

Chairman's Statement

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 2005.

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of HK\$476.5 million (2004: HK\$0.7 million), representing an increase of approximately 727.6 times over the prior year. Profit attributable to shareholders amounted to HK\$180.4 million (2004: HK\$9.7 million). Basic earnings per share was HK9.40 cents (2004: HK0.51 cents).

DIVIDEND

The Board of Directors recommends the payment of final dividend of HK2.2 cents (2004: Nil) per ordinary share for the year ended 30 April 2005 payable in cash on or about 16 September 2005 to shareholders of the Company whose names are on the Register of members on 7 September 2005.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

For the year ended 30 April 2005, the Group displayed a significant improvement in performance with profit attributable to shareholders increasing to HK\$180.4 million (equivalent to approximately 17.6 times the profit of HK\$9.7 million over the previous accounting year ended 30 April 2004). Basic earnings per share was HK9.40 cents (2004: HK0.51 cents). The turnover of the Group was HK\$476.5 million for the year ended 30 April 2005, representing an increase of approximately 727.6 times over 2004 (2004: HK\$0.7 million). The remarkable improvement was attributable to the efficient management of the Company by focusing its resources on the Group's core business of property development and investment.

American Rock Project

The property project "American Rock" is situated in Baiziwan Road of Chaoyang District, Beijing, the PRC and is adjacent to the central business district of Beijing which is a major financial and commercial center in Beijing. The project's total gross floor area is over 500,000 sq. m. and the development of whole project is divided into two phases (Phase I and II) which are sub-divided

Chairman's Statement (continued)

into four zones (Zone A, B, C and D). The sales analysis of "American Rock" project up to 30 April 2005 is as follows:

		Total Saleable Area (sq.m.)	Total number of saleable units	Total area of sold and pre-sales units up to 30 April 2005 (sq.m.)	Total number of sold and pre-sales units up to 30 April 2005	Total contract amount of sold and pre-sales units up to 30 April 2005 HK\$'000	Sales attributable to the Group's turnover for the year ended 30 April 2005 HK\$'000
Phase I (Zone A)	Residential	79,737	1,219	79,162	1,214	484,638	21,495
	Commercial	9,134	35	9,134	35	130,308	123,793
	Carpark	10,433	247	-	-	-	-
Phase II (Zone B)	Residential	98,014	1,097	98,014	1,097	639,308	170,297
	Commercial	16,001	115	15,402	111	210,653	160,351
Phase II (Zone C)	Residential	166,400 (note)	1,500 (proposed)	-	-	-	-
Phase II (Zone D)	Residential	88,223	926	60,095	650	389,771	-
	Carpark	14,000	-	-	-	-	-
		<u>481,942</u>		<u>261,807</u>		<u>1,854,678</u>	<u>475,935</u>
Net profit attributable to the Group's total net profit for the year ended 30 April 2005							<u>80,717</u>

Note: 166,400 sq.m. represent the total gross floor area of Phase II (Zone C). The total saleable area is not yet finalised at this stage.

Phase I (Zone A) and Phase II (Zone B) of the project have substantially been sold out and contributed to the Group's turnover of HK\$475.9 million and net profit of HK\$80.7 million for the year ended 30 April 2005. Phase II (Zone D) is now under construction and is expected to complete in 2006. Over 50% of the units of Phase II (Zone D) have been pre-sold and the corresponding total contracted amount is about HK\$389.8 million. For Phase II (Zone C), the construction permit has been obtained and its pre-sales permit is expected to obtain in August 2005. The management expects the "American Rock" project will continue to make substantial contribution to the Group's future results.

Chairman's Statement (continued)

Phoenix Tower Project

The project of "Phoenix Tower" is situated in the central district of Futian District, Shenzhen, the PRC. "Phoenix Tower" is planned to develop into a complex of office building, service apartments and shopping arcade with a gross floor area of approximately 80,000 sq.m. Around 48,700 sq.m. are available for public sales and the remaining 31,300 sq.m. are for self-use. The project is now under construction and is expected to complete by the end of 2005. The management expects to start the pre-sales of "Phoenix Tower" in October this year.

The Group is now exploring other opportunities in the PRC, particularly in Shenzhen and Beijing for long-term investment. With a view to ensuring the stable revenue in the coming years, the management is planning to retain some major properties for long-term investment. This will generate rental income and strengthen the revenue base of the Group.

The Board recommends a dividend payment of HK2.2 cents per share for the year ended 30 April 2005, representing 30% of the net profit attributable to shareholders, to be payable to shareholders whose names appear on the register of the Company as at 7 September 2005. It is the first dividend payment since the current management took over the control of the Company in 2003. The Board believes that this dividend payment will definitely enable all shareholders to participate immediately in the success of the Company. In the absence of any unforeseeable circumstances to the contrary, it is the policy of the Board to maintain dividend distribution annually in the future.

Despite the stringent economic control measures adopted in PRC to streamline its economic growth, the Company has successfully managed to implement its strategies for the year under review. We predict that there will be favourable market conditions and exciting opportunities over the coming years in the property development market in PRC. The Group is well positioned to capitalize on those market conditions. In the coming days, we will demonstrate our group spirit to continuously improve profitability and thus return for shareholders.

EQUITY

The Company's issued and fully paid share capital as at 30 April 2005 amounted to HK\$24,836,330 divided into 2,483,632,950 ordinary shares of HK\$0.01 each. During the year, the holder of the Company's convertible note converted part of the convertible note amounting to HK\$106,000,000 into shares of the Company and 407,692,307 new shares of HK\$0.01 each in the Company were consequently issued to the holder.

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.

During the year, the Group issued convertible note with a principal amount of HK\$210 million which is redeemable at par on 28 February 2007 as the consideration for the acquisition of American Rock project. At the balance sheet date, outstanding convertible note issued by the Group amounted to HK\$104 million.

Chairman's Statement (continued)

Together with the bank borrowings of HK\$93.6 million and a loan payable of HK\$69.1 million the Group's total borrowings at the balance sheet date were HK\$266.7 million, an increase of HK\$197.6 million from last year end date. The bank borrowings of HK\$93.6 million were repayable within one year, and the remaining borrowings of HK\$173.1 million were repayable after one year.

Gearing ratio was 34%, which was calculated on the basis of the Group's net borrowings (after deducting cash at banks and in hand of HK\$69.6 million) over shareholders' funds at the balance sheet date. The Group believes that its liquid asset value and future revenue will be sufficient to finance its future expansion and working capital requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2005, the Group had 76 employees (2004: 12). 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 LIABILITIES

At the balance sheet date, the Company gave a guarantee in favour of Phoenix Satellite Television Company Limited, under which the Company guaranteed the due performance of one of its wholly-owned subsidiaries, of the Group's obligations under the subscription and shareholders' agreement related to Phoenix Tower project. The Group has also given guarantees to banks amounting to approximately HK\$704.4 million in respect of certain facilities granted to the buyers of the Group's completed properties.

PLEDGE OF ASSETS

At the balance sheet date, the Group pledged 30% equity interest in a subsidiary to Phoenix Satellite Television Company Limited as security for the due performance of the Group's obligations under the subscription and shareholders' agreement related to Phoenix Tower project. The Group also pledged bank deposits of HK\$41.9 million to banks to secure banking facilities granted to the Group.

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

14 July 2005