



地产唯新力量



中新地产
NEO CHINA LAND

NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

中新地產集團(控股)有限公司

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

Interim Report 2010

Contents

	Page
Corporate Information	2
Management Discussion and Analysis	
• Financial Review	3
• Business Overview	3
• Land Bank	6
• Development Projects	8
• Prospects	15
• Biographical Details of Directors	18
• Liquidity and Capital Resources	20
• Human Resources and Remuneration Policies	20
• Payment of Dividends	20
• Senior Notes/Warrants	20
• Contingencies	20
• Material Acquisitions and Disposals	21
• Charge on Group's Assets	21
• Equity	21
Other Information	
• Directors' and Chief Executive's Interests in Shares and Underlying Shares	22
• Substantial Shareholders' Interests in Shares and Underlying Shares	23
• Share Option Scheme	25
• Purchase, Sale or Redemption of Securities	26
• Pre-emptive Rights	26
• Code of Corporate Governance Practices	26
• Model Code for Securities Transactions by Directors	26
• Independent Non-Executive Directors	26
• Audit Committee	27
• Appreciation	27
Report on Review of Interim Financial Information	28
Condensed Consolidated Income Statement	29
Condensed Consolidated Statement of Comprehensive Income	30
Condensed Consolidated Balance Sheet	31
Condensed Consolidated Statement of Changes in Equity	32
Condensed Consolidated Cash Flow Statement	33
Notes to the Unaudited Interim Financial Report	34

Corporate Information

Directors

Executive Directors

Mr. Cai Yu Tian (*Chairman*)
Mr. Ni Jian Da
Mr. Qian Shi Zheng
Mr. Zhou Jun
Mr. Yang Biao
Mr. Chen An Min
Mr. Jia Bo Wei

Independent Non-Executive Directors

Mr. Doo Wai-Hoi, William, J.P.
Dr. Wong Ying Ho, Kennedy, BBS, J.P.
Mr. Fan Ren Da, Anthony
Mr. Li Ka Fai, David

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

HSBC

Auditors

Crowe Horwath (HK) CPA Limited
34/F, The Lee Gardens,
33 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 30 June 2010.

Financial Review

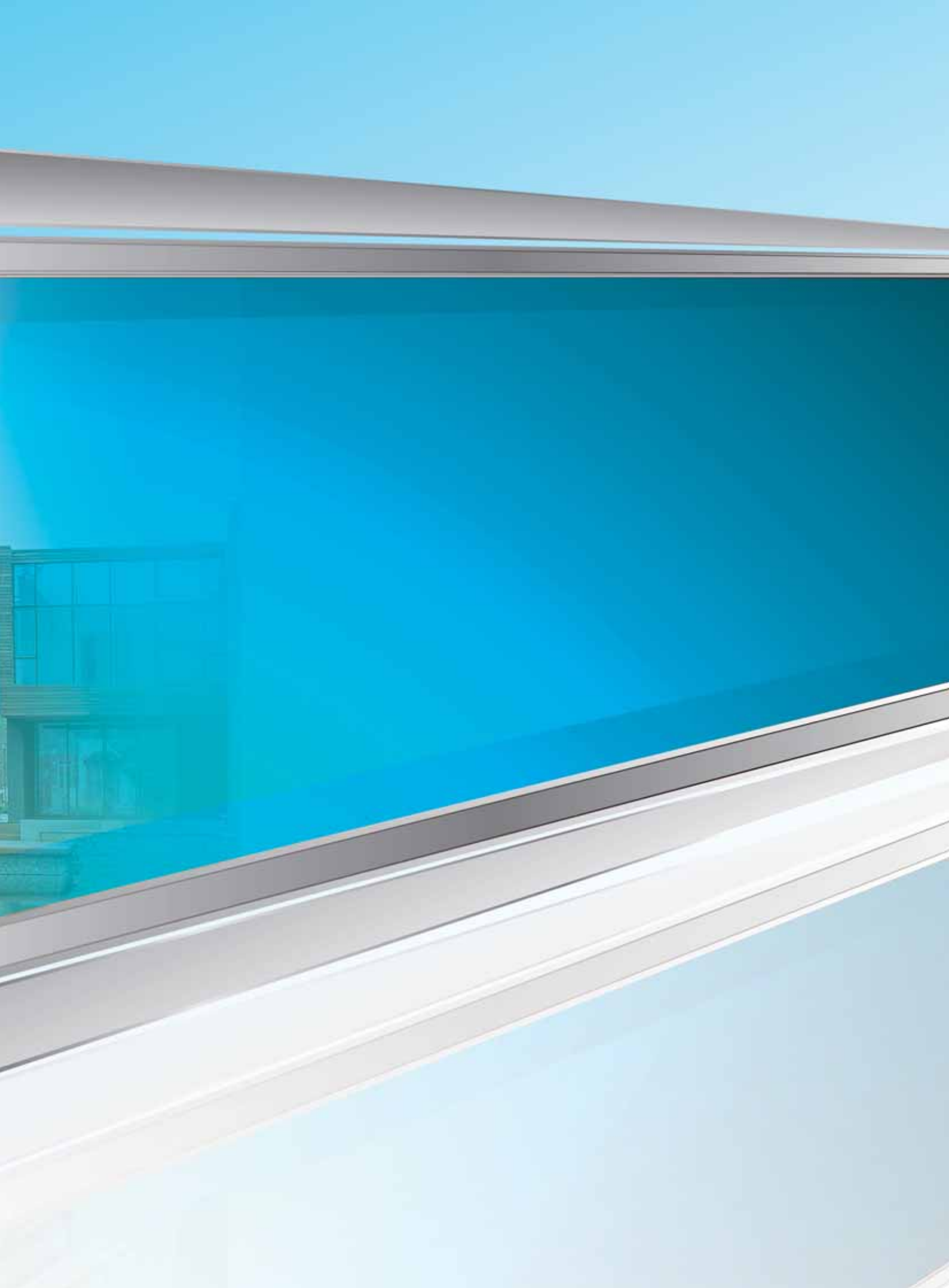
During the six months ended 30 June 2010, the Group recorded a turnover of HK\$2,417 million (six months ended 31 October 2009: HK\$398 million), representing an increase of approximately 506.6% as compared to the six months ended 31 October 2009. Loss attributable to equity holders of the Company amounted to HK\$646 million for the six months ended 30 June 2010 against profit attributable to equity holders of the Company amounted to HK\$127 million for the six months ended 31 October 2009. For the six months ended 30 June 2010, basic loss per share was HK32.74 cents (six months ended 31 October 2009: basic earnings per share was HK6.51 cents).

As at 30 June 2010, balance of presale receipts from customers of the Group was HK\$8.49 billion (as at 31 December 2009: HK\$8.76 billion), representing an decrease of approximately 3.2% as compared to the prior year end. As at 30 June 2010, equity attributable to equity holders of the Company was HK\$7.00 billion (31 December 2009: HK\$6.07 billion).

Business Review

During the period under review, there were manifest changes in the market environment. Due to the over surging housing price in some regions during the second half of 2009, the government implemented a series of control measures to direct against it. Affected by these control measures, the real estate market changed its future expectations and reduced the turnover gradually, restraining the increases where housing prices showed a more rapid increment before in different extents. During the six months ended June 2010, the areas delivered recognised by the Group amounted to approximately 220,000 sq.m (2009: approximately 50,000 sq.m.), representing an increase of approximately 340% when compared to the six months ended 31 October 2009, most of which were from Laochengxiang Project in Tianjin. During the first half of the year, the Group’s GFA of properties pre-sold amounted to approximately 340,000 sq.m. (2009: approximately 480,000 sq.m.), representing a decrease of approximately 29% when compared to the six months ended 31 October 2009.





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 30 June 2010, the land bank of the Group was approximately 12,294,890 sq.m.

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



China

Management Discussion and Analysis

Land Bank



Beijing

American Rock 523,833m²
Youngman Point 352,905m²
Xidiaoyutai 250,836m²

Shanghai

Jiuju Youth City 213,755m²

Tianjin

Laochengxiang 752,883m²
Beichen 2,263,000m²

Chongqing

Top City 802,532m²

Shenzhen

Phoenix Tower 106,190m²

Shenyang

Tai Yuan Street 244,950m²

Sanhe

Yanjiao 460,000m²

Chengdu

Park Avenue 625,670m²

Xian

Neo Water City 3,534,736m²

Changsha

Neo-China Forest Garden 1,073,600m²

Zhuhai

Qi Ao Island 1,090,000m²

Total land bank: 12,294,890 sq.m.

Management Discussion and Analysis

Development Projects

Beijing

BEIJING



American Rock Project

American Rock project is situated at the No.16 Baizhuan Road, Chaoyang District, Beijing, it is an integrated residential and commercial. The Group has 100% ownership in this project. This project occupies a total GFA of 523,833 sq.m., of which 454,610 sq.m is saleable.

As at 30 June 2010, the Group has completed the development of this project. We have sold approximately 100% of the total saleable GFA of this project.

BEIJING



Youngman Point Project

Youngman Point project is situated at the No.2 Gan Lu Yuan Zhong Li, Qiannian Road, Changyang District, Beijing, it is an integrated residential and commercial. The Group has 100% ownership in this project. The project occupies a total GFA 352,905 sq.m., of which 289,700 sq.m. is saleable.

As at 30 June 2010, the Group has completed 74% of the total saleable GFA of this project. The project has underdevelopment properties of approximately 76,615 sq.m., of which 35,396 sq.m. has been pre-sold.

Management Discussion and Analysis

Development Projects

Beijing, Shanghai

BEIJING

Xidiaoyutai Project

Xidiaoyutai project is located at the Lot No. 1, 2, West Diaoyutai Village, Hainan District, Beijing, it is an integrated residential and service apartment. The Group has 90% ownership in this project. The project occupies a total GFA 250,836 sq.m., of which 220,647 sq.m. is saleable.

As at 30 June 2010, the Group has completed 80% of the total saleable GFA of this project. The project has a saleable GFA of approximately of 44,965 sq.m. for future development.



SHANGHAI

JiuJiu Youth City Project

JiuJiu Youth city project is located at the No.1519 Husong Road, Jiuting zhen, Songjiang District, Shanghai, it is an integrated residential and service apartment. The Group has 100% ownership in this project. The project occupies a total GFA 213,755 sq.m., of which 162,888 sq.m. is saleable.

As at 30 June 2010, the Group has completed 20% of the total saleable GFA of this project. Properties underdevelopment comprises a saleable GFA of approximately 131,306 sq.m., among which a saleable GFA of approximately 87,333 sq.m. has been pre-sold.



Management Discussion and Analysis

Development Projects

Tianjin

TIANJIN



Laochengxiang Project

Laochengxiang project is located at the original urban area of city center; it contains residential, commercial, office and hotel. The Group has 100% ownership in this project. The project occupies a total GFA 752,883 sq.m., of which 646,205 sq.m. is saleable.

As at 30 June 2010, the Group has completed 77% of the total saleable GFA of this project. Properties underdevelopment comprises a saleable GFA of approximately 80,750 sq.m., among which a saleable GFA of approximately 77,840 sq.m. has been pre-sold. The Group will keep a saleable GFA of approximately 42,710 sq.m. for rent purpose. The project has a saleable GFA of approximately of 66,911 sq.m. for future development.

TIANJIN



Beichen Project

Beichen project is located at the Yixingfu old village; it contains residential, commercial, apartment and hotel. The Group has 40% ownership in this project. The project occupies a total GFA 2,263,000 sq.m., of which 2,125,000 sq.m. is saleable. The existing construction works are still in the progressing of relocated, the Group will hold this project for future development.

Management Discussion and Analysis

Development Projects

Chongqing, Shenzhen

CHONGQING

Top City Project

Topcity project is located at the No.1 Olympic Road, Yuanjiagang, Gaoxin District; it contains residential, commercial, office and hotel. The Group has 100% ownership in this project. The project occupies a total GFA 802,532 sq.m., of which 745,080 sq.m. is saleable.

As at 30 June 2010, the Group has completed 70% of the total saleable GFA of this project. Property underdevelopment comprises a saleable GFA of approximately 221,547 sq.m., among which a saleable GFA of approximately 5,071 sq.m., has been pre-sold. The Group will keep a saleable GFA of approximately 249,031 sq.m. for rent purpose.



SHENZHEN

Phoenix Tower Project

Phoenix Tower project is located at the No.2008 Shennan Road, Futian District; it contains office, commercial and apartment. The Group has co-developed with Phoenix Satellite Television Holdings Limited. The Group holds 91% ownership in this project. The project occupies a total GFA 106,190 sq.m., of which 79,391 sq.m. is saleable.

As at 30 June 2010, the Group has completed the development of this project. The Group will keep a saleable GFA of approximately 1,048 sq.m. for rent purpose.



Management Discussion and Analysis

Development Projects

Shenyang, Sanhe

SHENYANG



Tai Yuan Street Project

The property is located at the Taiyuan Business Avenue; it contains commercial, service apartment and hotel. The Group has 80% ownership in this project. The project occupies a total GFA 244,950 sq.m., of which 216,215 sq.m. is saleable. The Group expects the construction works will start at the end of 2010.

SANHE



Yanjiao Project

Yanjiao project is located at the Yanjiao economic technology development zone, Hebei Province; it contains residential, commercial and hotel. The Group has 100% ownership in this project. The project occupies a total GFA 460,000 sq.m., of which 433,333 sq.m. is saleable. The Group expects the construction works will start at the beginning of 2011.

Management Discussion and Analysis

Development Projects

Chengdu, Xian

CHENGDU

Park Avenue Project

Park Avenue project is located at the No.66, Qingquan North Road, Yongquan Town, Wenjiang District; it contains residential and commercial. The Group has 100% ownership in this project. The project occupies a total GFA 625,670 sq.m, of which 521,836 sq.m. is saleable.

As at 30 June 2010, property underdevelopment comprises a saleable GFA of approximately 295,482 sq.m., among which a saleable GFA of approximately 134,877 sq.m., has been pre-sold. The project has a saleable GFA of approximately of 226,354 sq.m. for future development.



XIAN

Neo Water City Project

Neo Water City project is located at the East Lake Road, Xinja Temple, Chanba river economic development zone; it contains residential, commercial and hotel. The Group has 71.5% ownership in this project. The project occupies a total GFA 3,534,736 sq.m, of which 3,205,699 sq.m. is saleable.

As at 30 June 2010, the Group has completed 15% of the saleable GFA in this project. Property underdevelopment comprises a saleable GFA of approximately 1,441,165 sq.m., among which a saleable GFA of approximately 986,693 sq.m. has been pre-sold. The Group will hold a saleable GFA of approximately 1,297,212 sq.m. for future development.



Management Discussion and Analysis

Development Projects

Changsha, Zhuhai

CHANGSHA

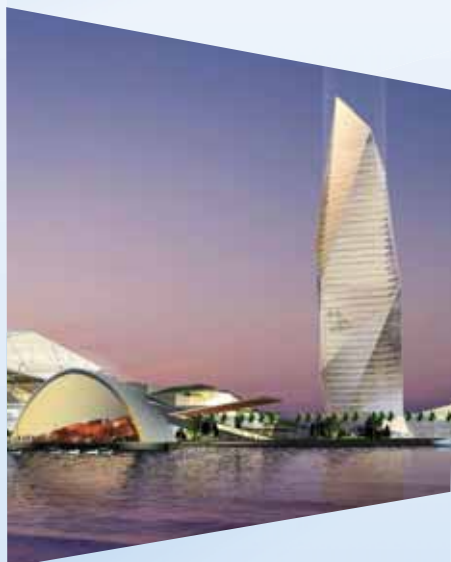


Neo-China Forest Garden Project

Neo-China Forest Garden project is located at the No.140, Guoliang North Road, Gaotang Ling Town, Wangcheng County; and is being developed mainly for residential purpose. The Group has 67% ownership in this project. The project occupies a total GFA 1,073,600 sq.m., of which 1,005,862 sq.m is saleable.

As at 30 June 2010, the Group has completed 15% of the total saleable GFA of this project. Property underdevelopment comprises a saleable GFA of approximately 97,168 sq.m, among which a saleable GFA of approximately 49,565 sq.m. has been pre-sold. The project has a saleable GFA of approximately of 755,529 sq.m for future development.

ZHUHAI



Qi Ao Island Project

The property is located at the Qi Ao Island; it contains villa, commercial and hotel. The Group has 100% ownership in this project. The project occupies a total GFA 1,090,000 sq.m, of which 770,000 sq.m is saleable. The Group expects the construction works will start at the beginning of 2012.

Management Discussion and Analysis

Prospects

The economic data of the United States released in recent months was unsatisfactory, showing that the US economic growth has been slowing down quarter-by-quarter. The impact of the European sovereign debt crisis is still spreading and it is expected that all countries will continue to expand their fiscal policy and to maintain the interest rates at a relatively low level for quite a long period of time. In tackling the complicated external economic environment and the notable domestic structural problems, as well as preventing the huge impact on economy as a result of an overheated economy and large fluctuations in asset prices, the PRC's policy will be targeting to maintain a relatively steady and fast growing economy and the fine adjustment to the macro-economic policy will not be changed substantially in the near future.

The Group expects that as the macro-economic austerity measures continue to show effects and be fine-tuned, real estate prices in first-tier cities will demonstrate different degrees of adjustment in the fourth quarter of this year, while real estate prices in the second and third-tier cities will tend to remain stable during the year resulting from the relatively moderate increase in the prior periods. The Group considers that the essential factors affecting the development of real estate industry in China do not have any physical changes. As the process of urbanization extends deeper, the domestic consumption power of residents keeps rising and the macro-economy continues to improve, it resulted in the management of the Group remaining optimistic towards the medium and long term development of the real estate industry in China. In the second half of the year, the Group will speed up the sale in cities including Xi'an, Chengdu, Shanghai, Chongqing and Changsha, and fully optimize its regional advantages so as to attract customers by fulfilling the market demand for unique design and high-quality products, to further expand the market share and accelerate the return of capital and strengthen the Group's capital base.

Currently, the net gearing ratio of the Company has reduced to a lower level. Following the completion of the Company's capital reorganization, Shanghai Industrial Holdings Limited ("SIHL") has become the largest single shareholder of the Company and the trading of the Company's shares has resumed. As a result, the room for the Company's capital leverage was fully utilized, providing a strong protection base for the upcoming rapid development of the Company. SIHL is currently the largest overseas conglomerate of the People's Government of Shanghai Municipality. With full support from the controlling shareholders, SIHL owns the advantages of large capital base and higher market recognition.

Since the beginning of the second half of the year, when the Company has been progressing to perfecting its internal management, it has also made adjustments to its strategies actively, changing the development trend of the Company. Leveraging on the professional operating team, the Company has fully utilized and consolidated the peripheral resources, in order to further enhance the market position of the Company as a well-known domestic property developer in China in pursuit of raising its brand value and product quality. In respect of land bank, the Company closely monitors the property market condition in areas where it possesses advantages and searches for suitable high-valued projects, aiming at increasing the scale steadily while enhancing the efficiency at the same time to strive for the best possible returns to the shareholders.





Management Discussion and Analysis

Biographical Details of Directors

Executive Directors

Mr. CAI Yu Tian, *Executive Director and the Chairman*

Aged 60, is the vice-chairman, chief executive officer and an executive director of SIHL and also the president of Shanghai Industrial Investment (Holdings) Co. Ltd ("SIIC"). Concurrently, he is the chairman of Shanghai Urban Development (Holdings) Co. Ltd. ("Shanghai Urban Development"), Shanghai SIIC South Pacific Hotel Co. Ltd. and General Water of China Co. Ltd. Mr. Cai obtained a master degree from East China Normal University with major in world economics, and was a research associate. Mr. Cai had been the chief executive officer of Zhong Hua Enterprises Co. During the period from September 1987 to November 2005, he had been the deputy director and the director of the Shanghai Municipal Housing Administration Bureau, the director of the Shanghai Municipal Housing and Land Administration Bureau and the director of the Shanghai Municipal Housing, Land and Resources Administration Bureau respectively. Mr. Cai has more than 20 years' experience in real estate, economic and administrative management.

Mr. NI Jian Da, *Executive Director and the President*

Aged 46, is a deputy chief executive officer of SIHL. He is also a director and the president of Shanghai Urban Development. He graduated from Shanghai University and La Trobe University of Australia with a master degree in business administration. Mr. Ni was the general manager of Shanghai Xuhui Real Estate Management Co. Ltd., the deputy general manager of Shanghai Urban Development and the general manager of the real estate department of China Huayuan Group Ltd., and has more than 20 years' professional experience in real estate, economic and management. Mr. Ni was an elected member of the Shanghai Municipal People's Congress in 2003, and received the honors as one of the 25 Chinese Entrepreneurs with Most Reforming Ideas, among the Top Ten Persons of the Year elected by the 2006 China International Real Estate and Architecture Fair, one of the 2007 Boao Forum-Most Influential Persons in China's Real Estate Industry in 20 Years and one of the Top Ten Entrepreneurs in the Shanghai Real Estate Sector in 18 Years in 2005. He was the vice chairman of Shanghai Youth Federation and is currently the chairman of Shanghai Young Entrepreneurs Association and the vice chairman of Shanghai Real Estate Association.

Mr. QIAN Shi Zheng, *Executive Director*

Aged 58, is an executive director and a deputy chief executive officer of SIHL. He is also the vice president of SIIC and a director of Shanghai Urban Development. He graduated from Fudan University with a master degree in economics and a doctorate degree in management and had taught at Fudan University. He joined SIIC in January 1998. Currently, he is the vice chairman of Haitong Securities Co. Ltd. and an independent non-executive director of Lonking Holdings Limited. He has over 20 years' experience in the theory and practice of finance and accounting.

Mr. ZHOU Jun, *Executive Director*

Aged 41, is an executive director and a deputy chief executive officer of SIHL. He is also the chairman of Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd., Shanghai Luqiao Development Co. Ltd. and Shanghai Shen-Yu Development Co., Ltd., and a director of Shanghai Urban Development and General Water of China Co. Ltd. He graduated from Nanjing University and Fudan University with a bachelor and a master degree in economics (international finance), and is an economist. He was appointed as the deputy chief executive officer of SIHL in December 2005 and currently is the vice president of SIIC, the chairman of Shanghai Galaxy Investment Co. Ltd., and is a member of the Shanghai Municipal People's Congress. He worked for Guotai Securities Co. Ltd. (now known as Guotai Junan Securities Co.) before joining SIIC in April 1996. Mr. Zhou has more than 10 years' professional experience in securities, financial investment, real estate and project planning.

Mr. YANG Biao, *Executive Director*

Aged 47, is the vice-chairman of Shanghai Urban Development. Mr. Yang had taught at Shanghai Normal University and was a deputy director of the Audit Bureau of Xuhui District in Shanghai and a director of the Xuhui District State-owned Assets Administrative Committee. He has many years of experience in teaching, administration and management.

Management Discussion and Analysis

Mr. CHEN An Min, *Executive Director*

Aged 60, is the director and executive vice president of Shanghai Urban Development. He is also a director of China Haisum Engineering Co., Ltd. He is a senior economist. Mr. Chen was the vice chairman of Shanghai Xingye Housing Co., Ltd. and a director of Ningbo Fubang Precision Industry Group Stock Co., Ltd. Mr. Chen has over 30 years of experience in the construction and property development industry.

Mr. Jia Bo Wei, *Executive Director*

Aged 44, graduated from Xin Jiang Finance Institute and obtained a master degree in business administration from Guanghua Management School of Peking University later. Mr. Jia Bo Wei has 22 years working experience. Before joining the Company, he served as the chairman and general manager of Suntime International Economic-Trading Co., Ltd. He has extensive experience in finance and management.

Independent Non-executive Director

Mr. DOO Wai-Hoi, William, J.P., *Independent Non-Executive Director and the Chairman of the Remuneration Committee*

Aged 65, is the vice-chairman of New World China Land Limited, and deputy chairman of NWS Holdings Limited, as well as an executive director of Lifestyle International Holdings Limited and an independent non-executive director of The Bank of East Asia, Limited, all being public companies listed in Hong Kong. He is also a director of New World Hotels (Holdings) Limited and Fung Seng Diamond Company Limited. Mr. Doo has served as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. In addition, he is a Member of the Standing Committee of the Eleventh Chinese People's Political Consultative Conference in Shanghai, and the Convener of the Shanghai Committee in Hong Kong and Macau. In June 2005, he was appointed as the Honorary Consul of the Kingdom of Morocco in Hong Kong.

Dr. WONG Ying Ho, Kennedy, BBS, J.P., *Independent Non-Executive Director and the Chairman of the Nomination Committee*

Aged 47, is a solicitor, China Appointed Attesting Officer and a director of the China Law Society. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. Dr. Wong is also a director of Hong Kong Resources Holdings Company Limited, Asia Cement (China) Holdings Corporation, China Overseas Land & Investment Limited, Goldlion Holdings Limited, Qin Jia Yuan Media Services Company Limited, Pacific Alliance Asia Opportunity Fund Limited, Bohai Industrial Investment Fund Management Company Limited and Hong Kong Airlines Limited, all of which are listed companies or multi-national companies with substantial investments in the PRC or Asia. Dr. Wong is a National Committee Member of the Chinese People's Political Consultative Conference. He is also a member of the Election Committee of Hong Kong responsible for electing Hong Kong's Chief Executive and a deputy convener of the New Century Forum. He is also a co-founder of the Hong Kong Legal Forum. Dr. Wong served on Hong Kong's legislature from 1996 to 1998 and was selected as one of the Ten Outstanding Young Persons of Hong Kong in 1998 and then one of the Ten Outstanding Young Persons of the World in 2003.

Mr. FAN Ren Da, Anthony, *Independent Non-Executive Director*

Aged 50, is the chairman and managing director of AsiaLink Capital Limited. His expertise lies in the field of general management, corporate finance, mergers and acquisitions, venture capital, company consolidation and restructuring. Mr. Fan held senior positions in a number of international financial institutions and was the managing director of a public company listed on the Stock Exchange. Mr. Fan received his master of business administration degree from the University of Dallas in the United States of America and is now a doctor of philosophy candidate in Shanghai Jiao Tong University. Mr. Fan is an independent non-executive director of Hong Kong Resources Holdings Company Limited, Uni-President China Holdings Limited, Raymond Industrial Limited, Chinney Alliance Group Limited, Renhe Commercial Holdings Company Limited and CITIC Resources Holdings Limited, companies listed on the Stock Exchange.

Management Discussion and Analysis

Mr. LI Ka Fai, David, *Independent Non-Executive Director and the Chairman of the Audit Committee*

Aged 55, is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, United Kingdom as well as The Institute of Chartered Secretaries and Administrators, United Kingdom and an associate member of The Institute of Chartered Accountants in England and Wales. He is an independent director and chairman of the audit committee of China Vanke Co., Ltd., a company listed on the Shenzhen Stock Exchange, an independent non-executive director and chairman of the audit committee of China-Hongkong Photo Products Holdings Limited and an independent non-executive director and chairman of the audit committee and member of remuneration committee of Cosmopolitan International Holdings Limited, both are listed on the Stock Exchange. Mr. Li is an independent non-executive director, member of remuneration committee and member of the audit committee of AVIC International Holding (HK) Limited (formerly known as CATIC International Holdings Limited) and China Merchants Holdings (International) Company Limited, both of which are listed on the Stock Exchange.

Liquidity and Capital Resources

As at 30 June 2010, the Group had cash and bank balance of approximately HK\$2.76 billion with net assets totaling to HK\$7.55 billion. The Group's current ratio was approximately 1.59. The net debt of the Group as at 30 June 2010 amounted to HK\$2.79 billion making the Group's gearing ratio at 39.9% calculated by net debt to shareholders' funds of HK\$7.00 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 30 June 2010, the Group employed 586 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.

Payment of Dividends

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2010 (six months ended 31 October 2009: 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 21 to the financial statement.

Management Discussion and Analysis

Material Acquisitions and Disposals

Details of material disposals of the Company are set out in note 20 to the financial statement. No material acquisitions and disposals for the six months ended 30 June 2010.

Charge on Group's Assets

Certain bank deposits of approximately HK\$98 million (31 December 2009: HK\$55 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.

The bank borrowings are secured by certain properties under development, a hotel property and certain investment properties of the Group located in the PRC with total carrying amounts of approximately HK\$2.6 billion (31 December 2009: HK\$2.0 billion), HK\$303 million (31 December 2009: HK\$310 million) and HK\$2.8 billion (31 December 2009: HK\$2.9 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.

Equity

The Company's issued and fully paid share capital as at 30 June 2010 amounted to HK\$105,173,288 divided into 2,629,332,189 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 30 June 2010, 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	0.03
Ms. Niu Xiao Rong*	Beneficial owner	1,375,000	0.06

(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	0.38
Ms. Niu Xiao Rong*	Beneficial owner	8,625,000	0.33
Mr. Yuan Kun*	Beneficial owner	6,000,000	0.23
Ms. Liu Yan*	Beneficial owner	10,700,000	0.41
Mr. Jia Bo Wei	Beneficial owner	2,500,000	0.10
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 30 June 2010, 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.

All the outstanding share options were lapsed on 26 July 2010.

* Note: On 26 July 2010, Mr. Liu Yi, Ms. Niu Xiao Rong, Mr. Yuan Kun, Ms. Liu Yan and Ms. Bao Jing Tao resigned as directors of the Company.

Other Information

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2010, 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
Shanghai Industrial Holdings Limited	Long	Held by controlled corporation (note (a))	1,233,692,000	46.92
Novel Good Limited (note (a))	Long	Beneficial owner	1,233,692,000	46.92
Mr. Li Song Xiao	Long	Held by controlled corporation (note (b))	501,762,995	19.09
	Long	Beneficial owner	2,407,500	0.09
	Short	Held by controlled corporation (note (b))	50,000,000	1.90
Invest Gain Limited (note (b))	Long	Beneficial owner	501,762,995	19.09
	Short	Beneficial owner	50,000,000	1.90
Liu Hui (note c))	Long	Held by spouse	504,920,495	19.21
	Short	Held by spouse	50,000,000	1.90
Deutsche Bank Aktiengesellschaft	Long	Beneficial owner and person having a security interest in shares	73,167,595	2.79
	Short	Beneficial owner and person having a security interest in shares	41,451,783	1.58

Other Information

Notes:

- (a) These shares are legally owned by Novel Good Limited, a wholly owned subsidiary of Shanghai Industrial Holdings Limited.
- (b) These shares held by Invest Gain Limited were beneficially owned by Li Song Xiao.
- (c) Liu Hui was deemed to be interested in 504,920,495 ordinary shares of the Company, being the interest held beneficially by her spouse, Li Song Xiao.

(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
Mr. Li Song Xiao	Long	Beneficial owner	750,000	0.03
Liu Hui (note)	Long	Held by spouse	750,000	0.03

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	31,152,229	1.18
	Short	4,651,781	0.18

Save as disclosed above, as at 30 June 2010, 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 30 June 2010, the underlying shares of the outstanding share options were 125,625,000, representing 6.46% of the issued share capital of the Company at 30 June 2010.

All the outstanding share options were lapsed on 26 July 2010.

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

	No. of options outstanding at 31 December 2009	Increase/ (Decrease)	No. of options outstanding at 30 June 2010
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

[#] Note: On 26 July 2010, Mr. Liu Yi, Ms. Niu Xiao Rong, Mr. Yuan Kun, Ms. Liu Yan and Ms. Bao Jing Tao resigned as directors of the Company.

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

On 24 June 2010, the Company issued 683,692,000 ordinary shares of HK\$0.04 each to Novel Good Limited, a wholly-owned subsidiary of Shanghai Industrial Holdings Limited (an intermediate holding company of the Company as at 30 June 2010), at a price of HK\$2.32 per ordinary share. Save for the above, 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 30 June 2010.

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 Practices

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six-month period ended 30 June 2010 except for the followings:

(a) 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 before 20 August 2010. The duties and functions of the nomination committee recommended in Code A.4.5 before the nomination committee established were 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. On 20 August 2010, the Company has established a nomination committee.

(b) 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 ex-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 annual general meeting held on 28 May 2010, Mr. Liu was unable to attend the said meeting due to other urgent business commitments of the Group. Mr. Liu resigned on 26 July 2010 and was replaced by Mr. Cai Yu Tian.

Model Code for Securities Transactions by Directors

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

Independent Non-Executive Directors

As a result of the passing away of Mr. Zhang Qing Lin on 19 February 2010, the Company only had two independent non-executive directors, namely Ms. Nie Mei Sheng and Mr. Gao Ling, and does accordingly not meet the requirements under rule 3.10(1) of the Listing Rules. Ms. Nie Mei Sheng and Mr. Gao Ling were resigned on 26 July 2010, and four independent non-executive directors namely Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David were appointed on 12 July 2010.

Other Information

Audit Committee

The Company's audit committee comprises four 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 30 June 2010.

The Group's external auditors, Crowe Horwath (HK) CPA Limited, have reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2010 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.

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
Cai Yu Tian
Chairman

Hong Kong, 23 August 2010

Report on Review of Interim Financial Information



國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

34/F The Lee Gardens,
33 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 29 to 59 which comprises the condensed consolidated balance sheet of Neo-China Land Group (Holdings) Limited as of 30 June 2010 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 of the Company 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.

Crowe Horwath (HK) CPA Limited

Certified Public Accountants
Hong Kong, 23 August 2010

Yau Hok Hung

Practising Certificate Number P04911

Condensed Consolidated Income Statement

For the six months ended 30 June 2010 – Unaudited

	NOTE	Six months ended	
		30 June 2010 HK\$'000 (unaudited)	31 October 2009 HK\$'000 (unaudited)
Turnover	3	2,417,334	398,486
Cost of sales		(2,029,032)	(313,597)
Gross profit		388,302	84,889
Other revenue and net income		4,330	3,209
Net valuation gain/(loss) on investment properties	7(b)	1,988	(161,053)
Write-down of inventories	10	(138,825)	–
Distribution and selling expenses		(216,136)	(113,732)
General and administrative expenses		(218,668)	(161,067)
Loss from operations		(179,009)	(347,754)
Finance costs	4(a)	(343,595)	(91,806)
Share of losses of associates		(2,679)	(1,466)
Gain on redemption of convertible notes	15	–	426,074
Gain on disposal of subsidiaries	20	–	266,186
Loss on disposal of an associate		–	(5,100)
(Loss)/profit before taxation	4	(525,283)	246,134
Income tax	5	(159,326)	(140,010)
(Loss)/profit for the period		(684,609)	106,124
Attributable to:			
Equity shareholders of the Company		(645,597)	126,679
Non-controlling interests		(39,012)	(20,555)
(Loss)/profit for the period		(684,609)	106,124
(Loss)/earnings per share	6		
– Basic		HK(32.74) cents	HK6.51 cents
– Diluted		HK(32.74) cents	HK(15.13) cents

The notes on pages 34 to 60 form part of this interim report.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010 – Unaudited

	Six months ended	
	30 June 2010 HK\$'000 (unaudited)	31 October 2009 HK\$'000 (unaudited)
(Loss)/profit for the period	(684,609)	106,124
Other comprehensive (loss)/income for the period (after tax and reclassification adjustments):		
Exchange differences on translation into presentation currency, net of nil tax	(18,929)	(7,530)
Release of other revaluation reserve arising on sale of properties, net of nil tax	(10)	(396)
Reclassification adjustment upon disposals of interests in subsidiaries, net of nil tax	–	(73,610)
Reclassification adjustment upon disposals of interest in an associate, net of nil tax	–	(22,681)
Total comprehensive (loss)/income for the period	(703,548)	1,907
Attributable to:		
Equity shareholders of the Company	(662,465)	22,462
Non-controlling interests	(41,083)	(20,555)
Total comprehensive (loss)/income for the period	(703,548)	1,907

The notes on pages 34 to 60 form part of this interim report.

Condensed Consolidated Balance Sheet

At 30 June 2010 – Unaudited

	NOTE	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	7	2,872,625	2,949,328
Other property, plant and equipment	8	925,390	827,900
Interests in associates		324,510	328,380
Restricted bank deposits	9	97,918	55,023
Derivative financial instrument – Redemption Right of the Issuer	15	–	600
Deferred tax assets		23,625	24,142
		4,244,068	4,185,373
CURRENT ASSETS			
Inventories	10	16,966,920	14,462,055
Loan receivables		–	412,626
Trade and other receivables	11	1,367,571	2,231,914
Derivative financial instrument-Redemption Right of the Issuer	15	100	–
Prepaid income tax		271,721	339,673
Cash and cash equivalents		2,764,940	1,627,196
		21,371,252	19,073,464
Assets of a disposal group classified as held for sale	17	–	2,732,943
		21,371,252	21,806,407
CURRENT LIABILITIES			
Trade and other payables	12	2,000,791	2,413,007
Pre-sale receipts from customers		8,487,039	8,763,402
Bank borrowings	13	515,675	702,240
Loan payables	14	1,301,525	1,402,200
Convertible notes	15	64,979	–
Derivative financial instrument – Warrants	16	32,300	29,600
Income tax payable		1,015,935	1,238,927
Dividend payable		6,423	6,473
		13,424,667	14,555,849
Liabilities of a disposal group classified as held for sale	17	–	835
		13,424,667	14,556,684
NET CURRENT ASSETS		7,946,585	7,249,723
TOTAL ASSETS LESS CURRENT LIABILITIES		12,190,653	11,435,096
NON-CURRENT LIABILITIES			
Bank borrowings	13	546,002	768,064
Loan payables	14	170,377	–
Convertible notes	15	–	62,136
Senior notes	16	2,957,959	2,942,803
Deferred tax liabilities		968,096	1,002,111
		4,642,434	4,775,114
NET ASSETS		7,548,219	6,659,982
CAPITAL AND RESERVES			
Share capital	18(a)	105,173	77,826
Reserves		6,897,576	5,995,603
Total equity attributable to equity holders of the Company		7,002,749	6,073,429
Non-controlling interests		545,470	586,553
TOTAL EQUITY		7,548,219	6,659,982

The notes on pages 34 to 60 form part of this interim report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 – Unaudited

Attributable to equity shareholders of the Company

	Share capital	Share premium	Convertible notes equity reserve	Share option reserve	Other revaluation reserve	Exchange reserve	(Accumulated losses)/ retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 May 2009	77,826	5,515,551	44,365	208,384	46,229	796,775	1,627,254	8,316,384	755,759	9,072,143
Changes in equity for the six months ended 31 October 2009:										
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)
Balance at 31 October 2009	77,826	5,515,551	2,580	219,103	45,833	692,954	1,815,499	8,369,346	655,290	9,024,636
Balance at 1 January 2010	77,826	5,515,551	2,580	221,460	45,959	627,625	(417,572)	6,073,429	586,553	6,659,982
Changes in equity for the six months ended 30 June 2010:										
Total comprehensive loss for the period	-	-	-	-	(10)	(16,858)	(645,597)	(662,465)	(41,083)	(703,548)
Issuance of shares	27,347	1,558,818	-	-	-	-	-	1,586,165	-	1,586,165
Equity settled share-based transactions	-	-	-	5,620	-	-	-	5,620	-	5,620
Balance at 30 June 2010	105,173	7,074,369	2,580	227,080	45,949	610,767	(1,063,169)	7,002,749	545,470	7,548,219

The notes on pages 34 to 60 form part of this interim report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010 – Unaudited

	Six months ended	
	30 June 2010 HK\$'000 (unaudited)	31 October 2009 HK\$'000 (unaudited)
Net cash (used in)/generated from operating activities	(857,434)	741,600
Net cash generated from investing activities	1,083,379	1,645,767
Net cash generated from/(used in) financing activities	880,653	(2,243,653)
Net increase in cash and cash equivalents	1,106,598	143,714
Cash and cash equivalents at the beginning of the period	1,662,692	2,618,105
Effect of foreign exchange rate changes	(4,350)	–
Cash and cash equivalents at the end of the period	2,764,940	2,761,819
Represented by:		
Bank balances and cash	2,764,940	2,352,978
Cash balance maintained with a securities company	–	400,000
Bank balances and cash included in assets of disposal group classified as held for sale	–	8,841
	2,764,940	2,761,819

The notes on pages 34 to 60 form part of this interim report.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

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 issue by the Board of Directors (the “Board”) on 23 August 2010.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the financial statements for the eight-month period ended 31 December 2009 (the “2009 Annual Financial Statements”), except for the accounting policy changes that are expected to be reflected in the 2010 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 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, Crowe Horwath (HK) 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 Crowe Horwath (HK) CPA Limited to the Board is included on page 28. This interim financial report has also been reviewed by the Company’s Audit Committee.

The Company changed its financial year end date from 30 April to 31 December in the last financial period, details of which are set out in note 1 of the 2009 Annual Financial Statements. The comparative figures cover the Company’s consolidated financial statements for the six months ended 31 October 2009. As a result of the change in the year end date of the Company, the comparative figures for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement and related notes are therefore not entirely comparable with those of the period under review.

The financial information relating to the eight-month period ended 31 December 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. 2009 Annual Financial Statements are available from the Company’s registered office. The independent auditor has expressed an unqualified opinion on those financial statements in its report dated 9 April 2010.

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 30 June 2010

2. Changes in Accounting Policies

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

- HKFRS 3 (revised) "Business Combinations"
- Amendments to HKAS 27 "Consolidated and Separate Financial Statements"

The developments resulted in changes in accounting policies but none of these changes in policies have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised). These include the following changes in accounting policies:
 - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
 - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
 - Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

2. Changes in Accounting Policies (Continued)

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.
- In addition to the Group's existing policy of measuring the non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the amendments to HKAS 27, the following changes in policies were applied as from 1 January 2010:
 - If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group would have treated such transactions as step-up transactions and partial disposals, respectively.
 - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions would have been treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies were applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

2. Changes in Accounting Policies (Continued)

In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28 "Investments in Associates", the following policies were applied as from 1 January 2010:

- If the Group holds interests in the acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
- If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively.

The Group has not applied any standard or interpretation that is not yet effective for the current accounting period.

3. Segment Reporting

The Group manages its businesses by divisions, which are organized by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property leasing: this segment leases office and residential premises to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located in Mainland China.
- Property development: this segment develops and sells commercial and residential properties. Currently the Group's activities in this regard are carried out in Mainland China.
- Hotel operations: this segment is engaged in renting of hotel room accommodation, leasing of commercial shopping arcades, 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 Mainland China.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

3. Segment Reporting (Continued)

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, prepaid income tax and other corporate assets. Segment liabilities include trade and other payable attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

(a) Segment Results

	For the six months ended							
	Property development		Property leasing		Hotel operations		Total	
	30 June	31 October	30 June	31 October	30 June	31 October	30 June	31 October
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	2,387,884	374,857	9,469	4,214	19,981	19,415	2,417,334	398,486
Inter-segment revenue	163	-	-	-	5,326	2,697	5,489	2,697
Reportable segment revenue	2,388,047	374,857	9,469	4,214	25,307	22,112	2,422,823	401,183
Reportable segment loss	(325,094)	(106,715)	(45,040)	(180,393)	(22,158)	(26,209)	(392,292)	(313,317)
Finance income	1,936	3,375	147	578	14	12	2,097	3,965
Finance costs	(270,294)	(1,749)	(11,261)	(12,848)	-	-	(281,555)	(14,597)
Net valuation gain/(loss) on investment properties	-	-	1,988	(161,053)	-	-	1,988	(161,053)
Depreciation	(3,623)	(3,791)	(482)	(485)	(17,802)	(19,121)	(21,907)	(23,397)
Share of losses of associates	(2,679)	(1,466)	-	-	-	-	(2,679)	(1,466)

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

3. Segment Reporting (Continued)

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

	For the six months ended	
	30 June 2010 HK\$'000 (unaudited)	31 October 2009 HK\$'000 (unaudited)
Revenue		
Reportable segment revenue	2,422,823	401,183
Elimination of inter-segment revenue	(5,489)	(2,697)
Consolidated turnover	2,417,334	398,486
Profit or loss		
Reportable segment loss	(392,292)	(313,317)
Elimination of inter-segment profits	–	–
Reportable segment loss derived from		
Group's external customers	(392,292)	(313,317)
Finance costs	(62,040)	(77,209)
Corporate finance income	6,504	2,408
Other revenue and net income	(11,644)	(756)
Unallocated head office and corporate expenses	(61,938)	(34,372)
Unallocated depreciation	(673)	(580)
Fair value changes on derivative financial instruments	(3,200)	(17,200)
Gain on redemption of convertible notes	–	426,074
Gain on disposal of subsidiaries	–	266,186
Loss on disposal of an associate	–	(5,100)
Consolidated (loss)/profit before taxation	(525,283)	246,134

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

3. Segment Reporting (Continued)

(c) Segment Assets and Liabilities

	Property development HK\$'000	Property leasing HK\$'000	Hotel operations HK\$'000	Total HK\$'000
At 30 June 2010:				
Reportable segment assets	18,757,908	2,950,039	921,355	22,629,302
(including interests in associates)	324,510	–	–	324,510
Additions to non-current segment assets during the period	1,171	–	120,552	121,723
Reportable segment liabilities	11,886,655	396,041	28,478	12,311,174
At 31 December 2009:				
Reportable segment assets	19,386,601	3,066,882	815,331	23,268,814
(including interests in associates)	328,380	–	–	328,380
Additions to associates during the period	330,169	–	–	330,169
Additions to non-current segment assets during the period	3,516	–	217,639	221,155
Reportable segment liabilities	12,844,227	435,098	44,377	13,323,702

(d) Reconciliations of reportable segment assets and liabilities

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Reportable segment assets	22,629,302	23,268,814
Deferred tax assets	23,625	24,142
Prepaid income tax	271,721	339,673
Derivative financial instruments	100	600
Unallocated head office and corporate assets	2,690,572	2,358,551
Consolidated total assets	25,615,320	25,991,780

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

3. Segment Reporting (Continued)

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Reportable segment liabilities	12,311,174	13,323,702
Convertible notes	64,979	62,136
Senior notes	2,957,959	2,942,803
Derivative financial instruments	32,300	29,600
Income tax payable	1,015,935	1,238,927
Deferred tax liabilities	968,096	1,002,111
Dividend payable	6,423	6,473
Unallocated head office and corporate liabilities	710,235	726,046
Consolidated total liabilities	18,067,101	19,331,798

4. (Loss)/Profit Before Taxation

	Six months ended 30 June 2010 HK\$'000 (unaudited)	31 October 2009 HK\$'000 (unaudited)
(Loss)/profit before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest on convertible notes	2,843	13,085
Interest on senior notes	166,005	167,339
Interest on bank borrowings	42,823	67,633
Interest on loan payables	210,233	203,666
Less: interest expense capitalised into properties under development	(78,309)	(359,917)
	343,595	91,806
(b) Other items		
Interest income from bank deposits	(8,601)	(6,373)
Gain on disposal of investment properties	(9,965)	(10,618)
Changes in fair values of derivative financial instruments	3,200	17,200
Exchange loss on convertible notes	108	–
Exchange loss on senior notes	5,590	–
Other net exchange loss	5,940	2,563
Depreciation	22,580	23,977
Equity-settled share-based payment expense	5,620	10,719
Cost of properties sold	2,025,364	309,445

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

5. Income Tax

	Six months ended	
	30 June 2010 HK\$'000 (unaudited)	31 October 2009 HK\$'000 (unaudited)
Current tax		
Provision for the year		
– PRC Enterprise Income Tax	151,558	174,503
– Land Appreciation Tax	37,759	28,347
	189,317	202,850
Deferred tax		
Origination and reversal of temporary differences	(29,991)	(62,840)
	159,326	140,010

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 30 June 2010 and 31 October 2009.

The provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rates of 22% to 25% (six months ended 31 October 2009: 20% 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 30 June 2010.

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 30 June 2010 and 31 October 2009.

6. (Loss)/Earnings Per Share

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$645,597,000 (six months ended 31 October 2009: earnings of HK\$126,679,000) and the weighted average number of 1,972,081,316 ordinary shares (as at 31 October 2009: 1,945,640,189 ordinary shares) in issue during the interim period.

	Six months ended	
	30 June 2010	31 October 2009
Weighted average number of ordinary shares		
Issued ordinary shares at the beginning of the period	1,945,640,189	1,945,640,189
Effect of issuance of shares	26,441,127	–
Weighted average number of ordinary shares at the end of the period	1,972,081,316	1,945,640,189

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

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

(b) Diluted (loss)/earnings per share

Diluted loss per share for the six months ended 30 June 2010 was the same as basic loss per share because the exercise of the Company's outstanding share options and convertible notes were anti-dilutive.

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 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)	<u>(300,690)</u>

(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)	<u>1,987,883,624</u>

During the six months period ended 30 June 2010 and 31 October 2009, the computation of diluted loss per share did not assume the exercise of the Company's outstanding warrants since the exercise price of the warrants exceeded the average market price of ordinary shares during the period.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

7. Investment Properties

(a) Acquisition and disposals

During the six months ended 30 June 2010, there was no acquisition of investment properties.

Certain of investment properties with a carrying amount of approximately HK\$68,045,000 were disposed of during the six months ended 30 June 2010 (six months ended 30 October 2009: HK\$117,794,000), resulting in a gain on disposal of approximately HK\$9,965,000 (six months ended 31 October 2009: gain on disposal of approximately HK\$10,618,000).

(b) Valuation

The Group's investment properties carried at fair value were revalued at 30 June 2010 at their open market value. The valuation was carried out by an independent firm of surveyors, DTZ Debenham Tie Leung Limited (as at 31 December 2009: 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 gain of approximately HK\$1,988,000 (six months ended 31 October 2009: loss of approximately HK\$161,053,000) has been recognised in profit or loss for the period.

8. Other Property, Plant and Equipment

During the six months ended 30 June 2010, the Group acquired items of other property, plant and equipment with a cost of approximately HK\$122,953,000 (six months ended 31 October 2009: approximately HK\$143,506,000).

During the six months ended 30 June 2010, the Group disposed items of other property, plant and equipment with a net carrying amount of approximately HK\$160,000 (six months ended 31 October 2009: approximately HK\$24,000), resulting in a loss on disposal of approximately HK\$47,000 (six months ended 31 October 2009: approximately HK\$24,000). In addition, other property, plant and equipment with a net carrying amount of HK\$nil (six months ended 31 October 2009: approximately HK\$3,585,000) was disposed of through disposal of subsidiaries (note 20).

9. Restricted Bank Deposits

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 30 June 2010, the Group made deposits of RMB86,207,000 (equivalent to approximately HK\$97,918,000) (as at 31 December 2009: RMB48,266,000 (equivalent to approximately HK\$55,023,000)) 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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

10. Inventories

During six months ended 30 June 2010, HK\$138,825,000 (six months ended 31 October 2009: HK\$nil) has been recognised as write-down of inventories recognised as an expense in profit or loss during the period, being the amount of write-down of inventories to net realisable value. Such write-down was related to the properties under development located at Qiao Island, Zhuhai, the PRC, which is held by 珠海市淇洲島影視城有限公司, a subsidiary of the Company. As at 31 December 2009, the assets and liabilities related to 珠海市淇洲島影視城有限公司 (the "Zhuhai Project Company") had been classified as "Disposal group classified as held for sale", which was in accordance with HKFRS 5. However, as at 30 June 2010, the Group ceased to classify the assets and liabilities of Zhuhai Project Company as held for sale as the sale of Zhuhai Project Company is not considered as highly probable (details of which are set out in note 17), these properties under development located at Zhuhai was then classified as "Inventories". Such write-down arose due to the carrying amount higher than the net realizable value of such properties under development located at Zhuhai as at 30 June 2010.

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:

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Less than 90 days	6,249	16,442
More than 90 days but less than 180 days	1,998	6,284
More than 180 days	9,872	16,769
	18,119	39,495

Trade debtors are generally due within 90 days from the date of the billing.

12. Trade and Other Payables

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Accrued expenditure on properties under development	883,756	1,054,251
Retentions payable to contractors	1,228	1,712
Receipts from customers for payment of expenses on their behalf	91,356	98,168
Consideration payables for acquisition of subsidiaries and associates	394,084	443,592
Interest payable	221,970	199,085
Accrued charges and other payables	204,188	393,225
Amounts due to former shareholders of the Company's former subsidiaries (note 12(a))	136,620	137,039
Amounts due to minority shareholders (note 12(a))	50,853	48,055
Amounts due to related companies (note 12(a))	4,933	2,466
Financial liabilities measured at amortised cost	1,988,988	2,377,593
Other taxes payables (note 12(b))	11,803	35,414
	2,000,791	2,413,007

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

12. Trade and Other Payables (Continued)

- (a) The amounts due to former shareholders of the Company's former subsidiaries, minority shareholders and related companies are non-trade in nature, interest free, unsecured and repayable on demand. These related companies are controlled by Mr. Li Song Xiao, a major shareholder of the Company.
- (b) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

13. Bank Borrowings

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

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Within 1 year or on demand	515,675	702,240
After 1 year but within 2 years	126,272	116,850
After 2 years but within 5 years	246,070	321,754
After 5 years	173,660	329,460
Total bank loans	1,061,677	1,470,304
Less: repayable within 1 year or on demand as classified under current liabilities	(515,675)	(702,240)
Repayable after 1 year as classified under non-current liabilities	546,002	768,064

During the six months ended 30 June 2010, the Group obtained new bank borrowings amounting to HK\$113,792,000 (six months ended 31 October 2009: HK\$148,200,000). 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.

At 30 June 2010, the effective interest rates on the Group's bank borrowings denominated in RMB are ranging from 4.50% to 7.02% (at 31 December 2009: ranging from 5.40% to 6.43%) per annum.

The bank borrowings are secured by:

- (i) certain properties under development, a hotel property and certain investment properties of the Group located in the PRC with total carrying amounts of approximately HK\$2,634,769,000 (at 31 December 2009: HK\$2,011,311,000), HK\$302,821,000 (at 31 December 2009: HK\$309,658,000) and HK\$2,839,618,000 (at 31 December 2009: HK\$2,912,586,000) respectively.
- (ii) Corporate guarantees given by 北京新松投資集團有限公司, in which a major shareholder of the Company, Mr. Li Song Xiao, has a controlling interest, to the extent of approximately HK\$319,048,000 (31 December 2009: HK\$384,032,000).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

14. Loan Payables

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Loan Payable denominated in RMB (see note (a))	1,301,525	1,368,000
Loan Payable A (see note (b))	–	34,200
Loan Payable B (see note (c))	170,377	–
	1,471,902	1,402,200
Less: repayable within 1 year as classified under current liabilities	(1,301,525)	(1,402,200)
	170,377	–
Repayable after 1 year as classified under non-current liabilities	170,377	–

(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 entire registered capital of Zhuhai City Qi Zhou Island Movie Town Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC;
- (iii) 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.

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

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

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

14. Loan Payables (Continued)

(a) Loan Payable Denominated in RMB (Continued)

During the six months ended 30 June 2010, the Group repaid approximately RMB\$54,237,000 (equivalent to approximately HK\$61,717,000), but failed to repay the loan according to the repayment schedule, therefore the whole loan amount became due as at 30 June 2010. On 2 July 2010, the Group has repaid all over-due installments together with default interest and the remaining installments will be repaid according to the relevant repayment schedule.

(b) Loan Payable A

During the six months ended 30 June 2010, the Group fully repaid an amount of approximately RMB30,000,000 (equivalent to approximately HK\$34,200,000) (six months ended 31 October 2009: RMB230,000,000 (equivalent to approximately HK\$262,200,000)) in respect of Loan Payable A.

(c) Loan Payable B

During the six months ended 30 June 2010, the Group obtained a new loan from a financial institution amounting to RMB150,000,000 (equivalent to approximately HK\$170,377,000) ("Loan Payable B"). The proceeds were used to finance the development of properties. Loan Payable B is secured by (i) certain properties under development of the Group located in the PRC with total carrying amount of approximately HK\$335,189,000 and (ii) equity pledge over 10% of registered capital of 天津中新濱海房地產開發有限公司, a wholly owned subsidiary of the Company in the PRC. This loan will be repayable on 7 July 2011.

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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

15. Convertible Notes (Continued)

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 30 June 2010 was HK\$100,000 (at 31 December 2009: HK\$600,000). Accordingly, a change in the fair value of the derivative financial instrument of HK\$500,000 was debited (six months ended 31 October 2009: HK\$1,100,000 was credited) to the consolidated income statement for the period.

In the event that the Company's shares cease to be listed or admitted to trading on the Stock Exchange, each holder of Convertible Note 2011 shall have a right, at such holder's option, to require the Company to redeem Convertible Note 2011 on the twentieth business day after notice has been given to the holder at the early redemption amount ("Delisted Put Right"). As the economic characteristics and risks of the Delisted Put Right are not closely related to the host contract, the Delisted Put Right is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the Delisted Put Right is insignificant as at both 30 June 2010 and 31 December 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%.

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 30 June 2010 and 31 October 2009, 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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

16. Senior Notes/Warrants (Continued)

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 30 June 2010 was HK\$32,300,000 (at 31 December 2009: HK\$29,600,000). Accordingly, a change in fair value of warrants of HK\$2,700,000 was debited (six months ended 31 October 2009: HK\$18,300,000 was debited) 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 number of shares issuable under Warrants 2012 as at 29 October 2007.

As at 30 June 2010, 66,000,000 (at 31 December 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.

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 30 June 2010 and 31 December 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 30 June 2010 and 31 December 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%.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

17. Disposal Group Classified as Held for Sale

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

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Assets of a disposal group (net of impairment loss)	–	2,732,943
Liabilities of a disposal group	–	(835)
	–	2,732,108

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

On 11 May 2010, the Company entered into a termination agreement with Turbo Wise Limited whereby both of them agreed to terminate the above transaction. There were no other agreements signed up to the date of this interim report. Therefore, the sale of Zhuhai Project Company is not considered as highly probable as at 30 June 2010. Accordingly, the Group ceased to classify the assets and liabilities of Zhuhai Project Company as held for sale as at 30 June 2010.

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

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

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

17. Disposal Group Classified as Held for Sale (Continued)

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

	At 31 December 2009 HK\$'000 (audited)
Trade and other payables	285
Income tax payable	550
Total	835

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

	At 31 December 2009 HK\$'000 (audited)
Foreign exchange translation adjustments	232,008
Total	232,008

18. Capital, Reserves and Dividends

(a) Share capital

	Number of shares	Nominal value HK\$'000
Authorised:		
At 1 January 2010 and 30 June 2010 – ordinary share of HK\$0.04 each	10,000,000,000	400,000
Issued and fully paid:		
At 1 January 2010 – ordinary shares of HK\$0.04 each	1,945,640,189	77,826
Issuance of shares	683,692,000	27,347
At 30 June 2010 – ordinary shares of HK\$0.04 each	2,629,332,189	105,173

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

18. Capital, Reserves and Dividends (Continued)

(a) Share capital (Continued)

On 24 June 2010, the Company issued 683,692,000 ordinary shares of HK\$0.04 each to Novel Good Limited, a wholly-owned subsidiary of Shanghai Industrial Holdings Limited (an intermediate holding company of the Company as at 30 June 2010), at a price of HK\$2.32 per ordinary share. The proceeds were used to reduce the Group's borrowings and for future development of the Group when investment opportunities arise.

(b) Dividends

There were no interim dividend declared attributable to the six months ended 30 June 2010 and 31 October 2009.

19. Commitments

Commitments outstanding at the balance sheet date not provided for in the condensed consolidated financial statements were as follows:

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Authorised and contracted for but not provided for		
– construction of properties under development	3,708,728	3,210,742
– acquisition of additional interest in a subsidiary	9,959	9,908
	3,718,687	3,220,650

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

20. 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 August 2009, the Group completed the disposal of the entire equity interest in 北京新松建築研究發展有限公司(“北京新松建築”), a company established in the PRC and engaged in design and construction business, for a cash consideration of approximately HK\$1. 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
Net assets disposal of	
Plant and equipment	1,358
Trade and other receivables	252
Bank balance and cash	4,139
Amount from group companies	2,504
Accruals and other payables	(8,679)
Income tax payables	(112)
	(538)
Release of exchange reserve upon disposal	(148)
	(686)
Gain on disposal of a subsidiary	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 30 June 2010

20. 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
Net assets disposal of	
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)
	666,635
Non-controlling interests	(12,712)
	653,923
Net assets transferred to interests in associates	(330,169)
	323,754
Release of exchange reserve upon disposal	(28,839)
	294,915
Gain on disposal of subsidiaries	115,485
	410,400
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)
	330,755

- (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 30 June 2010

20. 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
Net assets disposal of	
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)
	<hr/>
Non-controlling interests	1,803,304 (79,914)
	<hr/>
Net assets transferred to interests in associates	1,723,390 (330,169)
	<hr/>
Release of exchange reserve upon disposal	1,393,221 (73,610)
	<hr/>
Gain on disposal of subsidiaries	1,319,611 266,186
	<hr/>
	1,585,797
	<hr/>
Total consideration satisfied by:	
Cash received	1,585,797
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received	1,585,797
Bank balances and cash disposed of	(88,574)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	1,497,223
	<hr/>

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

21. Contingencies

(a) Corporate Guarantees

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

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Guarantees in respect of mortgage facilities for certain purchasers	2,731,917	2,377,313

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.

(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 RMBNil (equivalent to approximately HK\$Nil) (at 31 December 2009: RMB224,000,000 (equivalent to approximately HK\$255,360,000)).

As at 31 December 2009, the Company holds a deposit of 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 was refunded to the holding company of the former subsidiary during the six months ended 30 June 2010.

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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

21. Contingencies (Continued)

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

According to the statement of claim filed in the High Court of the Hong Kong Special Administrative Region by a third party (the “plaintiff”) on 25 November 2009, the plaintiff alleges that 中置(北京)企業管理有限公司 (“中置(北京)”), a wholly owned subsidiary of the Company, was in breach of a shares transfer agreement. According to this agreement, the plaintiff agreed to transfer its 30% equity interest in 成都中新錦泰房地產開發有限公司 (“成都錦泰”), a subsidiary of the Company, to 中置(北京) for the consideration of RMB160,000,000, and that the Company was a guarantor guaranteeing the performance of 中置(北京)’s obligations under the 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\$115,856,000), which comprises the outstanding consideration of RMB70,000,000, and the compensation of RMB32,000,000 plus interest and legal costs. On 30 July 2010, the plaintiff filed the amended statement of claim to reflect the fact that 中置北京 paid RMB30,000,000 to the plaintiff in April 2010.

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

(c) Pledge of the Group’s interest in an associate

As at 30 June 2010, the Group pledged the Group’s shareholdings in Tianjin City Yi Jia He Zhi Ye Co., Ltd (“Yi Jia He”) to Wukuang Zhiye Company (“Wukuang”), the controlling shareholder of Yi Jia He, which owned 60% of the equity interest in Yi Jia He, as security for any possible breach of the responsibilities of the Group under the supplemental agreement. The main responsibilities of the Group are that (i) the Group is responsible for undertaking the preliminary development works of the property development project in respect of the piece of land (the “Land”) situated at Tianjin Beichen Qu Yi Xing Bu Jiu Chun (the “Project”) including demolition and re-settlement and obtaining planning approval and land clearance; (ii) Wukuang is responsible for contributing a total amount of funds of RMB1,584 million (equivalent to approximately HK\$1,799 million) (“Wukuang’s Contribution”) for the demolition and re-settlement expenses of the land lot nos. 7 and 8 with a gross construction area of 800,000 square meters comprised in the Land and the Group is responsible for payment of any excess amount of the actual amount of the demolition and re-settlement expenses over Wukuang’s Contribution; and (iii) in the event that there is any change in the shareholding of the Project, the affected outgoing shareholder shall provide complete and full disclosure to the new shareholder of the Project of all relevant matters and legal documents, and agreed terms of co-operation among the parties with respect to the Project.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2010

22. 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	
	30 June 2010 HK\$'000 (unaudited)	31 October 2009 HK\$'000 (unaudited)
Short-term employee benefits	7,799	8,040
Post-employment benefits	6	6
Equity compensation benefits	1,430	3,207
	9,235	11,253

(b) Transaction with other related transaction

(i) During the six months period ended 30 June 2010, the Group paid building management fee amounted to approximately HK\$2,404,000 and HK\$49,000 to a related company (in which Mr. Li Song Xiao, a major shareholder of the company, has controlling interest) and a fellow subsidiary, respectively, for providing building management services to the group companies.

During the six months period ended 31 October 2009, the Group paid agency fees amounted to approximately HK\$4,566,000 to certain related companies, in which Mr. Li Song Xiao, a major shareholder of the company, has controlling interest, for providing property management services to the group companies.

(ii) During the six months period ended and as at 30 June 2010, 北京新松投資集團有限公司 in which Mr. Li Song Xiao, a major shareholder of the company, has controlling interest, provide corporate guarantees to secure the Group's bank loan facilities to the extent of approximately HK\$319,048,000 (as at 31 December 2009: HK\$384,032,000) at no charge.

23. Non-Adjusting Post Balance Sheet Events

Subsequent to the balance sheet date on 9 August 2010, the Company entered into a transfer agreement (the "Transfer Agreement") with an independent third party (the "Transferee") whereby the Company agreed to transfer its rights and obligations in respect of the balance of consideration receivable of approximately HK\$550,000,000 (the "Consideration Receivable") for the disposal of a subsidiary in the eight-month period ended 31 December 2009 to the Transferee for a consideration of approximately HK\$552,000,000 plus interest calculated at a daily interest rate of 0.03% on the Consideration Receivable from the date such payment is due until 12 September 2010.

The Company also entered into a deposit agreement with the Transferee pursuant to which the Transferee agreed to pay to the Company a deposit of RMB483,000,000 (equivalent to approximately HK\$550,000,000) as assurance for its performance under the Transfer Agreement. The Company received part of the deposit on 9 August 2010 and the balance on 10 August 2010.

If the Company receives the Consideration Receivable from the relevant debtor on or before 12 September 2010 and the completion of the Transfer Agreement does not take place, the Company shall return to the Transferee the deposit without interest within 3 business days.

If the Company does not receive Consideration Receivable from the relevant debtor on or before 12 September 2010, the Transfer Agreement will become effective and the Company may choose to either (i) return the said deposit to the Transferee or (ii) keep the said deposit as part payment of the Consideration Receivable and transfer the rights and obligations of the Company under this disposal to the Transferee.