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NEO-CHINA GROUP
中新集團

NEO-CHINA GROUP (HOLDINGS) LIMITED 中新集團（控股）有限公司*

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

ACQUISITION OF A FURTHER 50% EQUITY INTEREST IN BEIJING NEW SHINE LAND INVESTMENT CONSULTANCY LIMITED

On 5 September, 2006, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor for the acquisition of a 50% equity interest in the Target. On completion of which, the Purchaser will own 100% of the equity interest in the Target.

The entering into of the Agreement, when aggregated with the 25% Acquisition, constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, details of the Agreement will be despatched to the Shareholders as soon as practicable.

Summary of the Agreement:–

Date of Agreement: 5 September, 2006

Parties: (1) the Vendor, as the vendor of 50% equity interest in the Target
(2) the Purchaser, as the purchaser of 50% equity interest in the Target

The Vendor is principally engaged in property investment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and of the connected persons (as defined in the Listing Rules) of the Company.

Subject Matter of Acquisition: 50% equity interest in the Target. The Target is a property investment and management company incorporated in the PRC on 22 May 2003 and is the developer of the Project. As at the date of this Announcement, the Vendor holds 50% equity interest in the Target and the Purchaser holds the remaining 50% equity interest. Under the 25% Acquisition, the Purchaser acquired from the Vendor on 22 May 2006, 25% equity interest in the Target. On 8 August 2003, the Target acquired 50% equity interest in the SPV and then a further 30% on 27 July 2004, a company incorporated solely for the purpose of holding the piece of land for the Project.

The Project involves the development of a piece of land located in Beijing, the PRC, into a commercial/residential complex.

The piece of land is divided into three different sites for development purpose, being site 1, site 2 and site 3 having gross floor area of 101,724 m², 98,042.04 m² and 49,248 m² respectively. Pre-sale has commenced for the buildings located in site 1 in 2005 and construction works for the site 1 is expected to be completed by the end of September 2006. Construction works for site 2 have been commenced recently and construction works for the whole Project is expected to be completed by the end of 2008.

Based on the unaudited financial statements of the Target from 1 July 2005 to 30 June 2006 and from 1 July 2004 to 30 June 2005, the net loss after minority interest for the periods were approximately RMB35.2 million (approximately HK\$33.8 million) and approximately RMB3.0 million (approximately HK\$2.9 million) respectively. The net loss after minority interest of RMB35.2 million for the period from 1 July 2005 to 30 June 2006 was mainly due to the selling expenses of approximately RMB42.5 million (approximately HK\$40.9 million), administrative expenses of approximately RMB2 million (approximately HK\$1.9 million) and also other income of approximately RMB0.5 million (approximately HK\$0.5 million) resulted during the period. Also the net loss shared by the minority interest for the period was approximately RMB8.8 million (approximately HK\$8.5 million). The net loss after minority interest of RMB 3 million for the period from 1 July 2004 to 30 June 2005 was mainly due to selling expenses of approximately RMB1 million (approximately HK\$1 million) and administrative expenses of RMB2.7 million (approximately HK\$2.6 million) for the period. The net loss shared by minority interest for the period was approximately RMB0.7 million (approximately HK\$0.7 million). There were no turnover recorded for the both periods as the Project is still in its very early stage of development. There was no taxation for both periods. The unaudited net liabilities value of the Target as at 30 June 2006 was approximately RMB8.2 million (approximately HK\$8 million) (30 June 2005: unaudited net assets value of approximately RMB27 million, equivalent to HK\$26 million). The difference between those net liabilities/asset value is mainly due to the losses resulted from the current and previous periods mentioned above.

Consideration: RMB260,000,000 in cash (approximately HK\$250,000,000) payable by the Purchaser to the Vendor.

The consideration has been arrived at after arm's length negotiation mainly based on the valuation report prepared by Savills Valuation and Professional Services Limited, an independent valuer valuing the land at RMB1,782,370,000 (approximately HK\$1,713,817,307.69) as at 30 June 2006.

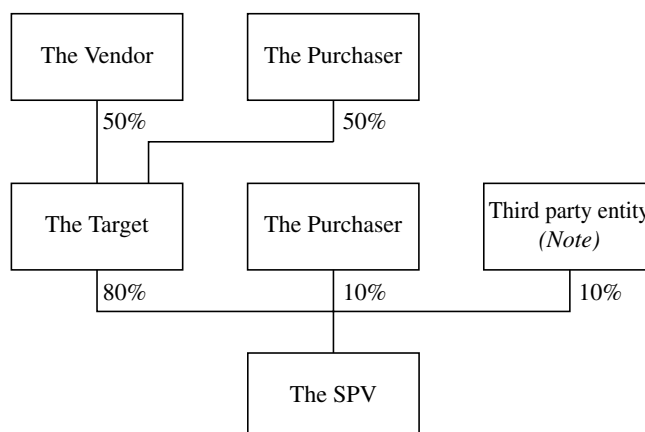
Payment of
Consideration: The Purchaser is to pay the Vendor RMB260,000,000 (approximately HK\$250,000,000) within 20 business days after the execution of the Agreement. The parties will execute the relevant documents and proceed with the registration of the changes in the 50% equity interest in the Target within 5 business days after payment of such RMB260,000,000.

Board Structure: After the acquisition of the 50% equity interest in the Target, the Group will be able to control the board of the Target and be entitled to nominate and appoint majority of the directors of the Target.

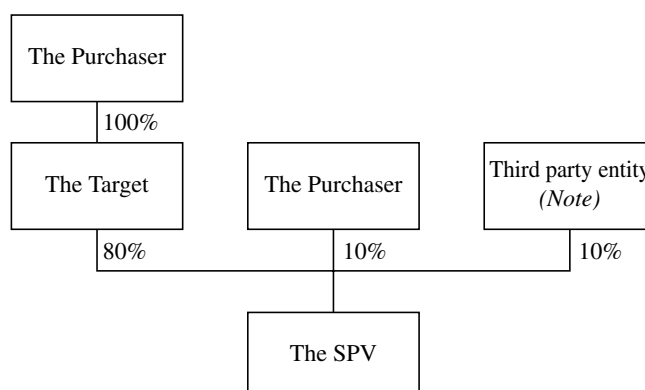
REASONS FOR THE ACQUISITION

The Group is principally engaged in property investment and development in the PRC. As part of its strategy and as announced previously, the Group has been appraising actively investment opportunities in high-potential investments and attractive businesses in the major cities in the PRC. The Target is currently an associate of the Group with the Group holding directly 50% of the equity interest in the Target after the 25% Acquisition and indirectly a 50% interest in the SPV. After the acquisition of a further 50% equity interest in the Target, the Group will hold directly a 100% interest in the Target and indirectly a 90% interest in the SPV. The structure of the SPV before and after the acquisition is as follow:–

Existing Structure of the SPV



Structure of the SPV after the acquisition



Note: This shareholder of the SPV is a third party independent of the Company and of the connected persons (as defined in the Listing Rules) of the Company.

The Project is still in a very early stage of development and is still making a loss mainly due to the selling and administration expenses for the past two financial periods of development of the Project. However, as the Project is located at a premier location in Beijing with stable residential and commercial market conditions, the Directors are confident about the future development of the Project and consider it desirable to invest further in the Target.

The Directors are of the view that the terms of the Agreement including the consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The entering into of the Agreement, when aggregated with the 25% Acquisition, constitutes discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, details of the Agreement will be despatched to the Shareholders as soon as practicable.

The Target will be accounted for as a subsidiary by the Group upon completion of the acquisition.

As at the date of this announcement, the Board comprises Mr Li Song Xiao as chairman; Mr Liu Yi, Ms Niu Xiao Rong, Mr Yuan Kun and Ms Liu Yan as executive Directors; and Ms Nie Mei Sheng, Mr Wang Shiyong and Mr Zhen Kuan as independent non-executive Directors.

DEFINITIONS

In this announcement, the following terms have the following meanings:-

“25% Acquisition”	the acquisition by the Purchaser from the Vendor of the 25% equity interest in the Target as set out in the Company’s announcement dated 24 May 2006;
“Agreement”	the equity transfer agreement dated 5 September 2006 entered into between the Vendor and the Purchaser for the acquisition of a further 50% equity interest in the Target;
“Board”	the board of Directors of the Company;
“Company”	Neo-China Group (Holdings) Limited, a company incorporated in Bermuda and whose securities are listed on the Main Board of the Stock Exchange;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Project”	development of a piece of land located at 北京市海澱區西釣魚台村東2條15號, Beijing with a site areas of 42,541 square metres into a residential/commercial complex;
“Purchaser”	中置(北京)企業管理有限公司 (Zhongzhi (Beijing) Enterprise Management Company Limited), a wholly-owned subsidiary of the Company, the purchaser under the Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	the ordinary shares of the Company;
“Shareholders”	the holders of the Shares;
“SPV”	北京市禦水苑房地產開發有限責任公司 (Beijing City Yushuiyuen Property Development Corporation Limited), a special purpose vehicle incorporated in the PRC for the purpose of holding land in the Project;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target”	北京新松置地投資顧問有限公司 (Beijing New Shine Land Investment Consultancy Limited), a company established in the PRC with limited liability;
“Vendor”	北京西華偉業建材經貿有限公司 (Beijing Xi Hua Wei Ye Construction Trading Company Limited), a company established in the PRC with limited liability, the vendor under the Agreement;
“%”	per cent.

By Order of the Board of
Neo-China Group (Holdings) Limited
Li Song Xiao
Chairman

Hong Kong, 12 September 2006

For the purpose of this announcement, the translation of RMB into HK\$ is based on the exchange rate of HK\$1=RMB1.04.

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.