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If you are in doubt as to any aspect of this circular or as to the actions to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Neo-China Group (Holdings) Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

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

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

“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;
“Latest Practicable Date”	27 September 2006 being the latest practicable date for ascertaining certain information for inclusion in this circular;
“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, 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;

DEFINITIONS

“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.

In this Circular sums translated from RMB into HK\$ have been translated at the rate of HK\$1=RMB1.04.

LETTER FROM THE BOARD



NEO-CHINA GROUP

中新集團

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中新集團（控股）有限公司*

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Executive Directors:

Mr Li Song Xiao (*Chairman*)

Mr Liu Yi

Ms Niu Xiao Rong

Mr Yuan Kun

Ms Liu Yan

Principal Place of Business:

Ms Nie Mei Sheng

Mr Zhen Kuan

Mr Wang Shiyong

Hong Kong

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Unit 1908-9, 19th Floor

Office Tower, Convention Plaza

No. 1 Harbour Road

Wanchai

29 September, 2006

To the shareholders of the Company

Dear Sir or Madam,

DISCLOSEBLE TRANSACTION

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

INTRODUCTION

In an announcement dated 12 September 2006, the Directors announced that the Group entered into the Agreement with the Vendor on 5 September 2006 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.

* *For identification only*

LETTER FROM THE BOARD

The entering into of the Agreement, when aggregated with the 25% Acquisition, constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules. The purpose of this circular is to give you, among other things, details of the Agreement.

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.

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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 square metres, 98,042.04 square metres and 49,248 square metres respectively. Pre-sale has commenced for the buildings located in site 1 in 2005 and construction works for the site 1 are expected to be completed by the end of September 2006. Construction works for site 2 have been commenced recently and construction works for site 3 are expected to commence in February 2007. Site 3 and the whole Project are expected to be completed by 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

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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.

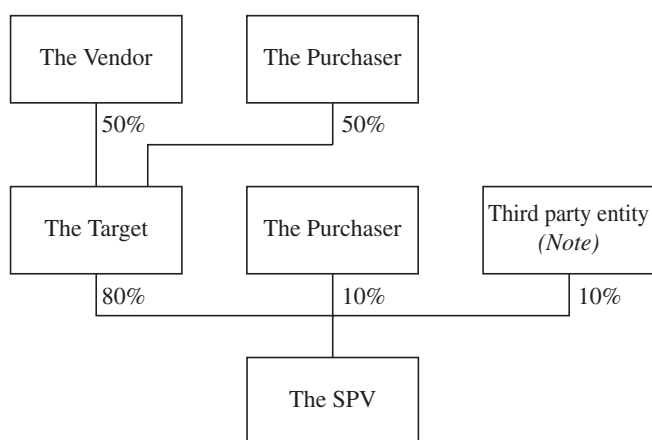
Board Structure After the acquisition of the 50% equity interest in the Target, the Group will be able to control the board of the Target and be entitled to nominate and appoint majority of the directors of the Target.

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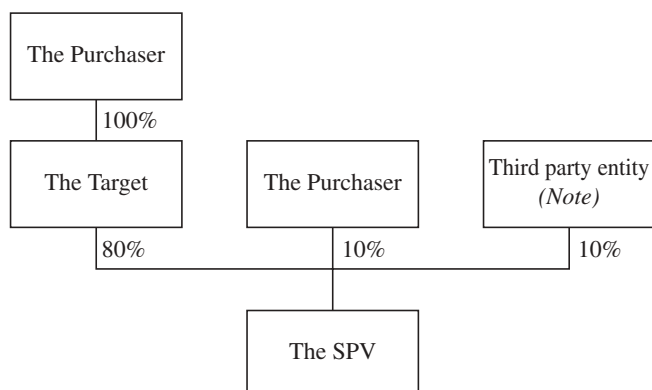
REASONS FOR THE ACQUISITION

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.

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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.

The acquisition will be funded by internal resources of the Company, it is not expected that there would be material liability assumed by the Company in connection with the acquisition of the 50% equity interest. After the acquisition, the Target will be treated as a subsidiary of the Company, the assets of the Company will be increased while cash of the Company will be decreased for the amount of consideration paid. As the Target will be consolidated into the accounts of the Group, the earnings of the Group in the forthcoming financial period will be increased accordingly.

FURTHER INFORMATION

Your attention is drawn to the information set out in elsewhere in this circular and in the Appendix to it.

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

RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

DISCLOSURE OF INTERESTS**Interests of Directors**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (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 and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:–

(1) Issued Share of the Company

Name of Director	Long/ short position	Capacity	No. of Shares	Percentage of issued share capital
Li Song Xiao	Long	Interest in corporation	3,554,651,390	62.11%

Note: Mr Li Song Xiao was deemed to be interested in 3,542,021,390 Shares in the Company by virtue of his 100% interest in Invest Gain Limited, which held such Shares and 3,000,000 Shares in the Company pursuant to the options outstanding under the share option scheme of the Company as stated below and 9,630,000 Shares are held directly by Mr Li himself.

(2) Options outstanding under the share option scheme of the Company

Name of Director	Date of grant	Date of expiry	Exercise price (HK\$)	Number of Share options outstanding
Li Song Xiao	4 April 2006	3 April 2016	0.90	3,000,000
Liu Yi	4 April 2006	3 April 2016	0.90	16,000,000
Niu Xiao Rong	4 April 2006	3 April 2016	0.90	16,000,000
Yuan Kun	4 April 2006	3 April 2016	0.90	8,000,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (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 and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, 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 per cent. 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:

Name of substantial shareholder	Long/ short position	Capacity	No. of Shares	Percentage of issued share capital
Invest Gain Limited	Long	Beneficial owner	2,942,021,390	51.41%
Mr Li Song Xiao	Long	Interest in corporation (note a)	3,554,651,390	62.11%
Ms Liu Hui	Long	Spouse (note b)	3,554,651,390	62.11%
Sinoeagle Pacific Limited	Long	Beneficial owner	600,000,000	10.48%
Penta Investment Advisers Ltd.	Long	Investment Manager	319,890,000	5.59%
Mr John Zwaanstra	Long	Interest in corporation (note c)	319,890,000	5.59%

Notes:

- (a) 2,942,021,390 and 600,000,000 of these Shares are held by Invest Gain Limited and Sinoeagle Pacific Limited respectively, which are both beneficially wholly owned by Mr Li Song Xiao. For the remaining 12,630,000 Shares, 3,000,000 of which are held pursuant to the options outstanding under the share option scheme of the Company and 9,630,000 Shares are held directly by Mr Li himself.
- (b) Ms Liu Hui is deemed to be interested in 3,554,651,390 ordinary Shares of the Company, being the interests held by her spouse, Mr Li Song Xiao.
- (c) These Shares are held by Penta Investment Advisers Ltd which is beneficially owned by Mr John Zwaanstra.

Save as disclosed, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director) had interests 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 per cent. 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.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered (or proposed to enter) into, with any member of the Group, a service agreement which is not expiring or terminable within one year without payment of compensation (other than statutory compensation).

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

LITIGATION

As at the Latest Practicable Date, none of the members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

GENERAL

- (a) The English text of this circular shall prevail over the Chinese text.
- (b) The Secretary and the Qualified Accountant of the Company is Ms Chan Yim Kum who is a member of the Institute of Chartered Secretaries and Administration of the United Kingdom, the Hong Kong Institute of Company Secretaries and the Taxation Institute of Hong Kong. Ms Chan holds a bachelor's degree (honours) in business administration from the United Kingdom and a master's degree in professional accountancy from Hong Kong.
- (c) The registered office of the Company is The Bank of Bermuda Limited at 6 Front Street, Hamilton HM12, Bermuda and its principal place of business is at Unit 1908-09, 19th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong.