	(270)	-	(270)
Total comprehensive loss for the period	-	-	-	-	(270)	(169,150)	(2,106,392)	(2,275,812)	(77,907)	(2,353,719)
Transfer to retained profits upon the redemption of convertible notes	-	-	(41,785)	-	-	-	61,566	19,781	-	19,781
Decrease in minority interests										
– upon disposal of subsidiaries	-	-	-	-	-	-	-	-	(79,914)	(79,914)
– upon acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(11,385)	(11,385)
Equity settled share-based transactions	-	-	-	13,076	-	-	-	13,076	-	13,076
Balance at 31 December 2009	77,826	5,515,551	2,580	221,460	45,959	627,625	(417,572)	6,073,429	586,553	6,659,982

APPENDIX I FINANCIAL INFORMATION ABOUT THE NEO – CHINA GROUP

Consolidated Cash Flow Statement

for the eight-month period from 1 May 2009 to 31 December 2009

		8 months ended 31 December 2009		Year ended 30 April 2009	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities					
Cash generated from operations	20(b)	577,184		949,300	
Tax paid					
The People's Republic of China (the "PRC") Income Tax paid		(151,121)		(176,463)	
PRC Land Appreciation Tax paid		(40,431)		(55,751)	
Net cash generated from operating activities			385,632		717,086
Investing activities					
Payments for acquisition of subsidiaries, net of cash acquired	32(a)	–		(92,089)	
Refund of deposits paid for acquisition of project companies		–		309,246	
Repayment from a former shareholder of a subsidiary		–		54,390	
Proceeds from disposal of subsidiaries	33(b)	1,767,782		–	
Proceeds from disposal of interest in an associate		120,897		–	
Advances to associates		(74,857)		(989)	
Payments for acquisition of additional interest in a subsidiary		(22,800)		–	
Payments for the acquisition of investment properties		–		(1,457)	
Payments for purchases of other property, plant and equipment		(222,815)		(486,868)	
Proceeds from disposal of investment properties		160,911		550,181	
Proceeds from disposal of other property, plant and equipment		54		1,822	
Decrease/(Increase) in restricted bank deposits		137,406		(72,417)	
Increase in loan receivables		(412,626)		–	
Interest received		13,231		45,873	
Net cash generated from investing activities			1,467,183		307,692

APPENDIX I FINANCIAL INFORMATION ABOUT THE NEO – CHINA GROUP

	Note	8 months ended		Year ended	
		31 December 2009		30 April 2009	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financing activities					
Proceeds from new bank loans		302,100		772,800	
Repayments of bank loans		(1,357,500)		(1,635,312)	
Payment for redemption of convertible notes		(544,856)		-	
Decrease in loan payables		(604,200)		(1,050,847)	
Repayments to former shareholders of the Company's subsidiaries		-		(134,243)	
Repayment to a shareholder		-		(20,412)	
Repayments to related companies		(415)		(81,137)	
Repayments to associates		-		(75,816)	
Advances from minority shareholders		-		2,290	
Interest paid		(603,357)		(346,637)	
Dividends paid to equity shareholders of the Company		-		(270,277)	
		-		(270,277)	
Net cash used in financing activities			(2,808,228)		(2,839,591)
Net decrease in cash and cash equivalents			(955,413)		(1,814,813)
Cash and cash equivalents at the beginning of the period/year	20(a)		2,618,105		4,363,937
Effect of foreign exchange rate changes			-		68,981
Cash and cash equivalents at the end of the period/year	20(a)		1,662,692		2,618,105

Notes to the Financial Statements

for the eight-month period from 1 May 2009 to 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties (see note 1(f)); and
- financial instruments classified as available-for-sale or as trading investments (see note 1(d)); and
- derivative financial instruments (see note 1(e)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(v)).

(ii) Functional and presentation currency

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 consolidated financial statements are presented in Hong Kong dollars, rounded to the nearest thousand, which is different from the functional currency of the Company, Renminbi (“RMB”) as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong and therefore, the directors of the Company consider that Hong Kong dollars is preferable in presenting the operating result and financial position of the Group. The majority of the Company’s subsidiaries are operating in the People’s Republic of China (the “PRC”) with RMB as their functional currency.

(iii) *Use of estimates and judgement*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 38.

(iv) *Change of year end date*

Pursuant to the board of directors' meeting on 11 December 2009, the financial year end date of the Group and the Company has been changed from 30 April to 31 December in order to a conterminous financial year end as that of its major operating subsidiaries engaged in the business of property development. As a result, the consolidated financial statements are presented covering a period of eight months from 1 May 2009 to 31 December 2009. Accordingly, the comparative figures (which cover a period of twelve months from 1 May 2008 to 30 April 2009) for the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and related notes to financial statements are not comparable with those of the current period.

(c) Basis of consolidation

The consolidated financial statements for the eight-month period from 1 May 2009 to 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(i) *Business combinations*

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, 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 (see note 1(v)).

(ii) *Acquisition of subsidiaries and businesses 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 the contributed surplus 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 deemed distribution to the controlling shareholder as an adjustment to the contributed surplus in equity.

(iii) *Acquisition of additional interests in subsidiaries*

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

(iv) *Subsidiaries and minority interests*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1 (l), (m) or (n) depending on the nature of the liability.

(v) *Associates*

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(v)). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see notes 1(c)(vi) and 1(j)). The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associates' other reserves is recognised in the consolidated statement of changes in equity.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal and constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(vi) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and the entire carrying amount of the investment is tested for impairment whenever there is objective evidence of impairment (see note 1(j)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) Investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(s)(iv) and (v).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(j)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment valuation reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(s)(iv). When these investments are derecognised or impaired (see note 1(j)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately to profit or loss.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

Property that is being constructed or developed for future use as investment property is classified as construction in progress and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(g) Other property, plant and equipment

Items of other property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation (see below) and impairment losses (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of the following items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Hotel buildings and improvements	25 years
– Hotel furniture and equipment	5 – 20 years
– Leasehold improvements	5 years
– Other furniture and equipment	3 – 5 years
– Motor vehicles	5 – 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress comprises direct costs of construction during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the relevant class of property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(f)).

(ii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(f)) or is held for development for sale (see note 1(k)(i)).

(i) **Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) **Impairment of assets**

(i) *Impairment of investments in equity securities and other receivables*

Investments in equity securities (other than investments in subsidiaries: see note 1(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates recognised using the equity method (see note 1(c)(v)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;

- investments in subsidiaries (except for those classified as being held for sale (or included in a disposal group that is classified as held for sale)) (see note 1(v)); and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim financial reporting" in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised directly in other comprehensive income and not profit or loss.

(k) Inventories

(i) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(t)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less estimated costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(ii) Hotel operations

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain a liability component, an equity component and a derivative component which is not closely related to the host contract.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option, and the derivative component of the convertible notes is measured at fair value and presented as derivative financial instruments (see note 1(e)). Any excess of the proceeds over the amounts initially recognised as the liability and derivative components is recognised as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability component, equity component and the derivative component in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The derivative component is subsequently remeasured in accordance with 1(e). The equity component is recognised in the convertible note equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible note equity reserve, together with the carrying amounts of the liability and derivative components at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible note equity reserve is released directly to retained profits, and any difference between the amount paid relating to the liability component and the carrying amounts of the liability and derivative components is recognised in profit or loss.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plan

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires or is forfeited (when it is released directly to retained profits).

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) *Contingent liabilities acquired in business combinations*

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(r)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(r)(iii).

(iii) *Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Sale of properties*

Revenue arising from the sale of properties held for sale is recognised in profit or loss 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.

Revenue from sale of properties excludes business tax and is after deduction of any trade discount. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under pre-sale receipts from customers.

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) *Revenue from hotel operations*

Revenue from hotel operations which includes room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(iv) *Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(vi) *Government grants*

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

For the purposes of presenting the consolidated financial statements, the results of the Group's operations not denominated in Hong Kong dollars are translated into Hong Kong dollars, i.e. the presentation currency of the Group, at the average exchange rates for the year. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of the Group's operations not denominated in Hong Kong dollars, the cumulative amount of exchange differences relating to these operations is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, financial assets which have already been carried at fair value with changes in fair value recognised in profit or loss and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8 "Operating Segments"
- HKAS 1 (revised) "Presentation of Financial Statements"
- Amendments to HKFRS 7 "Financial Instruments: Disclosures" – Improving disclosures about financial instruments
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27 "Consolidated and Separate Financial Statements" – cost of an investment in a subsidiary, jointly controlled entity or associate
- HKAS 23 (revised 2007) "Borrowing Costs"
- Amendments to HKFRS 2 "Share-Based Payment" – vesting conditions and cancellations

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amount reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 11). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 31(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following two amendments have resulted in changes to the Group's accounting policies:
 - As a result of amendments to HKAS 28 "Investments in Associates", impairment losses recognised in respect of the associates carried under the equity method are no longer allocated to the goodwill inherent in that carrying amount. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

 - As a result of amendment to HKAS 40 "Investment Property", investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

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- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 May 2009, all dividends receivable from subsidiaries and associates, whether out of pre- or post-acquisition profits, will be recognised in the Group's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Group would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. TURNOVER

The principal activities of the Group are property development, property investment and hotel operations.

Turnover represents revenue from sale of properties (net of business tax), rental income from leasing of properties (net of business tax) and revenue from hotel operations (net of business tax). The amount of each significant category of revenue recognised in turnover during the period/year is as follows:

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Revenue from sale of properties	477,796	2,498,107
Rental income from leasing of properties	7,345	14,734
Revenue from hotel operations	27,945	21,739
	<u>513,086</u>	<u>2,534,580</u>

4. OTHER REVENUE AND NET (LOSS)/INCOME

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Other revenue		
Interest income from bank deposits	9,469	25,153
Interest income on the delay for refund of deposits in respect of the cancellation of acquisition of a project company	3,762	20,720
	<u>13,231</u>	<u>45,873</u>
Total interest income on financial assets not at fair value through profit or loss	13,231	45,873
Dividend income from unlisted investments held for trading	–	27
PRC government subsidies	5,980	–
Others	1,239	1,180
	<u>20,450</u>	<u>47,080</u>

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	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Other net (loss)/income		
Net loss on disposal of investment properties	(23,639)	(31,218)
Net loss on disposal of other property, plant and equipment	(51)	(113)
Impairment loss for a long outstanding debtor (see note below)	(6,840)	–
Bad debts recovered	–	9,535
Changes in fair values of derivative financial instruments	3,100	113,900
Exchange gain on convertible notes	–	26,502
Exchange gain on senior notes	–	81,441
Other net exchange gain	3,487	89,430
	<u>(23,943)</u>	<u>289,477</u>
	<u>(23,943)</u>	<u>289,477</u>

Note: This debtor was outstanding for more than one year, and the directors of the Company assessed that this debtor is expected to be irrecoverable. Consequently, specific allowance for doubtful debt of approximately HK\$6,840,000 was recognised.

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	66,025	167,969
Interest on bank borrowings wholly repayable after five years	18,728	31,812
Interest on loan payables	227,785	451,105
Interest on convertible notes	14,015	88,715
Interest on senior notes	223,097	329,700
	<u>549,650</u>	<u>1,069,301</u>
Total interest expense on financial liabilities not at fair value through profit or loss	549,650	1,069,301
Less: interest expense capitalised into properties under development*	(417,308)	(859,077)
	<u>132,342</u>	<u>210,224</u>
	<u>132,342</u>	<u>210,224</u>

* The borrowing costs have been capitalised at an interest rate of 5.40% – 20.00% (year ended 30 April 2009: 5.13% – 20.00%) per annum.

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	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
(b) Staff costs:		
Contributions to defined contribution retirement plans	6,327	17,684
Equity-settled share-based payment expense	13,076	29,946
Salaries, wages and other benefits	97,612	144,698
	<u>117,015</u>	<u>192,328</u>
Less: staff costs capitalised into properties under development	<u>(20,020)</u>	<u>(54,113)</u>
	<u>96,995</u>	<u>138,215</u>
(c) Other items:		
Depreciation	29,805	36,325
Less: depreciation capitalised into properties under development	<u>(937)</u>	<u>(1,712)</u>
	28,868	34,613
Amortisation of land lease premium	1,533	3,340
Operating lease charges: minimum lease payments – property rentals	14,674	13,604
Auditors' remuneration		
– audit services	3,000	3,500
– other services	1,100	1,180
Rental income from investment properties less direct outgoings of HK\$2,780,000 (year ended 30 April 2009: HK\$2,640,000)	(4,246)	(11,764)
Other rental income	(319)	(330)
Cost of properties sold	<u>437,015</u>	<u>2,038,681</u>
6. INCOME TAX		
(a) Taxation in the consolidated income statement represents:		
	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Current tax		
Provision for the year		
– PRC Enterprise Income Tax	196,940	135,410
– PRC Land Appreciation Tax	32,129	92,125
	<u>229,069</u>	<u>227,535</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(79,271)</u>	<u>21,607</u>
	<u>149,798</u>	<u>249,142</u>

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(i) *PRC Enterprise Income Tax*

The provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rates of 20% to 25% (year ended 30 April 2009: 18% to 25%) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC.

(ii) *PRC Land Appreciation Tax ("LAT")*

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

(iii) *Hong Kong Profits Tax*

No provision for Hong Kong Profits Tax for the eight-month period from 1 May 2009 to 31 December 2009 has been made as the Group has no estimated assessable profits arising in Hong Kong for this period (year ended 30 April 2009: Nil).

(iv) *Other Income Tax*

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the eight-month period from 1 May 2009 to 31 December 2009 (year ended 30 April 2009: Nil).

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
(Loss)/profit before taxation	(2,034,501)	338,698
Notional tax on (loss)/profit before taxation calculated at the rates applicable to (losses)/profits in the tax jurisdictions concerned	(530,632)	83,033
Tax effect of Land Appreciation Tax deductible for PRC Enterprise Income Tax	(8,032)	(23,031)
Tax effect of non-deductible expenses	891,158	249,974
Tax effect of non-taxable income	(357,559)	(194,455)
Tax effect of unused tax losses not recognised	122,130	76,448
Tax effect of prior years' tax losses utilised this year	–	(29,074)
Tax effect of concessionary rate	(1,173)	(6,181)
Provision for Land Appreciation tax for the period/year	32,129	92,125
Others	1,777	303
Actual tax expense	149,798	249,142

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(c) The effects relating to each component of other comprehensive (loss)/income:

	8 months ended 31 December 2009			Year ended 30 April 2009		
	Before-tax amount HK\$'000	Tax	Net-of-tax amount HK\$'000	Before-tax amount HK\$'000	Tax	Net-of-tax amount HK\$'000
		(expense)/ benefit HK\$'000			(expense)/ benefit HK\$'000	
Exchange differences on translation into presentation currency	(1,235)	-	(1,235)	77,110	-	77,110
Realisation of exchange differences upon disposal of interests in subsidiaries	(145,234)	-	(145,234)	-	-	-
Realisation of exchange differences upon disposal of interest in an associate	(22,681)	-	(22,681)	-	-	-
Realisation of fair value gains upon sales of properties	(360)	90	(270)	(416)	104	(312)
Other comprehensive (loss)/income	(169,510)	90	(169,420)	76,694	104	76,798

7. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	8 months ended 31 December 2009					Total HK\$'000
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Sub-total HK\$'000	Share-based payments (note) HK\$'000	
Executive directors:						
Li Song Xiao (resigned on 22 August 2009)	-	900	-	900	14	914
Liu Yi	-	1,800	-	1,800	996	2,796
Niu Xiao Rong	-	1,200	-	1,200	996	2,196
Yuan Kun	-	1,420	-	1,420	652	2,072
Liu Yan	-	1,200	-	1,200	615	1,815
Jia Bo Wei	-	2,000	-	2,000	531	2,531
Bao Jing Tao	-	910	-	910	53	963
Lam Kwan Sing	-	1,400	8	1,408	-	1,408
Non-executive director:						
Lai Leong	-	-	-	-	-	-
Independent non-executive directors:						
Nie Mei Sheng	-	-	-	-	-	-
Gao Ling	-	-	-	-	-	-
Zhang Qing Lin (passed away on 19 February 2010)	-	-	-	-	-	-
Lai Man Leung (resigned on 9 May 2009)	-	-	-	-	-	-
	-	10,830	8	10,838	3,857	14,695

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Details of directors' remuneration are as follows:

	Year ended 30 April 2009					
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-total	Share-based payments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(note) HK\$'000	HK\$'000
Executive directors:						
Li Song Xiao (resigned on 22 August 2009)	-	2,070	-	2,070	52	2,122
Liu Yi	-	2,090	-	2,090	2,539	4,629
Niu Xiao Rong	-	1,590	-	1,590	2,539	4,129
Yuan Kun	-	1,450	-	1,450	1,646	3,096
Liu Yan	-	1,160	-	1,160	1,506	2,666
Jia Bo Wei	-	1,860	-	1,860	1,160	3,020
Bao Jing Tao	-	845	-	845	116	961
Lam Kwan Sing (appointed on 7 May 2008)	-	1,257	11	1,268	-	1,268
Lu Zhao Qun (resigned on 21 April 2009)	-	490	-	490	-	490
Non-executive director:						
Lai Leong	-	-	-	-	-	-
Independent non-executive directors:						
Nie Mei Sheng	-	-	-	-	-	-
Gao Ling	-	-	-	-	-	-
Zhang Qing Lin (passed away on 19 February 2010)	-	-	-	-	-	-
Lai Man Leung (resigned on 9 May 2009)	-	-	-	-	-	-
	-	12,812	11	12,823	9,558	22,381

During the period, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any remuneration during the period (year ended 30 April 2009: Nil).

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(p)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share options" in the directors' report and note 30.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (year ended 30 April 2009: four) are directors of the Company whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (year ended 30 April 2009: one) individual are as follows:

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Salaries and other benefits	189	112
Share-based payments	2,656	5,800
Retirement schemes contributions	5	7
	2,850	5,919

The emoluments of one individual (year ended 30 April 2009: one individual) with the highest emoluments are within the following bands:

	8 months ended 31 December 2009 No. of employees	Year ended 30 April 2009 No. of employees
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$5,500,001 to HK\$6,000,000	–	1

During the period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (year ended 30 April 2009: Nil).

9. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the “Schemes”) organized by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at rates ranging from 18% to 22% of the eligible employees’ salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the plan vest immediately.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

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10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$2,106,392,000 (year ended 30 April 2009: profit of HK\$126,567,000) and the weighted average number of 1,945,640,189 ordinary shares (year ended 30 April 2009: 1,945,640,189 ordinary shares) in issue during the period.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$2,532,627,000 (year ended 30 April 2009: profit of HK\$117,827,000) and the weighted average number of 1,979,523,429 ordinary shares (year ended 30 April 2009: 2,118,654,012 ordinary shares), calculated as follows:

(i) (Loss)/profit attributable to ordinary equity shareholders of the Company (diluted)

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
(Loss)/profit attributable to ordinary equity shareholders	(2,106,392)	126,567
After tax effect of effective interest on the liability component of convertible notes	439	5,762
After tax effect of exchange gain on the liability component of convertible notes	–	(26,502)
After tax effect of (gains)/losses recognised on the derivative component of convertible notes	(600)	12,000
Effect of gain recognised on redemption of convertible notes	(426,074)	–
	<hr/>	<hr/>
(Loss)/profit attributable to ordinary equity shareholders (diluted)	(2,532,627)	117,827
	<hr/>	<hr/>

(ii) Weighted average number of ordinary shares (diluted)

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Weighted average number of ordinary shares (basic) at 31 December/30 April	1,945,640,189	1,945,640,189
Effect of conversion of convertible notes	33,883,240	152,347,488
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	–	20,666,335
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December/30 April	1,979,523,429	2,118,654,012
	<hr/>	<hr/>

During the eight-month period ended 31 December 2009, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since the exercise would result in a decrease in diluted loss per share.

During the eight-month period ended 31 December 2009 and the year ended 30 April 2009, the computation of diluted (loss)/earnings per share did not assume the exercise of the Company's outstanding warrants since the exercise price of the warrants exceeded the average market price of ordinary shares during the period/year.

11. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by a mixture of both products and services and geography. On first-time adoption of HKFRS 8 "Operating Segments" and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- **Property leasing:** this segment leases office and residential premises to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located in Mainland China.
- **Property development:** this segment develops and sells commercial and residential properties. Currently the Group's activities in this regard are carried out in Mainland China.
- **Hotel operations:** this segment is engaged in renting of hotel room accommodation, leasing of commercial shopping arcades and the provision of food and beverage at restaurant outlets and other services and facilities such as telephone, guest transportation and laundry within hotel premises. Currently the Group's activities in this regard are carried out in Mainland China.

(a) Segment Results, Assets and Liabilities

For the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and current assets with the exception of investments in financial assets, deferred tax assets, prepaid income tax and other corporate assets. Segment liabilities include trade and other payables attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is "adjusted operating profit/(loss)". To arrive at "adjusted operating profit/(loss)", the Group's profit/(loss) are further adjusted for items not specifically attributable to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs. Taxation charge is not allocated to reporting segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the eight-month period from 1 May 2009 to 31 December 2009 and the year ended 30 April 2009 is set out below.

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	Property development		Property leasing		Hotel operations		Total	
	8 months		8 months		8 months		8 months	
	ended	Year ended	ended	Year ended	ended	Year ended	ended	Year ended
	31 December	30 April	31 December	30 April	31 December	30 April	31 December	30 April
	2009	2009	2009	2009	2009	2009	2009	2009
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Revenue from external customers	478,116	2,498,437	7,025	14,404	27,945	21,739	513,086	2,534,580
Inter-segment revenue	3,397	3,040	-	-	4,591	1,130	7,988	4,170
Reportable segment revenue	481,513	2,501,477	7,025	14,404	32,536	22,869	521,074	2,538,750
Reportable segment (loss)/profit	(578,084)	227,434	(219,772)	340,099	(44,561)	(52,557)	(842,417)	514,976
Finance income	4,308	18,098	700	1,423	27	17	5,035	19,538
Finance costs	(10,283)	(21,379)	(18,729)	(32,636)	-	-	(29,012)	(54,015)
Net valuation (loss)/gain on investment properties	-	-	(158,337)	409,047	-	-	(158,337)	409,047
Depreciation and amortisation for the period/year	(4,984)	(7,510)	(706)	(1,279)	(23,779)	(27,590)	(29,469)	(36,379)
Share of losses of associates	(1,789)	(477)	-	-	-	-	(1,789)	(477)
Reportable segment assets (including interests in associates)	19,386,601	23,601,145	3,066,882	3,836,185	815,331	600,679	23,268,814	28,038,009
Additions to associates during the period	330,169	-	-	-	-	-	330,169	-
Additions to non-current segment assets during the period/year	3,516	459,478	-	118	217,639	27,918	221,155	487,514
Reportable segment liabilities	12,844,227	12,638,546	435,098	464,771	44,377	49,700	13,323,702	13,153,017

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(b) **Reconciliation of reportable segment revenue, profit or loss, assets and liabilities**

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Revenue		
Reportable segment revenue	521,074	2,538,750
Elimination of inter-segment revenue	<u>(7,988)</u>	<u>(4,170)</u>
Consolidated turnover	<u>513,086</u>	<u>2,534,580</u>
Profit or loss		
Reportable segment (loss)/profit	(842,417)	514,976
Elimination of inter-segment (profits)/loss	<u>(5,150)</u>	<u>24,061</u>
Reportable segment (loss)/profit derived from		
Group's external customers	(847,567)	539,037
Finance costs	(103,330)	(156,209)
Corporate finance income	8,196	26,335
Fair value changes on derivative financial instruments	3,100	113,900
Other revenue and net income	227	130,643
Unallocated depreciation	(932)	(1,574)
Unallocated head office and corporate expenses	(62,035)	(111,420)
Impairment loss on assets of disposal group/ non-current assets classified as held for sales	(1,790,000)	(201,000)
Gain on redemption of convertible notes	426,074	–
Gain on disposal of subsidiaries	336,866	–
Loss on disposal of an associate	<u>(5,100)</u>	<u>(1,014)</u>
Consolidated (loss)/profit before taxation	<u>(2,034,501)</u>	<u>338,698</u>
	At 31 December 2009 HK\$'000	At 30 April 2009 HK\$'000
Assets		
Reportable segment assets	23,268,814	28,038,009
Deferred tax assets	24,142	24,832
Prepaid income tax	339,673	231,172
Derivative financial instrument	600	–
Investments in securities held for trading	–	1,513
Unallocated head office and corporate assets	<u>2,358,551</u>	<u>1,000,222</u>
Consolidated total assets	<u>25,991,780</u>	<u>29,295,748</u>

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Liabilities	At 31 December 2009 HK\$'000	At 30 April 2009 HK\$'000
Reportable segment liabilities	13,323,702	13,153,017
Convertible notes	62,136	1,028,195
Senior notes	2,942,803	2,923,895
Derivative financial instrument	29,600	32,100
Income tax payable	1,238,927	1,093,457
Deferred tax liabilities	1,002,111	1,173,976
Dividend payable	6,473	6,473
Unallocated head office and corporate liabilities	<u>726,046</u>	<u>812,492</u>
Consolidated total liabilities	<u><u>19,331,798</u></u>	<u><u>20,223,605</u></u>

(c) Geographical information

As all segments of the Group are operating in the People's Republic of China (the "PRC"), including Hong Kong, no geographical information has further been disclosed.

(d) Major customer

For the eight months ended 31 December 2009, revenue from any customer of the Group does not exceed 10% of the Group's total turnover (year ended 30 April 2009: Nil).

12. INVESTMENT PROPERTIES

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Balance at the beginning of year	3,313,447	3,395,620
Exchange adjustments	–	88,722
Additions	–	1,457
Disposals	(205,782)	(581,399)
Fair value adjustments	<u>(158,337)</u>	<u>409,047</u>
Balance at the end of year	<u><u>2,949,328</u></u>	<u><u>3,313,447</u></u>

(a) Revaluation of investment properties

All investment properties of the Group were revalued as at 31 December 2009 and 30 April 2009 at their open market value by reference to recent market transactions in comparable properties. The valuations were carried out by an independent firm of qualified professional valuers, Savills Valuation and Professional Services Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

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(b) The analysis of carrying amount of investment properties is as follows:

	At 31 December 2009 <i>HK\$'000</i>	At 30 April 2009 <i>HK\$'000</i>
In the PRC		
– medium-term leases	2,949,328	3,313,447

(c) **Investment properties leased out under operating leases**

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 2 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 31 December 2009 <i>HK\$'000</i>	At 30 April 2009 <i>HK\$'000</i>
Within 1 year	48,898	21,518
After 1 year but within 5 years	306,427	87,248
After 5 years	1,146,627	195,483
	1,501,952	304,249

(d) **Pledge of investment properties**

As at 31 December 2009, certain investment properties with a total carrying amount of HK\$2,912,586,000 (at 30 April 2009: HK\$2,754,532,000) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 24.

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13. OTHER PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings and improvements	Hotel furniture and equipment	Leasehold improve- ments	Other furniture and equipment	Motor vehicles	Construction in progress	Sub-total	Interest in leasehold land held for own use under operating leases	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:									
At 1 May 2008	-	-	1,977	21,942	37,909	740,569	802,397	-	802,397
Exchange adjustments	3,755	4,494	53	567	945	18,954	28,768	1,262	30,030
Transfer upon completion	210,321	251,786	-	-	-	(553,302)	(91,195)	91,195	-
Reclassification to properties under development	-	-	-	-	-	(614,326)	(614,326)	-	(614,326)
Additions									
- through acquisition of subsidiaries	-	-	-	248	653	-	901	-	901
- others	-	-	-	4,207	9,289	473,372	486,868	-	486,868
Disposals	-	(105)	-	(428)	(1,733)	-	(2,266)	-	(2,266)
At 30 April 2009	214,076	256,175	2,030	26,536	47,063	65,267	611,147	92,457	703,604
At 1 May 2009	214,076	256,175	2,030	26,536	47,063	65,267	611,147	92,457	703,604
Transfer upon completion	21,999	10,601	-	-	-	(32,600)	-	-	-
Additions	-	3,053	1,342	967	2,926	214,527	222,815	-	222,815
Disposals									
- through disposal of subsidiaries	-	-	-	(3,418)	(2,246)	-	(5,664)	-	(5,664)
- others	-	(44)	-	-	(858)	-	(902)	-	(902)
Transfer to assets of disposal group classified as held for sale	-	-	-	(730)	(637)	-	(1,367)	-	(1,367)
31 December 2009	236,075	269,785	3,372	23,355	46,248	247,194	826,029	92,457	918,486
Accumulated amortisation and depreciation:									
At 1 May 2008	-	-	1,093	9,360	11,391	-	21,844	-	21,844
Exchange adjustments	137	292	44	240	359	-	1,072	46	1,118
Charge for the year	7,712	16,338	828	4,289	7,158	-	36,325	3,340	39,665
Written back on disposals	-	(2)	-	(75)	(254)	-	(331)	-	(331)
At 30 April 2009	7,849	16,628	1,965	13,814	18,654	-	58,910	3,386	62,296
At 1 May 2009	7,849	16,628	1,965	13,814	18,654	-	58,910	3,386	62,296
Charge for the period	6,106	15,941	131	2,688	4,939	-	29,805	1,533	31,338
Written back on disposals									
- through disposal of subsidiaries	-	-	-	(1,205)	(600)	-	(1,805)	-	(1,805)
- others	-	(12)	-	-	(785)	-	(797)	-	(797)
Transfer to assets of disposal group classified as held for sale	-	-	-	(234)	(212)	-	(446)	-	(446)
At 31 December 2009	13,955	32,557	2,096	15,063	21,996	-	85,667	4,919	90,586
Carrying amount:									
At 31 December 2009	222,120	237,228	1,276	8,292	24,252	247,194	740,362	87,538	827,900
At 30 April 2009	206,227	239,547	65	12,722	28,409	65,267	552,237	89,071	641,308

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(a) The analysis of the carrying amount of leasehold land is as follows:

	At 31 December 2009 <i>HK\$'000</i>	At 30 April 2009 <i>HK\$'000</i>
In the PRC		
– medium-term leases	87,538	89,071

(b) **Pledge of hotel property**

As at 31 December 2009, interest in leasehold land held for own use under operating leases and hotel buildings and improvements (hereinafter collectively referred to as the “hotel property”) with a total carrying amount of HK\$309,658,000 (at 30 April 2009: HK\$295,298,000) were pledged as collateral for the Group’s bank borrowings, details of which are set out in note 24.

14. INTERESTS IN ASSOCIATES

	The Group At 31 December 2009 <i>HK\$'000</i>	At 30 April 2009 <i>HK\$'000</i>
Share of net assets	328,380	–

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of registered Capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Tianjin City Yi Jia He Zhi Ye Co., Ltd (“天津市億嘉合置業有限公司”)	Incorporated	The PRC	RMB38,000,000	40% <i>(note(a))</i>	–	40%	Property development
五礦嘉合(天津)房地產開發有限公司 (“五礦嘉合”)	Incorporated	The PRC	RMB20,000,000	64% <i>(note(b))</i>	–	64%	Property development

Note:

(a) During the eight-month period ended 31 December 2009, the Group entered into a sale and purchase agreement and supplemental agreement with Wukuang Zhiye Company (“Wukuang”), a company which was duly incorporated and is existing under the laws of the PRC, whereby the Group agreed to sell and Wukuang agreed to purchase the Group’s 40% equity interest in Tianjin City Yi Jia He Zhi Ye Co., Ltd. (“Yi Jia He”), a company established in the PRC and engaged in property development in Tianjin. After the disposal, the Group holds 40% of interests in Yi Jia He, which became an associate of the Group. Prior to this disposal, the Group held 80% equity interest in Yi Jia He.

Upon the completion of disposal of 40% equity interest in Yi Jia He (the “Disposal”), the Group agreed to pledge of the Group’s shareholdings in Yi Jia He after the Disposal to Wukuang during the period, the controlling shareholder of Yi Jia He, which owned 60% of the equity interest in Yi Jia He upon the completion of Disposal, as security for any possible breach of the responsibilities of the Group under the supplemental agreement. The main responsibilities of the Group are that (i) the Group is responsible for undertaking the preliminary development works of the property development project in respect of the piece of land (the “Land”) situated at Tianjin Beichen Qu Yi Xing Bu Jiu Chun (the “Project”) including demolition and re-settlement and obtaining planning approval and land clearance; (ii) Wukuang is responsible for contributing a total amount of funds of RMB1,584 million (equivalent to approximately HK\$1,796 million) (“Wukuang’s Contribution”) for the demolition and re-settlement expenses of the land lot nos. 7 and 8 with a gross construction area of 800,000 square meters comprised in the Land and the Group is responsible for payment of any excess amount of the actual amount of the demolition and re-settlement expenses over Wukuang’s Contribution; and (iii) in the event that there is any change in the shareholding of the Project, the affected outgoing shareholder shall provide complete and full disclosure to the new shareholder of the Project of all relevant matters and legal documents, and agreed terms of co-operation among the parties with respect to the Project. Details of such Disposal and pledge of equity shares were set out in the circular as issued by the Company on 15 July 2009.

- (b) The Group holds 64% of the registered capital of 五礦嘉合. However, under a shareholders’ agreement, the other shareholder controls the composition of the board of directors of 五礦嘉合 and therefore the Group does not control 五礦嘉合. According to the shareholders’ agreement, the Group does have significant influence over 五礦嘉合 and it is therefore classified as an associate of the Group.

Summary of financial information on associates

	Assets HK\$’000	Liabilities HK\$’000	Equity HK\$’000	Revenues HK\$’000	Profit/ (loss) HK\$’000
31 December 2009					
100 percent	1,756,267	1,391,675	364,592	–	(4,416)
Group’s effective interest	<u>883,687</u>	<u>555,307</u>	<u>328,380</u>	<u>–</u>	<u>(1,789)</u>

15. RESTRICTED BANK DEPOSITS

- (a) The Group has entered into agreements with certain banks with respect to mortgage loans provided to the buyers of the Group’s property units. As at 31 December 2009, the Group made deposits of RMB48,266,000 (equivalent to approximately HK\$55,023,000) (At 30 April 2009: RMB152,105,000 (equivalent to approximately HK\$173,399,000)) as security for the settlement of the mortgage instalments by the mortgagors under these agreements. Should the mortgagors fail to pay the mortgage 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 the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers.

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

- (b) As at 31 December 2009, the Group’s bank deposits of RMBNil (equivalent to approximately HK\$Nil) (at 30 April 2009: RMB16,693,000 (equivalent to approximately HK\$19,030,000)) were pledged as collateral for the Group’s bank borrowings, details of which are set out in note 24.

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16. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	At 31 December 2009 HK\$'000	At 30 April 2009 HK\$'000
Property development		
Properties under development	13,677,143	20,058,563
Completed properties held for sale	<u>780,952</u>	<u>841,432</u>
	14,458,095	20,899,995
Hotel operations		
Food and beverage and others	<u>3,960</u>	<u>8,389</u>
	<u><u>14,462,055</u></u>	<u><u>20,908,384</u></u>

All of the properties under development and completed properties held for sale are located in Mainland China.

At 31 December 2009, properties under development of approximately HK\$743,969,000 (at 30 April 2009: HK\$Nil) and completed properties held for sale of approximately HK\$172,083,000 (at 30 April 2009: HK\$Nil) were carried at fair value less costs to sell.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Carrying amount of properties sold	437,015	2,038,681
Carrying amount of food, beverage and others	11,123	5,406
Write down of inventories (property development)	<u>124,398</u>	<u>–</u>
	<u><u>572,536</u></u>	<u><u>2,044,087</u></u>

Write down of inventories made in the current period arose due to a decrease in the estimated net realisable value of properties under development and completed properties held for sale as a result of an unfavourable change in market conditions.

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- (c) The amount of properties under development expected to be recovered after more than one year is analysed as follows:

	8 months ended 31 December 2009 <i>HK\$'000</i>	Year ended 30 April 2009 <i>HK\$'000</i>
Properties under development	9,130,420	13,254,159

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

- (d) **Pledge of inventories**

Certain of the Group's properties under development and completed properties held for sale were pledged as collateral for the Group's bank borrowings and loan payables, details of which are set out in notes 24 and 25.

17. INVESTMENTS IN SECURITIES HELD FOR TRADING

	8 months ended 31 December 2009 <i>HK\$'000</i>	Year ended 30 April 2009 <i>HK\$'000</i>
Unlisted investments in securities held for trading, at fair value	–	1,513

18. LOAN RECEIVABLES

On 28 December 2009, the Group entered into two loan agreements with two independent third parties (the "Borrowers") whereby the Group lent RMB208,000,000 (equivalent to approximately HK\$235,786,000) and RMB156,000,000 (equivalent to approximately HK\$176,840,000) to these two independent third parties respectively for the three-month period commencing from 28 December 2009. The loans are non-trade in nature, unsecured, bear interest at 5% per annum and are repayable on 28 March 2010.

Subsequent to 31 December 2009, the loans were settled in full.

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19. TRADE AND OTHER RECEIVABLES

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Trade debtors	39,495	56,253
Consideration receivable for disposal of investment properties	21,232	37,426
Consideration receivable for disposal of an associate	513,000	–
Consideration receivable for disposal of subsidiaries (see note 33(b))	836,154	–
Amounts due from associates (see note below)	77,602	7,845
Other debtors	60,811	59,215
	<hr/>	<hr/>
Loans and receivables	1,548,294	160,739
Advance payments to contractors	42,377	131,877
Prepaid sales commission	155,354	113,947
Prepaid other taxes	441,461	252,969
Deposits and prepayments	44,428	48,448
	<hr/>	<hr/>
	2,231,914	707,980
	<hr/> <hr/>	<hr/> <hr/>

Note: The amounts due from associates are non-trade in nature, unsecured, interest free and repayable on demand.

(a) Ageing analysis

Included in trade and other receivables are trade debtors with the following ageing analysis as of the balance sheet date:

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Less than 90 days	16,442	40,908
More than 90 days but less than 180 days	6,284	2,235
More than 180 days	16,769	13,110
	<hr/>	<hr/>
	23,053	15,345
	<hr/>	<hr/>
	39,495	56,253
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Trade debtors are generally due within 90 days from the date of the billing. Further details on the Group's credit policy are set out in note 31(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

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(c) **Trade debtors that are not impaired**

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Neither past due nor impaired	16,442	40,908
	-----	-----
Less than 3 months past due	6,284	2,235
More than 3 months past due	16,769	13,110
	-----	-----
	23,053	15,345
	-----	-----
	39,495	56,253
	=====	=====

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers. However, the Group would not release the property title deeds to the customers before the customers fully settle the purchase consideration of the relevant property units sold. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. CASH AND CASH EQUIVALENTS

(a) **Cash and cash equivalents comprise:**

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Cash at banks and in hand	1,645,845	2,410,534
Cash balance maintained with a securities company	36,374	400,000
Less: restricted bank deposits (see note 15)	(55,023)	(192,429)
	-----	-----
Cash and cash equivalents in the consolidated balance sheet	1,627,196	2,618,105
Add: bank balances and cash included in assets of disposal group classified as held for sale (see note 28)	35,496	-
	-----	-----
Cash and cash equivalents in the consolidated cash flow statement	1,662,692	2,618,105
	=====	=====

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(b) **Reconciliation of (loss)/profit before taxation to cash generated from operations:**

		8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
(Loss)/profit before taxation		(2,034,501)	338,698
Adjustments for:			
Net valuation loss/(gain) on investment properties	12	158,337	(409,047)
Depreciation	5(c)	28,868	34,613
Amortisation of land lease premium	5(c)	1,533	3,340
Impairment loss on assets of disposal group/ non-current assets classified as held for sale	28	1,790,000	201,000
Finance costs	5(a)	132,342	210,224
Interest income	4	(13,231)	(45,873)
Dividend income from unlisted investments held for trading	4	–	(27)
Loss on disposal of investment properties	4	23,639	31,218
Loss on disposal of other property, plant and equipment	4	51	113
Changes in fair values of derivative financial instruments	4	(3,100)	(113,900)
Gain on redemption of convertible notes	26	(426,074)	–
Write down of inventories	16(b)	124,398	–
Gain on disposal of subsidiaries	33(b)	(336,866)	–
Loss on disposal of associate	28(b)	5,100	1,014
Share of losses of associates		1,789	477
Impairment loss for a debtor	4	6,840	–
Transfer from equity on sales of completed properties held for sale		(270)	(312)
Equity-settled share-based payment expenses	5(b)	13,076	29,946
Foreign exchange gain		(1,235)	(107,943)
Changes in working capital:			
Increase in inventories		(2,615,522)	(1,717,813)
Decrease in investments in securities held for trading		1,513	–
(Increase)/decrease in trade and other receivables		(94,973)	412,880
Increase/(decrease) in trade and other payables		467,656	(487,908)
Increase in pre-sale receipts from customers		3,347,814	2,568,600
		<u>3,347,814</u>	<u>2,568,600</u>
Cash generated from operations		<u>577,184</u>	<u>949,300</u>

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21. TRADE AND OTHER PAYABLES

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Accrued expenditure on properties under development	1,054,251	1,075,017
Retentions payable to contractors	1,712	1,485
Receipts from customers for payment of expenses on their behalf	98,168	176,545
Consideration payables for acquisition of subsidiaries and associates	443,592	578,271
Interest payable	199,085	285,715
Accrued charges and other payables	393,225	288,593
Amounts due to former shareholders of the Company's former subsidiaries (<i>note 21(a)</i>)	137,039	21,944
Amounts due to minority shareholders (<i>note 21(a)</i>)	48,055	48,055
Amounts due to related companies (<i>note 21(a)</i>)	2,466	2,881
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	2,377,593	2,478,506
Advance payment from a minority shareholder for a property development project (<i>note 21(b)</i>)	–	798,000
Other taxes payables (<i>note 21(c)</i>)	35,414	10,430
	<hr/>	<hr/>
	2,413,007	3,286,936
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

- (a) The amounts due to former shareholders of the Company's former subsidiaries, minority shareholders and related companies are non-trade in nature, interest free, unsecured and repayable on demand. These related companies are controlled by Mr. Li Song Xiao, the controlling shareholder of the Company.
- (b) At 30 April 2009, advance payment of RMB700,000,000 (equivalent to approximately HK\$798,000,000) from a minority shareholder of Tianjin City Yi Jia Ye Co., Ltd. ("Yi Jia He"), a subsidiary of the Company established in the PRC, was secured by 20% equity interest in the registered capital of Yi Jia He, interest free and repayable on demand. During the eight months ended 31 December 2009, the Group disposed of 40% equity interest in Yi Jia He, and details of such disposal are disclosed in note 33(a)(iii).
- (c) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

22. PRE-SALE RECEIPTS FROM CUSTOMERS

Pre-sale receipts from customers represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy (see note 1(s)(i)). Included in the pre-sale receipts from customers is an amount of HK\$2,754,024,000 (at 30 April 2009: HK\$2,178,414,000) which is expected to be recognised as revenue after more than one year.

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23. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Income tax in the consolidated balance sheet represents:

(i) Movements in income tax payable

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
PRC Enterprise Income Tax		
At the beginning of the period/year	376,661	407,436
Exchange adjustments	–	10,278
Provision for the period/year	196,940	135,410
Tax paid	(151,121)	(176,463)
Transfer to liabilities of disposal group classified as held for sale (<i>see note 28</i>)	(550)	–
Disposal of subsidiaries (<i>see note 33(b)</i>)	2	–
	<u>421,932</u>	<u>376,661</u>
At the end of the period/year	<u>421,932</u>	<u>376,661</u>
Land Appreciation Tax		
At the beginning of the period/year	485,624	436,795
Exchange adjustments	–	12,455
Provision for the period/year	32,129	92,125
Tax paid	(40,431)	(55,751)
	<u>477,322</u>	<u>485,624</u>
At the end of the period/year	<u>477,322</u>	<u>485,624</u>

(ii) Reconciliation to consolidated balance sheet

	At 31 December 2009			At 30 April 2009		
	PRC Enterprise Income Tax HK\$'000	Land Appreciation Tax HK\$'000	Total HK\$'000	PRC Enterprise Income Tax HK\$'000	Land Appreciation Tax HK\$'000	Total HK\$'000
Prepaid income tax recognised in the consolidated balance sheet	(243,636)	(96,037)	(339,673)	(161,535)	(69,637)	(231,172)
Income tax payable recognised in the consolidated balance sheet	<u>665,568</u>	<u>573,359</u>	<u>1,238,927</u>	<u>538,196</u>	<u>555,261</u>	<u>1,093,457</u>
	<u>421,932</u>	<u>477,322</u>	<u>899,254</u>	<u>376,661</u>	<u>485,624</u>	<u>862,285</u>
	<u>421,932</u>	<u>477,322</u>	<u>899,254</u>	<u>376,661</u>	<u>485,624</u>	<u>862,285</u>

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(b) Deferred tax assets and liabilities recognised:

(i) *The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the period/year are as follows:*

	Convertible notes HK\$'000	Revaluation of investment properties HK\$'000	Fair value adjustment on properties under development/ properties held for sale HK\$'000	Fair value adjustment on hotel properties HK\$'000	Impairment on property, plant and equipment HK\$'000	Total HK\$'000
Deferred tax arising from:						
At 1 May 2008	16,311	463,715	643,006	-	(25,186)	1,097,846
Exchange adjustments	-	13,533	16,470	351	(663)	29,691
Reclassification	-	-	(19,808)	19,808	-	-
Charged/(credited) to profit or loss	(4,146)	55,991	(31,070)	(185)	1,017	21,607
At 30 April 2009	<u>12,165</u>	<u>533,239</u>	<u>608,598</u>	<u>19,974</u>	<u>(24,832)</u>	<u>1,149,144</u>
At 1 May 2009	12,165	533,239	608,598	19,974	(24,832)	1,149,144
Disposal of subsidiaries	-	-	(81,267)	-	-	(81,267)
Redemption of convertible notes	(10,637)	-	-	-	-	(10,637)
Charged/(credited) to profit or loss	(1,090)	(66,637)	(12,097)	(137)	690	(79,271)
At 31 December 2009	<u>438</u>	<u>466,602</u>	<u>515,234</u>	<u>19,837</u>	<u>(24,142)</u>	<u>977,969</u>

(ii) *Reconciliation to consolidated balance sheet*

	At 31 December 2009 HK\$'000	At 30 April 2009 HK\$'000
Net deferred tax assets recognised in the consolidated balance sheet	(24,142)	(24,832)
Net deferred tax liabilities recognised in the consolidated balance sheet	<u>1,002,111</u>	<u>1,173,976</u>
	<u>977,969</u>	<u>1,149,144</u>

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$1,040,541,000 (at 30 April 2009: HK\$526,577,000) as at 31 December 2009 as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

At 31 December 2009, the tax losses of approximately HK\$801,723,000 (at 30 April 2009: HK\$320,681,000) will expire at various dates up to 2014, and other tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 8 December 2006, the withholding income tax rate was reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25% equity interest. On 22 February 2008, the Minister of Finance and State Administration of Tax approved Caishui (2008) No.1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

As at 31 December 2009, temporary differences relating to the undistributed profits of certain subsidiaries amounted to HK\$763,700,000 (at 30 April 2009: HK\$426,420,000). Deferred tax liabilities of HK\$38,800,000 (at 30 April 2009: HK\$21,321,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group is able to control the timing of the reversal of the temporary differences and it is possible that the temporary differences will not reverse in the foreseeable future.

24. BANK BORROWINGS

At 31 December 2009, the bank loans were repayable as follows:

	At 31 December 2009	At 30 April 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year or on demand	702,240	971,656
After 1 year but within 2 years	116,850	972,192
After 2 years but within 5 years	321,754	240,677
After 5 years	329,460	341,179
Total bank loans	1,470,304	2,525,704
<i>Less: repayable within 1 year or on demand as classified under current liabilities</i>	<i>(702,240)</i>	<i>(971,656)</i>
Repayable after 1 year as classified under non-current liabilities	768,064	1,554,048

During the period, the Group obtained new bank borrowings amounting to HK\$302,100,000 (year ended 30 April 2009: HK\$772,800,000). The proceeds were used to finance the development of properties.

All bank borrowings are denominated in RMB and variable-rate borrowings which carry interest at commercial rates in the PRC.

At 31 December 2009, the effective interest rates on the Group's bank borrowings range from 5.40% to 6.43% (at 30 April 2009: 5.13% to 7.94%) per annum.

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The bank borrowings are secured by:

- (i) certain properties under development, certain completed properties held for sale, a hotel property and certain investment properties of the Group located in the PRC with total carrying amounts of approximately HK\$2,011,311,000 (at 30 April 2009: HK\$3,322,106,000), HK\$Nil (at 30 April 2009: HK\$11,940,000), HK\$309,658,000 (at 30 April 2009: HK\$295,298,000) and HK\$2,912,586,000 (at 30 April 2009: HK\$2,754,532,000) as at 31 December 2009, respectively.
- (ii) certain bank deposits of the Group amounting to approximately HK\$Nil (at 30 April 2009: HK\$19,030,000), which have been pledged to secure short-term bank borrowings and are therefore classified as current assets.
- (iii) corporate guarantees given by 北京新松建築研究發展有限公司, in which the controlling shareholder of the Company, Mr. Li Song Xiao, has a controlling interest, to the extent of approximately HK\$384,032,000 (30 April 2009: HK\$420,314,000).

25. LOAN PAYABLES

	At 31 December 2009 <i>HK\$'000</i>	At 30 April 2009 <i>HK\$'000</i>
Loan Payable denominated in RMB (<i>see note 25(a)</i>)	1,368,000	1,710,000
Loan Payable B (<i>see note 25(b)</i>)	34,200	296,400
Loan Payable C (<i>see note 25(c)</i>)	–	730,881
	1,402,200	2,737,281

(a) Loan Payable denominated in RMB

On 29 November 2007, the Group entered into a term loan agreement with an independent third party whereby the independent third party granted a term loan facility of RMB1,500,000,000 to the Group to finance the acquisition by the Group of a property development project in Zhuhai, the PRC (“Qi Ao Island Project”).

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

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

On 2 December 2009, the Group has effectively refinanced the Loan Payable denominated in RMB in relation to a financing for the development project at Qi Ao East Road, Zhuhai City, Guangdong by agreeing amendments (i.e. both parties agreed to reschedule the repayment term) to the financing arrangements made in 2007 that were due to mature on 5 December 2009.

The Loan Payable denominated in RMB is repayable by nine instalments until 5 December 2011.

The Group may choose to prepay on the 5 December 2010 (“5th Repayment Date”) or the 5 June 2011 (“7th Repayment Date”) the whole of the Loan Payable denominated in RMB. Upon prepayment the Group may in certain circumstance be entitled to a prepayment rebate from the lender in an amount equal to (a) the amount of interest accrued on the Loan Payable denominated in RMB during the period from and including the 5 December 2009, 1st Repayment Date to but excluding the date of prepayment and actually paid by the Group less (b) the amount of such interest which would have been accrued for the same period had such interest been accrued and calculated at the relevant rate. The relevant rate means (a) (where the prepayment is made on the 5th Repayment Date) 12.5% per annum and (b) (where the prepayment is made on the 7th Repayment Date) 15% per annum.

During the eight months ended 31 December 2009, the Group failed to repay the loan according to the repayment schedule, therefore the whole loan amount became due as at 31 December 2009. However, the Group is in ongoing negotiation with the lender to reschedule the loan repayments. At the date of issue of these financial statements, the Group has obtained the lender’s consent that all over-due instalments together with default interest must be repaid on or before 14 May 2010 and the remaining instalments will be repaid according to the relevant repayment schedule.

(b) Loan Payable B

An analysis of Loan Payable B is set out below:

	At 31 December 2009	At 30 April 2009
	<i>HK\$’000</i>	<i>HK\$’000</i>
Loan Payable under the Agreement <i>(see note 25(b)(i))</i>	34,200	68,400
Loan Payable under the Arrangement <i>(see note 25(b)(ii))</i>	–	228,000
	34,200	296,400

(i) Loan Payable under the Agreement

According to an agreement in February 2007 (the “Agreement”), an independent third party (“Lender B”) contributed an amount of RMB60,000,000 in respect of 30.0% of the registered capital in a subsidiary (the “Project Company”) and granted a loan facility of RMB240,000,000 (“Loan Payable under the Agreement”) to the Project Company. However, under the Agreement, Lender B has no right to share any profits of the Project Company. The Group is obliged to purchase from Lender B the 30.0% registered capital of the Project Company for a consideration of RMB60,000,000 and repay the relevant loan of RMB240,000,000 utilised plus a guaranteed additional amount of RMB100,000,000 (the exact amount of which is determined with reference to the market situation in and the city development of a project in Chengdu, the PRC and the potential increase in the market value of the properties in Chengdu, the PRC) within 24 months from the date of the Agreement.

As the Group has contractual obligations to deliver cash in accordance with the Agreement and Lender B has no profit sharing rights in the Project Company irrespective of his equity ownership, Loan Payable under the Agreement is classified as a financial liability. The liability is recognised in accordance with the Group’s policy for interest-bearing borrowings set out in note 1(m).

On 1 June 2008, the Group entered into another agreement with Lender B whereby the Group exercised its right under the Agreement and purchased the total capital contribution made by Lender B of RMB60,000,000 (equivalent to approximately HK\$67,000,000) and the related loan of RMB326,110,000 (equivalent to approximately HK\$365,000,000) in the Project Company for a total consideration of RMB486,110,000 (equivalent to approximately HK\$544,000,000), which included the payment of the guaranteed additional amount of RMB100,000,000 (equivalent to approximately HK\$112,000,000).

During the year ended 30 April 2009, the Group settled the loan of RMB326,110,000 (equivalent to approximately HK\$365,000,000) together with the guaranteed additional amount of RMB100,000,000 (equivalent to approximately HK\$112,000,000). During the eight months ended 31 December 2009, the Group settled the loan of RMB30,000,000 (equivalent to approximately HK\$34,200,000). As at 31 December 2009, the carrying amount of Loan Payable under the Agreement was RMB30,000,000 (equivalent to approximately HK\$34,200,000) (at 30 April 2009: RMB60,000,000 (equivalent to approximately HK\$68,400,000)).

(ii) *Loan Payable under the Arrangement*

As at 30 April 2009, the carrying amount of Loan Payable under the Arrangement was RMB200,000,000 (equivalent to approximately HK\$228,000,000), which was secured by certain properties under development of the Group located in the PRC with a total carrying amount of approximately HK\$624,722,000, bore interest at a rate of 7.02% per annum and was repayable on or before 1 August 2009.

During the eight months ended 31 December 2009, Loan Payable under the Arrangement was settled in full.

(c) **Loan Payable C**

The loan was from minority shareholders of a subsidiary. It bore interest at 12.5% per annum, was unsecured and repayable on demand. During the eight months ended 31 December 2009, Loan Payable C was derecognised through the disposal of subsidiaries.

26. CONVERTIBLE NOTES

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

The holders of Convertible 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 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 a derivative financial instrument. The fair value of the Redemption Right of the Holder at 31 December 2009 was HK\$Nil (at 30 April 2009: HK\$Nil). Accordingly, a change in the fair value of the derivative financial instrument of approximately HK\$Nil (year ended 30 April 2009: HK\$34,000,000) 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 given 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 December 2009 was HK\$600,000 (at 30 April 2009: HK\$Nil). Accordingly, a change in the fair value of the derivative financial instrument of HK\$600,000 was credited (year ended 30 April 2009: HK\$46,000,000 was debited) 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 December 2009 and 30 April 2009.

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 the equity heading “convertible note equity reserve”. The effective interest rate of the liability element is 9.44%.

Pursuant to the terms and conditions of the Convertible Note 2011, the conversion price of the conversion right to the holders was adjusted with the consolidation of shares effective on 29 October 2007, and the holders are entitled to convert the Convertible Note 2011 for a fully paid share at the adjusted conversion price of HK\$6.0193 per share. The number of shares issuable on the exercise of the conversion right is reduced to one-fourth of the outstanding shares issuable under the Convertible Note 2011 with effect from 29 October 2007.

During the eight months ended 31 December 2009 and the year ended 30 April 2009, no Convertible Note 2011 was converted into the Company’s new ordinary shares.

On 11 May 2009, the Company announced, among other things, that the Company proposed to amend the terms of the Redemption Right of the Holder, at the option of the holders of the Convertible Note 2011, so as to enable the holders of the Convertible Note 2011 to exercise the Redemption Right of the Holder requiring the Company to redeem all of the Convertible Note 2011 at a price of HK\$6,300 for each HK\$10,000 principal amount of the Convertible Note 2011 (“Amendments to the Terms of the Redemption Right of the Holder”) on 12 June 2009.

The meeting of holders of the Convertible Note 2011 held on 13 May 2009 passed an extraordinary resolution of holders of the Convertible Note 2011 to approve the Amendments to the Terms of the Redemption Right of the Holder.

On 12 June 2009, the Company redeemed Convertible Note 2011 of total principal amount of HK\$864,850,000 for a total consideration of HK\$544,855,500 (the “Redemption”), pursuant to the terms and conditions of Convertible Note 2011. Immediately after the Redemption, the principal amount of HK\$52,160,000 remained outstanding, and a gain of approximately HK\$426,074,000 from the Redemption was recognised in profit or loss.

27. SENIOR NOTES/WARRANTS

On 23 July 2007, the Company issued 4,000 units of senior notes at a par value of US\$400,000,000, (equivalent to approximately HK\$3,120,000,000) (“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.

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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 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.

The fair value of Warrants 2012 at 31 December 2009 was HK\$29,600,000 (at 30 April 2009: HK\$32,100,000). Accordingly, a change in fair value of warrants of HK\$2,500,000 (year ended 30 April 2009: HK\$125,900,000) was credited to the consolidated income statement for the period.

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 number of shares issuable under Warrants 2012 as at 29 October 2007.

As at 31 December 2009, 66,000,000 (at 30 April 2009: 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 (at 30 April 2009: 66,000,000) additional shares with an aggregate subscription value of HK\$443,520,000 (at 30 April 2009: 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 December 2009 and 30 April 2009.

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 December 2009 and 30 April 2009.

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. At 31 December 2009, the effective interest rate of the liability element is 11.35% (at 30 April 2009: 11.35%).

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28. DISPOSAL GROUP/NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Disposal group and non-current assets classified as held for sale are as follows:

		At 31 December 2009	At 30 April 2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets of a disposal group (net of impairment loss)	(a)(i)	2,732,943	–
Liabilities of a disposal group	(a)(ii)	(835)	–
Interest in the associate	(b)	–	857,578
Less: impairment loss		–	(201,000)
		<u>2,732,108</u>	<u>656,578</u>

- (a) At the end of December 2009, the Group intended to dispose of a parcel of land, which is located at Qiao Island, Zhuhai, the PRC, through the disposal of 珠海市淇洲島影視城有限公司, a subsidiary of the Company, the assets and liabilities related to 珠海市淇洲島影視城有限公司 (the “Zhuhai Project Company”) (part of property development) have been presented as held for sale. On 19 January 2010, the Group entered into an agreement with Turbo Wise Limited, a company wholly owned by Mr. Li Song Xiao, the controlling shareholder of the Company, subject to certain conditions, to sell the Zhuhai Project Company for a consideration of HK\$2,500,000,000. Further details of such disposal are disclosed in note 37.

The proceeds of the disposal are expected to be less than the net carrying amount of the interest in Zhuhai Project Company, and accordingly, an impairment loss of HK\$1,790,000,000 for write-down of interest in Zhuhai Project Company to fair value less costs to sell was recognised in the consolidated income statement for the eight months ended 31 December 2009.

- (i) Assets of disposal group classified as held for sale (net of impairment loss)

	At 31 December 2009
	<i>HK\$'000</i>
Properties under development, at cost	4,486,145
Less: impairment loss	<u>(1,790,000)</u>
Properties under development, at fair value less costs to sell	2,696,145
Property, plant and equipment	921
Trade and other receivables	381
Cash and cash equivalents	<u>35,496</u>
Total	<u>2,732,943</u>

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(ii) Liabilities of disposal group classified as held for sale

	At 31 December 2009 <i>HK\$'000</i>
Trade and other payables	285
Income tax payable	550
Total	835

(iii) Cumulative income or expense recognised directly in equity relating to disposal group classified as held for sale

	At 31 December 2009 <i>HK\$'000</i>
Foreign exchange translation adjustments	232,008
Total	232,008

(b) During the year ended 30 April 2009, the director of the Company planned to sell a 40% equity interest in Invest Online, which owns a property development project in Harbin, the PRC, and has initiated an active programme to locate a buyer and complete the plan so as to increase the Group's working capital. Accordingly, the interest in this associate has been presented as non-current assets held for sale as at 30 April 2009. Subsequent to 30 April 2009, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser") whereby it was agreed that the Group shall sell and the Purchaser shall purchase the 40% equity interest in Invest Online for a total consideration of RMB556,000,000 (equivalent to approximately HK\$633,000,000).

As the proceeds of disposal were less than the net carrying amount of the interest in this associate, an impairment loss of HK\$201,000,000 for write-down of interest in the associate to fair value less costs to sell was recognised in the consolidated income statement for the year ended 30 April 2009. During the eight months ended 31 December 2009, this disposal transaction was completed, and loss of approximately HK\$5,100,000 on disposal of this associate was recognised in the consolidated income statement.

29. CAPITAL AND RESERVES

(a) Movements in components of consolidated equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

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(b) Share capital

Authorised and issued share capital

	At 31 December 2009		At 30 April 2009	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.04 each	<u>10,000,000,000</u>	<u>400,000</u>	<u>10,000,000,000</u>	<u>400,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.04 each	<u>1,945,640,189</u>	<u>77,826</u>	<u>1,945,640,189</u>	<u>77,826</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) Terms of unexpired and unexercised share options at the balance sheet date

Exercise period	Exercise price	At 31 December 2009 Number	At 30 April 2009 Number
4 April 2006 – 3 April 2016	HK\$3.60	13,125,000	13,125,000
17 November 2006 – 22 October 2006	HK\$3.72	65,000,000	65,000,000
14 March 2007 – 6 March 2017	HK\$3.92	<u>47,500,000</u>	<u>47,500,000</u>
		<u>125,625,000</u>	<u>125,625,000</u>

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 30 to the consolidated financial statements.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 90 of the Bermuda Companies Act 1981.

(ii) Convertible note equity reserve

The convertible notes equity reserve comprises the value of the unexercised equity component of convertible notes issued by the Group recognised in accordance with the accounting policy adopted for convertible notes in note 1(l).

(iii) Share options reserve

The share options reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(p)(ii).

(iv) *Other revaluation reserve*

The other revaluation reserve comprises 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 Company. This 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.

(v) *Exchange reserve*

The exchange reserve comprises all exchange differences arising from the translation of the financial statements of the Group's operations not denominated in Hong Kong dollars. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate projects, and continue to provide returns for shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if the project development can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total equity attributable to the equity shareholders of the Company. For this purpose, the Group defines net debt as total debt (which includes loans and borrowings, convertible notes and senior notes) less cash and cash equivalents and restricted bank deposits secured against bank borrowings.

During the period, the Group's strategy, which was unchanged from last year, was to maintain a gearing ratio of not more than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

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The gearing ratio as at 31 December 2009 and 30 April 2009 was as follows:

	<i>Note</i>	At 31 December 2009 HK\$'000	At 30 April 2009 HK\$'000
Current liabilities:			
– Bank borrowings	24	702,240	971,656
– Loan payables	25	1,402,200	2,737,281
		2,104,440	3,708,937
Non-current liabilities:			
– Bank borrowings	24	768,064	1,554,048
– Convertible notes	26	62,136	1,028,195
– Senior notes	27	2,942,803	2,923,895
Total debt		5,877,443	9,215,075
<i>Less:</i> Cash and cash equivalents	20	(1,627,196)	(2,618,105)
Restricted bank deposits secured against bank borrowings	15(b)	–	(19,030)
Cash and cash equivalents of disposal group classified as held for sales	28(a)(i)	(35,498)	–
Net debt		4,214,749	6,577,940
Total equity attributable to the equity shareholders of the Company		6,073,429	8,316,384
Gearing ratio		69.4%	79.1%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 12 December 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the group, to take up options for a consideration of HK\$1 to subscribe for shares of the Company. The exercise period of the share options granted is determined by the directors of the Company, but no later than 10 years from the date of the offer. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 4 April 2006	18,750,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	10 years
– on 17 November 2006	20,000,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	10 years
– on 14 March 2007	7,500,000	– up to 50% immediately from the date of grant – up to 100% immediately after 1 year from the date of grant	10 years
– on 4 April 2006	2,750,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	10 years

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	Number of instruments	Vesting conditions	Contractual life of options
– on 17 November 2006	2,250,000	– up to 20% immediately from the date of grant – up to 40% immediately after 1 year from the date of grant – up to 60% immediately after 2 years from the date of grant – up to 80% immediately after 3 years from the date of grant – up to 100% immediately after 4 years from the date of grant	10 years
– on 17 November 2006	55,250,000	– up to 20% immediately after 1 year from the date of grant – up to 40% immediately after 2 years from the date of grant – up to 60% immediately after 3 years from the date of grant – up to 80% immediately after 4 years from the date of grant – up to 100% immediately after 5 years from the date of grant	10 years
– on 14 March 2007	40,000,000	– up to 50% immediately from the date of grant – up to 100% immediately after 1 year from the date of grant	10 years
Total share options granted	<u>146,500,000</u>		

(b) The number and weighted average exercise prices of share options are as follows:

	8 months ended 31 December 2009		Year ended 30 April 2009	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period/year	HK\$3.783	125,625,000	HK\$3.780	132,875,000
Forfeited during the period/year	–	–	HK\$3.720	(7,250,000)
Outstanding at the end of the period/year	<u>HK\$3.783</u>	<u>125,625,000</u>	<u>HK\$3.783</u>	<u>125,625,000</u>
Exercisable at the end of the period/year	<u>HK\$3.803</u>	<u>101,525,000</u>	<u>HK\$3.816</u>	<u>87,025,000</u>

The options outstanding at 31 December 2009 had exercise prices of HK\$3.60, HK\$3.72 or HK\$3.92 (at 30 April 2009: HK\$3.60, HK\$3.72 or HK\$3.92) and a weighted average remaining contractual lives of 6.33 years, 6.83 years and 7.33 years (at 30 April 2009: 7 years, 7.5 years and 8 years), respectively.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and market risks (including interest rate, currency risk and equity price risk) arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from the movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from:

- the carrying amount of the respective financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities as disclosed in note 35.

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 actions are taken to recover overdue 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 regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Cash and cash equivalents and restricted bank deposits are placed with banks and financial institutions with good credit ratings. The directors of the Company consider that the Group's credit risk on the cash and cash equivalents and restricted bank deposits is low.

In relation to the Group providing guarantees to secure obligations of the buyers of the property units for the repayment of their mortgage loans, if there is a default in repayment by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposits, take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the Group to banks. In this regard, 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 35.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, the Group had no significant concentrations of credit risk within the property development business segment.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 35, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 35.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

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(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

At 31 December 2009						
Contractual undiscounted cash outflow						
	Balance sheet carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	2,377,593	2,377,593	2,377,593	–	–	–
Bank borrowings	1,470,304	1,700,348	773,508	160,392	387,108	379,340
Loan payables	1,402,200	1,675,800	1,675,800	–	–	–
Convertible notes	62,136	70,782	–	70,782	–	–
Senior notes	2,942,803	4,641,833	304,200	304,200	4,033,433	–
	<u>8,255,036</u>	<u>10,466,356</u>	<u>5,131,101</u>	<u>535,374</u>	<u>4,420,541</u>	<u>379,340</u>
Financial guarantees issued:						
Maximum amount guaranteed (note 35(a))	–	2,592,713	2,592,713	–	–	–
	<u>–</u>	<u>2,592,713</u>	<u>2,592,713</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 April 2009						
Contractual undiscounted cash outflow						
	Balance sheet carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	2,478,506	2,478,506	2,478,506	–	–	–
Bank borrowings	2,525,704	2,851,170	1,083,149	1,143,165	258,227	366,629
Loan payables	2,737,281	3,172,155	3,172,155	–	–	–
Convertible notes	1,028,195	1,244,401	–	–	1,244,401	–
Senior notes	2,923,895	4,792,683	304,200	304,200	913,433	3,270,850
	<u>11,693,581</u>	<u>14,538,915</u>	<u>7,038,010</u>	<u>1,447,365</u>	<u>2,416,061</u>	<u>3,637,479</u>
Financial guarantees issued:						
Maximum amount guaranteed (note 35(a))	–	1,839,871	1,839,871	–	–	–
	<u>–</u>	<u>1,839,871</u>	<u>1,839,871</u>	<u>–</u>	<u>–</u>	<u>–</u>

(c) **Interest rate risk**

(i) *Exposure to interest rate risk*

The Group's interest rate risk arises primarily from bank borrowings, loan payables, convertible notes, senior notes, cash and cash equivalents and restricted bank deposits. Cash and cash equivalents and restricted bank deposits comprise mainly cash at banks, with annual interest rates ranging from 0.001% to 0.360% as at 31 December 2009 (at 30 April 2009: 0.001% to 0.360%). The interest rates of the Group's bank borrowings, loan payables, convertible notes and senior notes are disclosed in notes 24, 25, 26 and 27, respectively.

Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest rate risk, and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not carry out any hedging activities to manage its interest rate exposure.

(ii) *Sensitivity analysis*

The Group does not anticipate there is any significant impact on its interest-bearing assets resulting from the changes in interest rates as the interest rates of bank deposits are not expected to change significantly.

As at 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates applicable to the Group's borrowings, with all other variables held constant, would decreased/increased the Group's profit after tax and retained profits by approximately HK\$42,318,000 (at 30 April 2009: HK\$24,838,000). Other components of consolidated equity would not be affected (at 30 April 2009: Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for the year ended 30 April 2009.

(d) **Currency risk**

Renminbi ("RMB") is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other financial institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

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All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

(i) *Exposure to currency risk*

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of the entity within the Group into the Group's presentation currency are excluded.

	At 31 December 2009		At 30 April 2009	
	United States Dollars	Hong Kong Dollars	United States Dollars	Hong Kong Dollars
	'000	'000	'000	'000
Trade and other receivables	–	854,809	194	52,016
Cash and cash equivalents	249	79,737	31,680	417,641
Trade and other payables	(17,149)	(11,967)	(10,471)	(12,272)
Convertible notes	–	(62,136)	–	(1,028,195)
Senior notes	(377,282)	–	(374,858)	–
	<u>(394,182)</u>	<u>860,443</u>	<u>(353,455)</u>	<u>(570,810)</u>
Overall exposure to currency risk				

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	At 31 December 2009		At 30 April 2009	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK\$'000
United States Dollars	2%	(61,492)	2%	(55,139)
	<u>(2)%</u>	<u>61,492</u>	<u>(2)%</u>	<u>55,139</u>
Hong Kong Dollars	5%	43,022	5%	(28,541)
	<u>(5)%</u>	<u>(43,022)</u>	<u>(5)%</u>	<u>28,541</u>

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

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The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of the entity within the Group into the Group's presentation currency. The analysis is performed on the same basis for the year ended 30 April 2009.

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group. As at the balance sheet date, the Group is exposed to this risk through the warrants and redemption rights attached to the convertible notes issued by the Company as disclosed in notes 27 and 26, respectively.

(f) Fair value

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, "Financial Instruments: Disclosure" with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3: (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

Assets

	At 31 December 2009			
	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Derivative financial instrument – Redemption Right of the Issuer	–	600	–	600
	<u>–</u>	<u>600</u>	<u>–</u>	<u>600</u>

Liabilities

Derivative financial instrument – Warrants	–	29,600	–	29,600
	<u>–</u>	<u>29,600</u>	<u>–</u>	<u>29,600</u>

During the period, there were no significant transfer between instruments in level 1 and level 2.

(ii) *Fair values of financial instruments carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 30 April 2009.

(g) **Estimation of fair values**

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) *Cash and cash equivalents, trade and other receivables, trade and other payables*

The carrying amounts approximate fair values because of the short maturities of these instruments.

(ii) *Interest-bearing loans and borrowings*

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) *Derivatives*

The Group selects appropriate valuation methods and makes assumptions with reference to market conditions existing at each balance sheet date to determine the fair value of the derivatives. The details of these derivatives are set out in notes 26 and 27.

(iv) *Financial guarantees issued*

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantee not been available, where reliable estimates of such information can be made.

32. ACQUISITION OF SUBSIDIARIES

(a) **Acquisition of assets and liabilities through the acquisition of subsidiaries**

During the year ended 30 April 2009, the Group acquired assets and liabilities through the acquisition of a subsidiary with details below:

On 30 June 2008, the Group acquired a 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.

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

	Fair values on acquisition <i>HK\$'000</i>
NET ASSETS ACQUIRED	
Plant and equipment	901
Properties under development	1,558,140
Trade and other receivables and prepayments	2,456
Bank balances and cash	1,280
Accruals and other payables	(63,478)
Amounts due to a shareholder	(710,786)
Amounts due to group companies	(1,912)
	786,601
Minority interests	(68,910)
	717,691
Less: interest in an associate held prior to the acquisition	(624,322)
	93,369
 Total consideration satisfied by:	
Cash consideration paid	(93,369)
 Net cash outflow arising on acquisition:	
Cash consideration paid	(93,369)
Bank balances and cash acquired	1,280
	92,089
 Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	 92,089

The subsidiary acquired did not contribute significantly to the Group's revenue and results during the year.

(b) Acquisition of assets and liabilities through the acquisition of additional interest in a subsidiary

On 31 December 2009, the Group completed the acquisition of a further 10% equity interest in Zhongou Chengkai Company Limited (中歐城開有限公司) ("Zhongou Chengkai"), a company established in the PRC to carry out a property development project in Hebei Province, the PRC, for a consideration of RMB25 million (equivalent to approximately HK\$28.5 million) from the minority shareholder of Zhongou Chengkai. Prior to the acquisition, the Group had a 90% equity interest in Zhongou Chengkai, and Zhongou Chengkai then became a wholly-owned subsidiary of the Company. Due to the acquisition of additional interest in Zhongou Chengkai, the minority interests decreased by HK\$11,385,000.

33. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

For the Period Ended 31 December 2009

(i) Beijing Jun He Bai Nian Property Development Co., Ltd (“Jun He Bai Nian”)

In July 2009, the Group completed the disposal of its entire interest in 北京國銳民合投資有限公司 (“北京國銳”) for a total cash consideration of approximately HK\$1,175,397,000. 北京國銳 owns a 55.95% equity interest in Jun He Bai Nian, a company established in the PRC and engaged in property development in Beijing, the PRC. A gain on disposal of approximately HK\$105,526,000 arose from this disposal.

Details of the net assets disposed of in respect of 北京國銳 and Jun He Bai Nian are summarised below:

	<i>HK\$'000</i>
Net assets disposed of	
Plant and equipment	515
Properties under development	1,837,607
Trade and other receivables	2,290
Bank balance and cash	4,790
Accruals and other payables	(83,457)
Loan payables	(615,719)
Amounts due to group companies	(8,819)
	<hr/>
	1,137,207
Minority interests	(67,202)
	<hr/>
	1,070,005
Release of exchange reserve upon disposal	(134)
	<hr/>
	1,069,871
Gain on disposal of subsidiary	105,526
	<hr/>
	1,175,397
Total consideration satisfied by:	
Cash received	1,175,397
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received	1,175,397
Bank balances and cash disposed of	(4,790)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiary	1,170,607
	<hr/> <hr/>

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(ii) 北京新松建築研究發展有限公司

In August 2009, the Group completed the disposal of the entire equity interest in 北京新松建築研究發展有限公司(“北京新松建築”), a company established in the PRC and engaged in design and construction business, for a cash consideration of approximately HK\$1,129,000. A gain on disposal of approximately HK\$1,815,000 arose from this disposal.

Details of the net assets disposed of in respect of 北京新松建築 are summarised below:

	<i>HK\$'000</i>
Net assets disposed of	
Plant and equipment	1,358
Trade and other receivables	252
Bank balance and cash	4,139
Amount from group companies	2,504
Accruals and other payables	(8,679)
Income tax payables	(112)
	(538)
Release of exchange reserve upon disposal	(148)
	(686)
Gain on disposal of a subsidiary	1,815
	1,129
Total consideration satisfied by:	
Consideration receivable for disposal of a subsidiary	1,129
	1,129
Net cash outflow arising on disposal:	
Cash consideration received	–
Bank balances and cash disposed of	(4,139)
	(4,139)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	
	(4,139)

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(iii) Tianjin City Yi Jia He Zhi Ye Co., Ltd. (“Yi Jia He”)

In June 2009, the Group completed the disposal of a 40% equity interest in Yi Jia He, a company established in the PRC and engaged in property development in Tianjin, for a cash consideration of approximately HK\$410,400,000. After the disposal, the Group retains 40% interests in Yi Jia He, which became an associate of the Group. A gain on disposal of approximately HK\$115,485,000 arose from this disposal.

Details of the net assets disposed of in respect of Yi Jia He are summarised below:

	<i>HK\$'000</i>
Net assets disposed of	
Plant and equipment	1,713
Properties under development	1,849,771
Trade and other receivables	1,275
Bank balance and cash	79,645
Accruals and other payables	(1,450)
Income tax payable	(210)
Advance payment from a minority shareholder for the property development project	(798,000)
Amounts due to group companies	(466,109)
	666,635
Minority interests	(12,712)
	653,923
Net assets transferred to interests in associates	(330,169)
	323,754
Release of exchange reserve upon disposal	(28,839)
	294,915
Gain on disposal of subsidiary	115,485
	410,400
Total consideration satisfied by:	
Cash received	410,400
	410,400
Net cash inflow arising on disposal:	
Cash consideration received	410,400
Bank balances and cash disposed of	(79,645)
	330,755
Net inflow of cash and cash equivalents in respect of the disposal of subsidiary	330,755

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(iv) 天津新潤房地產開發有限公司 (“Tianjin Xin Run”)

In December 2009, the Group completed the disposal of the entire equity interest in Star Profit Group Limited (“Star Profit”) and its subsidiaries for a total consideration of approximately HK\$1,120,000,000. Profit Kingsway Limited, a wholly-owned subsidiary of Star Profit, owns the entire equity interest in Tianjin Xin Run, a company established in the PRC and engaged in property development in Tianjin, the PRC. A gain on disposal of approximately HK\$69,523,000 arose from this disposal.

Details of the net assets disposed of in respect of Star Profit and its subsidiaries are summarised below:

	<i>HK\$'000</i>
Net assets disposed of	
Plant and equipment	273
Properties under development	1,199,290
Trade and other receivables	144
Prepaid income tax	324
Bank balance and cash	14,441
Accruals and other payables	(11,100)
Deferred tax liabilities	(81,267)
	1,122,105
Release of exchange reserve upon disposal	(71,628)
	1,050,477
Gain on disposal of subsidiaries	69,523
	1,120,000
Total consideration satisfied by:	
Cash received	285,000
Consideration receivable for disposal of subsidiaries	835,000
	1,120,000
Net cash inflow arising on disposal:	
Cash consideration received	285,000
Bank balances and cash disposed of	(14,441)
	270,559
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	270,559

(v) 北京世銘企業管理有限公司(“北京世銘”)

In December 2009, the Group completed the disposal of the entire equity interest in 北京世銘, a company established in the PRC and engaged in corporate management in Beijing, for a cash consideration of approximately HK\$25,000. A gain on disposal of approximately HK\$28,000 arose from this disposal.

Details of the net assets disposed of in respect of 北京世銘 are summarised below:

HK\$'000

Net assets disposed of

Accruals and other payables	(7)
Release of exchange reserve upon disposal	4
	(3)
Gain on disposal of a subsidiary	28
	25
Total consideration satisfied by:	
Consideration receivable for disposal of a subsidiary	25
Net cash inflow arising on disposal:	
Cash consideration received	–
Bank balances and cash disposed of	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiaries	
	–

(vi) 榮鑫(北京)企業管理有限公司, 中新方圓科技(深圳)有限公司, 天津中新同城房地產開發有限公司, 天津中新泰華房地產開發有限公司 and 天津中新宜城房地產開發有限公司 (“deregistered subsidiaries”).

During the eight months ended 31 December 2009, the Group applied for and completed the deregistration of the deregistered subsidiaries, which were established in the PRC and had not yet commenced any business. A gain on disposal of approximately HK\$44,489,000 arose from this disposal due to the release of exchange reserve.

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(b) **Summary of disposal of subsidiaries**

For the Period Ended 31 December 2009

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

	8 months ended 31 December 2009 <i>HK\$'000</i>
Net assets disposed of	
Plant and equipment	3,859
Properties under development	4,886,668
Trade and other receivables	3,961
Prepaid income tax	324
Bank balance and cash	103,015
Accruals and other payables	(104,693)
Income tax payables	(322)
Deferred tax liabilities	(81,267)
Loan payables	(615,719)
Advance payment from a minority shareholder for the property development project	(798,000)
Amounts due to group companies	<u>(472,424)</u>
	2,925,402
Minority interests	<u>(79,914)</u>
	2,845,488
Net assets transferred to interests in associates	<u>(330,169)</u>
	2,515,319
Release of exchange reserve upon disposal	<u>(145,234)</u>
	2,370,085
Gain on disposal of subsidiaries	<u>336,866</u>
	<u><u>2,706,951</u></u>
Total consideration satisfied by:	
Cash received	1,870,797
Consideration receivable for disposal of subsidiaries	<u>836,154</u>
	<u><u>2,706,951</u></u>
Net cash inflow arising on disposal:	
Cash consideration received	1,870,797
Bank balances and cash disposed of	<u>(103,015)</u>
	<u><u>1,767,782</u></u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	

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

34. COMMITMENTS

- (a) Commitments in respect of properties under development outstanding at 31 December 2009 and 30 April 2009 not provided for in the consolidated financial statements were as follows:

	The Group	
	At 31 December 2009 <i>HK\$'000</i>	At 30 April 2009 <i>HK\$'000</i>
Authorised and contracted for but not provided for	3,210,742	6,064,142

- (b) At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2009 <i>HK\$'000</i>	At 30 April 2009 <i>HK\$'000</i>
	Within one year	5,684
After one year but within five years	2,285	1,611
	7,969	5,396

Operating lease payments represent rentals payable by the Group for its office properties. The leases typically run for an initial period of three months to three years, with an option to renew the lease when all terms are renegotiated.

35. CONTINGENT ASSETS AND LIABILITIES

- (a) Corporate guarantees

- (i) *Guarantees in respect of mortgage facilities for certain purchasers*

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. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was approximately HK\$2,377,313,000 as at 31 December 2009 (at 30 April 2009: HK\$1,617,631,000).

In the opinion of the directors of the Company, 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 relevant buyers 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 consolidated financial statements for these guarantees.

(ii) *Guarantees in respect of bank loans for a former subsidiary*

The Company has entered into agreements with two banks to provide corporate guarantees with respect to bank loans granted to a former subsidiary. Pursuant to the terms of guarantees, upon default in payments of bank loans by the former subsidiary, the Company is responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the former subsidiary to the banks. The guarantees will be released when the bank loans of the former subsidiary are repaid in full. The maximum liability of the Company at the balance sheet date under such guarantees is the outstanding amount of the bank loans to the former subsidiary of RMB224,000,000 (equivalent to approximately HK\$255,360,000) (at 30 April 2009: RMB230,000,000 (equivalent to approximately HK\$262,200,000)).

As at 31 December 2009, the Company holds a deposit of RMB36,000,000 (equivalent to approximately HK\$39,960,000) (at 30 April 2009: RMB36,000,000 (equivalent to approximately HK\$39,960,000)) from the holding company of the former subsidiary as a collateral for the guarantees, and such deposit is included in "Trade and other payables".

In the opinion of the directors of the Company, 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 former subsidiary is remote and, in case of default in payments, the net realisable value of the net assets of the former subsidiary can recover the repayment of the outstanding principals of the bank loans together with the accrued interest and penalty. Accordingly, no provision has been made in respect of such guarantees.

(b) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties with terms ranging from one to two years against certain specified defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

(c) Legal proceedings initiated by a third party against the Company

According to a statement of claim filed in the High Court of the Hong Kong Special Administrative Region by a third party (the "plaintiff") on 25 November 2009, the plaintiff alleges that 中置(北京)企業管理有限公司("中置(北京)"), a wholly owned subsidiary of the Company, was in breach of a share transfer agreement. According to this agreement, the plaintiff agreed to transfer its 30% equity interest in 成都中新錦泰房地產開發有限公司("成都錦泰"), a subsidiary of the Company, to 中置(北京) for the consideration of RMB160,000,000, and that the Company was a guarantor guaranteeing the performance of 中置(北京)'s obligations under the share transfer agreement. If the Company is found to be liable, the total expected monetary sum may amount to approximately RMB102,000,000 (equivalent to approximately HK\$116,280,000), which comprises the outstanding consideration of RMB70,000,000 (equivalent to approximately HK\$79,800,000), which included an amount of RMB30,000,000 (equivalent to approximately HK\$34,200,000) (which is included in "Loan Payable") (see note 25(b)(i)), and the compensation of RMB32,000,000 (equivalent to approximately HK\$36,480,000), plus interest and legal costs.

The Company, having obtained advice from its legal counsellor, is of the view that the above claim is based on unreasonable and invalid grounds because the plaintiff, 中置(北京) and 成都錦泰 have on or about 24 April 2009 reached a settlement agreement through 成都市中級人民法院 on this matter. Therefore, no provision has been made in respect of this claim.

36. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

- (i) Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	8 months ended 31 December 2009 HK\$'000	Year ended 30 April 2009 HK\$'000
Short-term employee benefits	10,830	12,812
Post-employment benefits	8	11
Equity compensation benefits	3,857	9,558
	14,695	22,381

Total remuneration is included in "staff costs" (see note 5(b)).

- (ii) During the eight months ended 31 December 2009, Mr. Liu Yi and Ms. Liu Yan, the directors of the Company, entered into sale and purchase agreements with the Company's subsidiaries for the purchase of the Group's properties for the total considerations of approximately HK\$1,335,000 and HK\$1,265,000, respectively. At 31 December 2009, the Group received an amount of approximately HK\$6,000 from Ms. Liu Yan as deposits in accordance with these agreements. Up to the date of the issue of these financial statements, the remaining balances of the total considerations were settled in full, but these transactions are not yet completed.

During the year ended 30 April 2009, Ms. Liu Yan entered into sale and purchase agreements with the Company's subsidiaries for the purchase of the Group's properties for the total consideration of approximately HK\$6,517,000, and these transactions were completed during the year.

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2009 and 30 April 2009 are set out in the notes 19, 21 and 25.

(c) Transactions with related parties

During the period, the Group entered into the following transactions with related companies:

- (i) During the eight months ended 31 December 2009, the Group paid building management fee to 北京欣錦佳資產管理有限公司, in which Mr. Li Song Xiao, the controlling shareholder of Company, has controlling interest, for the Group's office. The amount of building management fee was agreed mutually by both parties. The amount of building management fee incurred in the period was HK\$4,817,000 (year ended 30 April 2009: HK\$5,611,000). An amount of HK\$4,883,000 was outstanding (at 30 April 2009: HK\$2,977,000) as at 31 December 2009 and was included in "Accrued charges and other payables" under "Trade and other payables" (note 21).

- (ii) During the eight months ended 31 December 2009, agency fees were paid to 天津博華物業管理有限公司(“博華物管”) and 重慶中新嘉業物業服務有限公司(“中新嘉業”), in which Mr. Li Song Xiao has controlling interest, 北京西宇嘉業物業管理有限公司深圳分公司(“西宇嘉業”), in which Ms. Liu Yan, a director of the Company, has controlling interest, for providing property management services to the Company’s subsidiaries. The amounts of agency fees charged were agreed mutually by both parties. The amounts of agency fees incurred in the period were HK\$1,896,000 (year ended 30 April 2009: HK\$2,808,000), HK\$2,843,000 (year ended 30 April 2009: HK\$971,000) and HK\$1,334,000 (year ended 30 April 2009: HK\$971,000), which were charged by 博華物管, 西宇嘉業 and 中新嘉業, respectively. An amount of HK\$115,000 was outstanding and due to 西宇嘉業 as at 31 December 2009 (at 30 April 2009: HK\$369,000 was outstanding and due to 中新嘉業 and was included in “Accrued charges and other payables” under “Trade and other payables” (note 21). No amount were outstanding and due to 中新嘉業 and 博華物管 as at 31 December 2009 (No amounts were outstanding and due to 博華物管 and 西宇嘉業 as at 30 April 2009).
- (iii) During the eight months period ended and as at 31 December 2009, 北京新松投資集團有限公司(“新松投資集團”), in which Mr. Li Song Xiao has a controlling interest, provided corporate guarantees to secure the Group’s bank loan facilities to the extent of approximately HK\$384,032,000 (at 30 April 2009: HK\$420,314,000) at no charge.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

37. NON-ADJUSTING POST BALANCE SHEET EVENTS

On 19 January 2010, the Company entered into an agreement with Turbo Wise Limited (“Turbo Wise”), a company wholly owned by Mr. Li Song Xiao, the controlling shareholder of the Company, subject to certain conditions, to dispose of the entire interest in a parcel of land located in Qiao Island, Zhuhai, the PRC, for a total consideration of HK\$2,500,000,000. Details of this transaction were set out in the announcement as issued by the Company on 19 January 2010. Further details of such disposal are disclosed in note 28(a).

38. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Current taxation and deferred taxation

The Group is subject to Enterprise Income Tax in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred taxation relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation in the periods in which such estimate is changed.

(b) PRC Land Appreciation Tax

PRC Land Appreciation Tax (“LAT”) 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 borrowing costs and all property development expenditure.

The Group is subject to LAT in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain of its property development projects. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. 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 income tax and deferred income tax provisions in the period in which such determination is made.

(c) Write-down of properties under development and completed properties held for sale

As explained in Note 1(k), the Group’s properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group’s recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in write-down of properties under development and completed properties held for sale. Such write-down requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying amount and write-down of properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the write-down of properties would affect profit or loss in future years.

(d) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management’s best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(e) Impairment for property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the asset may be considered “impaired”, and an impairment loss is recognised in accordance with the accounting policy for impairment of property, plant and equipment as described in Note 1(j)(ii). The carrying amounts of property, plant and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of selling price and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(f) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(g) Derivative financial instruments

In determining the fair value of the derivative financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised) "Business Combinations"	1 July 2009
Amendments to HKAS 27 "Consolidated and Separate Financial Statements"	1 July 2009
Amendments to HKAS 39 "Financial Instruments: Recognition And Measurement" – <i>Eligible hedged items</i>	1 July 2009
HK(IFRIC) – Int 17 "Distributions of Non-Cash Assets to Owners"	1 July 2009
Amendments to HKFRS 5 as part of improvements to HKFRSs 2008	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010
Amendments to HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards" – <i>Additional exemptions for First-time Adopters</i>	1 January 2010
Amendments to HKFRS 2 "Share-based Payment" – <i>Group cash-settled share-based payment transactions</i>	1 January 2010
Amendments to HKAS 32 "Financial Instruments – Presentation" – <i>Classification of rights issues</i>	1 February 2010
HKAS 24 (Revised) "Related Party Disclosures"	1 January 2011
Amendments to HK(IFRIC) – Int 14 "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – <i>Prepayments of a minimum funding requirement</i>	1 January 2011
HK(IFRIC) – Int 19 "Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010
HKFRS 9 "Financial Instruments"	1 January 2013

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 result in a restatement of the Group's results of operations and financial position.

40. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2009, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be Invest Gain Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

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41. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2009 are set out below:

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held		Principal activities
			Directly	Indirectly	
Eastern Beauty Investment Limited	Hong Kong	1 ordinary share of HK\$1		100%	Investment holding
Golden Bull Investment Limited	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
Honest State Limited	British Virgin Islands/ Hong Kong	10,000,000 ordinary shares of US\$1 each	–	100%	Investment holding
Leadway Pacific Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	–	100%	Investment holding
Neo-China Land Group (China) 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
Neo-China Real Estate (Shanghai) Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	–	100%	Investment holding
New Direction Development Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	–	100%	Investment holding
Phoenix Real Property Limited	British Virgin Islands/ Hong Kong	200 ordinary shares of US\$1 each	–	80%	Investment holding
Profit Mainland Limited	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
Profit Store Development Limited	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
Reliance Profit Limited	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
Rich Glory Investments Limited	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding

APPENDIX I FINANCIAL INFORMATION ABOUT THE NEO – CHINA GROUP

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held		Principal activities
			Directly	Indirectly	
Rich Win Investments Limited	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
Speed Max Limited	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
Star Tech Development Limited	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
Wonder Bridge Company Limited	Hong Kong	4 ordinary shares of HK\$100 each	–	75%	Investment holding
Shenzhen Phoenix Real Estates Company Limited 深圳鳳凰置業有限公司 (note (a))	The PRC	US\$10,000,000	–	82%	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 (note (a))	The PRC	US\$12,000,000	–	100%	Property development
北京新松房地產開發有限公司 (note (a))	The PRC	RMB190,000,000	–	100%	Property development
北京市御水苑房地產開發有限公司 (note (c))	The PRC	RMB20,000,000	–	90%	Property development
北京新松置地投資顧問有限公司 (note (c))	The PRC	RMB30,000,000	–	100%	Investment holding
成都中新錦泰房地產開發有限公司 (note (a))	The PRC	RMB200,000,000	–	100%	Property development
西安滻灃建設開發有限公司 (note (a))	The PRC	US\$86,880,000	–	71.5%	Property development
西安中新滻灃歐亞酒店發展有限公司 (note (c))	The PRC	RMB50,000,000	–	71.5%	Hotel operations
西安中新永榮房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新佳園房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新永佳房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	Property development

APPENDIX I FINANCIAL INFORMATION ABOUT THE NEO – CHINA GROUP

Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held		Principal activities
			Directly	Indirectly	
西安中新沁園房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新新柳城房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新華勝房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新榮景房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新濱河房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新永景房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 (note (c))	The PRC	RMB30,000,000	–	67%	Property development
重慶中華企業房地產發展有限公司 (note (c))	The PRC	RMB200,000,000	–	100%	Property development
天津中新濱海房地產開發有限公司 (note (b))	The PRC	HK\$100,000,000	–	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
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
天津中新信捷房地產開發有限公司 (note (b))	The PRC	RMB240,000,000	–	100%	Property development
天津凱津房地產開發有限公司 (note (c))	The PRC	RMB210,000,000	–	100%	Property development
上海九久廣場投資開發有限公司 (note (c))	The PRC	RMB226,160,000	–	100%	Property development
瀋陽向明長益置業有限公司 (note (a))	The PRC	USD63,750,000	–	80%	Property development
珠海市淇洲島影視城有限公司 (note (a))	The PRC	RMB90,000,000	–	100%	Property development

APPENDIX I	FINANCIAL INFORMATION ABOUT THE NEO – CHINA GROUP
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Name	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held		Principal activities
			Directly	Indirectly	
中歐城開有限公司 (note (c))	The PRC	RMB100,000,000	–	100%	Property development
北京盈通房地產開發有限 公司 (note (a))	The PRC	USD6,000,000	–	67.5%	Primary land 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) These companies were established in the PRC in the form of a limited liability company.

The above table only includes those subsidiaries which, in the opinion of the Company's directors, principally affected the results of the Group 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 the Company's directors, result in particulars of excessive length.

STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 28 February 2010, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the bank and other borrowings of the Neo-China Group comprise the following:

	<i>HK\$'000</i>
Bank borrowings, secured	1,520,464
Other borrowing, secured	171,000
Loan payables, secured	1,368,000
Loan payables, unsecured	34,200
Amounts due to related companies, unsecured	47,466
Amounts due to minority shareholders, unsecured	48,055
Amounts due to former shareholders of the Company's former subsidiaries, unsecured	137,039
Amortised cost of the liability component of unsecured convertible notes	63,084
Unsecured senior notes	2,947,651
	6,336,959
Analysed as	
Secured	3,059,464
Unsecured	3,277,495
	6,336,959

Securities and guarantees

As at 28 February 2010, the bank borrowings of approximately HK\$1,520,464,000 of the Neo-China Group were secured by:

- (i) certain properties under development, certain completed held for sale, a hotel property and certain investment properties of the Neo-China Group located in the PRC;
- (ii) certain bank deposits of the Neo-China Group; and
- (iii) corporate guarantees given by 北京新松投資集團有限公司, in which Mr. Li Song Xiao, the controlling shareholder of the Company, has controlling interest, to the extent of approximately HK\$384,032,000.

As at 28 February 2010, the loan payable of approximately HK\$1,368,000,000 of the Neo-China Group was secured by:

- (i) share mortgage over the issue 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.

As at 28 February 2010, the other borrowing from a financial institution of approximately HK\$171,000,000 of the Neo-China Group was secured by certain properties under development of the Neo-China Group located in the PRC, equity pledge over the registered capital of 天津中新濱海房地產開發有限公司, a wholly owned subsidiary of Company established in the PRC and a guarantee given by Golden Bull Investment Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong.

As at 28 February 2010, the Group agreed to pledge of the Group's shareholdings in Tianjin City Yi Jia He Zhi Ye Co., Ltd ("Yi Jia He"), to Wukuang Zhiye Company ("Wukuang"), the controlling shareholder of Yi Jia He, which was established in the PRC and owned 60% of the equity interest in the Yi Jia He, as security for any possible breach of the responsibilities of the Group under the supplementary agreement signed with Wukuang. The main responsibilities of the Group are that (i) the Group is undertaking the preliminary development works of the property development project in respect of the piece of land (the "Land") situated at Tianjin Beichen Qu Yi Xing Bu Jiu Chun (the "Project") including demolition and re-settlement and obtaining planning approval and land clearance; (ii) Wukuang is responsible for contributing a total amount of funds of RMB1,584 million (equivalent to approximately HK\$1,796 million) ("Wukang's Contribution") for demolition and re-settlement expenses of the land lot nos. 7 and 8 with a gross construction area of 800,000 square meters comprised part of the Land and the Group is responsible for payment of any excess amount of the actual amount of the demolition and re-settlement expenses over Wukuang's Contribution; and (iii) in the event that there is any change in the shareholding of the Project, the affected outgoing shareholder shall provide complete and full disclosure to the new shareholder of the Project of all relevant matters and legal documents, and agreed terms of co-operation among the parties with respect to the Project.

Contingent liabilities*(a) Financial guarantees issued in respect of bank loans for a former subsidiary*

As at 28 February 2010, the Company has entered into agreements with two banks to provide corporate guarantees with respect to bank loans granted to a former subsidiary. Pursuant to the terms of guarantees, upon default in payments of bank loans by the former subsidiary, the Company is responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the former subsidiary to the banks. The guarantees will be released when the bank loans of the former subsidiary are repaid in full. The maximum liability of the Company as at 28 February 2010 under such guarantees is the outstanding amount of the bank loans to the former subsidiary of RMB105,000,000 (equivalent to approximately HK\$119,700,000).

(b) Legal proceedings initiated by a third party against the Company

According to the statement of claim filed in the High Court of the Hong Kong Special Administrative Region by a third party (the “plaintiff”) on 25 November 2009, the plaintiff alleges that 中置(北京)企業管理有限公司(“中置(北京)”), a wholly owned subsidiary of the Company, was in breach of a shares transfer agreement. According to this agreement, the plaintiff agreed to transfer its 30% equity interest in 成都中新錦泰房地產開發有限公司 (“成都錦泰”), a subsidiary of the Company, to 中置(北京) at the consideration of RMB160,000,000, and that the Company was a guarantor guaranteeing the performance of 中置(北京)’s obligations under the shares transfer agreement. If the Company is found to be liable, the total expected monetary sum may amount to approximately RMB102,000,000 (equivalent to approximately HK\$116,280,000), which comprises the outstanding consideration of RMB70,000,000 (equivalent to approximately HK\$79,800,000), which included an amount of RMB30,000,000 (equivalent to approximately HK\$34,200,000) (which is included in unsecured loan payable), and the compensation of RMB32,000,000 (equivalent to approximately HK\$36,480,000) plus interest and legal costs.

The Company, having obtained advice from its legal counsellor, is of the view that the above claims are based on unreasonable and invalid grounds because the plaintiff, 中置(北京) and 成都錦泰 have on or about 24 April 2009 reached a settlement agreement through 成都市中級人民法院 on this matter. Therefore, no provision has been made in respect of this claim.

(c) Guarantees in respect of mortgage facilities of certain purchasers

The Neo-China Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Neo-China 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 Neo-China 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 Neo-China 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. As at 28 February 2010, the total amount of mortgages outstanding which are guaranteed by the Neo-China Group was approximately HK\$2,462,196,000.

Disclaimers

Save as aforesaid and apart from intra-group liabilities and liabilities arising in the normal course of business, at the close of business on 28 February 2010, the Neo-China Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors confirm that save as disclosed above, there have been no material changes in the indebtedness and contingent liabilities of the Neo-China Group since 28 February 2010, up to and including the Latest Practicable Date.

WORKING CAPITAL

The Directors are of the opinion that, following Completion, after taking into account the financial resources available to the Neo-China Group, including internally generated funds, available banking facilities and proceeds from shares subscribed by Novel Good upon completion of the Subscription Agreement, the Neo-China Group has sufficient working capital for its present requirements with and without the redemption of the Convertible Bonds for at least the next twelve months from the date of this circular, in the absence of unforeseen circumstances.

MATERIAL ADVERSE CHANGE

At as the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Neo-China Group since 31 December, 2009 being the date to which the latest audited financial statements of the Neo-China Group were made up and there were no other matters which might cause or have caused any material adverse changes in the financial or trading position of the Group since 31 December, 2009 that should be brought to the attention of Shareholders.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Starting from the end of 2009, the Central Government has carried out a series of macro-policy adjustments in suppressing the excessive surging of property prices. It is expected that the growth rate of the Mainland property market will be gradually stabilized in the foreseeable future. Various factors, such as the persisting improvement in the PRC macro-economy, the accelerated urbanization progress and the upgrading of consumer structure, etc., will facilitate the property industry to maintain good development over a relatively long period of time. We believe that following the control policies implemented by the government, there is a healthier growth for the property market and also inevitably a short term influence to the financing condition of the property market in 2010 affected by the policies. The Company will continue to increase the utility rate of fund in the coming year to ensure its positive development.

In respect of project development, since the change of financial year end date resulted in the inability of the delivery of the pre-sold properties within the period. Recognition of sales revenue will be deferred to the next financial year. Meanwhile, the Company will launch new properties for sale gradually in various locations such as Xian, Chengdu and Changsha. As for land reserves, the existing land bank is able to cater the need of development in the next 3-4 years. The Company will maintain its cautious land reserve policy to moderately increase the land reserve selectively based on its own development strategy, regional distribution and development progress. Simultaneously, the advantage brought about by the Company's effort these years in upgrading product quality and brand value is gradually realized. The Company will keep on enhancing product quality and building up the brand as a base for long term development and improvement of profits in the coming year.

The Group had focused on enhancing its cash inflows, so the launch of new projects or new phases in divers cities, including Xian, Chengdu, Beijing, Tianjin and Shanghai, were accelerated. The Group will continue to work hard with a view to increasing the recognizable saleable GFA swiftly, so that the Group's turnover may be improved.

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties held in the PRC as at 31 January 2010.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

11 May 2010

The Board of Directors
Neo-China Land Group (Holdings) Limited
Suites 3005-7, 30/F
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with your instruction for us to carry out the valuation of the market value of the properties ("Properties") held by Neo-China Land Group (Holdings) Limited ("Neo-China") and its subsidiaries (together "Neo-China Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values of the Properties in existing state as at 31 January 2010 (the "date of valuation").

Definition of Market Value

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Valuation Basis and Assumption

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties situated in the PRC, with reference to the PRC legal opinion of the legal adviser, Allbright Law Offices (上海市錦天城律師事務所) dated 11 May 2010, we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by Neo-China Group, regarding the title to the Properties and the interests in the Properties. In valuing the Properties, with reference to the PRC legal opinion, we have prepared our valuation on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

According to financial information of Neo-China Group, for indicate purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of the Properties in the PRC are PRC business tax (approximately 5%), PRC land appreciation tax (approximately 30%-60% of the appreciation amount) and withholding tax for foreign company (approximately 20%), if any. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. The precise tax implication will be subject to prevailing rules and regulation at the time of disposal.

The Properties in Group I held by Neo-China Group for sale, a potential tax liability attributable to the Neo-China Group estimated to be approximately RMB102,650,000 would arise if such Properties were to be sold at the amount of valuations. Depending on the sale status, there is likelihood of such liability referred to in above being crystallised.

The Properties in Group II, III, IV and V are held by Neo-China Group for investment, under development, future development and owner-occupation purposes respectively, the likelihood of the relevant tax liabilities being crystallized is remote in near future.

Method of Valuation

In valuing the Properties in Group I, II and IV, which are held by Neo-China Group for sale, investment and future development in the PRC respectively, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the Properties in Group III and V, which are held by Neo-China Group under development and owner-occupation in the PRC respectively, we have valued them on the basis that they will be developed and completed in accordance with Neo-China Group's latest development proposal provided to us. In arriving at our opinion of value of the land, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market and where appropriate, we have also taken into account the estimated total and expended construction costs.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases issued by Securities and Futures Commission and The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by Neo-China Group and the opinion of the PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, completion dates of building, construction cost, particulars of occupancy, development scheme, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by Neo-China Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise Neo-China to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by Neo-China Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exterior, and wherever possible, the interior of the Properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Properties are free of rot, infestation and any other structural defects; no tests were carried out to any of the services. Moreover, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

Remark

Please note that we are also appointed by Shanghai Industrial Holdings Limited to prepare valuation of the same Properties for another public disclosure purposes. We have sought consent from Neo-China for us to carry out the valuation for Shanghai Industrial Holdings Limited. Neo-China and Shanghai Industrial Holdings Limited understand that our valuations are carried out on an impartial basis without bias to any party concerned.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 17 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Property	Market Value in existing state as at 31 January 2010 RMB	Neo-China Group's attributable interest %	Market Value in existing state as at 31 January 2010 attributable to Neo-China Group RMB
Group I – Properties held by Neo-China Group for sale in the PRC			
1. The unsold portion of Phases 1 and 2 of Xidiaoyutai, Lot Nos. 1 and 2 of West Diaoyutai Village, Haidian District, Beijing	232,200,000	90	208,980,000
2. The unsold portion of Phases 1 and 2 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	139,000,000	100	139,000,000
3. The unsold portion of American Rock, No. 16 Baiziwan Road, Chaoyang District, Beijing	65,200,000	100	65,200,000
4. The unsold portion of Lot No. 9 (excluding Block 12) at Laochengxiang, south of Beima Road, Laocheng Xiang Area, Nankai District, Tianjin	16,000,000	100	16,000,000
5. The unsold portion of Lot No. A9, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaixin District, Chongqing	81,000,000	100	81,000,000

Property	Market Value in existing state as at 31 January 2010 <i>RMB</i>	Neo-China Group's attributable interest %	Market Value in existing state as at 31 January 2010 attributable to Neo-China Group <i>RMB</i>
6. The unsold portion of Lot No. A5 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	3,500,000	71.5	2,502,500
7. The unsold portion of Block 1 to 5, Block 10 to 24 of Lot No. A6 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	71,000,000	71.5	50,765,000
8. The unsold portion of Phase 1 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	3,000,000	100	3,000,000
9. The unsold portion of District A of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	23,000,000	67	15,410,000

Property	Market Value in existing state as at 31 January 2010 <i>RMB</i>	Neo-China Group's attributable interest %	Market Value in existing state as at 31 January 2010 attributable to Neo-China Group <i>RMB</i>
10. The unsold portion of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing (excluding unsold commercial portion of Lot No. B2)	807,700,000	100	807,700,000
sub-total of Group I in RMB:	<u>1,441,600,000</u>		<u>1,389,557,500</u>

Property	Market Value in existing state as at 31 January 2010 <i>RMB</i>	Neo-China Group's attributable interest %	Market Value in existing state as at 31 January 2010 attributable to Neo-China Group <i>RMB</i>
Group II – Properties held by Neo-China Group for investment in the PRC			
11. The unsold portion of Phoenix Tower, No. 2008 Shennan Road, Futian District, Shenzhen, Guangdong Province	50,820,000	90.6	46,042,920
12. The unsold portion of Laochengxiang, Lot No. 11 of Laochengxiang Area, Nankai District, Tianjin	900,000,000	100	900,000,000
13. The unsold commercial portion of Lot No. B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing	1,665,700,000	100	1,665,700,000
sub-total of Group II in RMB:	<u>2,616,520,000</u>		<u>2,611,742,920</u>

Property	Market Value in existing state as at 31 January 2010 RMB	Neo-China Group's attributable interest %	Market Value in existing state as at 31 January 2010 attributable to Neo-China Group RMB
Group III – Properties held by Neo-China Group under development in the PRC			
14. Phase 3 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	573,000,000	100	573,000,000
15. Lot No. 1 of Laochengxiang, west of Chengxiang Central Road, Laocheng Xiang Area, Nankai District, Tianjin	1,778,000,000	100	1,778,000,000
16. Jinfeng Building at Lot No. 4 of Laochengxiang, north of Nanma Road, east of Chengxiang East Road, Laocheng Xiang Area, Nankai District, Tianjin	498,000,000	100	498,000,000
17. Lot No. A10 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	606,000,000	71.5	433,290,000
18. Lot No. A13 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	365,000,000	71.5	260,975,000

Property	Market Value in existing state as at 31 January 2010 <i>RMB</i>	Neo-China Group's attributable interest %	Market Value in existing state as at 31 January 2010 attributable to Neo-China Group <i>RMB</i>
19. Lot No. A14 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	507,000,000	71.5	362,505,000
20. Lot No. A15 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	458,000,000	71.5	327,470,000
21. District B to E of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	318,000,000	67	213,060,000
22. Phase 1 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	736,000,000	100	736,000,000
23. Phase 2 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	1,247,000,000	100	1,247,000,000

Property	Market Value in existing state as at 31 January 2010 <i>RMB</i>	Neo-China Group's attributable interest %	Market Value in existing state as at 31 January 2010 attributable to Neo-China Group <i>RMB</i>
24. Block 12 of Lot No. 9 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin,	263,000,000	100	263,000,000
25. Lot No. A4 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	232,000,000	71.5	165,880,000
sub-total of Group III in RMB:	<u>7,581,000,000</u>		<u>6,858,180,000</u>

Property	Market Value in existing state as at 31 January 2010 RMB	Neo-China Group's attributable interest %	Market Value in existing state as at 31 January 2010 attributable to Neo-China Group RMB
Group IV – Properties held by Neo-China Group for future development in the PRC			
26. Phase 3 of Xidiaoyutai, Lot Nos. 1 and 2 of West Diaoyutai Village, Haidian District, Beijing	687,000,000	90	618,300,000
27. Yanjiao, East of Yingbin South Road, Yanjiao Economic Technology Development Zone, Hebei Province	635,000,000	100	635,000,000
28. Lot No. 2 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	359,000,000	100	359,000,000
29. The commercial portion of Lot No. 15 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	309,000,000	100	309,000,000
30. Lot Nos. C1 and E4 Phase 2 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagong, Gaoxin District, Chongqing	296,000,000	100	296,000,000
31. Lot Nos. A2 to A3 & A11 to A12 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	1,261,000,000	71.5	901,615,000

Property	Market Value in existing state as at 31 January 2010 <i>RMB</i>	Neo-China Group's attributable interest %	Market Value in existing state as at 31 January 2010 attributable to Neo-China Group <i>RMB</i>
32. District F of Phase 1 and Phase 2 of Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	357,000,000	67	239,190,000
33. Phase 2 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	576,000,000	100	576,000,000
34. Tai Yuan Street, west of Tianjin South Street, Heping District, Shenyang, Liaoning Province	810,000,000	80	648,000,000
35. A plot of land Lot No. A0203001 at east of Qiao East Line Road, Wangchiling Hills, Qiao Island, Zhuhai, Guangdong Province	2,250,000,000	100	2,250,000,000
sub-total of Group IV in RMB:	<u>7,540,000,000</u>		<u>6,832,105,000</u>

Property	Market Value in existing state as at 31 January 2010 RMB	Neo-China Group's attributable interest %	Market Value in existing state as at 31 January 2010 attributable to Neo-China Group RMB
Group V – Property held by Neo-China Group for owner-occupation in the PRC			
36. Lot No. A1 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	784,000,000	71.5	560,560,000
sub-total of Group V in RMB:	<u>784,000,000</u>		<u>560,560,000</u>
Grand total:	<u>19,963,120,000</u>		<u>18,252,145,420</u>

Note: We have also issued a Valuation Report dated 18 January 2010 to Neo-China for the valuation of Property No. 35 as at 31 December 2009 for public disclosure purposes.

VALUATION CERTIFICATE

Group I – Properties held by Neo-China Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
1. The unsold portion of Phases 1 and 2 of Xidiaoyutai, Lot Nos. 1 and 2 of West Diaoyutai Village, Haidian District, Beijing	<p>Xidiaoyutai is a large-scale residential and retail development erected on two parcels of land Lot Nos. 1 and 2 with a total site area of approximately 42,541.05 sq m.</p> <p>Phases 1 and 2 of Xidiaoyutai are erected upon Lot No. 1 and portion of Lot No. 2 and completed in 2006 and 2008.</p> <p>According to the information provided by Neo-China Group, the Property comprises unsold retail, residential and car park units of Phases 1 and 2 of Xidiaoyutai with a total gross floor area of 6,676.03 sq m.</p> <p>The land use rights of the Property have been granted for various terms due to expire on 18 February 2074, 18 February 2044 and 18 February 2054 for residential, ancillary facilities and carpark uses respectively.</p>	The Property is currently vacant.	232,200,000 (90% interest attributable to Neo-China Group: RMB208,980,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land Nos. (2004)3026 and (2005)3487, the land use rights of the development with a total site area of approximately 42,541.05 sq m have been granted to Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) with details as follows:-

Certificate No.	Location	Site Area (sq m)	Uses	Expiry Date
(2004) 3026	Lot No. 1, West Diaoyutai Village, Haidian District	15,452.81	Residential, ancillary facilities and carpark	Residential: 18 February 2074 Ancillary facilities: 18 February 2044 Carpark: 18 February 2054
(2005) 3487	Lot No. 2, West Diaoyutai Village, Haidian District	27,088.24	Residential, ancillary facilities and carpark	Residential: 18 February 2074 Ancillary facilities: 18 February 2044 Carpark: 18 February 2054
	Total	<u>42,541.05</u>		

- (2) According to three Building Ownership Certificates, a total gross floor area of approximately 678.97 sq m is held by Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司):

Certificate No.	Building No.	Room No.	Gross Floor Area (sq m)
008237	1 (underground)	B102	78.41
008237	1 (underground)	B105	93.57
008237	1 (underground)	B106	102.49
014366	2	2-1801	355.67
018347	1 (underground)	1 carpark	48.83
		Total	<u>678.97</u>

Note – Building Nos. 5, 7, 9 and 10 were not issued with Building Ownership Certificate yet.

Note – Unit B102, B105, B106 of Building No. 1 and Unit 1801 of Building No. 2 of the Property, were sealed up by a Court Order. We have assigned no commercial value to the said 4 sealed up units.

- (3) According to Business Licence No.1101080064387, Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) was established as a limited liability company on 15 August 2003 with a registered capital of RMB20,000,000 for a valid operation period from 15 August 2003 to 14 August 2023.

- (4) According to the PRC legal opinion:

- (i) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司), a 90% owned subsidiary of Neo-China, has legally obtained valid business licence and is legally established under the PRC law;
- (ii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) has fully settled all the land premium and obtained Certificate for the Use of State-owned Land and partly Building Ownership Certificate;
- (iii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) has right to transfer the Property with unsold gross floor area of 6,676.03 sq m;
- (iv) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and
- (v) Unit B102, B105, B106 of Building No. 1 and Unit 1801 of Building No. 2 of the Property, were sealed up by a Court Order and cannot be transferred or disposal of or pledged from 13 May 2009 to 12 May 2011.

- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes (partly)**
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

** Partly sealed up by a Court Order

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
2.	The unsold portion of Phases 1 and 2 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	Youngman Point is a large-scale retail and residential development erected on three parcels of land (one land under Certificates for the Use of State-owned Land No. (2006)0262 including portion of Phase 2 and Phase 3 of Youngman Point) with a total site area of approximately 87,373.15 sq m and completed in 2008. According to the information provided by Neo-China Group, the Property comprises unsold portion of Youngman Point with a total gross floor area of approximately 25,436.24 sq m. The land use rights of the Property have been granted for various terms due to expire on 20 June 2043 for ancillary facilities use, 20 June 2053 and 30 August 2054 for basement carpark use, 5 February 2044 and 30 August 2044 for commercial use and 20 June 2073 and 30 August 2074 for residential use.	The Property is currently vacant. 139,000,000 (100% interest attributable to Neo-China Group: RMB139,000,000)

Notes:

- (1) According to five Building Ownership Certificates, a total gross floor area of approximately 142,475.50 sq m of Phase 1 of Youngman Point is held by Beijing New Shine Properties Development Company Limited (北京新松房地產開發有限公司):

Certificate No.	Location	Gross Floor Area (sq m)	Uses
00176	Buildings 2-5,8-10, Ganluyuan Zhongli, Chaoyang District	101,424.03	Residential and ancillary facilities
534178	Underground carpark, Ganluyuan Zhongli, Chaoyang District	12,979.18	Carpark
555067	Buildings 6, Ganluyuan Zhongli, Chaoyang District	14,622.76	Residential, ancillary facilities and public facilities
555068	Buildings 7, Ganluyuan Zhongli, Chaoyang District	12,012.74	Residential, ancillary facilities and public facilities
528560	Buildings 1, Ganluyuan Zhongli, Chaoyang District	1,436.79	Club
	Total	142,475.50	

The Property is part of the said gross floor area.

- (2) According to two Building Ownership Certificates, a gross floor area of approximately 93,070.56 sq m of Phase 2 of Youngman Point is held by Beijing New Shine Properties Development Company Limited (北京新松房地產開發有限公司):

Certificate No.	Location	Gross Floor Area (sq m)	Uses
625476	Two buildings in Ganluyuan Zhongli, Chaoyang District	45,167.31	Residential and commercial
625537	Buildings 106, 108, 110, 112 in Chaoyang North Street, Chaoyang District	47,903.25	Residential, commercial, carpark and others
	Total	<u>93,070.56</u>	

The Property is part of the said gross floor area.

- (3) According to three Certificates for the Use of State-owned Land, the land use rights of Youngman Point, comprising a total site area of approximately 87,373.15 sq m, have been granted to Beijing New Shine Properties Development Company Limited (北京新松房地產開發有限公司):

Certificate No.	Location	Site Area (sq m)	Uses	Expiry Date
(2004) 0232	Phase 1	40,917.30	Ancillary facilities, basement carpark and residential	Ancillary facilities: 20 June 2043 Basement carpark: 20 June 2053 Residential: 20 June 2073
(2004) 0459	Phase 2	17,472.30	Commercial	5 February 2044
(2006) 0262	Portion of Phase 2 and Phase 3	28,983.55	Residential, commercial, basement carpark and storage	Residential: 30 August 2074 Commercial: 30 August 2044 Basement carpark and storage: 30 August 2054
	Total	<u>87,373.15</u>		

- (4) According to Business Licence No. 110000410267241, Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) was established as a limited liability company on 29 May 2000 with a registered capital of RMB190,000,000 for a valid operation period from 29 May 2000 to 17 August 2055.

- (5) According to the PRC legal opinion:

- (i) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

- (ii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has fully settled all the land premium and obtained Certificate for the Use of State-owned Land and Building Ownership Certificate;
- (iii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property with unsold gross floor area of 25,436.24 sq.m.;
- (iv) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and
- (v) The Property is not subject to any pledge.
- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Building Ownership Certificate | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
3. The unsold portion of American Rock, No. 16 Baiziwan Road, Chaoyang District, Beijing	American Rock is a large-scale residential and commercial development erected on a land with a total site area of approximately 121,498.50 sq m and completed in 2006. According to the information provided by Neo-China Group, the Property comprises unsold portion of American Rock with a total gross floor area of approximately 15,209.41 sq m. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (2).	The Property is currently vacant.	65,200,000 (100% interest attributable to Neo-China Group: RMB65,200,000)

Notes:

- (1) According to five Building Ownership Certificates, a total gross floor area of approximately 15,554.81 sq m of the Property is held by Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司):

Certificate No.	Location	Gross Floor Area (sq m)	Uses
05-0088	District A club	A-110: 63.45 A-204: 183.47	Commercial
04-0083	Building no. 4	004-A-103: 176.45 004-C-103: 76.61 004-A-302: 218.84	Commercial
06-501703	Building no. 16	16-102: 85.43 16-103: 85.43 16-104: 95.70	Reserve for Post Office, can sold
04-00075	Building no. 1	001-D-204: 157.72 001-D-205: 111.07	Community Office, cannot be sold
584402 & 05-0088	Car park space	Basement car park: 14,300.64	-
	Total	15,554.81	

The Property is part of the said gross floor area.

- (2) According to four Certificates for the Use of State-owned Land, the land use rights of the development with a total site area of approximately 121,498.50 sq m have been granted to Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司):

Certificate No.	Site Area (sq m)	Uses	Expiry Date
(2002) 0240	27,820.26	Residential, ancillary facilities, basement carpark	Residential: 9 February 2072 Ancillary facilities: 9 February 2042 Basement carpark: 9 February 2052
(2003) 0052	35,011.07	Residential and ancillary facilities	Residential: 14 January 2073 Ancillary facilities: 14 January 2043
(2003) 0125	22,922.77	Residential and basement carpark	Residential: 8 February 2073 Basement carpark: 8 February 2053
(2005) 0477	35,744.40	Residential and basement carpark	Residential: 8 February 2073 Basement carpark: 8 February 2053
Total	<u>121,498.50</u>		

- (3) According to Business Licence No.110000410175777, Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司) was established as a limited liability company on 9 August 2000 with a registered capital of USD12,000,000 for a valid operation period from 9 August 2000 to 14 October 2022.
- (4) According to the PRC legal opinion:
- (i) Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司) has fully settled all the land premium and obtained Certificate for the Use of State-owned Land and Building Ownership Certificate;
 - (iii) Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and
 - (iv) Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司) has a right to transfer, lease and pledge the land use rights of the Property with unsold gross floor area of 15,209.41 sq m.

- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
4. The unsold portion of Lot No. 9 (excluding Block 12) at Laochengxiang, south of Beima Road, Laocheng Xiang Area, Nankai District, Tianjin	<p>Lot No. 9 at Laochengxiang is a residential development with 12 blocks to be erected upon a parcel of land with a site area of approximately 41,107.10 sq m and Block 1 to 11 completed in 2009.</p> <p>According to the information provided by Neo-China Group, the Property comprises the unsold portion of Block 1 to 11 of Lot No. 9 at Laochengxiang with a total gross floor area of approximately 1,048.87 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 30 December 2076 for mixed residential use.</p>	The Property is currently vacant.	16,000,000 (100% interest attributable to Neo-China Group: RMB16,000,000)

Notes:

- (1) According to Real Estate Title Certificate No. 060300000006, the land use rights of Lot No. 9, with a site area of approximately 41,107.10 sq m, have been granted to Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) for a term due to expire on 30 December 2076 for mixed residential use.

The Property comprises only the unsold portion of the whole residential development, whilst the documents stated here are for the whole residential development.

- (2) According to Grant Contract of Land Use Rights No. 2004-024 dated 6 September 2004 and its Supplement Contract No. 1 for Lot No. 9 dated 29 September 2006:

- | | | |
|-------|---------------------------|--|
| (i) | Grantee: | Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) |
| (ii) | Site Area: | 799,285.20 sq m (in which 239,786 sq m for public facilities and 559,499.20 sq m for residential) |
| (iii) | Land Use: | Residential and public facilities |
| (iv) | Planned Gross Floor Area: | Not exceeding 172,362 sq m (in which 146,362 sq m for residential and ancillary public facilities, 26,000 sq m for office and service apartment) |
| (v) | Land Premium: | RMB388,473,147.06 |

- (3) According to Planning Permit for Construction Use of Land No. (2006)0112 dated 31 October 2006, the construction land of Lot No. 9 was in compliance with the requirement of urban planning and was permitted to be developed with a site area of approximately 41,107.10 sq m.

- (4) According to Planning Permit for Construction Works No. (2006)0110 dated 29 December 2006, the Property has been permitted for the construction with a total gross floor area of 146,362 sq m (underground 28,390 sq m).
- (5) According to Permit for Commencement of Construction Works No. 1210420200702014, the Property has been permitted to commence construction works with a total gross floor area of 146,362 sq m (underground 28,390 sq m).
- (6) According to 11 Pre-sale Permits for Commodity Housing, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 145,704.16 sq m.
- (7) According to Business Licence No. 120000400078160, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) was established as a limited liability company with a registered capital of RMB240,000,000 for a valid operation period from 3 June 2005 to 2 June 2025.
- (8) According to the PRC legal opinion:
- (i) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
- (ii) According to Planning Permit for Construction Works, the total gross floor area is 146,362.00 sq m in which underground gross floor area is 28,390.00 sq m;
- (iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has fully settled all the land premium of the Property and obtained the Real Estate Title Certificate;
- (iv) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 1,048.87 sq m; and
- (v) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.
- (9) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Supplement Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
5.	The unsold portion of Lot No. A9, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing	Lot No. A9, Phase 1 of Yuanjiagang is a commercial development erected upon a parcel of land with a site area of approximately 16,753.30 sq m and completed in 2009.	81,000,000 (100% interest attributable to Neo-China Group: RMB81,000,000)
	According to the information provided by Neo-China Group, the Property comprises the unsold portion of Lot No. A9, Phase 1 of Yuanjiagang with a total gross floor area of approximately 3,053.75 sq m.		
	The land use rights of the Property have been granted for a term due to expire in February 2044 for commercial and February 2054 for residential uses.		

Notes:

- (1) According to the Certificate for the Use of State-owned Land No. 114-2008-37441, the land use rights of Lot No. A9, with a site area of approximately 16,753.30 sq m, have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for a term due to expire in February 2044 for commercial and February 2054 for residential uses.
- (2) According to the Planning Permit for Construction Use of Land No. (2004)0028 dated 17 September 2004, the construction site of a parcel of land with a total site area of approximately 16,741 sq m is in compliance with the requirements of urban planning requirement.
- (3) According to the Planning Permit for Construction Works No. (2005)0005 dated 22 February 2005, the construction works of Lot No. A9, with a total gross floor area of approximately 31,967.55 sq m was in compliance with the requirement of urban planning and was permitted to be developed.
- (4) According to the Permit for Commencement of Construction Works No. 510202200708240101 dated 24 August 2007, the construction works of Lot No. A9 was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 31,967.55 sq m.
- (5) According to the Business Licence No. 500901000052947 1-1-1, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28 May 2003 to 28 May 2023.
- (6) According to the PRC legal opinion:
 - (i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

- (ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;
- (iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has the right to use, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 3,053.75 sq m;
- (iv) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and
- (v) According to Planning Permit for Construction Works, the total gross floor area of the Property is 31,967.55 sq m.

- (7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	No
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
6. The unsold portion of Lot No. A5 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	<p>Lot No. A5 of Neo Water City is a composite residential/commercial development with 13 blocks erected upon a land with a site area of approximately 86,444.10 sq m and completed in 2008.</p> <p>According to the information provided by Neo-China Group, the Property comprises the unsold portion of Lot No. A5 of Neo Water City with a total gross floor area of approximately 806.11 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 30 March 2076 for residential use.</p>	The Property is currently vacant.	3,500,000 (71.5% interest attributable to Neo-China Group: RMB2,502,500)

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2007)008 dated 28 August 2007, the land use rights of the Property, comprising a site area of 86,444.10 sq m, have been granted to Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) for a term due to expire on 30 March 2076 for residential use.
- (2) According to Planning Permit for Construction Use of Land No. (2005)007 dated 5 April 2007, the construction site of land with a total site area of 154.908 mu (103,272 sq m) (in which 25.242 mu for road use) is in compliance with the requirements of urban planning requirement.
- (3) According to Planning Permit for Construction Works No. (2005)013, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 181,686.47 sq m.
- (4) According to Permit for Commencement of Construction Works No.(2007)003, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 181,686.47 sq m.
- (5) According to Business Licence No. 610100400004748, Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) was established as a limited liability company on 24 November 2004 with a registered capital of USD86,880,000 for a valid operation period from 24 November 2004 to 24 November 2024.
- (6) According to the PRC legal opinion:
 - (i) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;

- (iii) Xian Chanba Construction Development Co., Ltd. (西安滄瀾建設開發有限公司) has right to transfer, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 806.11 sq m;
- (iv) Xian Chanba Construction Development Co., Ltd. (西安滄瀾建設開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and
- (v) According to Planning Permit for Construction Works, the total gross floor area of the Property is 181,686.47 sq m.
- (7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	No
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
7. The unsold portion of Block 1 to 5, Block 10 to 24 of Lot No. A6 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	<p>Lot No. A6 of Neo Water City is a composite residential/commercial development with 24 blocks erected upon a land with a site area of 153,404.53 sq m. Block 1 to 5, 10 to 24 completed in 2008 whilst Block 6 to 9 are under construction.</p> <p>According to the information provided by Neo-China Group, the Property comprises the unsold portion of Block 1 to 5, Block 10 to 24 with a total gross floor area of approximately 7,597.06 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 30 March 2076 for residential, 30 March 2056 for commercial public facilities, green area and water facilities uses.</p>	The Property is currently vacant.	71,000,000 (71.5% interest attributable to Neo-China Group: RMB50,765,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2007)012, the land use rights of the Property, comprising a site area of approximately 153,404.53 sq m, have been granted to Xian Chanba Construction Development Co., Ltd. (西安滄瀾建設開發有限公司) for a term due to expire on 30 March 2076 for residential, 30 March 2056 for commercial public facilities, green area and water facilities uses.
- (2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	A6
Grantee	Xian Chanba Construction Development Co., Ltd. (西安滄瀾建設開發有限公司)
Supplement Contract No.	(CB) 718
Site Area	230 mu (153,333 sq m)
Land Use	Composite, residential
Plot Ratio	1.41

- (3) According to Planning Permit for Construction Use of Land No. (2005)008 dated 5 April 2007, the construction site of a parcel of land with a total site area of 267.116 mu (178,077 sq m) is in compliance with the requirements of urban planning requirement.
- (4) According to Planning Permit for Construction Works No. (2009)020 dated 27 August 2009, the construction works of Lot No. A6, with a total gross floor area of 232,800 sq m was in compliance with the requirement of urban planning and was permitted to be developed.

- (5) According to Permit for Commencement of Construction Works No. (2009)018 dated 3 June 2009, the construction works of Lot No. A6 was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 232,800 sq m.
- (6) According to Business Licence No. 610100400004748, Xian Chanba Construction Development Co., Ltd. (西安滄瀾建設開發有限公司) was established as a limited liability company on 24 November 2004 with a registered capital of USD86,880,000 for a valid operation period from 24 November 2004 to 24 November 2024.
- (7) According to the PRC legal opinion:
- (i) Xian Chanba Construction Development Co., Ltd. (西安滄瀾建設開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
- (ii) Xian Chanba Construction Development Co., Ltd. (西安滄瀾建設開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;
- (iii) Xian Chanba Construction Development Co., Ltd. (西安滄瀾建設開發有限公司) has right to transfer, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 7,597.06 sq m;
- (iv) Xian Chanba Construction Development Co., Ltd. (西安滄瀾建設開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permits for Commodity Housing. The permits have not been revoked or modified; and
- (v) According to Planning Permit for Construction Works, the total gross floor area of the Property is 232,800 sq m.
- (8) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
8. The unsold portion of Phase 1 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	Phase 1 of Jiujiu Youth City comprises a composite development erected on a parcel of land with a site area of 16,782.00 sq m and completed in 2009. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Phase 1 of Jiujiu Youth City with a total gross floor area of approximately 165.46 sq m. The land use rights of the Property have been granted for a term from 9 July 2005 to 8 July 2055 for composite use.	The Property is currently vacant.	3,000,000 (100% interest attributable to Neo-China Group: RMB3,000,000)

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2009)007490 dated 23 April 2009, the land use rights and building ownership of the Property, comprising a total site area of 16,782.00 sq m and a total gross floor area of 40,947.61 sq m, have been vested in Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) for a term from 9 July 2005 to 8 July 2055 for composite use.

The Property is part of the said gross floor area.

- (2) According to Business Licence No.310227000954132 dated 30 September 2003, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was established as a limited liability company with a registered capital of RMB226,160,000 for a valid operation period from 30 September 2003 to 29 September 2013.
- (3) According to the PRC legal opinion:
- (i) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has fully settled all the land premium of the Property and obtained Shanghai Certificate of Real Estate Ownership;
 - (iii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property with unsold gross floor area of 165.46 sq m; and
 - (iv) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permits for Commodity Housing. The permits have not been revoked or modified.

- (4) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
9.	The unsold portion of District A of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	District A of Phase 1, Neo-China Forest Garden comprises a residential development erected on a parcel of land with a site area of approximately 35,945.80 sq m and completed in between 2008 and 2009. According to the information provided by Neo-China Group, the Property comprises the unsold units with a total gross floor area of approximately 5,947.58 sq m. The land use rights of the Property have been granted for a term due to expire on 21 October 2075 for residential use.	The Property is currently vacant. 23,000,000 (67% interest attributable to Neo-China Group: RMB15,410,000)

Notes:

- (1) According to twenty three Building Ownership Certificates dated 6 May 2009, a total gross floor area of approximately 49,694.30 sq m is held by Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for residential use.

The Property is part of the said gross floor area.
- (2) According to Certificate for the Use of State-owned Land No. (2009)486, the land use rights of the land, comprising a total site area of 35,945.80 sq m., have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for a term due to expire on 21 October 2075 for residential use.
- (3) According to twenty three Pre-sale Permits for Commodity Housing, the development was permitted to pre-sale with a total gross floor area of 49,809.66 sq m.
- (4) According to the information provided by Neo-China, part of the total land premium was approximately RMB5,000,000.
- (5) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14 September 2005 with a registered capital of RMB30,000,000 for a valid operation period of 30 years.
- (6) According to the PRC legal opinion:
 - (i) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

- (ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium and obtained Real Estate Title Certificates and Certificate for the Use of State-owned Land;
 - (iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use rights of the Property with unsold gross floor area of 5,947.58 sq m; and
 - (iv) The Property is not subject to any pledge.
- (7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Pre-sale Permits for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
10. The unsold portion of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing (excluding unsold commercial portion of Lot No. B2)	Lot Nos. B1 and B2, Phase 1 of Yuanjiagang is a large-scale residential, office and commercial development erected on two parcels of land with a total site area of approximately 77,886.30 sq m and completed in between 2008 and 2009. According to the information provided by Neo-China Group, the Property comprises the unsold portion of Lot Nos. B1 and B2 (excluding unsold commercial portion of Lot No. B2), Phase 1 of Yuanjiagang with a total gross floor area of approximately 157,458.97 sq m. The land use rights of the Property have been granted for various terms due to expire in February 2054 for residential use and February 2044 commercial use.	The Property is currently vacant.	807,700,000 (100% interest attributable to Neo-China Group: RMB807,700,000)

Notes:

- (1) According to two Certificates for the Use of State-owned Land, the land use rights of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang, with a total site area of approximately 77,886.30 sq m, have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司):

Certificate No.	Location	Site Area (sq m)	Uses	Expiry Date
114-2008-046896	Chenshangchen Sport Centre Lot No. B1	16,488.60	Mixed residential	Commercial : February 2044 Residential : February 2054
114-2008-046897	Chenshangchen Sport Centre Lot No. B2	61,397.70	Mixed residential	Commercial : February 2044 Residential : February 2054
	Total	<u>77,886.30</u>		

The Property is under part of the said land.

- (2) According to ten Real Estate Title Certificates, a total gross floor area of approximately 510,577.34 sq m of Lot Nos. B1 and B2, Phase 1 of Yuanjiagang is held by Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司):

Certificate No.	Land Uses	Site Area (sq m)	Building Uses	Gross Floor Area (sq m)	Expire Date
114-2008-046898	Commercial service	47,217.80	Non-residential	282,361.86	August 2043
114-2008-042041	Composite residential	945.70	Residential	20,868.35	Residential: February 2054
114-2008-042042	Composite residential	920.60	Residential	20,283.50	Residential: February 2054
114-2008-042043	Composite residential	15,127.80	Residential	20,013.66	Residential: February 2054
114-2008-042044	Composite residential	906.10	Residential	20,869.04	Residential: February 2054
114-2008-042085	Composite residential	907.90	Residential	20,286.60	Residential: February 2054
114-2008-042086	Composite residential	909.30	Residential	19,421.58	Residential: February 2054
114-2009-050984	Composite residential	15,066.10	Residential and non-residential	50,621.13	Commercial: 29 February 2044 Residential: February 2054
114-2009-050985	Composite residential	1,422.50	Residential and non-residential	15,372.80	Commercial: 29 February 2044 Residential: February 2054
114-2009-059344	Other commercial service	1,437.70	Hotel-type apartment	40,478.82	Commercial: 29 February 2044
	Total	<u>84,861.50</u>		<u>510,577.34</u>	

The Property is part of the said gross floor area.

- (3) According to the information provided by Neo-China, part of the total land premium was approximately RMB255,600,000.
- (4) According to Business Licence No. 500901000052947 1-1-1, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28 May 2003 to 28 May 2023.

- (5) According to the PRC legal opinion:
- (i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land and Real Estate Title Certificate;
 - (iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has right to use, lease, transfer and pledge the land use right of the Property with unsold gross floor area of 157,458.97 sq m;
 - (iv) Level 7 to 42 of building no. 5 of Lot No. B2 is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;
 - (v) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and
 - (vi) According to Planning Permit for Construction Works, the total gross floor area of the Property is 616,026.16 sq m.
- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by Neo-China Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
11. The unsold portion of Phoenix Tower, No. 2008 Shennan Road, Futian District, Shenzhen, Guangdong Province	Phoenix Tower is a composite residential/commercial development erected upon a land with a site area of approximately 11,038.40 sq m and completed in 2006. According to the information provided by Neo-China Group, the Property comprises 4 unsold units of Phoenix Tower with a total gross floor area of approximately 1,048.17 sq m and Neo-China Group has the operation rights of 485 carparks of Phoenix Tower. The land use rights of the Property have been granted for a term of 50 years from 11 June 2001 to 10 June 2051 for office, business apartment and commercial uses.	Three unsold office units, with a total gross floor area of 857.25 sq m, are currently occupied by Neo-China Group for office use. One unsold apartment unit, with a gross floor area of 190.92 sq m, is currently vacant. The car parks are licensed on hourly or monthly basis.	50,820,000 (90.6% interest attributable to Neo-China Group: RMB46,042,920)

Notes:

- (1) According to four Real Estate Title Certificates, the land use rights of the Property for a term from 11 June 2001 to 10 June 2051 for office, business apartment and commercial uses and the building ownership rights of the Property have been granted to Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司):

Certificate No.	Unit	Uses	Gross Floor Area (sq m)
3000465350	19B, Tower 1, China Phoenix Tower	Office	242.53
3000464951	25A, Tower 1, China Phoenix Tower	Office	435.67
3000464953	25E, Tower 1, China Phoenix Tower	Office	179.05
3000464954	24C, Tower 2, China Phoenix Tower	Apartment	190.92
		Total	<u>1,048.17</u>

- (2) According to Business Licence No. 440301501119818 dated 9 January 2002, Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) was established as a limited liability company with a registered capital of USD10,000,000 for a valid operation period from 9 January 2002 to 9 January 2052.
- (3) According to the PRC legal opinion:
- (i) Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司), a 90.6% owned subsidiary of Neo-China, has obtained valid business license and is legally established under the PRC law;
 - (ii) Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) has obtained Real Estate Title Certificates and has right to transfer, pledge and lease of the Property;
 - (iii) The Property is not subject to any pledge; and
 - (iv) The Property has 485 carparks and Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) has the right to operate and charge.
- (4) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser are as follows:
- | | |
|-------------------------------|-----|
| Real Estate Title Certificate | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
12. The unsold portion of Laochengxiang, Lot No. 11 of Laochengxiang Area, Nankai District, Tianjin	<p>Lot No. 11 of Laochengxiang Area is a residential development erected upon a parcel of land with a site area of approximately 62,866.60 sq m and completed in 2007.</p> <p>According to the information provided by Neo-China Group, the Property comprises 166 unsold units of Lot No. 11 of Laochengxiang Area with a total gross floor area of approximately 43,692.74 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 29 March 2075 for residential use.</p>	<p>According to the information provided by Neo-China group, portion of Property, with a total gross floor area of 220 sq m, is currently occupied by Neo-China Group as office use.</p> <p>Portion of Property with a total gross floor area of 3,600.24 sq m is rented by third party for the latest expiry date on 29 June 2014 at a total annual rental of approximately RMB3,858,210 for office use, exclusive of management fee.</p> <p>The remaining portion of Property, with a total gross floor area of 39,872.50 sq m, is currently vacant.</p>	<p>900,000,000</p> <p>(100% interest attributable to Neo-China Group: RMB900,000,000)</p>

Notes:

- (1) According to one hundred and sixty-six Building Ownership Certificates, a total gross floor area of approximately 43,692.74 sq m is held by Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) for residential, non-residential, office and retail uses.
- (2) According to Certificate for the Use of State-owned Land No. (2005)039, the land use rights of Lot No. 11 of Laochengxiang Area, comprising a site area of 62,866.60 sq m, have been vested in Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) for a term due to expire on 29 March 2075 for residential use.
- (3) According to the information provided by Neo-China, the land premium was approximately RMB193,500,000.

- (4) According to Business Licence No. 120000400032528, Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) was established as a limited liability company with a registered capital of RMB80,000,000 for a valid operation period from 23 September 2004 to 2 July 2026.
- (5) According to the PRC legal opinion:
- (i) Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) According to Planning Permit for Construction Works, the total gross floor area of the Property is 44,081.74 sq m (underground 9,757.07 sq m);
 - (iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has fully settled all land premium and obtained Building Ownership Certificates and Certificate for the Use of State-owned Land;
 - (iv) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permits for Commodity Housing. The permits have not been revoked or modified;
 - (v) 145 units of the Property are pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and
 - (vi) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Building Ownership Certificates for another 13 protected historical units which could not be sold without government approval.
- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Building Ownership Certificate | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permits for Commodity Housing | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
13. The unsold commercial portion of Lot No. B2, Phase 1 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagang, Gaixin District, Chongqing	<p>Lot No. B2, Phase 1 of Yuanjiagang is a large-scale residential, office and commercial development erected upon a parcel of land with a site area of approximately 61,397.70 sq m and completed in between 2008 and 2009.</p> <p>According to the information provided by Neo-China Group, the Property comprises the unsold commercial portion of Lot No. B2, Phase 1 of Yuanjiagang with a total gross floor area of approximately 193,616.32 sq m.</p> <p>The land use rights of the Property have been granted for various terms due to expire in February 2054 for residential use and February 2044 commercial use.</p>	<p>Portion of Property with a total gross floor area of 150,144.61 sq m is rented by third party for the latest expiry date on 6 November 2029 at a total annual rental of approximately RMB12,000,000 for commercial use, exclusive of management fee.</p> <p>The remaining portion of Property, with a total gross floor area of 43,471.71 sq m, is currently vacant.</p>	<p>1,665,700,000</p> <p>(100% interest attributable to Neo-China Group: RMB1,665,700,000)</p>

Notes:

- (1) According to Certificate for the Use of State-owned Land No.114-2008-046897, the land use rights of the Property, with a site area of approximately 61,397.70 sq m, have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for a term due to expire in February 2054 for residential use and February 2044 for commercial use. The Property is part of the said land.
- (2) According to Real Estate Title Certificate No. 114-2008-046898, a gross floor area of approximately 282,361.86 sq m of Lot No. B2, Phase 1 of Yuanjiagang is held by Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for non-residential use.

The Property is part of the said gross floor area.
- (3) According to Business Licence No. 500901000052947 1-1-1, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28 May 2003 to 28 May 2023.
- (4) According to the PRC legal opinion:-
 - (i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land and Real Estate Title Certificate;

- (iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has right to use, lease, transfer and pledge the land use right of the Property with unsold gross floor area of 193,616.32 sq m;
 - (iv) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;
 - (v) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified; and
 - (vi) According to Planning Permit for Construction Works, the total gross floor area of Lot Nos. B1 and B2 is 616,026.16 sq m.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes (Partly)
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by Neo-China Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
14. Phase 3 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing	<p>The Property comprises a composite residential/commercial development under construction erected upon three parcels of land (one land under Certificates for the Use of State-owned Land No. (2006)0262 including portion of Phase 2 and Phase 3 of Youngman Point) with a total site area of approximately 54,776.60 sq m.</p> <p>According to the information provided by Neo-China Group, the Property upon completion will have a planned total gross floor area of approximately 101,053.50 sq m (including basement).</p> <p>The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).</p>	The Property is under construction and scheduled to be completed in 2012.	573,000,000 (100% interest attributable to Neo-China Group: RMB573,000,000)

Notes:

- (1) According to three Certificates for the Use of State-owned Land, the land use rights of the development with a total site area of 54,776.60 sq m has been granted to Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司):

Certificate No.	Location	Site Area (sq m)	Uses	Expiry Date
(2004) 0460	Phase 3	12,128.50	Commercial	5 February 2044
(2004) 0461	Phase 3	13,664.55	Residential, ancillary facilities and basement car parking	Residential: 5 February 2074 Ancillary facilities: 5 February 2044 Basement car parking: 5 February 2054
(2006) 0262	Portion of Phase 2 and Phase 3	28,983.55	Residential, commercial and basement car parking and commercial storage	Residential: 30 August 2074 Commercial: 30 August 2044 Basement car parking and commercial storage uses: 30 August 2054
	Total	<u>54,776.60</u>		

- (2) According to two Grant Contract of Land Use Rights Supplement Contracts, the land use rights of the Property have been granted to Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) for residential, ancillary facilities, basement car park and commercial storage uses:

Contract No.	Site Area (sq m)	Land Premium (RMB)	Planned Gross Floor Area (sq m)
(2004) 137	16,600.00	20,618,620	47,700.00
(2004) 0839	29,389.10	33,597,510	79,841.50
Total	<u>45,989.10</u>	<u>54,216,130</u>	<u>127,541.50</u>

- (3) According to five Planning Permits for Construction Works, the construction works of the Property, with a total gross floor area of 101,053.50 sq m was in compliance with the requirement of urban planning and was permitted to be developed.
- (4) According to the information provided by Neo-China Group, 35,333 sq m has been pre-sold at a total consideration of RMB455,760,000 as at 31 January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (5) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB459,000,000; a construction cost of approximately RMB123,300,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the said expended construction cost.
- (6) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB1,200,000,000.
- (7) According to Business Licence No. 110000410267241 dated 29 May 2000, Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) was established as a limited liability company with a registered capital of RMB190,000,000 for a valid operation period from 29 May 2000 to 17 August 2055.
- (8) According to the PRC legal opinion:
- (i) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;
 - (iii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;
 - (iv) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 101,054 sq m;
 - (v) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and
 - (vi) The Property is not subject to any pledge.

- (9) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights Supplement Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
15. Lot No. 1 of Laochengxiang, west of Chengxiang Central Road, Laocheng Xiang Area, Nankai District, Tianjin	<p>The Property comprises a residential development under construction erected upon a parcel of land with a site area of approximately 55,423.40 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 195,966.75 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 30 December 2076 for mixed residential use.</p>	The Property is under construction and scheduled to be completed in mid 2010.	1,778,000,000 (100% interest attributable to Neo-China Group: RMB1,778,000,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land No.060300000008, the land use rights of the Property, comprising a site area of 55,423.40 sq m, have been vested in Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) for a term due to expire on 30 December 2076 for mixed residential use.
- (2) According to Grant Contract of Land Use Rights No. 2004-024 dated 22 July 2005 and its Supplement Contract No. 1 dated 8 September 2006:
 - (i) Grantee: Tianjin Zhongxin Huaan Real Estate Development Co., Ltd.
(天津中新華安房地產開發有限公司)
 - (ii) Site Area: 55,423.40 sq m to be developed by the Grantee
 - (iii) Land Use: Residential, office and ancillary facilities
 - (iv) Planned Gross Floor Area: Not exceeding 201,300 sq m above ground

According to the information provided by Neo-China, the land premium was approximately RMB463,500,000.
- (3) According to Planning Permit for Construction Use of Land No. (2006)0113 dated 31 October 2006, the construction site of land with a total site area of 55,423.40 sq m is in compliance with the requirements of urban planning requirement.
- (4) According to Planning Permits for Construction Works No. (2007)0007 dated 1 August 2007, the Property has been permitted for the construction with the development scheme with a total gross floor area of approximately 193,600.00 sq m (underground gross floor area of 36,870 sq m).
- (5) According to Permit for Commencement of Construction Works No. 1210420200708310 dated 22 August 2007, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 193,600.00 sq m (underground gross floor area of 36,870 sq m).

- (6) According to the information provided by Neo-China Group, 194,169.39 sq m has been pre-sold at a total consideration of RMB2,115,046,701 as at 31 January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB1,054,000,000; a construction cost of approximately RMB864,700,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the above expended construction cost.
- (8) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB2,100,000,000.
- (9) According to Business Licence No. 120000400078186, Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) was established as a limited liability company with a registered capital of RMB240,000,000 for a valid operation period from 3 June 2005 to 2 June 2025.
- (10) According to the PRC legal opinion:
- (i) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;
 - (iii) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property; and
 - (iv) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.
- (11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permit for Commodity Housing | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
16. Jinfeng Building at Lot No. 4 of Laochengxiang, north of Nanma Road, east of Chengxiang East Road, Laocheng Xiang Area, Nankai District, Tianjin	<p>The Property comprises a composite residential/commercial development under construction erected upon a parcel of land with a site area of approximately 19,007.90 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 71,846.40 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 30 January 2075 for mixed residential use.</p>	The Property is currently under construction and scheduled to be completed in mid 2010.	498,000,000 (100% interest attributable to Neo-China Group: RMB498,000,000)

Notes:

- (1) According to Real Estate Title Certificate No. 104050800076 dated 19 September 2008, a site area of approximately 19,007.90 sq m of the Property is held by the Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) for a term due to expire on 30 January 2075 for mixed residential use.
- (2) According to Project Cooperation Agreement dated 23 July 2007, Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) had agreed to acquire the Property at a total consideration of RMB179,246,000.
- (3) According to Grant Contract of Land Use Rights No. 2004-111 dated 29 September 2004 and its Supplement Contract No. 1 dated 8 September 2006:
 - (i) Site Area: 19,007.90 sq m
 - (ii) Land Use: Residential and public facilities
 - (iii) Planned Gross Floor Area: 32,000 sq m for residential
25,000 sq m for public facilities
 - (iv) Building Covenant: To complete the construction before 31 December 2007
- (4) According to Planning Permit for Construction Use of Land No. (2008)0276 dated 27 August 2008, the construction site of a parcel of land with a total site area of 19,007.90 sq m is in compliance with the requirements of urban planning.
- (5) According to Planning Permit for Construction Works No. (2008)0008 dated 8 September 2008, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 56,999.98 sq m (underground: 14,846.42 sq m).

- (6) According to Permit for Commencement of Construction Works No. 12104021200809004 dated 26 September 2008, the construction works of the Property was in compliance with the requirement of works commencement and was permitted to be developed with a total gross floor area of approximately 71,846.40 sq m (public facilities: 24,999.99 sq m and residential: 31,999.99 sq m).
- (7) According to the information provided by Neo-China Group, 53,554.23 sq m has been pre-sold at a total consideration of RMB652,203,960 as at 31 January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB361,300,000; a construction cost of approximately RMB222,000,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the said expended construction cost.
- (9) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB690,000,000.
- (10) According to Business Licence No. 120104000003855, Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) was established as a limited liability company on 19 July 2007 with a registered capital of RMB210,000,000 for a valid operation period from 19 July 2007 to 18 July 2027.
- (11) According to the PRC legal opinion:
- (i) Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) has obtained Real Estate Title Certificate. Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property; and
 - (iii) Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) has obtained Real Estate Title Certificate, Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.
- (12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:
- | | |
|---|-----|
| Real Estate Title Certificate | Yes |
| Project Cooperation Agreement | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permit for Commodity Housing | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
17. Lot No. A10 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	<p>The Property comprises a residential development under construction erected upon a parcel of land with a total site area of 106,940.60 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a composite building including commercial and residential development with a planned total gross floor area of approximately 290,123.03 sq m.</p> <p>The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).</p>	The Property is under construction and scheduled to be completed in end 2010.	RMB606,000,000 (71.5% interest attributable to Neo-China Group: RMB433,290,000)

Notes:

- (1) According to two Certificates for the Use of State-owned Land, the land use rights of the Property, comprising a site area of 106,940.60 sq m, have been granted to Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司):

Certificate No.	Lot No.	Site Area (sq m)	Uses	Expiry Date
(2007)017	A10	89,427.70	Residential (Residential, commercial, public construction, green area, water facilities)	Residential : 30 March 2076 Commercial : 30 March 2046 Green area & Water facilities : 30 March 2056
(2008)009	A10	17,512.90	Composite	Residential : 30 March 2076 Commercial : 30 March 2046 Green area & Water facilities : 30 March 2056
	Total	<u>106,940.60</u>		

- (2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	A10
Grantee	Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司)
Supplement Contract No.	(CB)711
Site Area	160 mu (106,667 sq m)
Land Use	Composite, residential
Plot Ratio	2.65

According to the information provided by Neo-China, the land premium was approximately RMB38,200,000.

- (3) According to Planning Permit for Construction Use of Land No. (2007)13 dated 10 September 2007, the construction site of a parcel of land with a total site area of 186.816 mu is in compliance with the requirements of urban planning.
- (4) According to Planning Permit for Construction Works No. (2007)007 dated 20 December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 323,650.00 sq m (above ground: 283,900.00 sq m and underground: 39,750.00 sq m).
- (5) According to Permit for Commencement of Construction Works No. (2008)004 dated 8 April 2008, the construction works of the Property was in compliance with the requirement of works commencement and was permitted to be developed with a total gross floor area of approximately 323,650.00 sq m.
- (6) According to the information provided by Neo-China Group, 255,653.97 sq m has been pre-sold at a total consideration of RMB1,003,907,100 as at 31 January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB730,600,000; a construction cost of approximately RMB442,000,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the said expended construction cost.
- (8) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB1,100,000,000.
- (9) According to Business Licence No. 610100400003735, Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) was established as a limited liability company on 2 July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2 July 2007 to 1 July 2037.
- (10) According to the PRC legal opinion:-
- (i) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;
 - (iii) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has right to transfer, lease and pledge of the Property;

- (iv) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and
- (v) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 323,650 sq m (aboveground: 283,900 sq m and underground: 39,750 sq m).
- (11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
18. Lot No. A13 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	<p>The Property comprises a residential development under construction erected upon a parcel of land with a total site area of approximately 118,077.40 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 213,178.10 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 30 March 2076 for residential use.</p>	The Property is under construction and scheduled to be completed in mid 2010.	RMB365,000,000 (71.5% interest attributable to Neo-China Group: RMB260,975,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2007)005 dated 25 September 2007, the land use rights of the Property, comprising a site area of 118,077.40 sq m, have been granted to Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) for a term due to expire on 30 March 2076 for residential use.
- (2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	A13
Grantee	Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司)
Supplement Contract No.	(CB)714
Site Area	177 mu (118,000 sq m)
Land Use	Residential
Plot Ratio	1.77

According to the information provided by Neo-China, the land premium was approximately RMB42,000,000.

- (3) According to Planning Permit for Construction Use of Land No. (2007)16 dated 10 September 2007, the construction site of a parcel of land with a total site area of 204.674 mu is in compliance with the requirements of urban planning.
- (4) According to Planning Permit for Construction Works No. (2007)008 dated 20 December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 232,296.00 sq m (aboveground: 209,700 sq m and underground: 22,596 sq m).
- (5) According to Permit for Commencement of Construction Works No. (2008)020 dated 8 April 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 232,296.00 sq m.

- (6) According to the information provided by Neo-China Group, 87,917.17 sq m has been pre-sold at a total consideration of RMB455,246,600 as at 31 January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB490,600,000; a construction cost of approximately RMB186,000,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the above expended construction cost.
- (8) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB900,000,000.
- (9) According to Business Licence No. 610100400003778, Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) was established as a limited liability company on 8 August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 31 July 2009 to 31 July 2011.
- (10) According to the PRC legal opinion:-
- (i) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;
 - (iii) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has right to transfer, lease and pledge of the Property;
 - (iv) Xian Zhongxin Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permits for Commodity Housing. The permits have not been revoked or modified;
 - (v) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and
 - (vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 232,296 sq m (aboveground: 209,700 sq m and underground: 22,596 sq m).
- (11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permit for Commodity Housing | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
19. Lot No. A14 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	<p>The Property comprises a residential development under construction erected upon two parcels of land with a total site area of approximately 103,834.90 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 210,188.38 sq m.</p> <p>The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).</p>	The Property is under construction and scheduled to be completed in 2011.	RMB507,000,000 (71.5% interest attributable to Neo-China Group: RMB362,505,000)

Notes:

- (1) According to two Certificates for the Use of State-owned Land, the land use rights of the Property have been granted to Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司):-

Certificate No.	Lot No.	Site Area (sq m)	Uses	Expiry Date
(2007) 018	A14	63,214.60	Residential (Residential, green area)	Residential : 30 March 2076 Green area : 30 March 2056
(2008) 005	A14	40,620.30	Composite	Residential : 30 March 2076 Commercial : 30 March 2046 Green area & Water facilities : 30 March 2056
	Total	<u>103,834.90</u>		

- (2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:-

Lot No.	A14
Grantee	Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司)
Supplement Contract No.	(CB)715
Site Area	157 mu (104,667 sq m)
Land Use	Composite, residential
Plot Ratio	2.17

According to the information provided by Neo-China, the land premium was approximately RMB41,100,000.

- (3) According to Planning Permit for Construction Use of Land No. (2007)17 dated 10 September 2007, the construction site of a parcel of land with a total site area of 186.29 mu is in compliance with the requirements of urban planning.
- (4) According to Planning Permit for Construction Works No. (2007)009 dated 20 December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 232,630.00 sq m (aboveground: 209,400 sq m and underground: 23,230 sq m).
- (5) According to Permit for Commencement of Construction Works No. (2008)009 dated 25 July 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 231,500.20 sq m.
- (6) According to the information provided by Neo-China Group, 184,088.18 sq m has been pre-sold at a total consideration of RMB823,449,600 as at 31 January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB575,200,000; a construction cost of approximately RMB360,000,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the said expended construction cost.
- (8) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB890,000,000.
- (9) According to Business Licence No. 610100400003743, Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) was established as a limited liability company on 8 August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8 August 2007 to 7 August 2037.
- (10) According to the PRC legal opinion:–
 - (i) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences and is legally established under the PRC law;
 - (ii) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;
 - (iii) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) has right to transfer, lease and pledge of the Property;
 - (iv) As advised, the Property is under construction, but the date of commence to construction has expired . However, most part of the Property has been per-sold, therefore, the legal risk of the government to levy the related land idling charges is relatively low;
 - (v) Xian Zhongxin Yongjia Development Co., Ltd. (西安中新永佳房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permits for Commodity Housing. The permits have not been revoked or modified; and
 - (vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 232,630 sq m (aboveground: 209,400 sq m and underground: 23,230 sq m).

- (11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
20. Lot No. A15 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	<p>The Property comprises a residential development under construction erected upon a parcel of land with a total site area of 92,119.40 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 228,131.52 sq m.</p> <p>The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).</p>	The Property is under construction and scheduled to be completed in 2011.	RMB458,000,000 (71.5% interest attributable to Neo-China Group: RMB327,470,000)

Notes:

- (1) According to two Certificates for the Use of State-owned Land, the land use rights of the Property have been granted to Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司):-

Certificate No.	Lot No.	Site Area (sq m)	Uses	Expiry Date
(2007) 019	A15	50,930.80	Residential (Residential, green area)	Residential : 30 March 2076 Green area : 30 March 2056
(2008) 008	A15	41,188.60	Composite	Residential : 30 March 2076 Commercial : 30 March 2046 Green area & Water facilities : 30 March 2056
Total		<u>92,119.40</u>		

- (2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:-

Lot No.	A15
Grantee	Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司)
Supplement Contract No.	(CB)716
Site Area	138 mu (92,000 sq m)
Land Use	Composite, residential
Plot Ratio	2.11

According to the information provided by Neo-China, the land premium was approximately RMB36,900,000.

- (3) According to Planning Permit for Construction Use of Land No. (2007)18 dated 10 September 2007, the construction site of a parcel of land with a total site area of 161.269 mu is in compliance with the requirements of urban planning.
- (4) According to Planning Permit for Construction Works No. (2007)010 dated 20 December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 249,818.00 sq m (aboveground: 225,600 sq m and underground: 24,218.00 sq m).
- (5) According to Permit for Commencement of Construction Works No. (2008)005 on 8 April 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 249,818.00 sq m.
- (6) According to the information provided by Neo-China Group, 188,897.32 sq m has been pre-sold at a total consideration of RMB757,072,800 as at 31 January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB517,900,000; a construction cost of approximately RMB289,000,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the said expended construction cost.
- (8) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB880,000,000.
- (9) According to Business Licence No. 610100400003727, Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) was established as a limited liability company on 8 August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8 August 2007 to 7 August 2037.
- (10) According to the PRC legal opinion:-
- (i) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences and is legally established under the PRC law;
 - (ii) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) has obtained Certificate for the Use of State-owned Land;
 - (iii) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) has right to transfer, lease and pledge of the Property;

- (iv) Xian Zhongxin Jiayuan Development Co., Ltd. (西安中新佳園房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and
- (v) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 249,818 sq m (aboveground: 225,600 sq m and underground: 24,218 sq m).
- (11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
21. District B to E of Phase 1, Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	<p>The Property comprises a residential development under construction erected upon a parcel of land with a total site area of approximately 150,448.17 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into various blocks of residential building and villa with a planned total gross floor area of approximately 200,137.42 sq m.</p> <p>In addition, the Property also has 1,038 carparks above ground and 448 carparks in the basement with a total gross floor area of 17,548 sq m.</p> <p>The land use rights of the Property have been granted for a term of due to expire on 27 November 2076 for residential use.</p>	The Property is under construction and scheduled to be completed in end 2011.	RMB318,000,000 (67% interest attributable to Neo-China Group: RMB213,060,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2007)006, the land use rights of the Property, comprising a total site area of 150,448.17 sq m, have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for a term due to expire on 27 November 2076 for residential use.
- (2) According to Grant Contract of Land Use Rights dated 27 November 2006:–
 - (i) Grantee: Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd.
(湖南淺水灣湘雅溫泉花園有限公司)
 - (ii) Site Area: 150,448 sq m
 - (iii) Land Use: Residential
 - (iv) Plot Ratio: 1.5
 - (v) Land Premium: RMB7,612,269
 - (vi) Land Use Term: 70 years for residential
- (3) According to Planning Permit for Construction Use of Land No. 200701004 (for Phase 1) dated 25 January 2007, the construction site of land (Phase 1) (Property no. 9 is also under Phase 1) with a total site area of 456.318 mu (304,212 sq m) is in compliance with the requirements of urban planning requirement.

- (4) According to Planning Permit for Construction Works No. 200710091, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 194,377.80 sq m.
- (5) According to Permit for Commencement of Construction Works No. 430109200801180401, the construction works of the portion of Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 99,476.77 sq m. Application of Permit for Commencement of Construction Works for the remaining portion of the Property is being applied. Our valuation is prepared on the basis that the said Permit will be issued in due course.

We noted that the planned gross floor area as per the information provided by Neo-China Group is 200,137.42 sq m, which exceeds the permitted gross floor area of 194,377.80 sq m as stipulated in the Permits for Commencement of Construction Works. As per the instruction, our valuation is based on planned gross floor area of the information provided by Neo-China Group of 200,137.42 sq m and assumed that the Property has obtained the relevant approval and the Property can be freely transferred to third party with the land premium being fully settled.

- (6) According to 80 Pre-sale Permits for Commodity Housing, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was permitted to pre-sale the Property with a total planned gross floor area of 184,391.32 sq m.
- (7) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB200,000,000; a construction cost of approximately RMB113,500,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the above expended construction cost.
- (8) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB473,000,000.
- (9) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14 September 2005 with a registered capital of RMB30,000,000 for a valid operation period from 14 September 2005 to 14 September 2034.
- (10) According to the PRC legal opinion:–
 - (i) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium of the Property and has obtained Certificate for the Use of State-owned Land;
 - (iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use right of the Property; and
 - (iv) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, partly Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing; Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) is applying for the remaining Permit for Commencement of Construction Works without legal obstacle.

- (11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes (Partly)
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
22. Phase 1 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	<p>The Property comprises a composite development under construction erected upon a parcel of land with a total site area of approximately 79,013.33 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into various blocks of residential and commercial buildings with a planned total gross floor area of approximately 304,715.55 sq m.</p> <p>The land use rights of the Property have been granted for a term from 16 February 2007 to 17 December 2076 for residential and from 16 February 2007 to 17 December 2046 for commercial uses.</p>	The Property is under construction and scheduled to be completed in 2011.	RMB736,000,000 (100% interest attributable to Neo-China Group: RMB736,000,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2007)243, the land use rights of the Property, comprising a total site area of 79,013.33 sq m, have been vested in Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) for a term from 16 February 2007 to 17 December 2076 for residential and 16 February 2007 to 17 December 2046 for commercial uses.
- (2) According to Grant Contract of Land Use Rights No. (2007)21 dated 18 December 2006 and its Supplements dated 2 March 2007:-
 - (i) Grantee: Chengdu Zhongxin Jintai Real Estate Development Co., Ltd
(成都中新錦泰房地產開發有限公司)
 - (ii) Site Area: 79,013.33 sq m
 - (iii) Land Use: Commercial and residential
 - (iv) Plot Ratio: Not less than 2.2
 - (v) Land Premium: RMB270,225,600
 - (vi) Land Use Term: 40 years for commercial and 70 years for residential
- (3) According to Planning Permit for Construction Use of Land No. (2007)011 dated 14 March 2007, the construction sites of land with a site area of 118.52 mu (79,013 sq m) are in compliance with urban planning requirements.

- (4) According to two Planning Permits for Construction Works, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with the development scheme:-

Permit No.	Planned Gross Floor Area (sq m)	Issuing Date
(2007)035	143,023.46	4 September 2007
510115200830007	161,692.09 (aboveground: 135,161.93 sq m underground: <u>26,530.16 sq m</u>)	3 March 2008
Total	<u>304,715.55</u>	

- (5) According to two Permits for Commencement of Construction Works:-

Permit No.	Planned Gross Floor Area (sq m)	Issuing Date
510123200912160101	143,023.46	16 December 2009
510123200812020101	<u>161,692.09</u>	2 December 2008
Total	<u>304,715.55</u>	

- (6) According to three Pre-sale Permits for Commodity Housing Nos. 660, 622 and 755, Chengdu Zhongxin-jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) was permitted to pre-sale the Property with a total planned gross floor area of 117,181.80 sq m:-

Permit Nos.	Planned Gross Floor Area (sq m)	Issuing Date
660	28,214.46	26 September 2008
622	53,695.76	26 September 2008
755	<u>35,271.58</u>	3 January 2010
Total	<u>117,181.80</u>	

- (7) According to the information provided by Neo-China Group, 95,651.85 sq m has been pre-sold at a total consideration of RMB358,842,659 as at 31 January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

- (8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB401,800,000; a construction cost of approximately RMB175,500,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

- (9) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB1,180,000,000.

- (10) According to Business Licence No. 5101231800997, Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) was established as a limited liability company on 30 January 2007 with a registered capital of RMB200,000,000 for a valid operation period from 30 January 2007 to 29 January 2027.
- (11) According to the PRC legal opinion:-
- (i) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;
 - (iii) Chengdu Zhongxin-jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;
 - (iv) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified;
 - (v) The Property is pledged to a bank. The transfer or further pledging of the Property is subject to the consent from the bank; and
 - (vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 304,715.55 sq m.
- (12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permit for Commodity Housing | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
23. Phase 2 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai	<p>The Property comprises a composite development under construction erected upon a parcel of land with a total site area of approximately 41,162.00 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a composite development with a planned total gross floor area of approximately 172,460.00 sq m.</p> <p>The land use rights of the Property have been granted for a term from 9 July 2005 to 8 July 2055 for composite (commercial, office and hotel-type apartment) uses.</p>	The Property is currently under construction and scheduled to be completed in mid 2010.	RMB1,247,000,000 (100% interest attributable to Neo-China Group: RMB1,247,000,000)

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2007)032278 dated 26 October 2007, the land use rights of the Property, comprising a site area of 41,162 sq m, have been vested in Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) for a term from 9 July 2005 to 8 July 2055 for composite (commercial, office and hotel-type apartment) uses.
- (2) According to Grant Contract for State-owned Land Use Rights No. (2005)122 and its Ancillary Facilities Contract No. (2005)007 both dated 9 May 2005:-
 - (i) Grantee: Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司)
 - (ii) Site Area: 57,944 sq m
 - (iii) Land Use: Composite (commercial, office and hotel-type apartment)
 - (iv) Land Use Term: 50 years
 - (v) Land Grant Premium: RMB73,749,000
 - (vi) Demolishment and Resettlement Fee: RMB172,081,000
 - (vii) Plot Ratio: Not greater than 2.8
- (3) According to Planning Permit for Construction Use of Land No. (2006)17060707E01192 dated 7 July 2006, the construction land of Youth Plaza was in compliance with the requirement of urban planning and was permitted to be developed with a total site area of approximately 57,944 sq m.
- (4) According to Planning Permit for Construction Works No. (2007)17070917F02610 dated 17 September 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 172,460 sq m.
- (5) According to Permit for Commencement of Construction Works No. 0601SJ0015D02 dated 26 October 2007, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 172,460 sq m.

- (6) According to two Pre-sale Permits for Commodity Housing Nos. (2008)0000534 and (2008)0000694, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 87,385.36 sq m:-

Permit No.	Planned Gross Floor Area (sq m)	Issuing Date
(2008)0000534	36,824.15	28 July 2008
(2008)0000694	50,561.21	29 September 2008
Total	<u>87,385.36</u>	

- (7) According to the information provided by Neo-China Group, a total gross floor area of 87,041.62 sq m apartment office and retail units has been pre-sold at a total consideration of RMB980,567,459 as at 31 January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB939,200,000; a construction cost of approximately RMB805,000,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the said expended construction cost.
- (9) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB1,609,000,000.
- (10) According to Business Licence No. 310227000954132, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was established as a limited liability company on 30 September 2003 with a registered Market of RMB226,160,000 for a valid operation period from 30 September 2003 to 29 September 2013.
- (11) According to the PRC legal opinion:-
- (i) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has fully settled all the land premium of the Property and obtained Shanghai Certificate of Real Estate Ownership;
 - (iii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;
 - (iv) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and
 - (v) The Property is pledged to a bank. The transfer or further pledging of the Property is subject to the consent from the bank.

- (12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-

Shanghai Certificate of Real Estate Ownership	Yes
Grant Contract for State-owned Land Use Rights and its Ancillary Facilities Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
24. Block 12 of Lot No. 9 of Laochengxiang, south of Beima Road, Laocheng Xiang Area, Nankai District, Tianjin,	Lot No. 9 of Laochengxiang is a residential development with 12 blocks under construction erected upon a parcel of land with a site area of approximately 41,107.10 sq m.	The Property is currently under construction and scheduled to be completed in mid 2010.	RMB263,000,000 (100% interest attributable to Neo-China Group: RMB263,000,000)

According to the information provided by Neo-China Group, the Property comprises Block 12 of Lot No. 9 of Laochengxiang, with a planned total gross floor area of approximately 26,201.44 sq m.

The land use rights of the Property have been granted for a term due to expire on 30 December 2076 for composite town residential use.

Notes:

- (1) According to Real Estate Title Certificate No. 060300000006, the land use rights of the Lot No. 9, with a site area of approximately 41,107.10 sq m, have been granted to Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) for a term due to expire on 30 December 2076 for mixed residential use.
- (2) According to Grant Contract of Land Use Rights No. 2004-024 dated 6 September 2004 and its Supplement Contract No. 1 for Lot No. 9 dated 8 September 2006:–
 - (i) Grantee: Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司)
 - (ii) Site Area: 799,285.20 sq m (239,786 sq m for public facilities and 559,499.20 sq m for residential)
 - (iii) Land Use: Residential and public facilities
 - (iv) Planned Gross Floor Area: Not exceeding 172,362 sq m (146,362 sq m for residential and ancillary public facilities, 26,000 sq m for office and service apartment);
 - (v) Land Premium: RMB388,473,147.06
- (3) According to Planning Permit for Construction Use of Land No. (2006)0112 dated 31 October 2006, the construction land of Lot No. 9 was in compliance with the requirement of urban planning and was permitted to be developed with a site area of approximately 41,107.10 sq m.
- (4) According to Planning Permit for Construction Works No. (2007)0016 dated 19 April 2007, the Property has been permitted for the construction with a total gross floor area of 26,000 sq m (underground 3,900 sq m).

- (5) According to Permit for Commencement of Construction Works No. 1210420200705034, the Property has been permitted to commence construction works with a total gross floor area of 26,000 sq m (underground 3,848 sq m).
- (6) According to Pre-sale Permits for Commodity Housing No. (2007)509-001, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 26,164.76 sq m.
- (7) According to the information provided by Neo-China Group, 24,073.16 sq m has been pre-sold at a total consideration of approximately RMB313,000,000 as at 31 January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (8) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB153,100,000; a construction cost of approximately RMB113,400,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the said expended construction cost.
- (9) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB320,000,000.
- (10) According to Business Licence No. 120000400078160, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司), was established as a limited liability company with a registered capital of RMB240,000,000 for a valid operation period from 3 June 2005 to 2 June 2025.
- (11) According to the PRC legal opinion:-
- (i) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) According to Planning Permit for Construction Works, the total gross floor area is 26,000.00 sq m in which underground gross floor area is 3,900.00 sq m;
 - (iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has fully settled all the land premium of the Property and obtained the Real Estate Title Certificate;
 - (iv) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property; and
 - (v) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified.
- (12) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-
- | | |
|---|-----|
| Real Estate Title Certificate | Yes |
| Grant Contract for State-owned Land Use Rights | Yes |
| Supplement Grant Contract for State-owned Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permit for Commodity Housing | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
25. Lot No. A4 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	<p>The Property comprises a composite residential/commercial development under construction erected upon a parcel of land with a site area of approximately 113,551.70 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a composite residential/commercial development with a planned total gross floor area of approximately 212,296 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 30 March 2076 for residential use.</p>	The Property is currently under construction and scheduled to be completed in 2012.	RMB232,000,000 (71.5% interest attributable to Neo-China Group: RMB165,880,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2007)009, the land use rights of the Property, comprising a site area of approximately 113,551.70 sq m, have been granted to Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) for a term due to expire on 30 March 2076 for residential use.

(2) According to Grant Contract of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:-

Lot No.	A4
Grantee	Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司)
Supplement Contract No.	(CB)710
Site Area	57 mu (38,000 sq m)
Land Use	Residential
Plot Ratio	1.62

According to the information provided by Neo-China, the land premium was approximately RMB60,900,000.

(3) According to Planning Permit for Construction Use of Land No. (2007)12, the construction site of a parcel of land of 197.866 mu (131,911 sq m) is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. (2009)019 dated 20 August 2009, the construction works of Lot No. A4 was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 212,296 sq m.

(5) According to the information provided by Neo-China Group, 60,065.47 sq m has been pre-sold at a total consideration of approximately RMB277,000,000 as at 31 January 2010. In the course of our valuation, we have taken into account the said pre-sold consideration.

- (6) According to the information provided by Neo-China Group, the estimated total construction cost to complete the development is approximately RMB469,400,000; a construction cost of approximately RMB91,000,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the said expended construction cost.
- (7) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB810,000,000.
- (8) According to Business Licence No. 610100400003786, Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) was established as a limited liability company on 2 July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2 July 2007 to 1 July 2037.
- (9) According to the PRC legal opinion:-
- (i) Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences; however, the establishment is defective and Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) does not have the appropriate qualification of real estate development, however, the legal risk of punishment is relatively low;
 - (ii) Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) has fully settled the land premium and obtained Certificate for the Use of State-owned Land;
 - (iii) Upon fulfilling the relevant stipulation in the Grant Contracts of Land Use Rights, Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) has right to transfer, lease and pledge of the Property;
 - (iv) Xian Neo-China Liuyu Development Co., Ltd. (西安中新柳域房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and
 - (v) The Property is pledged to a bank. The transfer or further pledging of the Property is subject to the consent from the bank.
- (10) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-
- | | |
|---|-------------|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of Land use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes(Partly) |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permit for Commodity Housing | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Group IV-Properties held by Neo-China Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
26. Phase 3 of Xidiaoyutai, Lot No. 2 of West Diaoyutai Village, Haidian District, Beijing	<p>Xidiaoyutai is a large-scale composite residential/retail development erected upon two parcels of land Lot Nos. 1 and 2 with a total site area of approximately 42,541.05 sq m.</p> <p>The Property comprises Phase 3 of Xidiaoyutai to be erected on portion of Lot No. 2 with a site area of approximately 6,000 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a composite residential/retail development with a total gross floor area of approximately 46,125 sq m.</p> <p>The land use rights of the Property have been granted for various terms due to expire on 18 February 2074 for residential, 18 February 2044 for ancillary facilities and 18 February 2054 for carpark uses.</p>	The Property is currently vacant pending development.	RMB687,000,000 (90% interest attributable to Neo-China Group: RMB618,300,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2005)3487 dated 29 September 2005, the land use rights of the Lot No. 2, comprising a total site area of approximately 27,088.24 sq m, have been granted to Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) for various terms due to expire on 18 February 2074 for residential, 18 February 2044 for ancillary facilities and 18 February 2054 for carpark uses.
- (2) According to Grant Contract of Land Use Rights No. (2004)173 dated 19 February 2004:–
 - (i) Grantee: Beijing Yu Shui Yuan Properties Development Co., Ltd.
(北京市御水苑房地產開發有限責任公司)
 - (ii) Site Area: 27,088.24 sq m
 - (iii) Land Use: Commercial service uses
 - (iv) Planned Gross Floor Area: 146,996 sq m

- (3) According to Business Licence No.1101080064387 dated 15 August 2003, Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) was established as a limited liability company with a registered capital of RMB20,000,000 for a valid operation period from 15 August 2003 to 14 August 2023.
- (4) According to the PRC legal opinion:-
- (i) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司), a 90% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) has fully settled the land premium and obtained Certificate for the Use of State-owned Land;
 - (iii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) has right to use, lease, transfer and pledge the land use rights of the Property;
 - (iv) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) has obtained Planning Permit for Construction Use of Land;
 - (v) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and
 - (vi) The Property was granted together with other portion of the land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-
- | | |
|--|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
27. Yanjiao, East of Yingbin South Road, Yanjiao Economic Technology Development Zone, Hebei Province	<p>The Property comprises a parcel of land with a site area of approximately 333,333 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a composite development including commercial, residential, office, hotel and ancillary facilities with a planned total gross floor area of approximately 460,000 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 21 June 2056 for composite use.</p>	The Property is currently vacant pending development.	RMB635,000,000 (100% interest attributable to Neo-China Group: RMB635,000,000)

Note:

- (1) According to Certificate for the Use of State-owned Land No. (2006) 024 dated 28 June 2006, the land use rights of the Property, comprising a site area of approximately 333,333 sq m, have been granted to Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) for a term due to expire on 21 June 2056 for composite use.
- (2) According to Grant Contract of Land Use Rights dated 31 March 2006:–
 - (i) Grantee: Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司)
 - (ii) Site Area: 333,333 sq m
 - (iii) Land Use: Composite
 - (iv) Plot Ratio: Greater than or equal to 1.3
 - (v) Land Premium: RMB76,000,000
 - (vi) Land Use Term: 50 years
 - (vii) Building Covenant: Commence construction before end of October 2006 and complete construction before end of Year 2008
- (3) According to Business Licence No. 131082400000363, Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) was established as a limited liability company with a registered capital of RMB100,000,000 for a valid operation period from 7 April 2006 to 6 April 2026.

- (4) According to the PRC legal opinion:-
- (i) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;
 - (iii) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) has right to use, transfer, lease and pledge the land use rights of the Property; and
 - (iv) The adjustment planning of the Property is being processed, it is thus not able to commence the construction work before the government approval. The cause of not commencing development on the Property is mainly on the government due to the construction planning change, the legal risk of recovery by the government due to idle land is relatively low.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of Land Use Rights | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
28. Lot No. 2 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	<p>The Property comprises a parcel of land with a site area of approximately 27,552.10 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will developed into a commercial development with a planned total gross floor area of approximately 46,502.00 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 17 April 2048 for commercial use.</p>	The Property is currently vacant pending development.	RMB359,000,000 (100% interest attributable to Neo-China Group: RMB359,000,000)

Notes:

- (1) According to Real Estate Title Certificate No. 104050800066, the land use rights of the Property, comprising a total site area of 27,552.10 sq m, have been vested in Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) for a term due to expire on 17 April 2048 for commercial use. The Property should commence construction before 30 December 2004 and to complete construction before 30 December 2009. This Certificate is valid till 30 March 2010.
- (2) According to Grant Contract of Land Use Rights No. 2004-024 Supplement Contract No. 2 dated 22 July 2005:-
 - (i) Grantee: Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.
(天津中新濱海房地產開發有限公司)
 - (ii) Site Area: 27,600 sq m to be developed by the Grantee
 - (iii) Land Use: Commercial
 - (iv) Planned Gross Floor Area: 32,800 sq m for commercial

According to the information provided by Neo-China, the land premium was approximately RMB218,000,000.
- (3) According to Planning Permit for Construction Use of Land No. (2008)0240 dated 6 June 2008, the construction site of a parcel of land with a total site area of 27,552.10 sq m is in compliance with the requirements of urban planning requirement.
- (4) According to Planning Permit for Construction Works No. (2008)0027 dated 22 August 2008, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a gross floor area of approximately 32,800 sq m (underground gross floor area of 13,702 sq m).
- (5) According to Permit for Commencement of Construction Works No. 12104071200809003 dated 26 September 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 46,502 sq m (public facilities: 32,800 sq m and underground: 13,702 sq m).

- (6) According to Business Licence No. 120000400021876, Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) was established as a limited liability company with a registered capital of HKD100,000,000 for a valid operation period from 9 December 2004 to 8 December 2024.
- (7) According to the PRC legal opinion:-
- (i) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land which is valid till 30 March 2010;
 - (iii) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has right to use, lease, transfer and pledge of the Property;
 - (iv) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;
 - (v) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Real Estate Title Certificate;
 - (vi) According to Planning Permit for Construction Works, the Property should commence construction before 26 September 2008 and Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has not applied the Permits for extension. The Permits for Commencement of Construction Works had lapsed on 25 December 2008; and
 - (vii) According to Real Estate Title Certificate, the Property should commence construction before 30 December 2004 and to complete construction before 30 December 2009. This Certificate is valid till 30 March 2010. Application of extension of Real Estate Title Certificate is being applied, therefore, Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) will not lose the land use rights of the Property.

- (8) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes**
Business Licence	Yes

- ** Lapsed. Our valuation is prepared on the basis that such extension will be approved in due course.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
29. The commercial portion of Lot No. 15 of Laochengxiang, Laocheng Xiang Area, Nankai District, Tianjin	Lot No. 15 of Laochengxiang is planned as a composite residential/commercial development to be erected upon a parcel of land with a site area of approximately 38,295.10 sq m. The Property comprises the commercial portion of Lot No. 15 of Laochengxiang. According to the information provided by Neo-China Group, the Property will developed into commercial development with a planned total gross floor area of approximately 30,000 sq m above ground. The land use rights of the Property have been granted for a term due to expire on 22 August 2075 for residential and ancillary facilities and 22 August 2045 for commercial uses.	The Property is currently vacant pending development.	RMB309,000,000 (100% interest attributable to Neo-China Group: RMB309,000,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2006)005 dated 23 January 2006, the land use rights of a parcel of land with a site area of approximately 38,295.10 sq m have been granted to Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) for a term due to expire on 22 August 2075 for residential and ancillary facilities and 22 August 2045 for commercial uses. (Heyuan Xinju Blocks 1 to 6 with basement carpark erected upon a the land has been registered separately on 28 July 2008.)
- (2) According to Grant Contract of Land Use Rights Supplement Contract dated 22 July 2005:-
 - (i) Grantee: Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司)
 - (ii) Site Area: 38,295.10 sq m to be developed by the Grantee
 - (iii) Land Use: Residential, commercial
 - (iv) Planned Gross Floor Area: Total 107,744 sq m (in which 30,000 sq m for commercial)
 - (v) Land Premium: RMB264,135,812
- (3) According to Planning Permit for Construction Use of Land No. (2005)0130 dated 20 September 2005, the construction site of a parcel of land with a total site area of 38,295.10 sq m is in compliance with the requirements of urban planning requirement.

- (4) According to Business Licence No. 120000400084090, Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) was established as a limited liability company with a registered capital of RMB120,000,000 for a valid operation period from 3 June 2005 to 2 June 2025.
- (5) According to the PRC legal opinion:-
- (i) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
 - (ii) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;
 - (iii) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has right to transfer, lease and pledge the land use rights of the Property;
 - (iv) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. The permits have not been revoked or modified; and
 - (v) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.
- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of Land Use Rights Supplement Contract | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permit for Commodity Housing | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
30. Lot Nos. C1 and E4 Phase 2 of Yuanjiagang, No. 1 Olympic Road, Yuanjiagong, Gaixin District, Chongqing	<p>The Property comprises two parcels of land with a total site area of approximately 25,374.50 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a composite residential/commercial development with a total gross floor area of approximately 131,576.31 sq m.</p> <p>The land use rights of the Property have been granted for terms due to expire in August 2053 and February 2054 for residential and August 2043 and February 2044 for commercial uses.</p>	The Property is currently vacant pending development.	RMB296,000,000 (100% interest attributable to Neo-China Group: RMB296,000,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2003)0919 and Real Estate Title Certificate No. 100-2005-639, the land use rights of the Property have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司):-

Certificate No.	Location	Site Area (sq m)	Uses	Expiry Date
(2003) 0919	Yuanjiagang Sport Centre Lot No. C1	11,479.50	Composite	Commercial : August 2043 Residential : August 2053
100-2005-639	Yuanjiagang Sport Centre Lot No. E4	13,895.00	Mixed residential	Commercial : February 2044 Residential : February 2054
Total		<u>25,374.50</u>		

- (2) According to Grant Contract of Land Use Rights No. (2003)203 dated 29 August 2003 and its Supplement Contracts dated 3 November 2004 and 24 October 2008:-

- (i) Grantee: Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司)
- (ii) Lot Nos.: Lot Nos. B1, B2, C1, E4, A9
- (iii) Site Area: 120,014.30 sq m

- (iv) Total Land Premium: RMB255,604,150 for all 5 land lots
- (v) Plot Ratio: Lot No. C1 – Less than or equal to 8.5 for commercial and residential
Lot No. E4 – Not exceeding 3 for commercial and residential

- (3) According to two Planning Permits for Construction Use of Land, the construction land of the Property was in compliance with the requirement of urban planning and was permitted to be developed:-

Permit No.	Site Area (sq m)	Issuing Date
500138200800128	11,448.90	7 July 2008
500138200800068	13,899.00	25 March 2008
Total	<u>25,347.90</u>	

- (4) According to Planning Permit for Construction Works, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed:-

Permit No.	Planned Gross Floor Area (sq m)	Issuing Date
(2007)0302	3,759.96*	16 January 2007
500138200900017	89,880.41	26 June 2009
500138200800035	41,695.90	7 August 2008
Total	<u>135,336.27</u>	

- * As advised, temporary office with a total gross floor area of 3,759.96 sq m will demolish when the property has been completed. We have disregarded it in our Valuation.

- (5) According to Business Licence No. 500901000052947 1-1-1, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28 May 2003 to 28 May 2023.

- (6) According to the PRC legal opinion:-

- (i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
- (ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land and Real Estate Title Certificate;
- (iii) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;

- (iv) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Planning Permit for Construction Use of Land and Planning Permit for Construction Works;
 - (v) Temporary office with a total gross floor area of 3,759.96 sq m will demolish when the property has been completed; and
 - (vi) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.
- (7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permits for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
31. Lot Nos. A2 to A3 & A11 to A12 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian	<p>The Property comprises four parcels of land with a total site area of approximately 1,087,836.60 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a composite residential/commercial development with a planned total gross floor area of approximately 1,478,538.00 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 30 March 2076 for residential and 30 March 2056 for public facilities, green area & water facilities uses.</p>	The Property is currently vacant pending development.	RMB1,261,000,000 (71.5% interest attributable to Neo-China Group: RMB901,615,000)

Notes:

- (1) According to four Certificates for the Use of State-owned Land, the land use rights of the Property have been granted to Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司) for Lot No. A2, Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司) for Lot No. A3, Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) for Lot No. A11 and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) for Lot No. A12:-

Certificate No.	Lot No.	Site Area (sq m)	Uses	Expiry Date
(2007) 007	A2	163,106.10	Residential	30 March 2076
(2007) 016	A3	642,740.60	Residential (residential, public facilities, green area, water facilities)	Residential : 30 March 2076 Public facilities, Green area & Water facilities : 30 March 2056
(2007) 11	A11	234,132.90	Residential (residential, green area, water facilities)	Residential : 30 March 2076 Green area & Water facilities : 30 March 2056
(2007) 006	A12	47,857.00	Residential	30 March 2076
	Total	<u>1,087,836.60</u>		

- (2) According to Grant Contracts of Land Use Rights No. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:–

Lot No.	A2	A3
Grantee	Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司)	Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司)
Supplement Contract No.	(CB)708	(CB)709
Site Area	245 mu (234,667 sq m)	724 mu (482,667 sq m)
Land Use	Residential	Composite, residential
Plot Ratio	2.18	1.19
Lot No.	A11	A12
Grantee	Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司)	Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司)
Supplement Contract No.	(CB)0712	(CB)0713
Site Area	352 mu (234,667 sq m)	71 mu (47,334 sq m)
Land Use	Residential, composite	Residential
Plot Ratio	1.21	1.66

According to the information provided by Neo-China, the land premium of the Property was approximately RMB290,900,000.

- (3) According to four Planning Permits for Construction Use of Land, the construction sites of four parcels of land are in compliance with the requirements of urban planning requirement:–

Lot No.	A2	A3	A11	A12
Permit No.	(2007)10	(2007)11	(2007)14	(2007)15
Site Area	279.494 mu (186,329 sq m)	1,064.079 mu (709,386 sq m)	383.769 mu (255,846 sq m)	87.765 mu (58,510 sq m)

- (4) According to Planning Permit for Construction Works No. (2009)019, the construction works of Lot No. A11 was in compliance with the requirement of urban planning and was permitted to be developed.

- (5) According to Business Licence No. 610100400003751, Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司) was established as a limited liability company on 15 June 2007 with a registered capital of RMB10,000,000 for a valid operation period from 15 June 2007 to 31 December 2024.

According to Business Licence No. 610100400003794, Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司) was established as a limited liability company on 2 July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2 July 2007 to 1 July 2037.

According to Business Licence No. 610100400003809, Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) was established as a limited liability company on 2 July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2 July 2007 to 1 July 2037.

According to Business Licence No. 610100400003760, Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) was established as a limited liability company on 8 August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8 August 2007 to 7 August 2037.

(6) According to the PRC legal opinion:-

- (i) Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) all are a 71.5% owned subsidiary of Neo-China, have obtained valid business licences; however, their establishments are defective and they do not have the appropriate qualification of real estate development, however, the legal risk of punishment is relatively low;
- (ii) Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) have fully settled the land premium and obtained Certificates for the Use of State-owned Land respectively;
- (iii) Upon fulfilling the relevant stipulation in the Grant Contracts of Land Use Rights, Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) have right to transfer, lease and pledge of the Property respectively;
- (iv) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land; and
- (v) Xian Neo-China Qinyuan Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Neo-China Huasheng Development Co., Ltd. (西安中新華勝房地產開發有限公司), Xian Neo-China Rongjing Development Co., Ltd. (西安中新榮景房地產開發有限公司) and Xian Neo-China Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) have obtained Planning Permit for Construction Use of Land. The permits have not been revoked or modified.
- (vi) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (Partly)
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
32. District F of Phase 1 and Phase 2 of Neo-China Forest Garden, No. 140 Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha, Hunan Province	<p>The Property comprises four parcels of land with a total site area of approximately 481,355.42 sq m.</p> <p>As advised by Neo-China Group, the Property will be developed into a residential development with a total gross floor area of approximately 758,065.20 sq m (including basement).</p> <p>The land use rights of the Property have been granted for respective terms of 70 years due to expire on 21 October 2075 and 27 November 2076 for residential use.</p>	The Property is currently vacant pending development.	RMB357,000,000 (67% interest attributable to Neo-China Group: RMB239,190,000)

Notes:

- (1) According to four Certificates for the Use of State-owned Land, the land use rights of the Property comprising a total site area of 481,355.42 sq m have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司):-

Certificate No.	Uses	Expiry Date	Site Area (sq m)
(2007)004	Residential	27 November 2076	88,880.90
(2007)005	Residential	27 November 2076	146,461.70
(2007)032	Residential	21 October 2075	186,544.00
(2009)487	Residential	21 October 2075	59,468.82
		Total	<u>481,355.42</u>

- (2) According to four Grant Contracts of Land Use Rights, the land use rights of the Property have been granted to Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for residential use:-

Date of Contract	Site Area (sq m)	Land Premium (RMB)	Plot Ratio
22 October 2005	95,414.61	4,961,560	1.5
22 October 2005	186,990.00	8,508,045	1.5
26 November 2006	88,881.33	4,586,277	1.5
27 November 2006	146,460.67	7,557,371	1.5
	<u>517,746.61</u>		

- (3) According to Planning Permit for Construction Use of Land No. 200701004 dated 25 January 2007, the construction site of a parcel of land with a site area of 456.318 mu (304,212 sq m) is in compliance with the requirements of urban planning requirement.

According to Planning Permit for Construction Use of Land No. 200701005 dated 25 January 2007, the construction site of a parcel of land with a site area of 633.498 mu (422,332 sq m) is in compliance with the requirements of urban planning requirement.

- (4) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14 September 2005 with a registered capital of RMB30,000,000 for a valid operation period of 30 years.

- (5) According to the PRC legal opinion:-

(i) unan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;

(ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium of the Property and obtained Certificates for the Use of State-owned Land;

(iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Certificate for the Use of State-owned Land No. (2007) 005 and (2007) 032, with a total site area of 333,005.70 sq m are pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and

(v) The related government department considers Phase 1 and Phase 2 of Neo-China Forest Garden as a whole development; Phase 1 has been completed, therefore, there is no action to the delay of commencement of Phase 2 construction.

- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-

Certificate for the Use of State-owned Land	Yes
Grant Contracts of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	No
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
33. Phase 2 of Gongyuandadao, No. 66 Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province	<p>The Property comprises a parcel of land with a site area of approximately 149,093.33 sq m.</p> <p>As advised by Neo-China Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 277,738 sq m (including basement).</p> <p>The land use rights of the Property have been granted for a term from 20 June 2006 to 17 December 2076 for residential use and from 20 June 2006 to 17 December 2046 for commercial use.</p>	The Property is currently vacant pending development.	RMB576,000,000 (100% interest attributable to Neo-China Group: RMB576,000,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2008)25125, the land use rights of the Property, comprising a site area of 149,093.33 sq m, have been vested in Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) for a term from 20 June 2006 to 17 December 2076 for residential use and from 20 June 2006 to 17 December 2046 for commercial use.
- (2) According to Grant Contract of Land Use Rights No. (2007)22 dated 16 December 2006 and the Supplements dated 2 March 2007 and 28 July 2009:-
 - (i) Grantee: Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司)
 - (ii) Site Area: 149,186.66 sq m
 - (iii) Land Use: Commercial, residential
 - (iv) Plot Ratio: Not less than 2.0
 - (v) Land Premium: RMB521,407,400
 - (vi) Land Use Term: 40 years for commercial and 70 years for residential
 - (vii) Building Covenant: Commence construction within 30 days of handing over the land
- (3) According to Planning Permit for Construction Use of Land No. 510115200820045 dated 6 June 2008, the construction sites of land with a site area of 223.64 mu (149,093 sq m) are in compliance with urban planning requirements.

- (4) According to two Planning Permits for Construction Works dated 9 June 2009, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed:-

Permit No.	Gross Floor Area (sq m)
510115200930068	213,158
510115200930069	64,580
Total	<u>277,738</u>

- (5) According to Business Licence No. 5101231800997, Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) was established as a limited liability company on 30 January 2007 with a registered capital of RMB200,000,000 for a valid operation period from 30 January 2007 to 29 January 2027.

- (6) According to the PRC legal opinion:-

- (i) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司), a 100% owned subsidiary of Neo-China, has obtained valid business licence and is legally established under the PRC law;
- (ii) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land;
- (iii) Chengdu Zhongxin-jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property; and
- (iv) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd (成都中新錦泰房地產開發有限公司) has obtained Planning Permit for Construction Use of Land and Planning Permit for Construction Works. The permits have not been revoked or modified; and
- (v) The Property was granted together with other portion of land that has commenced development. Since portion of the whole land has commenced development, the Property is thus not considered as idle land.

- (7) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
34. Tai Yuan Street, west of Tianjin South Street, Heping District, Shenyang, Liaoning Province	<p>The Property comprises three parcels of land with a total site area of approximately 22,651.30 sq m.</p> <p>As advised by Neo-China Group, the Property will be developed into a composite commercial development with a planned total gross floor area of approximately 180,000 sq m above ground.</p> <p>The land use rights of the Property have been granted for a term of 40 years due to expire on 11 January 2048 for commercial service uses.</p>	The Property is currently vacant pending development.	RMB810,000,000 (80% interest attributable to Neo-China Group: RMB648,000,000)

Notes:

- (1) According to three Certificates for the State-owned Land, the land use rights of the Property, comprising a total site area of 22,651.30 sq m, have been vested in Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) for a term of 40 years due to expire on 11 January 2048 for commercial service uses:-

Certificate No.	Lot No.	Site Area (sq m)
(2008)0006	012278101-1	7,708.40
(2008)0007	012278101-2	7,114.30
(2008)0085	012279302	7,828.60
	Total	<u>22,651.30</u>

- (2) According to two Grant Contracts of Land Use Rights, the land use rights of the Property have been granted to Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) for a term of 40 years from 11 January 2008 to 11 January 2048 for commercial residential use:-

Contract No.	Lot No.	Site Area (sq m)	Land Premium (RMB)	Plot Ratio
(2008) 0005 dated 11/1/2008	012278101-1 & 012278101-2	14,822.70	311,291,522.70	Not more than 8
(2008) 0045 dated 29/4/2008	012279302	7,828.60	164,408,428	Not more than 8
	Total	<u>22,651.30</u>		

- (3) According to Business Licence, Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) was established as a limited liability company on 9 February 2007 with a registered capital of USD63,750,000 for a valid operation period from 9 February 2007 to 8 February 2017.
- (4) According to the PRC legal opinion:-
- (i) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司), a 80% owned subsidiary of Neo-China, has obtained a valid business licence and is legally established under the PRC law;
 - (ii) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) has fully settled all the land premium of the Property and obtained Certificate for the Use of State-owned Land with a total site area of 22,651.30 sq m;
 - (iii) Shenyang Xiangming Changyi Estate Co., Ltd. (瀋陽向明長益置業有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;
 - (iv) The Property is still within the 2 years to develop time limit is not delay in development; and
 - (v) The Property is not subject to any pledge.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:-
- | | |
|--|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Business Licence | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
35. A plot of land Lot No. A0203001 at east of Qiao East Line Road, Wangchiling Hills, Qiao Island, Zhuhai, Guangdong Province	<p>The Property comprises a piece of land with a site area of 2,215,516.28 sq m.</p> <p>As advised by Neo-China Group, the Property will be developed into a composite residential/tourism development with a total gross floor area of approximately 770,000 sq m.</p> <p>The land use rights of the Property have been granted for terms due to expire on 30 November 2074 for residential use and 30 November 2044 for tourism use.</p>	The Property is currently vacant pending development.	RMB2,250,000,000 (100% interest attributable to the Group: RMB2,250,000,000)

Notes:

- (1) For your reference, the Value for Sale under Repossession of the Property, in its existing state, as at 31 January 2010, was in the sum of RMB1,800,000,000.

Value for Sale under Repossession (the action of regaining possession especially the seizure of collateral securing a loan that is in default) refers to the price that might reasonably be expected to realize within 180 days from the sale of a property in the market under repossession by the lender or receiver, on an "as is" basis, taking into account the unique quality of the property and the existence of any specific demand as well as factors which might adversely affect the marketability of the property due to market perception of increased risk or stigma, justified or otherwise.

- (2) The Property comprises site area of 2,215,516.28 sq m; of which a site area of 2,015,131.23 sq m is registered in the Real Estate Title Certificate; whilst the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed. In the course of our valuation, we have valued on the basis that the Real Estate Title Certificate of the 200,385.05 sq m site area will be issued to Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) in due course.
- (3) According to Real Estate Title Certificate No. C4701761, the land use rights of the Property, comprising a site area of 2,015,131.23 sq m (Under red-line plan, the site area is 2,215,516.28 sq m. A site area of 2,015,131.23 sq m is registered, but the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed.), have been vested in Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) for terms due to expire on 30 November 2074 for residential use and 30 November 2044 for tourism use.
- (4) According to Construction Land Approval Letter No. (2006)113 dated 8 September 2006, the land nature of the construction sites of land with a site area of 2,215,516.28 sq m is granted and the land premium is RMB227,500,000.
- (5) According to Planning Permit for Construction Use of Land No. (2006)086 dated 6 September 2006, the construction sites of land with a site area of 2,215,516.28 sq m are in compliance with urban planning requirements.

- (6) According to Business Licence No. 440400400007208, Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) was established as a limited liability company on 13 December 1995 with a registered capital of RMB90,000,000 (with a paid-up capital of RMB90,000,000) for a valid operation period from 13 December 1995 to 6 November 2036.
- (7) According to the PRC legal opinion:
- (i) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司), a 100% owned subsidiary of the Company as at 31 December 2009, has obtained valid business licence and is legally established under the PRC law;
- (ii) Zhuhai City Yuzhuo Group Ltd. (珠海市裕卓集團有限公司) (the former shareholder of Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司)) has fully settled all land premium of the Property and obtained Grant Contract of Land Use Rights;
- (iii) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) has right to use, transfer, lease and mortgage the land use rights of the Property. Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) possesses the land Lot No. A0203001 with a site area of 2,215,516.28 sq m and obtained the Real Estate Title Certificate with a registered site area of 2,015,131.23 sq m; the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed;
- (iv) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) has obtained Planning Permit for Construction Use of Land, but has not obtained Planning Permit for Construction Works and Permit for Commencement of Construction Works; and
- (v) According to the Reply Letter of the problem of not identifying as idle land of Neo-China Qiao Project (關於中新淇澳項目用地不認定土地閑置問題的復函) as approved by Land Resources Bureau, the Property is temporarily not identified as idle land. Supplemental Grant Contract of Land Use Rights should be further entered into to make clear the building covenant.
- (8) The status of title and grant of major approvals and Licence in accordance with the information provided by Neo-China Group and the PRC legal opinion is as follows:-

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Construction Land Approval Letter	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	No
Permit for Commencement of Construction Works	No
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Property held by Neo-China Group for owner-occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010 RMB
36. Lot No. A1 of Neo Water City, East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian, Shaanxi Province	<p>The Property comprises a hotel and convention centre development erected upon a parcel of land with a site area of approximately 209,177.30 sq m.</p> <p>According to the information provided by Neo-China Group, the Property will be developed into a 5-storey plus basement hotel, six villas and a convention centre with a planned total gross floor area of approximately 84,290.82 sq m.</p> <p>The land use rights of the Property have been granted for a term due to expire on 30 March 2056 for composite use.</p>	<p>The hotel was put into operation in 2008 and the remaining portion of the Property is under construction and scheduled to be completed in the end of 2012.</p>	<p>784,000,000</p> <p>(71.5% interest attributable to Neo-China Group: RMB560,560,000)</p>

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2007) 010, the land use rights of the Property, comprising a site area of 209,177.30 sq m, have been granted to Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) for a term due to expire on 30 March 2056 for composite use.
- (2) According to Building Ownership Certificate No. 1175116018-1-1~1 dated 20 December 2007, the building ownership of a commercial service use building, with a total gross floor area of 68,745.82 sq m, has been vested in Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司).
- (3) According to Grant Contract of Land Use Rights Nos. (CB)0601 and (CB)0602 and the Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	A1
Grantee	Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司)
Supplement Contract No.	(CB)707
Site Area	313 mu (208,667 sq m)
Land Use	Composite
Plot Ratio	0.39

According to the information provided by Neo-China, the land premium and resettlement compensation was approximately RMB63,100,000.

- (4) According to Planning Permit for Construction Use of Land No. (2007)9 dated 3 September 2007, the construction site of a parcel of land with a total site area of 323.946 mu is in compliance with the requirements of urban planning.

- (5) According to two Planning Permits for Construction Works, the Property has been permitted for the construction with the development scheme as follows:

Permit No.	Planned Gross Floor Area (sq m)	Issuing Date
(2007) 005	67,764.00	20 August 2007
(2009) 007	15,545.00	28 February 2009
Total	<u>83,309.00</u>	

- (6) According to two Permits for Commencement of Construction Works, the details scheme as follows:

Permit No.	Planned Gross Floor Area (sq m)	Issuing Date
(2007) 010	67,764.00	14 September 2006
(2009) 008	15,545.00	13 March 2009
Total	<u>83,309.00</u>	

- (7) According to the information provided by Neo-China Group, a construction cost of approximately RMB669,400,000 has been expended for the development of the Property as at 31 January 2010. In the course of our valuation, we have taken into account the above expended construction cost.

- (8) The Estimated Market Value as if completed of the proposed development as at 31 January 2010 was approximately RMB937,000,000.

- (9) According to Business Licence No. 610100100021048, Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) was established as a limited liability company on 31 August 2007 with a registered capital of RMB50,000,000 for a valid operation period from 31 August 2007 to 28 December 2024.

- (10) According to the PRC legal opinion:

- (i) Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司), a 71.5% owned subsidiary of Neo-China, has obtained valid business licences; however, their establishments are defective and they do not have the appropriate qualification of real estate development, however, the legal risk of punishment is relatively low;
- (ii) Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) has right to transfer, lease and pledge of the Property;
- (iii) Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. The permits have not been revoked or modified;
- (iv) The hotel has been completed and under operation;
- (v) The Property is subject to a guarantee of a pledge. The transfer or further pledging is subject to the consent from the pledger; and

- (vi) According to the Planning Permit for Construction Works, the planned total gross floor area of the Property is 83,309 sq m.
- (11) The status of the title and grant of major approvals and licence in accordance with the information provided by Neo-China Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that in relation to Mr. Li, Invest Gain, Turbo Wise and the SIH Group which has been extracted from the joint announcement of 19 January 2010) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts relating to the Neo-China Group not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was and immediately following completion of the Subscription Agreement (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares) will be as follows:-

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares of HK\$0.04 each	<u>400,000,000</u>
 <i>Issued and to be issued:</i>		
1,945,640,189	Shares in issue as at the Latest Practicable Date	77,825,607.56
<u>683,692,000</u>	Shares to be issued according to the Subscription Agreement	<u>27,347,680</u>
<u>2,629,332,189</u>	Shares in issue immediately after completion of the Subscription Agreement	<u>105,173,287.56</u>

3. DISCLOSURE OF INTERESTS

(a) Directors' Interests

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (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 (the "Model Code") and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:-

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

Name of Director	Capacity	No. of ordinary shares	% of the Company's issued share capital
Liu Yan	Beneficial owner	800,000	0.04
Niu Xiao Rong	Beneficial owner	1,375,000	0.07

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

Name of Director	Capacity	No. of share options outstanding	% of underlying shares in Company's issued share capital
Liu Yan	Beneficial owner	10,700,000	0.55
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
Jia Bo Wei	Beneficial owner	2,500,000	0.13
Bao Jing Tao	Beneficial owner	250,000	0.01

Save as disclosed above, as at the Latest Practicable Date, none of the 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.

(b) Substantial Shareholders' Interests

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons had interests 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
Mr. Li Song Xiao	Long	Held by controlled corporation (<i>note (a)</i>)	1,051,762,995	54.05
		Beneficial owner	2,407,500	0.12
Invest Gain Limited (<i>note (a)</i>)	Long	Beneficial Owner	1,051,762,995	54.05
Ms. Liu Hui (<i>note (b)</i>)	Long	Interest in spouse	1,054,170,495	54.17
Deutsche Bank Aktiengesellschaft	Long	Beneficial owner and person having a security interest in shares	98,247,425	5.05
	Short	Beneficial owner and person having a security interest in shares	39,273,651	2.02

Notes:

- (a) These shares held by Invest Gain Limited were beneficially owned by Mr. Li Song Xiao.
- (b) Ms. Liu Hui was deemed to be interested in 1,054,170,495 ordinary shares of the Company, being the interest held beneficially by her spouse, Mr. Li Song Xiao.

Save as disclosed herein, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director) had interests 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.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Company.

6. LITIGATION

As at the Latest Practicable Date, according to the statement of claim filed in the High Court of the Hong Kong Special Administrative Region by a third party (the "plaintiff") on 25 November 2009, the plaintiff alleges that 中置(北京)企業管理有限公司 ("中置(北京)"), a wholly owned subsidiary of the Company, was in breach of a shares transfer agreement. According to this agreement, the plaintiff agreed to transfer its 30% equity interest in 成都中新錦泰房地產開發有限公司 ("成都錦泰"), a subsidiary of the Company, to 中置(北京) at the consideration of RMB160,000,000, and that the Company was a guarantor guaranteeing the performance of 中置(北京)'s obligations under the shares transfer agreement. If the Company is found to be liable, the total expected monetary sum may amount to approximately RMB102,000,000 (equivalent to approximately HK\$116,280,000), which comprises the outstanding consideration of RMB70,000,000 (equivalent to approximately HK\$79,800,000), which included an amount of RMB30,000,000 (equivalent to approximately HK\$34,200,000) (which is included in unsecured loan payable), and the compensation of RMB32,000,000 (equivalent to approximately HK\$36,480,000) plus interest and legal costs.

The Company, having obtained advice from its legal counsellor, is of the view that the above claims are based on unreasonable and invalid grounds because the plaintiff, 中置(北京) and 成都錦泰 have on or about 24 April 2009 reached a settlement agreement through 成都市中級人民法院 on this matter. Therefore, no provision has been made in respect of this claim.

Save as the above, no member of the Company was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Neo-China Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date and may be or are material:

- (a) the Subscription Agreement and an agreement relating to variation of agreements concerning the sale and purchase and subscription of Shares in the Company;
- (b) the Qi Ao Agreement and an agreement relating to termination of agreement concerning the Qi Ao Project; and
- (c) a Second Amendment Agreement dated 4 December 2009 between, among others, the Company as sponsor and Ocean Assets Corp. as lender in relation to the Qi Ao loan agreement.

8. DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date and save as disclosed herein, none of the Directors

- (a) had any direct or indirect interest in any assets which have been, since 31 December 2009, the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) had any material interest in any contract or arrangement which is significant in relation to the business of the Group.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose reports are contained in this circular:

Name	Qualification
Anglo Chinese	a corporation licensed under the SFO to perform type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
DTZ	independent property valuer

Each of Anglo Chinese and DTZ has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, neither of Anglo Chinese and DTZ had any shareholding in any member of the Group and or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, neither of Anglo Chinese and DTZ had any direct or indirect interest in the Agreement and any assets which has been, since 31 December (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

- (a) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM11, Bermuda.
- (b) The head office of the Company and its principal place of business is at Suites 3005-7, 30/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The Directors of the Company are Mr. Liu Yi (executive Director and Chairman), Ms. Niu Xiao Rong (executive Director), Mr. Yuan Kun (executive Director), Ms. Liu Yan (executive Director), Ms. Bao Jing Tao (executive Director), Mr. Jia Bo Wei (executive Director), Mr. Lam Kwan Sing (executive Director), Mr. Lai Leong (non-executive Director and vice Chairman), Ms. Nie Mei Sheng (independent non-executive Director) and Mr. Gao Ling (independent non-executive Director).
- (e) The Company Secretary of the Company is Mr. Szeto Chak Wah, Michael ("Mr. Szeto"). Mr. Szeto is a practising solicitor in Hong Kong and a consultant of a firm of solicitors in Hong Kong. He was formerly a non-executive director of Tack Fat Group International Limited (a company whose shares are listed on the main board of the Stock Exchange).
- (f) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at Suites 3005-7, 30/F., Great Eagle Centre, 23 Harbour Road Wanchai, Hong Kong from the date of this circular and up to and including the date of the SGM:

- (a) the Subscription Agreement;
- (b) the written consents referred to in the paragraph headed "Experts and consents" in this appendix;

- (c) the letters from the Independent Board Committee the texts of which are set out on page 22 to this circular;
- (d) the letter of advice from Anglo Chinese, the independent financial adviser;
- (e) the valuation report on the Group's interests in properties set out in appendix II to this circular.;
- (f) the memorandum of association and bye laws of the Company;
- (g) the material contracts referred to in the paragraph of this appendix headed "Material Contracts";
- (h) the consolidated audited accounts of Neo-China for the year ended 30 April 2009 and the eight months ended 31 December 2009 immediately preceding the issue of this circular; and
- (i) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since the date of Neo China's latest published audited accounts.

NOTICE OF SGM



中新地產
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)

(Shares – Stock Code: 563; Convertible bonds due 2011 – Stock Code: 2528)

NOTICE IS HEREBY GIVEN that a special general meeting of Neo-China Land Group (Holdings) Limited (the “Company”) will be held at Suites 3005-3007, 30/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on 3 June 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution with or without amendment:-

ORDINARY RESOLUTION

“**THAT:** the conditional subscription agreement dated 19 January 2010 and entered into between the Company and Novel Good Limited in relation to the subscription of new shares in the Company by Novel Good Limited, a copy of which has been produced to the meeting and signed by the Chairman for the purposes of identification, and the issue of Shares pursuant thereto is hereby approved, confirmed and ratified and the directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as they may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect thereto or in connection therewith.”

By order of the Board

NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

Liu Yi

Chairman

Hong Kong, 14 May 2010

Notes:

1. On a poll every member of the Company presents in person (in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid share of which he is the holder.
2. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company.

* *for identification only*

NOTICE OF SGM

4. To be valid, the form of proxy together with any power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.
5. The proxy need not be a member of the Company but must attend the Meeting in person to represent his/her appointor.
6. Completion and delivery of a form of proxy will not preclude shareholders from attending and voting at the Meeting if they so wish.
7. The Directors of the Company are Mr. Liu Yi (executive Director and Chairman), Ms. Niu Xiao Rong (executive Director), Mr. Yuan Kun (executive Director), Ms. Liu Yan (executive Director), Ms. Bao Jing Tao (executive Director), Mr. Jia Bo Wei (executive Director), Mr. Lam Kwan Sing (executive Director), Mr. Lai Leong (non-executive Director and vice Chairman), Ms. Nie Mei Sheng (independent non-executive Director) and Mr. Gao Ling (independent non-executive Director).