

Interim Report 2009

地产唯新力量



**NEO-CHINA LAND GROUP (HOLDINGS) LIMITED**

中新地產集團(控股)有限公司

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



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# Corporate Information

## Directors

### Executive Directors

Mr. 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 (*Vice chairman*)

### Independent Non-Executive Directors

Ms. Nie Mei Sheng  
Mr. Gao Ling  
Mr. Zhang Qing Lin

## Company Secretary

Mr. Szeto Chak Wah

## Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited  
6 Front Street  
Hamilton HM11  
Bermuda

## Hong Kong Branch Share Registrar and Transfer Office

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

## Legal Advisers

Richards Butler  
Conyers Dill & Pearman

## Registered Office

Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

## Head Office and Principal Place of Business

Suites 3005-7  
Great Eagle Centre  
No. 23 Harbour Road  
Wanchai  
Hong Kong  
Tel: (852) 2544 8000  
Fax: (852) 2544 8004  
Website: <http://www.neochinagroup.com.hk>

## Listing Information

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

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

## Auditors

CCIF CPA Limited  
20/F., Sunning Plaza  
10 Hysan Avenue  
Causeway Bay  
Hong Kong

# Management Discussion and Analysis



To our shareholders:

On behalf of the Board of Director (the “Board”) of Neo-China Land Group (Holdings) Limited (“Neo-China” or the “Company”), I am pleased to present the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2009.

## Financial Review

During the six months ended 31 October 2009, the Group recorded a turnover of HK\$398 million (2008: HK\$58 million), representing an increase of approximately 589.4% as compared to the same period in 2008. Profit attributable to equity holders of the Company amounted to HK\$127 million for the six months ended 31 October 2009 against loss attributable to equity holders of the Company amounted to HK\$271 million for the same period of 2008. For the six months ended 31 October 2009, basic earnings per share was HK6.51 cents (2008: basic loss per share was HK13.95 cents).

As at 31 October 2009, balance of presale receipts from customers of the Group was HK\$8.1 billion (as at 30 April 2009: HK\$5.4 billion), representing an increase of approximately 49.7% as compared to the prior year end. As at 31 October 2009, equity attributable to equity holders of the Company was HK\$8.37 billion (30 April 2009: HK\$8.32 billion).

## Business Overview

During the period under review, the Group has adjusted its debt structure and substantially reduced its liabilities, including redemption of convertible notes with principal amounts of HK\$865 million in aggregate, and partial repayment of domestic bank loan. During the six months ended 31 October 2009, the Group’s GFA of properties pre-sold during the period under review amounted to approximately 480,000 sq.m. (2008: 270,000 sq.m), representing an increase of approximately 78% when compared to the corresponding period last year. The increase of pre-sale receipts from customers enhanced the Company’s cash flow condition.

# Management Discussion and Analysis

## LAND BANK

The Group has 14 projects in 11 cities, comprising middle to high-end residential units, service apartments, commercial buildings, hotels and office buildings. During the period under review, the Group moderately restructured its land bank in accordance with the market conditions as well as the Group's overall development strategies. As at 31 October 2009, the land bank of the Group was approximately 12,730,000 sq.m.

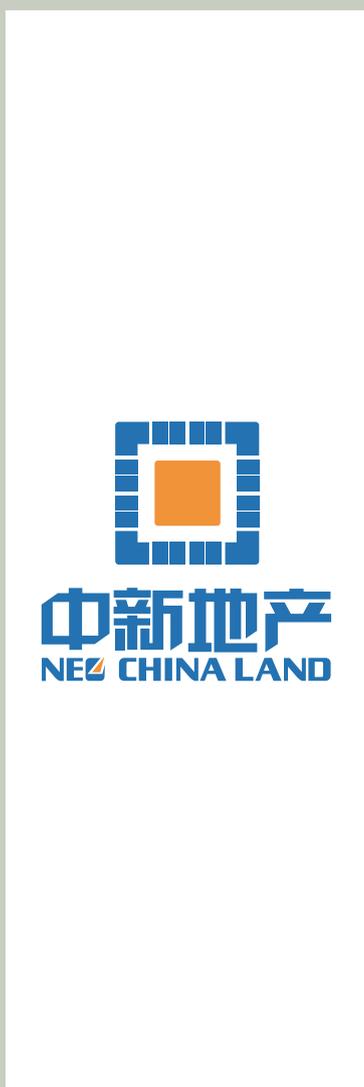
The map set out below shows the cities in which the Group's projects are located.



# Management Discussion and Analysis



## LAND BANK



### Beijing

American Rock 523,833m<sup>2</sup>  
Youngman Point 352,905m<sup>2</sup>  
Xidiaoyutai 250,836m<sup>2</sup>

### Tianjin

Laochengxiang 1,151,261m<sup>2</sup>  
Beichen 2,263,000m<sup>2</sup>

### Sanhe

Yanjiao 460,000m<sup>2</sup>

### Shenyang

Tai Yuan Street 282,950m<sup>2</sup>

### Shanghai

Jiujiu Youth City 213,755m<sup>2</sup>

### Chongqing

Yuanjiagang 802,532m<sup>2</sup>

### Chengdu

Gongyuandadao 625,670m<sup>2</sup>

### Xian

Neo Water City 3,534,736m<sup>2</sup>

### Zhuhai

Qi Ao Island 1,090,000m<sup>2</sup>

### Shenzhen

Phoenix Tower 106,190m<sup>2</sup>

### Changsha

Neo-China Forest Garden 1,073,600m<sup>2</sup>

**Total land bank: 12,731,268 sq.m.**

# Management Discussion and Analysis

## DEVELOPMENT PROJECTS

# Beijing



**BEIJING**



**BEIJING**

<b>AMERICAN ROCK</b>	
Location	No. 16 Baiziwang Road, Chaoyang District, Beijing
Percentage owned	100%
Type	Residential/Commercial
Total GFA/ Total saleable GFA	523,833 sq.m./454,610 sq.m.
• Completed GFA	454,610 sq.m.
– Sold GFA	453,064 sq.m.

<b>YOUNGMAN POINT</b>	
Location	No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing
Percentage owned	100%
Type	Residential/Commercial
Total GFA/ Total saleable GFA	352,905 sq.m./289,700 sq.m.
• Completed GFA	213,085 sq.m.
– Sold GFA	203,003 sq.m.
• Under development	76,615 sq.m.
– Pre-sale	34,956 sq.m.

# Management Discussion and Analysis

## DEVELOPMENT PROJECTS

# Beijing, Sanhe



**BEIJING**



**SANHE**

<b>XIDIAOYUTAI</b>	
Location	Lot No. 1, 2, West Diaoyutai Village, Haidian District, Beijing
Percentage owned	90%
Type	Residential/Service apartment
Total GFA/ Total saleable GFA	250,836 sq.m./220,647 sq.m.
• Completed GFA	175,682 sq.m.
– Sold GFA	166,884 sq.m.
• Future development	44,965 sq.m.

<b>YANJIAO</b>	
Location	Yanjiao Economic Technology Development Zone, Hebei Province
Percentage owned	90%
Type	Residential/Commercial/Hotel
Total GFA/ Total saleable GFA	460,000 sq.m./433,333 sq.m.
• Future development	433,333 sq.m.

# Management Discussion and Analysis

## DEVELOPMENT PROJECTS

# Tianjin



**TIANJIN**



**TIANJIN**

<b>BEICHEN</b>	
Location	Yixingfu Old Village, Tianjin
Percentage owned	40%
Type	Residential/Commercial/Apartment/Hotel
Total GFA/ Total saleable GFA	2,263,000 sq.m./2,125,500 sq.m.
• Future development	2,125,500 sq.m.

<b>LAOCHENGXIANG</b>	
Location	Laocheng Xiang Area, Nankai District, Tianjin
Percentage owned	100%
Type	Residential/Commercial/Office/Hotel
Total GFA/ Total saleable GFA	1,151,261 sq.m./940,829 sq.m.
• Completed GFA	275,149 sq.m.
– Sold GFA	230,967 sq.m.
– Investment property	43,729 sq.m.
• Under development	398,522 sq.m.
– Pre-sale	267,948 sq.m.
• Future development	267,158 sq.m.

# Management Discussion and Analysis

## DEVELOPMENT PROJECTS

# Shenyang, Shanghai



**SHENYANG**



**SHANGHAI**

<b>TAI YUAN STREET</b>	
Location	Taiyuan Business Avenue, Shenyang
Percentage owned	80%
Type	Commercial/Service Apartment/Office
Total GFA/ Total saleable GFA	282,950 sq.m./251,964 sq.m.
• Future development	251,964 sq.m.

<b>JIUJIU YOUTH CITY</b>	
Location	No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai
Percentage owned	100%
Type	Apartment/Office
Total GFA/ Total saleable GFA	213,755 sq.m./162,888 sq.m.
• Completed GFA	31,582 sq.m.
– Sold GFA	30,295 sq.m.
• Under development	131,306 sq.m.
– Pre-sale	80,295 sq.m.

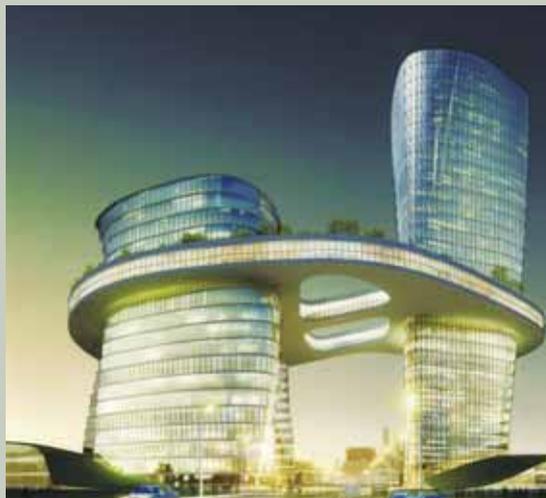
# Management Discussion and Analysis

## DEVELOPMENT PROJECTS

# Chongqing, Chengdu



**CHONGQING**



**CHENGDU**

<b>YUANJIAGANG</b>	
Location	No. 1 Olympic Road, Yuanjiagang, Gaoxin District, Chongqing
Percentage owned	100%
Type	Residential/Commercial/Office/Hotel
Total GFA/ Total saleable GFA	802,532 sq.m./735,082 sq.m.
• Completed GFA	523,533 sq.m.
– Sold GFA	224,151 sq.m.
– Investment property	253,377 sq.m.
• Under development	211,549 sq.m.

<b>GONGYUANDADAO</b>	
Location	No. 66, Gingquan North Street, Yongquan Town, Wenjiang District, Chengdu
Percentage owned	100%
Type	Residential
Total GFA/ Total saleable GFA	625,670 sq.m./521,836 sq.m.
• Under development	295,482 sq.m.
– Pre-sale	77,215 sq.m.
• Future development	226,354 sq.m.

# Management Discussion and Analysis

## DEVELOPMENT PROJECTS

# Xian, Zhuhai



**XIAN**



**ZHUHAI**

NEO WATER CITY	
Location	East Lake Road, Xinjia Temple, Chanba River Economic Development Zone, Xian
Percentage owned	71.5%
Type	Residential/Commercial/Hotel
Total GFA/ Total saleable GFA	3,534,736 sq.m./3,205,699 sq.m.
• Completed GFA	461,946 sq.m.
– Sold GFA	378,526 sq.m.
• Under development	1,259,103 sq.m.
– Pre-sale	618,198 sq.m.
• Future development	1,484,650 sq.m.

QI AO ISLAND	
Location	Qi Ao Island, Zhuhai
Percentage owned	100%
Type	Villa/Commercial/Hotel
Total GFA/ Total saleable GFA	1,090,000 sq.m./770,000 sq.m.
• Future development	770,000 sq.m.

# Management Discussion and Analysis

## DEVELOPMENT PROJECTS

# Shenzhen, Changsha



**SHENZHEN**



**CHANGSHA**

<b>PHOENIX TOWER</b>	
Location	No. 2008, Shennan Road, Futian District, Shenzhen
Percentage owned	91%
Type	Apartment/Office/Commercial
Total GFA/ Total saleable GFA	106,190 sq.m./79,391 sq.m.
• Completed GFA	79,391 sq.m.
– Sold GFA	66,779 sq.m.
– Investment property	4,110 sq.m.

<b>NEO-CHINA FOREST GARDEN</b>	
Location	No. 140, Guoliang North Road, Gaotang Ling Town, Wangcheng County, Changsha
Percentage owned	67%
Type	Residential
Total GFA/ Total saleable GFA	1,073,600 sq.m./992,335 sq.m.
• Completed GFA	96,084 sq.m.
– Sold GFA	64,500 sq.m.
• Under development	149,449 sq.m.
– Pre-sale	54,565 sq.m.
• Future development	746,802 sq.m.

# Management Discussion and Analysis

## Prospects

During the first ten months in 2009, with the implementation of the policies to stimulate the economy by the PRC government, the consumer confidence in the real estate market has been restored rapidly and the sales volume of properties increased quickly. Coupled with the gradual absorption of the purchasing demands in the market, it is expected that sales of the domestic property market will since return to normal within a certain period of time. With the gradual improvement of the macro-economy of the PRC, we believe that the major factors contributing to the long-term prospect of the real estate industry, one of the pillar industries, remain unchanged.

Afterwards, the Company will maintain its strong sales status at the present and enhance the liquidity of the Group through the flexible but targeted sales strategies, capitalising on the established geographical advantages. The long-standing strategies of enhancing the quality of products and increasing the brand value of the Company, will be further strengthened in the second half of the year, fostering a better environment for enhancing the profit margin of the Company. In the mean time, the Company will adjust the progress of the projects in a timely manner based on different market demands, so as to effectively ensure the efficiency of the asset turnover of the Group. In respect to the land bank, the Company has made selective adjustments to certain existing projects during the first half of the year, in order to make the existing land bank more compatible to development plan in the next 5 years. The Company will further keep abreast with the trends of changes in terms of markets and policies in the future, seeking opportunities to enrich the Company's land bank so as to better fulfil the needs for sustainability and profitability.

## Liquidity and Financial Resources

As at 31 October 2009, the Group had cash and bank balance of approximately HK\$2.75 billion with net assets totaling to HK\$9.02 billion. The Group's current ratio was approximately 1.69. The net debt of the Group as at 31 October 2009 amounted to HK\$3.44 billion making the Group's gearing ratio at 41.1% calculated by net debt to shareholders' funds of HK\$8.37 billion.

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

## Human Resources and Remuneration Policies

As at 31 October 2009, the Group employed 617 employees (including Hong Kong and PRC offices).

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

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

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

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

# Management Discussion and Analysis



## Payment of Dividends

The Board does not recommend the payment of any interim dividend for the six months ended 31 October 2009 (2008: HK nil cents).

## Senior Notes/Warrants

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

## Contingencies

Details of contingencies are set out in note 23 to the financial statement.

## Material Acquisitions and Disposals

Details of material acquisitions and disposals of the Company are set out in note 20 and 21 to the financial statement.

## Charge on Group's Assets

Certain bank deposits of approximately HK\$88 million (30 April 2009: HK\$173 million) were pledged to banks to secure long-term mortgage loans granted by banks to the purchasers of pre-sold properties and are therefore also classified as non-current assets. These pledged deposits will be released upon the transfer of the property title certificates to the respective purchasers.

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\$2.5 billion (30 April 2009: HK\$3.3 billion), HK\$12 million (30 April 2009: HK\$12 million), HK\$341 million (30 April 2009: HK\$295 million) and HK\$2.9 billion (30 April 2009: HK\$2.8 billion) respectively.

Certain assets are pledged to secure a loan payable denominated in RMB. Details of the loan payable are set out in note 14a to the financial statements.

## Change of Financial Year End Date

On 11 December 2009, the Company changed its financial year end date from 30 April to 31 December. Accordingly, the next financial year end date of the Company will be 31 December 2009.

## Equity

The Company's issued and fully paid share capital as at 31 October 2009 amounted to HK\$77,825,608 divided into 1,945,640,189 ordinary shares of HK\$0.04 each.

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

## Other Information

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

As at 31 October 2009, the interests of the directors of the Company in the shares and underlying shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Capacity	No. of ordinary shares interested	% of the Company's issued share capital
Ms. Liu Yan	Beneficial owner	800,000	0.04
Ms. Niu Xiao Rong	Beneficial owner	1,375,000	0.07

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

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

Save as disclosed above and disclosed under the section headed "Share Option Scheme" below, as at 31 October 2009, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; nor had there been any grant or exercise of rights during the interim period.

## Other Information

### Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 October 2009, so far as is known to the Directors or chief executive of the Company, the following persons had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

#### (1) Ordinary shares of HK\$0.04 each of the Company

Name of substantial shareholder	Long/short position	Capacity	No. of shares of the Company interested	% of the Company's issued share capital
Invest Gain Limited (note (a))	Long	Beneficial Owner	1,051,762,995	54.05
Liu Hui (note (b))	Long	Interest of spouse	1,054,920,495	54.21
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 Li Song Xiao.

(b) Liu Hui was deemed to be interested in 1,054,920,495 ordinary shares of the Company, being the interest held beneficially by her spouse, Li Song Xiao.

## Other Information

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

(i) *Physically settled unlisted equity derivatives*

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

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

(ii) *Physically settled listed equity derivatives*

Name of substantial shareholder	Long/short position	Number of underlying shares interested	Percentage of the underlying shares over the Company's issued share capital
Deutsche Bank Aktiengesellschaft	Long	24,981,974	1.28

Save as disclosed above, as at 31 October 2009, no person (other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## Other Information

### Share Option Scheme

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

As at 31 October 2009, the underlying shares of the outstanding share options were 125,625,000, representing 6.46% of the issued share capital of the Company at 31 October 2009.

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

	No. of options outstanding at 30 April 2009	Increase/ (Decrease)	No. of options outstanding at 31 October 2009
Directors			
– Mr. Liu Yi	10,000,000	–	10,000,000
– Ms. Niu Xiao Rong	8,625,000	–	8,625,000
– Mr. Yuan Kun	6,000,000	–	6,000,000
– Ms. Liu Yan	10,700,000	–	10,700,000
– Mr. Jia Bo Wei	2,500,000	–	2,500,000
– Ms. Bao Jing Tao	250,000	–	250,000
Employees	87,550,000	–	87,550,000
Total	125,625,000	–	125,625,000

Details of share options granted were as follows:

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

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

## Other Information

### Purchase, Sale or Redemption of Securities

During the period, the Company paid in aggregate HK\$544,855,500 to redeem all HK\$864,850,000 principal amounts of the Company's zero coupon convertible bonds due 2011 (the "Bonds") in respect of which valid put option notices were received. Immediately after the said redemption, approximately HK\$52,160,000 in aggregate principal amount of Bonds remains outstanding. Save for the above, the Company confirms that neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 31 October 2009.

### Pre-emptive Rights

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

### Code of Corporate Governance

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six-month period ended 31 October 2009 except for the following:

#### (a) Provision A.4.1 of the Code ("Code A.4.1")

Code A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from Code A.4.1.

In accordance with the provisions of the Bye-laws of the Company, all directors appointed by the Board during the year shall retire and submit themselves for re-election at the first annual general meeting immediately following his/her appointment. Furthermore, at each annual general meeting, one-third of the directors for the then time being, or if their number is not three or multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. The directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. In view of the existing retirement and re-election requirements of the directors of the Company, the Company considers that it has taken up sufficient measures to comply with the provision as set out in Code A.4.1.

#### (b) Provision A.4.4 of the Code ("Code A.4.4")

Code A.4.4 specifies that Issuers should establish a nomination committee.

The Company has not established a nomination committee. The duties and functions of the nomination committee recommended in Code A.4.5 are currently performed by the directors of the Board collectively and those who have an interest in the proposals are required to be abstained from making the recommendations and/or decisions with respect to the proposals. The chairman of the Board is mainly responsible for identifying suitable candidates to become members of the Board as and when necessary. The chairman of the board will propose such appointments to the Board for consideration and all members of the Board will review the qualifications of the relevant candidates and assess their suitability as new directors of the Company on the basis of the qualifications, experience and background of the respective candidates.

#### (c) Provision E.1.2 of the Code ("Code E.1.2")

Code E.1.2 specifies that the chairman of the board should attend the annual general meeting.

Mr. Liu Yi, the chairman of the Board has been heavily involved in the business operations of the Group in the PRC. Despite his utmost intention to be present at the Company's 2009 annual general meeting held on 10 September 2009, Mr. Liu was unable to attend the said meeting due to other urgent business commitments of the Group. Mr. Liu undertakes that he will try his best to attend the future meetings of the Company whenever possible.

## Other Information

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules of the Stock Exchange. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards as set out in the Model Code during the period.

### Audit Committee

The Company’s audit committee comprises three independent non-executive directors of the Company. Its terms of reference have been modified to incorporate certain provisions with reference to the Appendix 14 of the Listing Rules. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements of the Company for the six months ended 31 October 2009.

The Group’s external auditors, CCIF CPA Limited, have reviewed the Company’s unaudited condensed consolidated financial statements for the six months ended 31 October 2009 in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, and Hong Kong Accounting Standard 34, “Interim Financial Reporting”, both of which were issued by the Hong Kong Institute of Certified Public Accountants.

### Suspension of Trading

At the request of the Company, trading on the Stock Exchange in the shares of the Company (stock code: 563) and the convertible bonds (stock code: 2528) was suspended with effect from 10:10 a.m. on 22 January 2008 pending the release of an announcement in respect of certain price-sensitive information. Trading in the shares and the convertible bonds of the Company will remain suspended.

The Company will continue to work closely with the Stock Exchange on an announcement with respect to matters which led to the Company’s suspension of trading of its securities and is seeking the resumption of trading of its shares and the convertible bonds as soon as practicable.

### Appreciation

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

By Order of the Board of  
**Neo-China Land Group (Holdings) Limited**  
**Liu Yi**  
*Chairman*

Hong Kong, 23 December 2009

# Report on Review of Interim Financial Information



**CCIF**

**CCIF CPA LIMITED**

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

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF  
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED  
中新地產集團(控股)有限公司  
(Incorporated in Bermuda with limited liabilities)

## Introduction

We have reviewed the interim financial report set out on pages 22 to 54 which comprises the condensed consolidated balance sheet of Neo-China Land Group (Holdings) Limited as of 31 October 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

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

## Scope of Review

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

## Conclusion

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

### **CCIF CPA Limited**

*Certified Public Accountants*

Hong Kong, 23 December 2009

### **Yau Hok Hung**

Practising Certificate Number P04911

# Condensed Consolidated Income Statement

For the six months ended 31 October 2009 – Unaudited

	NOTE	Six months ended 31 October	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Turnover</b>	3	<b>398,486</b>	57,802
Cost of sales		<b>(313,597)</b>	(38,332)
<b>Gross profit</b>		<b>84,889</b>	19,470
Other revenue and net income		<b>3,209</b>	205,209
Net valuation loss on investment properties	7(b)	<b>(161,053)</b>	(100,757)
Distribution and selling expenses		<b>(113,732)</b>	(113,287)
General and administrative expenses		<b>(161,067)</b>	(185,199)
<b>Loss from operations</b>		<b>(347,754)</b>	(174,564)
Finance costs	4(a)	<b>(91,806)</b>	(143,893)
Share of losses of associates		<b>(1,466)</b>	(769)
Gain on redemption of convertible notes	15	<b>426,074</b>	–
Gain on disposal of subsidiaries	21	<b>266,186</b>	–
Loss on disposal of an associate		<b>(5,100)</b>	–
<b>Profit/(loss) before taxation</b>	4	<b>246,134</b>	(319,226)
Income tax	5	<b>(140,010)</b>	21,345
<b>Profit/(loss) for the period</b>		<b>106,124</b>	(297,881)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>126,679</b>	(271,426)
Minority interests		<b>(20,555)</b>	(26,455)
<b>Profit/(loss) for the period</b>		<b>106,124</b>	(297,881)
<b>Earnings/(loss) per share</b>	6		
– Basic		<b>HK6.51 cents</b>	HK(13.95) cents
– Diluted		<b>HK(15.13) cents</b>	HK(13.95) cents

The notes on pages 27 to 54 form part of this interim report.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 October 2009 – Unaudited

	Six months ended 31 October	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Profit/(loss) for the period</b>	<b>106,124</b>	(297,881)
<b>Other comprehensive income/(expenses) for the period (after tax and reclassification adjustments):</b>		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<b>(7,530)</b>	(129,819)
Release of other revaluation reserve arising on sale of properties, net of nil tax	<b>(396)</b>	(3,492)
Reclassification adjustment upon disposals of interests in subsidiaries, net of nil tax	<b>(73,610)</b>	–
Reclassification adjustment upon disposals of interest in an associate, net of nil tax	<b>(22,681)</b>	–
<b>Total comprehensive income/(expenses) for the period</b>	<b>1,907</b>	(431,192)
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>22,462</b>	(422,726)
Minority interests	<b>(20,555)</b>	(8,466)
<b>Total comprehensive income/(expenses) for the period</b>	<b>1,907</b>	(431,192)

The notes on pages 27 to 54 form part of this interim report.

# Condensed Consolidated Balance Sheet

At 31 October 2009 – Unaudited

	NOTE	At 31 October 2009 HK\$'000 (unaudited)	At 30 April 2009 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Investment properties	7	3,034,600	3,313,447
Other property, plant and equipment	8	756,154	641,308
Interests in associates		328,703	–
Restricted bank deposits	9	87,895	173,399
Derivative financial instrument – Redemption Right of the Issuer	15	1,100	–
Deferred tax assets		24,315	24,832
		<b>4,232,767</b>	4,152,986
<b>CURRENT ASSETS</b>			
Inventories	10	18,144,014	20,908,384
Investments in securities held for trading		–	1,513
Trade and other receivables	11	1,530,358	707,980
Prepaid income tax		325,182	231,172
Restricted bank deposits	9	–	19,030
Cash and cash equivalents		2,752,978	2,618,105
		<b>22,752,532</b>	24,486,184
Assets of a disposal group/non-current asset classified as held for sale	17	1,151,536	656,578
		<b>23,904,068</b>	25,142,762
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	2,449,791	3,286,936
Pre-sale receipts from customers		8,106,357	5,415,588
Bank borrowings	13	745,309	971,656
Loan payables	14	1,498,123	2,737,281
Derivative financial instrument – Warrants	16	50,400	32,100
Income tax payable		1,200,320	1,093,457
Dividend payable		6,473	6,473
		<b>14,056,773</b>	13,543,491
Liabilities of a disposal group classified as held for sale	17	87,613	–
		<b>14,144,386</b>	13,543,491
<b>NET CURRENT ASSETS</b>			
		<b>9,759,682</b>	11,599,271
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>13,992,449</b>	15,752,257
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	13	950,008	1,554,048
Convertible notes	15	61,206	1,028,195
Senior notes	16	2,937,884	2,923,895
Deferred tax liabilities		1,018,715	1,173,976
		<b>4,967,813</b>	6,680,114
<b>NET ASSETS</b>			
		<b>9,024,636</b>	9,072,143
<b>CAPITAL AND RESERVES</b>			
Share capital	18(a)	77,826	77,826
Reserves		8,291,520	8,238,558
<b>Total equity attributable to equity holders of the Company</b>			
Minority interests		8,369,346	8,316,384
		655,290	755,759
<b>TOTAL EQUITY</b>			
		<b>9,024,636</b>	9,072,143

The notes on pages 27 to 54 form part of this interim report.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 October 2009 – Unaudited

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Convertible notes equity reserve	Share option reserve	Other revaluation reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 May 2008</b>	77,826	5,515,551	44,365	187,561	46,541	738,254	1,763,954	8,374,052	705,271	9,079,323
<b>Changes in equity for the six months ended 31 October 2008:</b>										
Total comprehensive income for the period	-	-	-	-	(3,492)	(147,808)	(271,426)	(422,726)	(8,466)	(431,192)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	68,910	68,910
Equity settled share-based transactions	-	-	-	20,502	-	-	-	20,502	-	20,502
Dividend approved in respect of previous year	-	-	-	-	-	-	(272,390)	(272,390)	-	(272,390)
<b>At 31 October 2008</b>	77,826	5,515,551	44,365	208,063	43,049	590,446	1,220,138	7,699,438	765,715	8,465,153
<b>At 1 May 2009</b>	77,826	5,515,551	44,365	208,384	46,229	796,775	1,627,254	8,316,384	755,759	9,072,143
<b>Changes in equity for the six months ended 31 October 2009:</b>										
Total comprehensive income for the period	-	-	-	-	(396)	(103,821)	126,679	22,462	(20,555)	1,907
Equity settled share-based transactions	-	-	-	10,719	-	-	-	10,719	-	10,719
Redemption of convertible notes	-	-	(41,785)	-	-	-	61,566	19,781	-	19,781
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(79,914)	(79,914)
<b>At 31 October 2009</b>	<b>77,826</b>	<b>5,515,551</b>	<b>2,580</b>	<b>219,103</b>	<b>45,833</b>	<b>692,954</b>	<b>1,815,499</b>	<b>8,369,346</b>	<b>655,290</b>	<b>9,024,636</b>

The notes on pages 27 to 54 form part of this interim report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 31 October 2009 – Unaudited

	<b>Six months ended 31 October</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash from/(used in) operating activities	<b>741,600</b>	(1,388,620)
Net cash from investing activities	<b>1,645,767</b>	196,504
Net cash used in financing activities	<b>(2,243,653)</b>	(753,597)
Net increase/(decrease) in cash and cash equivalents	<b>143,714</b>	(1,945,713)
Cash and cash equivalents at the beginning of the period	<b>2,618,105</b>	4,363,937
Effect of foreign exchange rate changes	–	104,038
Cash and cash equivalents at the end of the period	<b>2,761,819</b>	2,522,262
<b>Represented by:</b>		
Bank balances and cash	<b>2,352,978</b>	2,522,262
Cash balance maintained with a securities company	<b>400,000</b>	–
Bank balances and cash included in assets classified as held for sale	<b>8,841</b>	–
	<b>2,761,819</b>	2,522,262

The notes on pages 27 to 54 form part of this interim report.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 1. Basis of Preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance by the Board of Directors (the “Board”) on 23 December 2009.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008/2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009/10 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2008/2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by the independent auditor, CCIF CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The independent review report of CCIF CPA Limited to the Board is included on page 21. This interim financial report has also been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 30 April 2009 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 April 2009 are available from the Company’s registered office. The independent auditor has expressed an unqualified opinion on those financial statements in their report dated 27 July 2009.

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

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 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 and the Company. The following of these developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- 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*
- Amendments to HKFRS 7, *Financial instruments: Disclosure – improving disclosures about financial instruments*
- HKAS 23 (revised), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment – vesting conditions and cancellations*
- HK(IFRIC)-Int 15, *Agreements for the construction of real estate*
- HK(IFRIC)-Int 16, *Hedges of a net investment in a foreign operation*

The amendments to HKAS 23 and HKFRS 2 and Interpretations HK(IFRIC)-Int 15 and HK(IFRIC)-Int 16 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. 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 amounts 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 3). As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have been provided on a basis consistent with the revised segment information.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 2. Changes in Accounting Policies (Continued)

- As a result of the adoption of HKAS 1 (revised 2007), 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. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim report and 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.
- 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 value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated 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 amendments 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.
- 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 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 Company’s profit or loss and the carrying amount of the investment in the investee will not be reduced unless the carrying amount is assessed to be impaired as a result of the investee declared the dividend. In such case, in addition to recognising dividend income in profit or loss, the Company 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.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 3. 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 the 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 the Mainland China.
- Hotel operations: this segment is engaged in renting of hotel room accommodation, leasing of commercial shopping arcades, provision of food and beverage at restaurant outlets, and other minor departments such as telephone, guest transportation and laundry within hotel premises. Currently the Group’s activities in this regard are carried out in the Mainland China.

### Segment Results, Assets and Liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group’s most senior executive management 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 and other corporate assets. Segment liabilities include trade and other payable attributable to the sales activities of the individual segments and bank 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.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 3. Segment Reporting (Continued)

### Segment Results, Assets and Liabilities (Continued)

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 period.

#### (a) Segment Results

	For the six months ended 31 October							
	Property development		Property leasing		Hotel operations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue from external customers</b>	<b>374,857</b>	48,999	<b>4,214</b>	8,803	<b>19,415</b>	–	<b>398,486</b>	57,802
Inter-segment revenue	–	–	–	–	<b>2,697</b>	–	<b>2,697</b>	–
<b>Reportable segment revenue</b>	<b>374,857</b>	48,999	<b>4,214</b>	8,803	<b>22,112</b>	–	<b>401,183</b>	57,802
<b>Reportable segment loss</b>	<b>(106,715)</b>	(184,250)	<b>(180,393)</b>	(173,777)	<b>(26,209)</b>	(30,722)	<b>(313,317)</b>	(388,749)
Finance income	<b>3,375</b>	6,683	<b>578</b>	1,086	<b>12</b>	–	<b>3,965</b>	7,769
Finance costs	<b>(1,749)</b>	(18,530)	<b>(12,848)</b>	(21,802)	–	–	<b>(14,597)</b>	(40,332)
Net valuation loss on investment properties	–	–	<b>(161,053)</b>	(100,751)	–	–	<b>(161,053)</b>	(100,751)
Depreciation	<b>(3,791)</b>	(3,539)	<b>(485)</b>	(703)	<b>(19,121)</b>	(17,322)	<b>(23,397)</b>	(21,564)
Share of losses of associates	<b>(1,466)</b>	(769)	–	–	–	–	<b>(1,466)</b>	(769)

#### (b) Reconciliation of reportable segment revenue and profit or loss

	For the six months ended 31 October	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Revenue</b>		
Reportable segment revenue	<b>401,183</b>	57,802
Elimination of inter-segment revenue	<b>(2,697)</b>	–
Consolidated turnover	<b>398,486</b>	57,802
<b>Profit or loss</b>		
Reportable segment loss	<b>(313,317)</b>	(388,749)
Elimination of inter-segment profits	–	–
Reportable segment loss derived from Group's external customers	<b>(313,317)</b>	(388,749)
Finance costs	<b>(77,209)</b>	(103,561)
Corporate finance income	<b>2,408</b>	4,871
Other revenue and net income	<b>(756)</b>	133,435
Unallocated head office and corporate expenses	<b>(34,372)</b>	(49,859)
Unallocated depreciation	<b>(580)</b>	(843)
Fair value changes on derivative financial instruments	<b>(17,200)</b>	85,480
Gain on redemption of convertible notes	<b>426,074</b>	–
Gain on disposal of subsidiaries	<b>266,186</b>	–
Loss on disposal of an associate	<b>(5,100)</b>	–
Consolidated profit/(loss) before taxation	<b>246,134</b>	(319,226)

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 3. Segment Reporting (Continued)

### (c) Segment Assets and Liabilities

	Property development HK\$'000	Property leasing HK\$'000	Hotel operations HK\$'000	Total HK\$'000
<b>At 31 October 2009</b>				
<b>Reportable segment assets</b>	22,037,304	3,129,345	743,286	25,909,935
(including interests in associates)	328,703	–	–	328,703
Additions to non-current segment assets during the period	3,377	–	138,515	141,892
<b>Reportable segment liabilities</b>	12,719,600	431,512	51,156	13,202,268
<b>At 30 April 2009</b>				
<b>Reportable segment assets</b>	23,601,145	3,836,185	600,679	28,038,009
(including interests in associates)	–	–	–	–
Additions to non-current segment assets during the period	459,478	118	27,918	487,514
<b>Reportable segment liabilities</b>	12,638,546	464,771	49,700	13,153,017

### (d) Reconciliations of reportable segment assets and liabilities

	At 31 October 2009 HK\$'000	At 30 April 2009 HK\$'000
<b>Reportable segment assets</b>	<b>25,909,935</b>	28,038,009
Deferred tax assets	<b>24,315</b>	24,832
Prepaid income tax	<b>325,182</b>	231,172
Derivative financial instruments	<b>1,100</b>	–
Investments in securities held for trading	–	1,513
Unallocated head office and corporate assets	<b>1,876,303</b>	1,000,222
<b>Consolidated total assets</b>	<b>28,136,835</b>	29,295,748

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 3. Segment Reporting (Continued)

	At 31 October 2009 HK\$'000	At 30 April 2009 HK\$'000
<b>Reportable segment liabilities</b>	<b>13,202,268</b>	13,153,017
Income tax payable	<b>1,200,320</b>	1,093,457
Dividend payable	<b>6,473</b>	6,473
Convertible notes	<b>61,206</b>	1,028,195
Senior notes	<b>2,937,884</b>	2,923,895
Derivative financial instruments	<b>50,400</b>	32,100
Deferred tax liabilities	<b>1,018,715</b>	1,173,976
Unallocated head office and corporate liabilities	<b>634,933</b>	812,492
<b>Consolidated total liabilities</b>	<b>19,112,199</b>	20,223,605

## 4. Profit/(Loss) Before Taxation

	Six months ended 31 October	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Profit/(loss) before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest on convertible notes	<b>13,085</b>	43,721
Interest on senior notes	<b>167,339</b>	165,986
Interest on bank borrowings	<b>67,633</b>	137,198
Interest on loan payables	<b>203,666</b>	219,065
Less: interest expense capitalised into properties under development	<b>(359,917)</b>	(422,077)
	<b>91,806</b>	143,893
(b) Other items		
Interest income from bank deposits	<b>(6,373)</b>	(12,640)
(Gain)/loss on disposal of investment properties	<b>(10,618)</b>	48,124
Changes in fair values of derivative financial instruments	<b>17,200</b>	(85,480)
Exchange gain on convertible notes	–	(25,713)
Exchange gain on senior notes	–	(90,001)
Other net exchange loss/(gain)	<b>2,563</b>	(17,711)
Depreciation	<b>23,977</b>	22,407
Equity-settled share-based payment expense	<b>10,719</b>	20,502
Cost of properties sold	<b>309,445</b>	38,332

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 5. Income Tax

	Six months ended 31 October	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Current tax</b>		
Provision for the year		
– PRC Enterprise Income Tax	<b>174,503</b>	20,449
– Land Appreciation Tax	<b>28,347</b>	32,191
	<b>202,850</b>	52,640
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(62,840)</b>	(73,985)
	<b>140,010</b>	(21,345)

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the six months ended 31 October 2009 and 2008.

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% (six months ended 31 October 2008: 18% to 25%) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC during the six months ended 31 October 2009.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is charged on the appreciated amount of the properties developed by the Group for sale in the PRC at progressive rates ranging from 30% to 60% during the six months ended 31 October 2009 and 2008.

## 6. Earnings/(Loss) Per Share

### (a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$126,679,000 (six months ended 31 October 2008: loss of HK\$271,426,000) and the weighted average number of 1,945,640,189 ordinary shares (2008: 1,945,640,189 ordinary shares) in issue during the interim period.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 6. Earnings/(Loss) Per Share (Continued)

### (b) Diluted loss per share

The calculation of diluted loss per share for the six months ended 31 October 2009 is based on the loss attributable to ordinary equity shareholders (diluted) of the Company of HK\$300,690,000 and the weighted average number of 1,987,883,624 ordinary shares, after adjusting for the effects of all dilutive potential ordinary shares, calculation as follows:

#### (i) Loss attributable to ordinary equity shareholders (diluted)

	Six months ended 31 October 2009 HK\$'000 (unaudited)
Profit attributable to ordinary equity shareholders (basic)	126,679
After tax effect of effective interest on the liability component of convertible notes	(195)
Effect of fair value charges on the derivative component of convertible notes	(1,100)
Effect of gain recognised on redemption of convertible notes	(426,074)
Loss attributable to ordinary equity shareholders (diluted)	(300,690)

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

	2009 (unaudited)
Weighted average number of ordinary shares (basic)	1,945,640,189
Effect of conversion of convertible notes	42,243,435
Weighted average number of ordinary shares (diluted)	1,987,883,624

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

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 7. Investment Properties

### (a) Acquisition and disposals

During the six months ended 31 October 2009, there was no acquisition of investment properties.

Certain of investment properties with a carrying amount of HK\$117,794,000 were disposed of during the six months ended 31 October 2009 (six months ended 30 October 2008: HK\$283,054,000), resulting in a gain on disposal of HK\$10,618,000 (six months ended 31 October 2008: loss on disposal of HK\$48,124,000).

### (b) Valuation

The Group's investment properties carried at fair value were revalued at 31 October 2009 at their open market value. The valuation was carried out by an independent firm of surveyors, Savills Valuations 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. As a result of the update, a net loss of HK\$161,053,000 (six months ended 31 October 2008: HK\$100,757,000) has been recognised in profit or loss for the period.

## 8. Other Property, Plant and Equipment

During the six months ended 31 October 2009, the Group acquired items of other property, plant and equipment with a cost of HK\$143,506,000 (six months ended 31 October 2008: HK\$102,945,000). In addition, other property, plant and equipment with a cost of HK\$Nil (six months ended 31 October 2008: approximately HK\$901,000) was acquired through acquisition of subsidiaries (note 20).

During the six months ended 31 October 2009, the Group disposed items of other property, plant and equipment with a net carrying amount of HK\$24,000 (six months ended 31 October 2008: HK\$Nil). In addition, other property, plant and equipment with a net carrying amount of HK\$3,585,000 (six months ended 31 October 2008: HK\$Nil) was disposed of through disposal of subsidiaries (note 21(b)).

## 9. Restricted Bank Deposits

- (a) The Group has entered into agreements with certain banks with respect to mortgage loans provided to the buyers of the Group's property units. As at 31 October 2009, the Group made deposits of RMB77,101,000 (equivalent to approximately HK\$87,895,000) (as at 30 April 2009: RMB152,105,000 (equivalent to approximately HK\$173,399,000)) as security for 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 respective mortgage loans, which generally take place within one year after the property title deeds are passed to buyers.

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

- (b) As at 31 October 2009, the Group's bank deposits of RMBNil (equivalent to approximately HK\$Nil) (as 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 13.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 10. Inventories

	<b>At 31 October 2009 HK\$'000 (unaudited)</b>	At 30 April 2009 HK\$'000 (audited)
<b>Property development</b>		
Properties under development	<b>17,350,308</b>	20,058,563
Completed properties held for sale	<b>785,096</b>	841,432
	<b>18,135,404</b>	20,899,995
<b>Hotel operations</b>		
Food and beverage and others	<b>8,610</b>	8,389
	<b>18,144,014</b>	20,908,384

## 11. Trade and Other Receivables

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

	<b>At 31 October 2009 HK\$'000 (unaudited)</b>	At 30 April 2009 HK\$'000 (audited)
Less than 90 days	<b>5,734</b>	78,334
More than 90 days but less than 180 days	<b>38,596</b>	2,235
More than 180 days	<b>14,801</b>	13,110
	<b>59,131</b>	93,679

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

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 12. Trade and Other Payables

	<b>At 31 October 2009 HK\$'000 (unaudited)</b>	At 30 April 2009 HK\$'000 (audited)
Accrued expenditure on properties under development	<b>1,177,253</b>	1,075,017
Retentions payable to contractors	<b>3,567</b>	1,485
Receipts from customers for payment of expenses on their behalf	<b>190,239</b>	176,545
Consideration payables for acquisition of subsidiaries and associates	<b>449,292</b>	578,271
Interest payable	<b>218,962</b>	285,715
Accrued charges and other payables	<b>356,726</b>	310,537
Amounts due to related companies (note 12(a))	<b>2,212</b>	2,881
Amounts due to minority shareholders (note 12(a))	<b>48,055</b>	48,055
Financial liabilities measured at amortised cost	<b>2,446,306</b>	2,478,506
Advance payment from a minority shareholder for the property development project (note 12(b))	<b>–</b>	798,000
Other taxes payables (note 12(c))	<b>3,485</b>	10,430
	<b>2,449,791</b>	3,286,936

- (a) The amounts due to minority shareholders are non-trade in nature, interest free, unsecured and repayable on demand. The amounts due to related companies are 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, an amount of RMB700,000,000 (equivalent to approximately HK\$798,000,000) from a minority shareholder is secured by 20% equity interest in the registered capital of Tianjin City Yi Jia He Zhi Ye Co., Ltd. ("Yi Jia He"), a subsidiary of the Company established in the PRC, interest free and repayable on demand. During the six months ended 31 October 2009, the Group disposed of 40% equity interest in Yi Jia He, and details of such disposal are disclosed in note 21(a)(iii).
- (c) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 13. Bank Borrowings

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

	<b>At 31 October 2009 HK\$'000 (unaudited)</b>	At 30 April 2009 HK\$'000 (audited)
Within 1 year or on demand	<b>745,309</b>	971,656
After 1 year but within 2 years	<b>414,732</b>	972,192
After 2 years but within 5 years	<b>317,684</b>	240,677
After 5 years	<b>217,592</b>	341,179
Total bank loans	<b>1,695,317</b>	2,525,704
Less: repayable within 1 year or on demand as classified under current liabilities	<b>(745,309)</b>	(971,656)
Repayable after 1 year as classified under non-current liabilities	<b>950,008</b>	1,554,048

During the six months ended 31 October 2009, the Group obtained new bank borrowings amounting to HK\$148,200,000 (six months ended 31 October 2008: HK\$551,988,000). The proceeds were used to finance the development of properties.

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

The effective interest rates (being the People's Bank of China's lending rate) on the Group's bank borrowings denominated in RMB are ranging from 5.40% to 7.93% (30 April 2009: ranging from 5.13% to 7.94%) per annum.

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\$2,453,001,000 (30 April 2009: HK\$3,322,106,000), HK\$12,422,000 (30 April 2009: HK\$11,940,000), HK\$341,007,000 (30 April 2009: HK\$295,298,000) and HK\$2,912,358,000 (30 April 2009: HK\$2,754,532,000) respectively.
- (ii) certain bank deposits of the Group amounting to approximately HK\$Nil (30 April 2009: HK\$19,030,000), which have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 14. Loan Payables

	<b>At 31 October 2009 HK\$'000 (unaudited)</b>	At 30 April 2009 HK\$'000 (audited)
Loan Payable denominated in RMB (see note (a))	<b>1,463,923</b>	1,710,000
Loan Payable A (see note (b))	<b>34,200</b>	296,400
Loan Payable B (see note (c))	–	730,881
	<b>1,498,123</b>	2,737,281

### (a) Loan Payable Denominated in RMB

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

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

During the six months ended 31 October 2009, the Group repaid an amount of approximately HK\$246,077,000 in respect of the Loan Payable denominated in RMB.

The loan was due for repayment in full on maturity on 5 December 2009.

On 2 December 2009, the Company has effectively refinanced the loan by agreeing amendments with the lender. The loan will now be repayable by instalments until 5 December 2011, details of which are set out in note 25(a).

### (b) Loan Payable A

During the six months ended 31 October 2009, the Group repaid an amount of approximately RMB230,000,000 (equivalent to approximately HK\$262,200,000) (six months ended 31 October 2008: RMB200,000,000 (equivalent to approximately HK\$228,000,000)) in respect of Loan Payable A. As at 31 October 2009, the carrying amount of Loan Payable A was RMB30,000,000 (equivalent to approximately HK\$34,200,000) (30 April 2009: RMB260,000,000 (equivalent to approximately HK\$296,400,000) inclusive of the effective interest payable).

### (c) Loan Payable B

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 six months ended 31 October 2009, Loan Payable B was derecognised through disposal of this subsidiary.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 15. 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 of Hong Kong Limited.

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.

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. The holders are now 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.

On 12 June 2009, the holders of Convertible Note 2011 can put back the Convertible Note 2011 to the Company at the price of 120.103% of principal amount ("Redemption Right of the Holder"). As the economic characteristics and risks of the Redemption Right of the Holder are not closely related to the host contract, the Redemption Right of the Holder is separately accounted for at fair value at each reporting date as derivative financial instrument. During the six months ended 31 October 2009, the Redemption Right of the Holder were expired.

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 at least 130 per cent of the applicable early redemption amount divided by the conversion ratio ("Redemption Right of the Issuer"). As the economic characteristics and risks of the Redemption Right of the Issuer are not closely related to the host contract, the Redemption Right of the Issuer is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the Redemption Right of the Issuer at 31 October 2009 was HK\$1,100,000 (at 30 April 2009: HK\$Nil). Accordingly, a change in the fair value of the derivative financial instrument of HK\$1,100,000 was credited (six months ended 31 October 2008: HK\$43,000,000 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 October 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 equity heading "convertible note equity reserve". The effective interest rate of the liability element is 9.44%.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 15. Convertible Notes (Continued)

During the six months ended 31 October 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 that 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.

During the six months ended 31 October 2009 and 2008, no Convertible Note 2011 was converted into the Company's new ordinary shares.

## 16. Senior Notes/Warrants

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

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

The Warrants 2012 are exercisable at any time from the date of issue to 23 July 2012 at an 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 profit or loss.

The fair value of Warrants 2012 at 31 October 2009 was HK\$50,400,000 (at 30 April 2009: HK\$32,100,000). Accordingly, a change in fair value of warrants of HK\$18,300,000 was debited (six months ended 31 October 2008: HK\$143,480,000 was credited) to profit or loss 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 shares issuable under Warrants 2012 as at 29 October 2007.

As at 31 October 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 additional shares with an aggregate subscription value of HK\$443,520,000.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 16. Senior Notes/Warrants (Continued)

At any time prior to the Notes Maturity Date, the Company may redeem the Senior Notes 2014, in whole or in part, at a redemption price equal to 100% of the principal amount plus the greater of (1) 1% of the principal amount of Senior Notes 2014 being redeemed and (2) the excess of (A) the present value at such redemption date of (i) 100% of the principal amount of the Senior Notes 2014 plus (ii) all required remaining scheduled interest payments due on Senior Notes 2014 through to the Notes Maturity Date, computed using a discount rate equal to the comparable treasury issue plus 100 basis points, over (B) the principal amount of Senior Notes 2014 on such redemption date ("100% Redemption Right of the Issuer – Senior Notes 2014"). As the economic characteristics and risks of the 100% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 100% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 100% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at both 31 October 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 October 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. The effective interest rate of the liability element is 11.35%.

## 17. Disposal Group/Non-current Assets Classified as Held for Sale

During the six months ended 31 October 2009, the senior management planned to sell the entire interest in 天津新潤房地產開發有限公司 ("Tianjin Xin Run"), which owns a property development project in Tianjin, 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 assets and liabilities attributable to Tianjin Xin Run has been presented as disposal group held for sale as at 31 October 2009. Subsequent to 31 October 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 entire equity interest in Star Profit Group Limited, a holding company of Tianjin Xin Run, for a total consideration of HK\$1,120,000,000.

During the year ended 30 April 2009, the senior management 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. During the six months ended 31 October 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\$631,000,000). This disposal was completed during the six months ended 31 October 2009. The proceeds of disposal were less than the net carrying amount of the interest in this associate, and accordingly, an impairment loss for write-down of interest in the associate to fair value less costs to sell of HK\$201,000,000 was recognised in profit or loss for the year ended 30 April 2009.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 17. Non-current Assets Classified as Held for Sale (Continued)

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

	At 31 October 2009 HK\$'000	At 30 April 2009 HK\$'000
<b>Assets of a disposal group classified as held for sale</b>		
Interest in the associate	–	857,578
Less: impairment loss	–	(201,000)
	–	656,578
Plant and equipment	277	–
Properties under development	1,141,947	–
Trade and other receivables	148	–
Prepaid income tax	323	–
Cash and cash equivalents	8,841	–
	1,151,536	656,578
<b>Liabilities of a disposal group classified as held for sale</b>		
Other payables and accruals	6,346	–
Deferred tax liabilities	81,267	–
	87,613	–

## 18. Capital, Reserves and Dividends

### (a) Share capital

	Number of shares	Nominal value HK\$'000
Authorised:		
At 1 May 2009 and 31 October 2009 – ordinary share of HK\$0.04 each	10,000,000,000	400,000
Issued and fully paid:		
At 1 May 2009 and 31 October 2009 – ordinary shares of HK\$0.04 each	1,945,640,189	77,826

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 18. Capital, Reserves and Dividends (Continued)

### (b) Dividends

- (i) There was no interim dividend declared attributable to the six months ended 31 October 2009 and 2008.
- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period.

	<b>Six months ended 31 October</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Dividend in respect of the financial year ended 30 April 2009 approved and paid during the following interim period, of HK nil cents per ordinary share (six months ended 31 October 2008: HK 14.0 cents per ordinary share)	-	272,390

## 19. Equity-Settled Share-Based Payment Expense

The Company has a share option scheme for eligible employees of the Group. The number of share options outstanding at 31 October 2009 is as follows:

	<b>2009</b>
Outstanding at the beginning and the end of the period	<b>125,625,000</b>

The aggregate amount of equity-settled share-based payment expense charged to profit or loss for the period was HK\$10,719,000 (six months ended 31 October 2008: HK\$20,502,000).

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 20. Acquisition of Assets and Liabilities Through Acquisition of Subsidiaries

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

### For the Period Ended 31 October 2008

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

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

	<b>Fair values on acquisition</b> HK\$'000
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
Net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(92,089)

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 21. Disposal of Subsidiaries

### For the Period Ended 31 October 2009

#### (a) Disposal of subsidiaries

- (i) Beijing Jun He Bai Nian Property Development Co., Ltd (“Jun He Bai Nian”) In June 2009, the Group completed the disposal of the entire equity 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 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 disposal of in respect of 北京國銳 and Jun He Bai Nian are summarised below:

	2009 HK\$'000
<b>Net assets disposal of</b>	
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)
	<b>1,137,207</b>
Minority interests	(67,202)
	<b>1,070,005</b>
Release of exchange reserve upon disposal	(134)
	<b>1,069,871</b>
Gain on disposal of subsidiaries	105,526
	<b>1,175,397</b>
Total consideration satisfied by:	
Cash received	1,175,397
Net cash inflow arising on disposal:	
Cash consideration received	1,175,397
Bank balances and cash disposed of	(4,790)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<b>1,170,607</b>

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 21. Disposal of Subsidiaries (Continued)

**For the Period Ended 31 October 2009** (Continued)

### (a) Disposal of subsidiaries (Continued)

#### (ii) 北京新松建築研究發展有限公司

In July 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. A gain on disposal of approximately HK\$686,000 arose from this disposal.

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

	2009 HK\$'000
<b>Net assets disposal of</b>	
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	686
	-
Total consideration satisfied by:	
Cash received	-
Net cash outflow arising on disposal:	
Cash consideration received	-
Bank balances and cash disposed of	(4,139)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(4,139)

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 21. Disposal of Subsidiaries (Continued) For the Period Ended 31 October 2009 (Continued)

### (a) Disposal of subsidiaries (Continued)

- (iii) Tianjin City Yi Jia He Zhi Ye Co., Ltd. ("Yi Jia He")  
In June 2009, the Group completed the disposal of 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 holds 40% interests in Yi Jia He, which become an associate of the Group. A gain on disposal of approximately HK\$115,485,000 arose from this disposal.

Details of the net assets disposal of in respect of 億嘉合 are summarised below:

	2009 HK\$'000
<b>Net assets disposal of</b>	
Plant and equipment	1,712
Properties under development	1,849,771
Trade and other receivables	1,276
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)
	<b>666,635</b>
Minority interests	(12,712)
	<b>653,923</b>
Net assets transferred to interests in associates	(330,169)
	<b>323,754</b>
Release of exchange reserve upon disposal	(28,839)
	<b>294,915</b>
Gain on disposal of subsidiaries	115,485
	<b>410,400</b>
Total consideration satisfied by:	
Cash received	410,400
Net cash inflow arising on disposal:	
Cash consideration received	410,400
Bank balances and cash disposed of	(79,645)
	<b>330,755</b>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<b>330,755</b>

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

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 21. Disposal of Subsidiaries (Continued)

For the Period Ended 31 October 2009 (Continued)

### (b) Summary of disposal of subsidiaries

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

	2009 HK\$'000
<b>Net assets disposal of</b>	
Plant and equipment	3,585
Properties under development	3,687,378
Trade and other receivables	3,818
Bank balance and cash	88,574
Accruals and other payables	(93,586)
Income tax payables	(322)
Loan payables	(615,719)
Advance payment from a minority shareholder for the property development project	(798,000)
Amounts due to group companies	(472,424)
	<b>1,803,304</b>
Minority interests	(79,914)
	<b>1,723,390</b>
Net assets transferred to interests in associates	(330,169)
	<b>1,393,221</b>
Release of exchange reserve upon disposal	(73,610)
	<b>1,319,611</b>
Gain on disposal of subsidiaries	266,186
	<b>1,585,797</b>
Total consideration satisfied by:	
Cash received	1,585,797
Net cash inflow arising on disposal:	
Cash consideration received	1,585,797
Bank balances and cash disposed of	(88,574)
	<b>1,497,223</b>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<b>1,497,223</b>

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 22. Commitments

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

	<b>At 31 October 2009 HK\$'000 (unaudited)</b>	At 30 April 2009 HK\$'000 (audited)
Authorised and contracted for but not provided for	<b>3,591,812</b>	6,064,142

## 23. Contingencies

### (a) Corporate Guarantees

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

	<b>At 31 October 2009 HK\$'000 (unaudited)</b>	At 30 April 2009 HK\$'000 (audited)
Guarantees in respect of mortgage facilities for certain purchasers	<b>1,753,531</b>	1,617,631

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

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

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 23. Contingencies (Continued)

### (a) Corporate Guarantees (Continued)

#### (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 October 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, 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) 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 whereby 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 to perform 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), in which RMB30,000,000 (equivalent to approximately HK\$34,200,000) is included in "Loan Payable", and the compensation of RMB32,000,000 (equivalent to approximately HK\$36,480,000) plus interest and legal costs.

The Company 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.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 24. Material Related Party Transactions

### (a) Transactions with key managements personnel

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

	Six months ended 31 October	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Short-term employee benefits	8,040	5,235
Post-employment benefits	6	5
Equity compensation benefits	3,207	10,853
	<b>11,253</b>	16,093

### (b) Transactions with other related parties

- (i) During the six months ended 31 October 2009, the Group paid agency fees amounted to approximately HK\$4,566,000 to three related companies, which Mr. Li Song Xiao, the controlling shareholder of the Company, has controlling interest, for providing property management services to the group companies.
- (ii) During the year ended and as at 31 October 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 controlling interest, provide 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.

## 25. Non-Adjusting Post Balance Sheet Events

- (a) On 2 December 2009, the Group has effectively refinanced the loan payable denominated in RMB ("the Loan") in relation to a financing for the development project at Qi Ao East Road, Zhuhai City, Guangdong by agreeing amendments to the financing arrangements made in 2007 that were due to mature on 5 December 2009.

The Loan will now be repayable by 9th 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. 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 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 accrued and been 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.

# Notes to the Unaudited Interim Financial Report

For the six months ended 31 October 2009

## 25. Non-Adjusting Post Balance Sheet Events (Continued)

- (b) On 1 December 2009, the Company entered into the sale and purchase agreement with an independent third party (“the Purchaser”), pursuant to which the Purchaser has agreed to acquire and the Company has agreed to sell the entire issued share capital of Star Profit Group Limited, a company incorporated in the British Virgin Islands, which owns a property development project in Tianjin, the PRC, (“the Sale Shares”) for a total consideration of HK\$1,120 million or its equivalent in RMB.

The consideration for the sale and purchase of the Sale Shares is to be satisfied by the Purchaser in the following manner:

- (i) HK\$280 million or its RMB equivalent is payable by the Purchaser to the Company on or before 9 December 2009.
- (ii) HK\$280 million or its RMB equivalent is payable by the Purchaser to the Company within thirty days of the transfer of the Sale Shares to the Purchaser.
- (iii) the remaining HK\$560 million or its RMB equivalent is payable by the Purchaser to the Company within sixty days of the transfer of the Sale Shares to the Purchaser.

The Company has received payment of the first instalment on 8 December 2009 and has procured the transfer of the Sale Shares to the Purchaser in accordance with the sale and purchase agreement. Up to the date of this interim report, this disposal has not been completed.

## 26. Comparative Figures

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to confirm to current period’s presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009/2010. Further details of these developments are disclosed in note 2.