

Chairman's Statements

To our shareholders:

On behalf of the Board of Director of Neo-China Group (Holdings) Limited ("Neo-China" or the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the financial year ended 30 April 2004.

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of HK\$654,000 (2003: HK\$522,000), representing an increase of 25% over the prior year. Profit attributable to shareholders amounted to HK\$9.7 million (2003: loss of HK\$20.3 million as restated). Basic earnings per share was HK0.51 cents (2003: loss of HK2.32 cents as restated).

DIVIDEND

The Board of Directors do not recommend the payment of any dividend for the year ended 30 April 2004 (2003: Nil).

EQUITY

The Company's issued and fully paid share capital as at 30 April 2004 amounted to HK\$20,759,406.43 divided into 2,075,940,643 ordinary shares of HK\$0.01 each.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

For the year ended 30 April 2004, the Group displayed a significant improvement in performance with the profit attributable to shareholders increased substantially to approximately HK\$9.7 million (2003: loss of HK\$20.3 million). Earnings per share was approximately HK0.51 cents (2003: loss of HK2.32 cents). The turnover of the Group amounted to approximately HK\$654,000 for the year ended 30 April 2004, representing an increase of approximately 25 per cent as compared with that in 2003. The significant improvement was attributable to the change of management team in October 2003 together with the Group's effective strategies in consolidating resources on the Group's core businesses with profit prospects.

Following the change of management team and name of the Company in October 2003, the Group is currently focusing on pursuing business expansion in the field of property investments and development in the PRC, with an aim to strengthen the assets and income base of the Group.

Chairman's Statements (continued)

In particular, the Group made an agreement with Phoenix Satellite Television Company Limited in October 2003 for a joint development of Phoenix Tower in Shenzhen, the PRC. The construction of the Phoenix Tower project has already been commenced and the project is expected to be completed by the end of April 2006. The Phoenix Tower project will be a complex of office building, service apartments and shopping arcade with a gross floor area of approximately 80,000 square meters.

Another remarkable development of the Company is that on 12 August 2004, the Company passed a resolution in relation to a major and connected transaction of acquisition of 100% equity interest in Top Fair Ltd. (which holds 45% of the "American Rock" property project situated at No. 16 Baiziwang road, Chaoyang District, Beijing, the PRC). The project location is next to the central business district of Beijing with significant demand for residential units. The whole project consists of two phases and four zones with approximately 5,400 residential and commercial units to be held for sale purpose. The board of the Company believes that the transaction is a brilliant opportunity for the Company to further develop and well position itself in the property market in the PRC.

The board is of the view that the abovementioned property projects provide the Group with an ample investment opportunity for its business expansion in the field of property investment and development in the PRC.

Despite the effects of Severe Acute Respiratory Syndrome ("SARS") in the first half of the financial year and an increasingly regulated market in the PRC, but the Group still well expanding its position in the market. For the coming year, the Group will fully utilize its land bank and grasp every opportunity to further expand its operation and complete all its projects in a timely together with cost effective manner resulting in greater sales volume and profits.

Given that the Group will continue to focus on the PRC property market and proactively appraise various investment opportunities to explore high potential investments and attractive business opportunities in the main cities, such as Beijing, Shanghai, Shenzhen, Tianjin, etc. Building on its existing assets base with diversify investment portfolio, the Group is confident in bringing significant and long-term benefits to its loyal shareholders by taking advantage of any new opportunities lying ahead.

LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's latest annual report. The Group has no significant exposure to foreign exchange rate fluctuations.

Chairman's Statements (continued)

Gearing ratio was 19.8%, which was calculated on the basis of the Group's net borrowings (after deducting cash at banks and in hand of HK\$12,170,000) over shareholders' funds at the year end date. The Group believes that its liquid asset value and future revenue will be sufficient to fund future expansion and working capital requirements.

As at 30 April 2004, the outstanding loans amounted to approximately HK\$69,065,000 and will not be repayable before the completion of the development of the Phoenix Tower Project.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2004, the Group had 12 employees (2003: 9). Remuneration is determined by reference to market term and the performance, qualification and experience of individual employee. The Group also provides year end double pay and contributory provident fund.

CONTINGENT LIABILITY

As at 30 April 2004, the Company gave a guarantee in favour of Phoenix Satellite Television Company Limited, under which the Company guaranteed the due performance of Oasis City Limited, a wholly owned subsidiaries of the Company, of the Group's obligations under the subscription and shareholders' agreement related to Phoenix Tower Project.

APPRECIATION

Over the last twelve months, the support of shareholders, the efforts of the board of directors and the hard work performed by the Group's management and work force have all contributed to the Group's business development and performance. I shall in the future rely on their dedication, loyalty and innovation to drive the Group forward. I should like to take this opportunity to express my gratitude to my fellow directors and all the Group's employees for their service and contribution to the Group over the past year.

Li Song Xiao
Chairman

27 August 2004