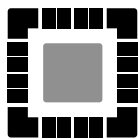


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中新集团
NEO CHINA GROUP

NEO-CHINA GROUP (HOLDINGS) LIMITED

中新集團（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 563)

PROPOSED CONNECTED TRANSACTIONS INCLUDING TWO MAJOR TRANSACTIONS – PROPOSED ACQUISITIONS OF INTERESTS IN THREE PRC JOINT VENTURES AND RESUMPTION OF TRADING

Proposed Acquisitions

Further to the announcement of the Company dated 20 November 2006, the Board is pleased to announce that on 21 December, 2006, the Purchaser, a wholly-owned subsidiary of the Company (as purchaser) entered into the following three agreements:

- (i) the Changsha Agreement with Beijing New Shine Investment pursuant to which inter alia the Purchaser conditionally agreed to acquire, and Beijing New Shine Investment agreed to sell, 67% of the registered capital of the Changsha JV for a consideration of RMB216,000,000;
- (ii) the Youngman Point Agreement with Beijing Guoke, pursuant to which inter alia the Purchaser conditionally agreed to acquire, and Beijing Guoke agreed to sell, the 22.1% of the registered capital of the Youngman Point JV for a consideration of RMB90,000,000; and
- (iii) the American Rock Agreement with Beijing Xi Hua, pursuant to which inter alia the Purchaser conditionally agreed to acquire, and Beijing Xi Hua agreed to sell, 15% of the registered capital of the American Rock JV for a consideration of RMB100,000,000.

Implications of the Proposed Acquisitions under Listing Rules

Mr. Li, the controlling shareholder of Beijing New Shine Investment and Beijing Guoke, the vendors under the Changsha Agreement and the Youngman Point Agreement, is an executive Director and the chairman of the Board and, through Invest Gain Limited and Sinoeagle Pacific Limited respectively, two companies wholly-owned by him, is beneficially interested in 3,602,381,390 Shares, representing approximately 56.2% of the existing issued share capital of the Company. Accordingly, Mr. Li is a connected person of the Company for the purposes of the Listing Rules. Beijing Xi Hua is a substantial shareholder of the American Rock JV, an indirect subsidiary of the Company, and hence a connected person of the Company at the subsidiary level. The entering into of the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement thus constitute connected transactions for the Company under the Listing Rules and are subject to the approval of the Independent Shareholder by poll at SGM.

The Group acquired a 70% interest in the Youngman Point JV in 2006 from Mr. Li, and subsequently entered into the Youngman Point Agreement and the Changsha Agreement on 21 December 2006 with 2 companies controlled by Mr. Li respectively. As the Group entered into these agreements with parties connected or otherwise associated with one another, the Company considered that they constituted a series of transactions that it would be appropriate for them to be aggregated. Hence the Changsha Agreement together with the Youngman Point Agreement also constitute a major transaction when aggregated.

The Group acquired in aggregate an effective interest of 100% in the American Rock JV during the period from 2004 to 2006. The Company considers that these transactions involve acquisitions of the interest in the same asset, and it would be appropriate for them to be aggregated and treated as if they were one transaction. Hence the American Rock Agreement constitutes a major transaction of the Company under the Listing Rules.

Each of the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement is independent of the others and none is conditional on any of the others.

Completion of each of the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement is subject to the satisfaction of a number of conditions precedent. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

General

An independent board committee of the Company will be formed to advise the Independent Shareholders on the terms of the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement. An independent financial adviser has been appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Proposed Acquisitions, the recommendation of the independent board committee of the Company and the letter of advice from the independent financial adviser in respect of the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement, and a notice convening the SGM, will be sent to the Shareholders as soon as practicable.

Suspension and resumption of trading

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 21 December, 2006 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 January, 2007.

THE PROPOSED ACQUISITIONS

Further to the Company's announcement dated 20 November 2006, the Board is pleased to announce that, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement on 21 December 2006. Each of the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement is independent of the others and none is conditional on any of the others.

The Changsha Agreement

Date: 21 December 2006

Parties:

Vendor: Beijing New Shine Investment Group Company Limited, a company whose controlling shareholder is Mr. Li, the chairman and an executive director of the Company.

Purchaser: Beijing New Shine Land Investment Consultancy Limited, a wholly-owned subsidiary of the Company.

Asset to be acquired: 67% of the registered capital of the Changsha JV.

Consideration: RMB216.00 million (approximately HK\$216.00 million), which is to be satisfied in cash. The Company intends to fund the acquisition from internal resources.

Conditions precedent: Completion is subject to the satisfaction of the following conditions:

- (i) the approval of the Changsha Agreement by Independent Shareholders by poll at the SGM;
- (ii) the issue of a legal opinion by the PRC legal adviser to the Purchaser, in form and substance satisfactory to the Purchaser, to the effect that:
 - (a) Beijing New Shine Investment is the lawful owner of 67% of the registered capital of the Changsha JV free and clear of Encumbrances and the relevant acquisition by the Purchaser of its interests in the Changsha JV has been approved by the relevant regulatory authorities in the PRC; and

- (b) the parties to the Changsha JV have contributed their respective shares of Changsha JV registered capital in the sum of RMB30.00 million (approximately HK\$30.00 million) in accordance with the relevant governmental approval, and the Changsha JV is the lawful owner, user, occupier and developer of the Changsha Property Project and the land occupied by the Changsha Property Project free of all Encumbrances other than disclosed mortgages.

As Mr. Li is a connected person with a material interest in this transaction, Mr. Li, Sinoeagle Pacific Limited, Invest Gain Limited and their respective associates and parties acting in concert with them, will abstain from voting on the resolution approving the Changsha Agreement in the SGM.

If the above conditions are not fulfilled by 31 March 2007 (or such later date as the parties may agree), the Changsha Agreement shall cease and determine and neither party thereto shall have any claim against the other, save and except in respect of any antecedent breach of the Changsha Agreement. Condition (i) cannot be waived by Beijing New Shine Investment or the Purchaser.

Completion: Completion is to take place on the tenth business day (excluding a Saturday) after satisfaction of condition (i) above or such other date as the parties may agree.

According to the valuation report issued by Savills Valuation and Professional Services Limited ("Savills"), which is an independent property valuer, the market value of the Changsha Property Project was RMB372.30 million (approximately HK\$372.30 million) (on a Market Value Basis) as at 31 October 2006.

The Youngman Point Agreement

Date: 21 December 2006

Parties:

Vendor: Beijing Guoke Xinye Technology Development Company Limited, a company whose controlling shareholder is Mr. Li, the controlling shareholder and chairman and an executive director of the Company.

Purchaser: Beijing New Shine Land Investment Consultancy Limited, a wholly-owned subsidiary of the Company.

Asset to be acquired: 22.1% of the registered capital of Youngman Point JV.

Consideration: RMB90.00 million (approximately HK\$90.00 million), which is to be satisfied in cash. The Company intends to fund the acquisition from internal resources.

Conditions precedent: Completion is subject to the satisfaction of the following conditions:

- (i) the approval of the Youngman Point Agreement by Independent Shareholders by poll at the SGM;
- (ii) the issue of a legal opinion by the PRC legal adviser to the Purchaser, in form and substance satisfactory to the Purchaser, to the effect that:
 - (a) Beijing Guoke is the lawful owner of 22.1% of the registered capital of the Youngman Point JV free and clear of Encumbrances and the relevant acquisitions by the Purchaser of its interests in the Youngman Point JV have been approved by the relevant regulatory authorities in the PRC; and
 - (b) the parties to the Youngman Point JV have contributed their respective shares of the Youngman Point JV's registered capital in the sum of RMB190 million (approximately HK\$190 million) in accordance with the relevant governmental approval, the Youngman Point JV is the lawful owner, user, occupier and developer of the Youngman Point Property Project and the land occupied by the Youngman Point Property Project free of all Encumbrances other than disclosed mortgages.

As Mr. Li is a connected person with a material interest in this transaction, Mr. Li, Sinoeagle Pacific Limited, Invest Gain Limited and their respective associates and parties acting in concert with them, will abstain from voting on the resolution approving the Youngman Point Agreement in the SGM.

If the above conditions are not fulfilled by 31 March 2007 (or such later date as the parties may agree), the Youngman Point Agreement shall cease and determine and neither party thereto shall have any claim against the other, save and except in respect of any antecedent breach of the Youngman Point Agreement. Condition (i) cannot be waived by Beijing Guoke or the Purchaser.

Completion: Completion shall take place on the tenth business day (excluding a Saturday) after satisfaction of condition (i) above or such other date as the parties may agree.

According to the valuation report issued by Savills, the market value of the Youngman Point Property Project was RMB621.52 million (approximately HK\$621.52 million) (on a Market Value Basis) as at 31 October 2006.

The American Rock Agreement

Date: 21 December 2006

Parties:

Vendor: Beijing Xi Hua. The Company has been advised that Beijing Xi Hua is legally and beneficially owned by 2 individuals: He Xiao-Cheng (80%) and He Ging (20%). To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the beneficial owners of Beijing Xi Hua are Independent Third Parties. Beijing Xi Hua is a substantial shareholder of American Rock JV, an indirect subsidiary of the Company, and hence a connected person of the Company at the subsidiary level. Beijing Xi Hua has no securities interest in the Company or any of its subsidiaries other than the American Rock JV.

Purchaser: Beijing New Shine Land Investment Consultancy Limited, a wholly-owned subsidiary of the Company.

Asset to be acquired: 15% of the registered capital of American Rock JV.

Consideration: RMB100.00 million (approximately HK\$100.00 million), which is to be satisfied in cash. The Company intends to fund the acquisition from internal resources.

Conditions precedent: Completion is subject to the satisfaction of the following conditions:

- (i) the approval of the American Rock Agreement by Shareholders at the SGM (only Independent Shareholders will be permitted to vote on this resolution);
- (ii) the issue of a legal opinion by the PRC legal adviser to the Purchaser, in form and substance satisfactory to the Purchaser, to the effect that:
 - (a) Beijing Xi Hua is the lawful owner of 15% of the registered capital of the American Rock JV free and clear of Encumbrances and the relevant acquisition by the Purchaser of its interests in the American Rock JV has been approved by the relevant regulatory authorities in the PRC; and
 - (b) the parties to the American Rock JV have contributed their respective shares of the American Rock JV's registered capital in the amount of US\$12.00 million (approximately HK\$93.60 million) in accordance with the relevant governmental approval, and the American Rock JV is the lawful owner, user, occupier and developer of the American Rock Property Project and the land occupied by the American Rock Property Project free of all Encumbrances other than disclosed mortgages.

If the above conditions are not fulfilled by 31 March 2007 (or such later date as the parties may agree), the American Rock Agreement shall cease and determine and neither party thereto shall have any claim against the other, save and except in respect of any antecedent breach of the American Rock Agreement. Condition (i) cannot be waived by Beijing Xi Hua or the Purchaser.

Completion: Completion shall take place on the tenth business day (excluding a Saturday) after satisfaction of condition (i) above or such other date as the parties may agree.

According to the valuation report issued by Savills, the market value of the American Rock Property Project was RMB804.70 million (approximately HK\$804.70 million) (on a Market Value Basis) as at 31 October 2006.

Basis for determining the Changsha Consideration, the Youngman Point Consideration and the American Rock Consideration

The Changsha Consideration

The Changsha Consideration of RMB216.00 million (approximately HK\$216.00 million) was determined after arm's length negotiations between the parties by reference to the audited net assets of the Changsha JV at 31 July 2006 and the value of its property interest. Full details of the audited net assets and of the valuation (including the valuation report) will be included in the Company's circular to its Shareholders.

The Youngman Point Consideration

The Youngman Point Consideration of RMB90.00 million (approximately HK\$90.00 million) was determined after arm's length negotiations between the parties by reference to the audited net assets of the Youngman Point JV at 31 July 2006 and the value of its property interest. Full details of the audited net assets and of the valuation (including the valuation report) will be included in the Company's circular to its Shareholders.

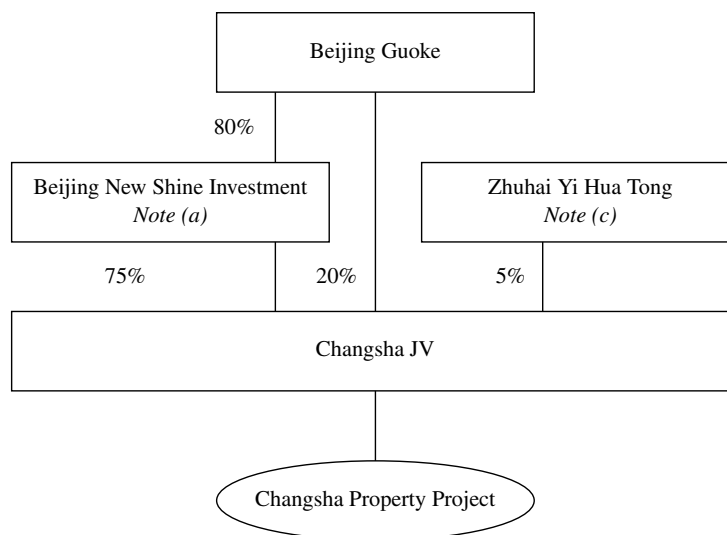
The American Rock Consideration

The American Rock Consideration of RMB100.00 million (approximately HK\$100.00 million) was determined after arm's length negotiations between the parties by reference to the audited net assets of the American Rock JV at 31 July 2006 and the value of its property interest. Full details of the audited net assets and of the valuation (including the valuation report) will be included in the Company's circular to its Shareholders.

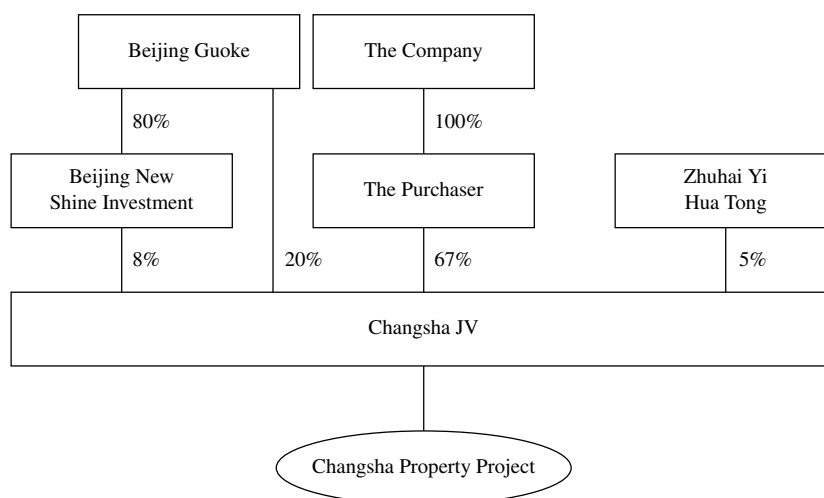
Information on the Changsha JV and the Changsha Property Project

The charts below set out the ownership structure of the Changsha Property Project before and upon the Changsha Completion:–

Before The Changsha Completion



After the Changsha Completion



Note: (a) Beijing New Shine Investment is owned by Beijing Guoke (80%), Liu Hui, the spouse of Mr. Li (16%) and Song Xuan, a former director of the Company (4%) respectively.

(b) Beijing Guoke is controlled by Mr. Li through his 80% interest in Beijing Li Wei Technology Development Co. Ltd (“Li Wei”) and 80% interest in Beijing Zhi Ming Technology Development Co. Ltd (“Zhi Ming”). Beijing Guoke is owned by Li Wei (55.56%), Zhi Ming (37.04%), Mr. Li (5.92% and Liu Hui (1.08%)

(c) Zhuhai Yi Hua Tong is owned by Wang Bao Ning (95%) and Zhang Kai Ying (5%) respectively.

Beijing New Shine Investment, a limited liability company incorporated in the PRC, is controlled by Mr. Li. The principal business of Beijing New Shine Investment is investment holding.

The Changsha JV, a company incorporated in the PRC on 14 September 2005, is the sole owner of the Changsha Property Project. The total registered and paid up capital of the Changsha JV is RMB30.00 million (approximately HK\$30.00 million), which was contributed by Beijing New Shine Investment. The development of Changsha Property Project is financed by internal resources, pre-sale proceeds of properties and bank loans of the Changsha JV.

Upon the Changsha Completion, the Company will have an effective equity interest of 67% in the Changsha JV and the Changsha JV will become an indirect subsidiary of the Company. The remaining equity interest in the Changsha JV will be held by Beijing New Shine Investment (8%), Beijing Guoke (20%) and 珠海怡華通發展有限公司 (Zhuhai Yi Hua Tong Development Company Limited) (“Zhuhai Yi Hua Tong”) (5%) respectively. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, Zhuhai Yi Hua Tong and its beneficial owners are an Independent Third Parties.

Set out below are the details of the Changsha Property Project:

Address: 長沙市望城縣 (原長沙火電廠基地) 高塘嶺鎮蓮湖區高橋大道東西兩側 (East side and west side of Gaoqiao Road, Gaotangling Town, Lianhu District, Wancheng County, Changsha City, PRC (the previous site of the Changsha Electricity Plant))

The Changsha Property Project comprises five parcels of land with an aggregate site area of approximately 665,987 square metres. The Changsha Property Project will be developed into a large scale residential development, including villa, low to high-rise residential buildings, clubhouse and other ancillary facilities with a total gross floor area about 800,000 square metres. The Changsha Property Project is planned to be developed in two phases and are scheduled for completion in around 2010. The Changsha JV has obtained the land use rights of all of the five parcels of land in 2 batches in October 2005 and November 2006 and the total cost of acquisition of the titles was RMB33,111,878 (approximately HK\$33,111,878)

For the period from 14 September 2005 (date of incorporation) to 31 December, 2005, the audited net loss of the Changsha JV amounted to approximately RMB0.26 million (approximately HK\$0.26 million). For the seven months ended 31 July 2006, the audited net loss of the Changsha JV amounted to approximately RMB0.03 million (or approximately HK\$0.03 million) (no taxation expenses were incurred during the periods).

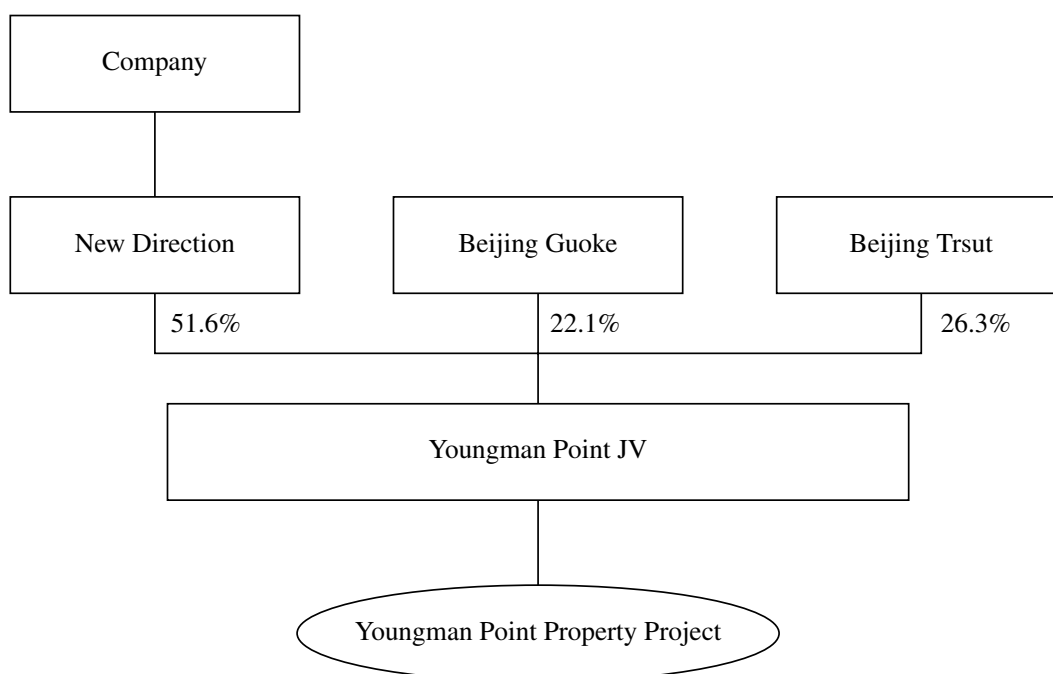
The audited net asset value of the Changsha JV as at 31 July 2006 and 31 December 2005 were RMB29.71 million (approximately HK\$29.71 million) and RMB29.74 million (approximately HK\$29.74 million) respectively. The audit was on the basis of PRC/Hong Kong accounting principles.

Based on the audited accounts of the Changsha JV at 31 July 2006 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), the Changsha JV owed (i) to 湖南土地置業發展有限公司 (Hunan Shangdi Property Development Limited) (“Hunan Shangdi”) an outstanding amount of RMB9.98 million (or approximately HK\$9.98 million); and (ii) to Beijing New Shine Investment an outstanding amount of RMB74.00 million (or approximately HK\$74.00 million). The aforesaid outstanding liabilities of the Changsha JV totalling approximately RMB103.98 million (or approximately HK\$103.98 million) were unsecured, interest-free and repayable on demand. The amounts owned are loans from those companies to finance construction. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiry, Hunan Shangdi and its beneficial owners are Independent Third Parties.

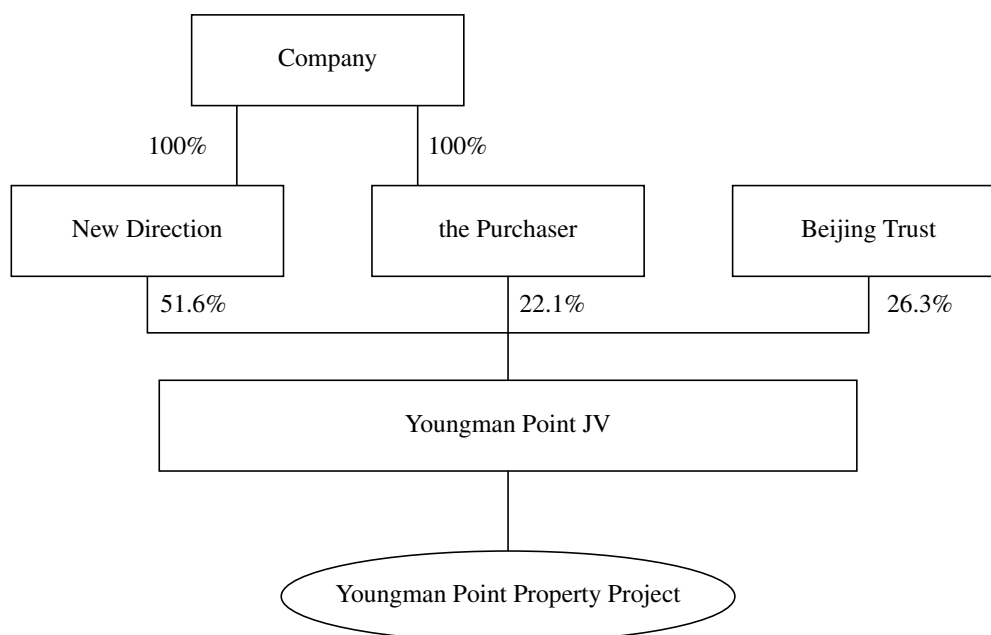
Information on the Youngman Point JV and the Youngman Point Property Project

The Youngman Point JV is already a subsidiary of the Company. The charts below set out the ownership structure of the Youngman Point Property Project before and upon the Youngman Point Completion:

Before the Youngman Point Completion



Upon the Youngman Point Completion



Beijing Guoke, a limited liability company incorporated in the PRC, is controlled by Mr. Li. The principal business of Beijing Guoke is investment holding. Beijing Guoke is formerly known as “Beijing New Shine Technology Development Limited”. The change of name became effective on 9 December 2005.

The Youngman Point JV is a Sino-foreign equity joint venture established in the PRC on 29 May 2000, and is solely engaged in the development of the Youngman Point Property Project. The existing total registered and paid up capital of the Youngman Point JV is RMB50.00 million (approximately HK\$50.00 million). On 22 June 2005, 北京市發展和改革委員會 (the Development and Reform Commission of Beijing), the PRC approved the increase in the registered capital of the Youngman Point JV from RMB50.00 million (approximately HK\$50.00 million) to RMB140.00 million (approximately HK\$140.00 million). On 12 September 2006, 北京市商務局 approved the increase in the registered capital of the Youngman Point JV from RMB140 million (approximately HK\$140 million) to RMB190 million (approximately HK\$190 million). The registered capital was contributed by New Direction, Beijing Guoke and 北京國際信託投資有限公司 (Beijing International Trust Investment Company Limited) (“Beijing Trust”) respectively in the amount of RMB98 million (approximately HK\$98 million), RMB42 million (approximately HK\$42 million) and RMB50 million (approximately HK\$50 million) respectively. The term of the Youngman Point JV is 20 years from the date of issue of its business licence on 29 May 2000. The estimated total investment cost of the Youngman Point JV is approximately RMB350.00 million (approximately HK\$350.00 million).

Based on the audited accounts of the Youngman Point JV at 31 July 2006, the effective equity interest of the Company in the Youngman Point JV was 70%. After the increase of registered capital in September 2006, the effective equity interest of the Company in the Youngman Point JV dropped to 51.6%. Upon the Youngman Point Completion, the effective equity interest of the Company in the Youngman Point JV will be increased from 51.6% to 73.7% and Youngman Point JV will remain a subsidiary of the Company.

The Company, through a wholly-owned subsidiary, acquired a 70% interest in the Youngman Point JV in 2006 for a consideration of HK\$311,878,000. The acquisition of the 70% interest in the Youngman Point JV constituted a connected transaction and a very substantial acquisition of the Group. Details were disclosed in the announcement of the Company dated 29 September 2005 and the circular of the Company dated 23 January 2006.

Set out below are the details of the Youngman Point Property Project:

Address: 北京市朝陽區青年路甘露園中里 2 號 (No.2, Ganluyuan, Zhongli, Qingnian Road, Chaoyang District, Beijing), the PRC

- Phases:
- (a) Phase I, with site area and gross floor area of approximately 40,917.30 square metres and approximately 145,424 square metres respectively;
 - (b) Phase II (Lot No.1), with site area and gross floor area of approximately 17,472.3 square metres and approximately 19,300 square metres respectively;
 - (c) Phase II (Lot No.2), with site area and gross floor area of approximately 12,128.5 square metres and approximately 13,350 square metres respectively;
 - (d) Phase II (Lot No.3), with site area and gross floor area of approximately 13,664.55 square metres and approximately 45,578 square metres respectively; and
 - (e) Phase II (Lot No.4), with site area and gross floor area of approximately 29,944.5 square metres and approximately 80,432 square metres respectively.

The whole project consists of 2 phase (Phase I and Phase II). Phase I has 1,587 residential units and 25 commercial units in total for sale purposes. Phase II is still at the planning stage and the development plan has yet to be finalised at this stage. The expected completion date of Phase II is in December 2007. The whole Youngman Point Property Project is still under construction.

100% of the residential units of Phase I had been pre-sold on or before 30 November 2006. The contract value of such pre-sales amounted to approximately RMB665 million (approximately HK\$665 million)

For the year ended 31 December 2005, the audited net profit before and after taxation of the Youngman Point JV amounted to approximately RMB0.79 million (approximately HK\$0.79 million) and approximately RMB0.53 million (approximately HK\$0.53 million) respectively. The audit was carried out applying the PRC/Hong Kong accounting principles. For the year ended 31 December 2004, the audited net loss of the Youngman Point JV amounted to approximately RMB14.21 million (approximately HK\$14.21 million) (no taxation expense was incurred during the year). For the seven months ended 31 July 2006, the audited net profit before and after taxation of the Youngman Point JV amounted to approximately RMB87.81 million (approximately HK\$87.81 million) and approximately RMB58.83 million (approximately HK\$58.83) respectively. The development of Youngman Point Project is financed by internal resources, pre-sale proceeds of properties and bank loans of the Youngman Point JV.

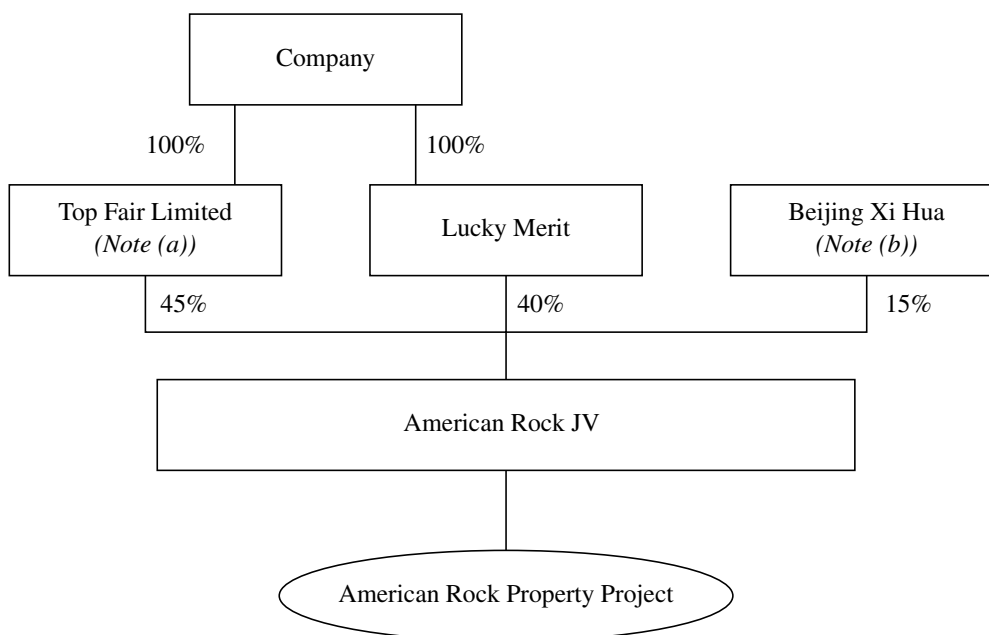
The audited net asset value of Youngman Point JV as at 31 July 2006 and 31 December 2005 were RMB182.80 million (approximately HK\$182.80 million) and RMB33.97 million (approximately HK\$33.97 million) respectively. The audit was on the basis of PRC/Hong Kong accounting principles.

Based on the audited accounts of the Youngman Point JV at 31 July 2006 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), the Youngman Point JV owed to 中置(北京)企業管理有限公司 (Zhongzhi (Beijing) Enterprise Management Company Limited (“Zhongzhi (Beijing)”) an outstanding amount of RMB235.47 million (approximately HK\$235.47 million). The aforesaid outstanding liability of the Youngman Point JV was unsecured, interest-free and repayable on demand. The amount owed is loan from the company to finance construction. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, Zhongzhi (Beijing) and its beneficial owners are Independent Third Parties.

Information on the American Rock JV and the American Rock Property Project

The American Rock JV is already a subsidiary of the Company. It will be wholly owned by the Company after the American Rock Completion. The charts below set out the ownership structure of the American Rock Property Project before and upon the American Rock Completion:

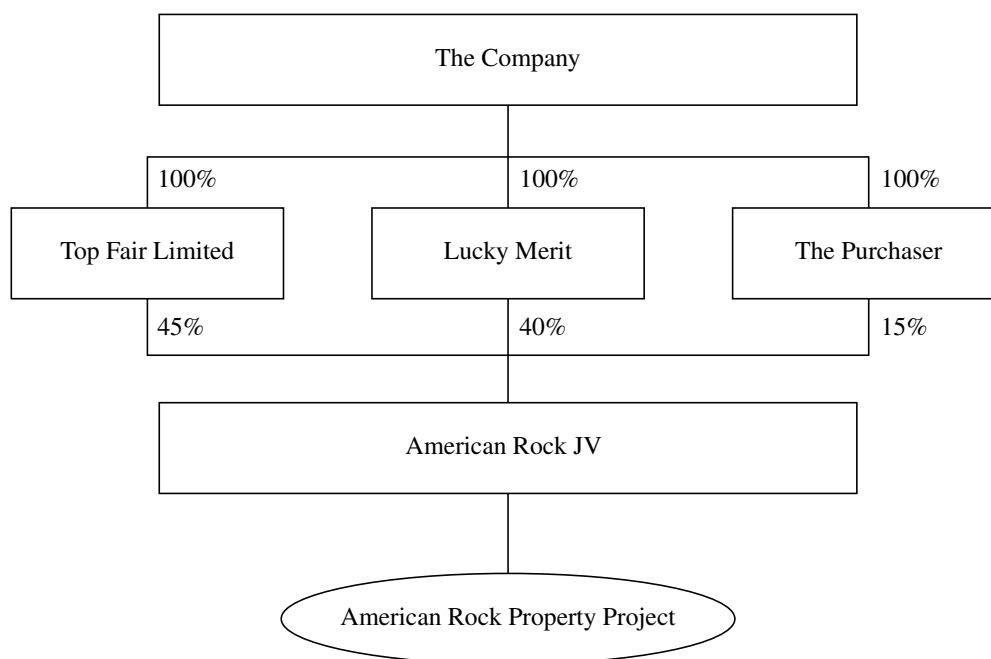
Before the American Rock Completion



Notes: (a) The Company’s existing 85% interest through Top Fair Limited and through Lucky Merit were acquired notifiable and connected transactions approved in compliance with the Listing Rules. The Company acquired 40% interest in American Rock JV for a consideration of HK\$259,595,000. The acquisition of Lucky Merit constituted a connected transaction and a very substantial acquisition of the Group. Details of the acquisition of Lucky Merit were disclosed in the announcement of the Company dated 29 September 2005 and the circular of the Company dated 23 January 2006.

(b) 80% of Beijing Xi Hua is owned by He Xiao-Cheng and 20% is owned by He Ging, each of whom is an Independent Third Party that does not own any Shares.

Upon the American Rock Completion



Beijing Xi Hua, a limited liability company incorporated in the PRC, according to information provided to the Company, is 80% beneficially and legally owned by He Xiao-Cheng and 20% beneficially and legally owned by He Ging. The principal business of Beijing Guoke is investment holding.

The American Rock JV is a Sino-foreign equity joint venture established in the PRC on 15 October 2002, and solely engaged in the development of the American Rock Property Project. The total registered and paid up capital of the American Rock JV is US\$12.00 million (approximately HK\$93.60 million) and contributions thereto attributable to Top Fair Limited, Lucky Merit and Beijing Xi Hua amounted to US\$5.40 million (approximately HK\$42.12 million), US\$4.80 million (approximately HK\$37.44 million) and US\$1.80 million (approximately HK\$14.04 million) respectively. The term of the American Rock JV is 20 years from the date of issue of its business licence on 15 October 2002. The estimated total investment cost of the American Rock JV is approximately US\$29.50 million (approximately HK\$230.10 million).

The Company already holds 85% interest in the American Rock JV in previous notifiable and connected transactions in compliance with the Listing Rules. Upon the American Rock Completion, American Rock JV will become an indirect wholly-owned subsidiary of the Company, and the effective equity interest of the Company in the American Rock JV will be increased from 85% to 100%.

Set out below are the details of the American Rock Property Project:

Address: 北京朝陽區百子灣路16號 (No. 16, Baiziwan Road, Chaoyang District, Beijing, the PRC)

Phases: (a) Phase I (Zone A), with site area and gross floor area of approximately 27,820.26 square metres and approximately 106,689.58 square metres respectively;

- (b) Phase II (Zone B), with site area and gross floor area of approximately 35,011.07 square metres and approximately 117,409.32 square metres respectively;
- (c) Phase II (Zone C), with site area and gross floor area of approximately 35,744.40 square metres and approximately 167,177.10 square metres respectively; and
- (d) Phase II (Zone D), with site area and gross floor area of approximately 22,922.77 square metres and approximately 109,457.42 square metres respectively.

The whole project consists of 2 phases (Phase I and Phase II) and 4 zones (Zones A, B, C and D) with approximately 5,400 residential and commercial units in total for sale purposes. Zones A and B were completed in December 2003 and September 2004 respectively. Approximately 99.6% of the residential units of Zone A and Zone B respectively and 100% and approximately 97.1% of the commercial units of Zone A and Zone B respectively have been sold as of 30 November 2006.

Approximately 92.8% and 62.1% of the residential units of Zone D and Zone C have been pre-sold as of 30 November 2006 respectively.

For the year ended 31 December 2005, the audited net profit before and after taxation of the American Rock JV amounted to approximately RMB107.02 million (approximately HK\$107.02 million) and approximately RMB70.65 million (approximately HK\$70.65 million) respectively. For the year ended 31 December 2004, the audited net profit before and after taxation of the American Rock JV amounted to approximately RMB329.94 million (approximately HK\$329.94 million) and approximately RMB225.04 million (approximately HK\$225.04 million) respectively. For the seven months ended 31 July 2006, the audited net profit before and after taxation of the American Rock JV amounted to approximately RMB67.69 million (approximately HK\$67.69 million) and approximately RMB45.35 million (approximately HK\$45.35 million) respectively. The audit was carried out applying the PRC/Hong Kong accounting principles. The development of American Rock Project is financed by internal resources, pre-sale proceeds of properties and bank loans of the American Rock JV.

The audited net asset value of American Rock JV as at 31 July 2006 and 31 December 2005 were RMB434.27 million (approximately HK\$434.27 million) and RMB388.92 million (approximately HK\$388.92 million) respectively. The audit was on the basis of PRC/Hong Kong accounting principles.

Based on the audited accounts of the American Rock JV at 31 July 2006 prepared in accordance with HKFRS, the American Rock JV owed to Top Fair Limited an outstanding amount of RMB100.00 million (approximately HK\$100.00 million). The aforesaid outstanding liability of the American Rock JV was unsecured, interest-free and repayable on demand. The amount owed is loan from the company to finance construction.

REASONS FOR THE PROPOSED ACQUISITIONS

The Company was incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in property investment and development in the PRC. The Group has been appraising proactively various investment opportunities to explore high potential investments and attractive business opportunities in the major cities in the PRC, such as Shanghai, Beijing, Shenzhen and elsewhere. The Company is of the view that the Proposed Acquisitions represent a good opportunity for the Group to further expand its business in the property market in Beijing and Changsha, a market with which its directors are very familiar and which they perceive as an attractive area for investment and will strengthen the assets and income base of the Group.

The executive and the non-executive Directors consider that the Proposed Acquisitions are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned.

The independent non-executive Directors' views are subject to review in light of the advice to be received from an independent financial adviser and their views and recommendations in respect of the transactions contemplated under the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement, will be set out in the circular to be issued by the Company to the Shareholders as required by the Listing Rules.

IMPLICATIONS OF THE PROPOSED ACQUISITIONS UNDER LISTING RULES

At the date of this announcement, Mr. Li, the controlling shareholder of the vendors under the Changsha Agreement and the Youngman Point Agreement, is an executive Director and the chairman of the Board and, through Invest Gain Limited and Sinoeagle Pacific Limited respectively, two companies wholly-owned by him, is beneficially interested in 3,602,381,390 Shares, representing approximately 56.2% of the existing issued share capital of the Company. Accordingly, Mr. Li is a connected person of the Company under the Listing Rules. In addition, Beijing Xi Hua is a substantial shareholder of American Rock JV, an indirect subsidiary of the Company, and hence a connected person of the Company at the subsidiary level. The Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement therefore constitute connected transactions for the Company under the Listing Rules, and subject to the approval of the Independent Shareholders by way of poll at the SGM. Mr. Li, Invest Gain Limited and their respective associates and parties acting in concert with them will abstain from voting on the resolutions approving the Changsha Agreement and the Youngman Point Agreement in the SGM.

The Group acquired a 70% interest in the Youngman Point JV in early 2006 from Mr. Li, and subsequently entered into the Youngman Point Agreement and the Changsha Agreement on 21 December 2006 with 2 companies controlled by Mr. Li respectively. As the Group entered into these agreements with parties connected or otherwise associated with one another, the Company considered that they constituted a series of transactions that it would be appropriate for them to be aggregated. Hence the Changsha Agreement together with the Youngman Point Agreement also constitute a major transaction when aggregated.

The Group acquired in aggregate an effective interest of 100% in the American Rock JV during the period from 2004 to 2006. The Company considers that these transactions involve acquisitions of the interest in the same asset, and it would be appropriate for them to be aggregated and treated as if they were one transaction. Hence the American Rock Agreement constitutes a major transaction of the Company under the Listing Rules.

The Proposed Transactions were treated as very substantial acquisitions and connected transactions pending the financial information of the targets, which were finalised and made available to the Company after the suspension of trading of Shares on 21 December 2006. The Company treated the Proposed Transactions as major and connected transactions for the reasons stated above.

Completion of each of the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement is subject to the satisfaction of a number of conditions precedent as detailed above. The Changsha Agreement, the Youngman Point Agreement and the American Agreement may or may not be completed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

GENERAL

An independent board committee of the Company has been formed to advise the Independent Shareholders on the terms of the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement. First Shanghai Capital Limited, an independent financial adviser, has been appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Proposed Acquisitions, the recommendation of the independent board committee of the Company and the letter of advice from First Shanghai Capital Limited in respect of the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement, and a notice convening the SGM, will be sent to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 21 December 2006 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 January 2007.

DEFINITIONS

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

“American Rock Agreement”	a sale and purchase agreement dated 21 December 2006 between Beijing Xi Hua and the Purchaser in respect of the sale and purchase of 15% of the issued share capital of the American Rock JV
“American Rock Completion”	completion of the American Rock Agreement
“American Rock Consideration”	the consideration of RMB100 million (approximately HK\$100 million) for the acquisition by the Purchaser of the 15% of the issued share capital of the American Rock JV pursuant to the American Rock Agreement

“American Rock JV”	北京金馬文華園房地產有限公司 (Beijing Jin Ma Wen Hua Yuan Properties Development Company Limited), a Sino-foreign equity joint venture incorporated in the PRC on 15 October 2002
“American Rock Property Project”	a residential and commercial property project known as “American Rock” (後現代城) located at 北京朝陽區百子灣路16號 (No. 16, Baiziwan Road, Chaoyang District, Beijing), the PRC and under development by the American Rock JV
“associates”	the meaning ascribed to it under the Listing Rules
“Beijing New Shine Investment”	北京新松投資集團有限公司 Beijing New Shine Investment Group Company Limited, a company incorporated in the PRC and controlled by Mr. Li
“Beijing Guoke”	北京國科新業科技開發有限公司 Beijing Guoke Xinye Technology Development Company Limited, a company incorporated in the PRC and controlled by Mr. Li
“Beijing Xi Hua”	北京西華偉業建材經貿有限公司 (Beijing Xi Hua Wei Yie Construction Materials Trading Company Limited), a company established in the PRC with limited liability and owned by Independent Third Parties as stated above in this announcement
“Board”	board of Directors
“Changsha Agreement”	a sale and purchase agreement dated 21 December 2006 between the Purchaser and Beijing New Shine Investment in respect of the sale and purchase of 67% of the registered capital of Changsha JV
“Changsha Completion”	completion of the Changsha Agreement
“Changsha Consideration”	the consideration of RMB216 million (approximately HK\$216 million) for the acquisition by the Purchaser of 67% of the issued share capital of Changsha JV pursuant to the Changsha Agreement
“Changsha JV”	湖南淺水灣湘雅溫泉花園有限公司 (Wunan Qianshuiwan Shuangya Wanquan Huayuen Company Limited), a company incorporated in the PRC on 14 September 2005 and the sole developer of the Changsha Property Project
“Changsha Property Project”	a project situated in Wancheng County, Changsha City, the PRC and under development by Changsha JV
“Company”	Neo-China Group (Holdings) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on Stock Exchange

“Director(s)”	director(s) of the Company
“Encumbrance”	mortgage (whether legal or equitable), charge, lien, lease, option, licence, covenant, condition, agreement or other third party right
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than those who are connected persons with a material interest in the transaction, or any person falling within rule 14A.13(1)(b)(i) to (iv) of the Listing Rules that has a material interest in the transaction and its associates.
“Independent Third Party”	a party independent of and not connected with the directors, chief executives or substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lucky Merit”	Lucky Merit Development Limited, a company incorporated in the British Virgin Islands with limited liability and indirectly wholly-owned by the Company at the date of this announcement
“Market Value Basis”	the basis of valuation of properties by using the direct comparison approach by reference to sales evidence available on the market and the valuers’ knowledge of the prevailing market conditions
“Mr. Li”	Mr. Li Song Xiao, a Director and the chairman of the Board, who has a 56.2% beneficial shareholding interest in the Company at the date of announcement
“New Direction”	New Direction Development Limited, a company incorporated in the British Virgin Islands with limited liability and indirectly wholly-owned by the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Acquisitions”	the proposed acquisitions of interests in the Changsha JV and further interest in the Youngman Point JV and the American Rock JV by the Purchaser pursuant to the terms and conditions of the Changsha Agreement, the Youngman Point Agreement and American Rock Agreement respectively

“Purchaser”	北京新松置地投資顧問有限公司 Beijing New Shine Land Investment Consultancy Limited, company incorporated in the PRC and indirectly wholly-owned by the Company
“SGM”	the special general meeting of Company to be convened to consider and, if thought fit, approve, among other things, the entering into of the Changsha Agreement, the Youngman Point Agreement and the American Rock Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Youngman Point Agreement”	a sale and purchase agreement dated 21 December 2006 between Beijing Guoke and the Purchaser in respect of the sale and purchase of the 22.1% of the registered capital of the Youngman Joint JV.
“Youngman Point Completion”	completion of the Youngman Point Agreement
“Youngman Point Consideration”	the consideration of RMB90 million (approximately HK\$90 million) for the acquisition by the Purchaser of the 22.1% of registered capital of the Youngman Point JV pursuant to the Youngman Point Agreement
“Youngman Point JV”	北京新松房地產開發有限公司 (Beijing New Shine Properties Development Company Limited), a limited liability company incorporated in the PRC on 29 May 2000 and the sole developer of the Youngman Point Property Project
“Youngman Point Property Project”	a residential and commercial property project known as “Youngman Point” (青年匯) located at 北京市朝陽區青年路甘露園中里2號 (No.2, Ganluyuan, Zhongli, Qingnian Road, Chaoyang District, Beijing), the PRC and under development by the Youngman Point JV
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rates of RMB1.00 = HK\$1.00 and US\$1.00 = HK\$7.80 have been used for currency translation, where applicable. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in US\$, HK\$ or RMB have been, could have been or may be converted at such or any other rates or at all.

Certain English translations of Chinese names or words in this announcement are included for information only, and are not official English translations of such Chinese names or words.

On behalf of the Board of
Neo-China Group (Holdings) Limited
Li Song Xiao
Chairman

Hong Kong, 2 January 2007

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. Zhang Qing Lin and Mr. Wang Shiyong as independent non-executive Directors.

* *For identification only*

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