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## **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**

The proposed issue and allotment of 250,000,000 Consideration Shares, being part of the consideration under the Acquisition Agreement I has been satisfied in part by the payment of HK\$198,000,000 in cash. The remaining HK\$252,000,000 of the consideration will be satisfied by the issue and allotment of 140,000,000 Consideration Shares subject to obtaining shareholders' approval at a special general meeting of the Company.

Reference is made to the announcement of Neo-China Group (Holdings) Limited (the "Company") dated 29th January, 2007 and the circular of the Company dated 16th February, 2007 in relation to a discloseable transaction regarding the Company's proposed acquisition of interest in a property development project in Tianjin, PRC. In respect of such acquisition, the Company and its wholly-owned subsidiary, 中置（北京）企業管理有限公司 (Zhongzhi (Beijing) Enterprise Management Company Limited) entered into the following agreements:–

- (a) an acquisition agreement dated 22nd January, 2007 between the Company, Parsonturham Consulting Limited ("Parsonturham") and 青島亞星置業有限公司 (Qingdao Yaxing Zhi Ye Company Limited) ("Yaxing") ("Acquisition Agreement I"); and

\* For identification purposes only

- (b) an acquisition agreement dated 22nd January, 2007 between the Company's wholly-owned subsidiary, 中置(北京)企業管理有限公司 (Zhongzhi (Beijing) Enterprise Management Company Limited) ("Zhongzhi"), 青島北晨端拱顧問有限公司 (Qingdao Beichen Duan Gong Real Estate Consultancy Company Limited) ("Beichen") and Yaxing ("Acquisition Agreement II").

Under the Acquisition Agreement I, the Company is required (subject to fulfilment of certain terms and conditions under the Acquisition Agreement I) to issue to Parsonturham 250,000,000 shares in the Company ("Consideration Shares") as part of the consideration under the Acquisition Agreement I, within 90 working days after signing. The parties to the Acquisition Agreement I and Acquisition Agreement II have agreed on 29th June, 2007 that the Company is not required to issue the 250,000,000 Consideration Shares until latest 30th November, 2007. The parties further agreed on 3rd August, 2007 that part of the 250,000,000 Consideration Shares will be issued under the existing general mandate and part will be issued under a specific mandate, but upon further discussion, the parties agreed to change the proposal. As the parties were still finalising the terms of the transaction, no announcement was made at that time. On 24th August, 2007, the parties agreed that the 250,000,000 Consideration Shares are to be satisfied as follows:–

- (a) as to 110,000,000 Consideration Shares to be satisfied in cash in an amount of HK\$198,000,000 (equivalent to HK\$1.80 per Consideration Share), such cash payment has been made with internal resources of the Company; and
- (b) as to the remaining 140,000,000 Consideration Shares to be issued subject to obtaining approval from shareholders at a special general meeting of the Company to be held.

As the issue of the 140,000,000 Consideration Shares is subject to obtaining shareholders' approval, a circular containing information on the Acquisition Agreement I together with a notice of special general meeting will be despatched to shareholders. No shareholders have a material interest in the transaction and therefore no shareholders are required to abstain from voting on the resolution in the special general meeting. If shareholders' approval is not obtained, then the parties to the Acquisition Agreement I and Acquisition Agreement II will further negotiate.

Initially, it was intended that the 250,000,000 Consideration Shares would be issued under the general mandate granted by the shareholders of the Company on 25th September, 2006. However, since the grant of the general mandate, a total of 1,077,000,000 Shares have been issued or “utilised” leaving 67,474,868 Shares available under the general mandate. As such, the Company has agreed with the parties to the Acquisition Agreement I and Acquisition Agreement II to amend the method of payment of the consideration under the Acquisition Agreement I. Save as disclosed in this announcement, there are no other changes in the terms of the Acquisition Agreement I and Acquisition Agreement II. As at the date of this announcement, the Company has completed the acquisition of the interest in the Tianjin property development project with consideration yet to be settled.

## CHANGE TO SHAREHOLDING STRUCTURE

The following table shows the effect on the issued share capital of the Company immediately before and after the issue and allotment of 250,000,000 Consideration Shares assuming there is no change in share capital of the Company from the date of this announcement:–

	<b>Immediately before the issue of the Consideration Shares</b>		<b>Immediately after issue of the Consideration Shares</b>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Li Song Xiao and companies controlled or wholly-owned by him	3,662,021,390	53.26	3,662,021,390	52.20
<b>Public</b>				
Parsonthurham	0	0	140,000,000	2.1
Other public shareholders	3,213,352,950	46.54	3,213,352,950	45.80
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>6,875,374,340</u>	<u>100.0</u>	<u>7,015,374,340</u>	<u>100.0</u>

Under the Acquisition Agreement II, Zhongzhi agreed to acquire from Yaxing the shareholder's loan in the principal amount of RMB82,200,000 which Yaxing earlier advanced to the project company holding the subject development project in Tianjin. Together with the consideration of RMB12,630,000, Zhongzhi is required to pay to Yaxing and Beichen a total sum of RMB94,830,000 under the Acquisition Agreement II. As of the date of this announcement, a total amount of RMB50,330,000 has been paid. During due diligence, it was found that there has been a reduction in the net asset value of the project company in the amount of RMB38,000,000. Although the Acquisition Agreement II does not provide for adjustment to the consideration in such circumstances, the parties agreed that it was fair and reasonable to adjust the consideration (not on a dollar to dollar basis) so that Zhongzhi is only required to pay an additional amount of RMB21,430,000 in order to acquire the shareholder's loan and settle in full of the consideration under the Acquisition Agreement II. Such amount will be paid from internal resources of the Company. Given that the acquisition is conditional upon due diligence to the satisfaction of the Company and balancing the overall potential benefit of the project to the Company with the loss of opportunity which may arise as a result of forgoing the project altogether and the fact that the Company has already acquired the interest in the project with consideration yet to be paid, the directors of the Company (including the independent non-executive directors) are of the view that the reduction in such consideration and other amendments to the Acquisition Agreement I and Acquisition Agreement II are fair and reasonable and in the interest of the Company and its shareholders as a whole.

*As at the date of this announcement, Mr. Li Song Xiao, Mr. Liu Yi, Ms. Niu Xiao Rong, Mr. Yuan Kun and Ms. Liu Yan are the executive Directors and Ms. Nie Mei Sheng, Mr. Zhang Qing Lin and Mr. Gao Ling are independent non-executive Directors.*

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

Hong Kong, 7 September, 2007