
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer 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 with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

**GENERAL MANDATES TO
ISSUE SHARES AND REPURCHASE SHARES**

A notice convening a SGM of Neo-China Group (Holdings) Limited to be held at Units 1908-09, 19th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 9th May 2006 at 10:00 am Tuesday is set out on pages 20 to 23 of this circular. If you are not able to attend the meeting, you are required to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

24th April 2006

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“AGM”	the annual general meeting of the Company held on 12th September 2005;
“Announcement”	the announcement made by the Company on 11th April 2006 in relation to the New General Mandates;
“associate”	has the same meaning as defined in the Listing Rules;
“Board”	the board of Directors;
“Company”	Neo-China Group (Holdings) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on Stock Exchange;
“Connected Person(s)”	has the same meaning as defined in the Listing Rules;
“Directors”	the directors of the Company;
“Existing General Mandates”	the general mandates granted to the Directors by the Shareholders at the AGM, inter alia, allot, issue and deal with up to 496,726,590 Shares, representing 20% of the then issued share capital of the Company and to repurchase up to 248,363,295 Shares representing 10% of the then issued share capital of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board comprising Ms. Nie Mei Sheng, Mr. Wang Shiyong and Mr. Zheng Kuan, formed to advise the Independent Shareholders on the Issue Mandate;
“Independent Financial Advisor”	First Shanghai Capital Limited, the independent financial advisor to the Independent Board Committee and the Independent Shareholders, a corporation licensed under the SFO to engage in type 6 (advising on corporate finance) of the regulated activity as defined in the SFO;

DEFINITIONS

“Independent Shareholders”	Shareholders other than Mr. Li, Invest Gain Limited and their respective associates and parties acting in concert with them, and other Shareholders who may not be permitted to vote under the Listing Rules and/or the Takeovers Code;
“Issue Mandate”	the mandate proposed to be sought at the SGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of SGM;
“Latest Practicable Date”	21st April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Li”	Li Song Xiao, the Chairman, a Director and the controlling shareholder of the Company, who is the ultimate beneficial owner of 2,298,986,537 Shares representing approximately 56.36% in the issued share capital of the Company;
“New General Mandates”	the Issue Mandate and Repurchase Mandate;
“Placing”	a placing of 496,720,000 Shares by Mr. Li;
“Placing Agent”	Deutsche Bank AG, Hong Kong Branch;
“PRC”	the People’s Republic of China;
“Repurchase Mandate”	the mandate proposed to be sought at the SGM to authorise the Directors to exercise power of the Company to repurchase Shares on the Stock Exchange not exceeding 10% of the issued share capital of the Company as at the date of the SGM;
“SFO”	the Securities and Futures Ordinance;

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened at Units 1908-09, 19th Floor, Office Tower, Convention Plaza, No.1 Harbour Road, Wanchai, Hong Kong on Tuesday, 9th May 2006 at 10:00 am Tuesday to approve the Issue Mandate and Repurchase Mandate;
“Share(s)”	ordinary share(s) of HK\$0.10 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;
“Subscription”	the subscription of 496,720,000 Shares at the Subscription Price;
“Subscription Price”	HK\$0.89 per Subscription Share;
“Subscription Shares”	496,720,000 new Shares to be issued pursuant to the Subscription;
“Substantial Shareholder”	has the same meaning as defined in the Listing Rules;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“US\$”	United States dollar, the lawful currency of the United States of America; and
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Li Song Xiao (*Chairman*)

Mr. Liu Yi

Ms. Niu Xiao Rong

Ms. Song Xuan

Mr. Zhang Huai An

Mr. Yuan Kun

Independent non-executive Directors:

Ms. Nie Mei Sheng

Mr. Zhen Kuan

Mr. Wang Shiyong

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business:

Unit 1908-9, 19th Floor

Office Tower

Convention Plaza

No. 1 Harbour Road

Wanchai

Hong Kong

24th April 2006

To the Shareholders

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES

INTRODUCTION

At the AGM, the Shareholders granted the Existing General Mandates to the Directors to (i) allot, issue and deal with up to 496,726,590 Shares, representing 20% of the then issued share capital of the Company and (ii) to repurchase up to 248,363,295 Shares on the Stock Exchange, representing 10% of the then issued share capital of the Company.

* For identification purpose only

LETTER FROM THE BOARD

The Company has not refreshed the general mandate to issue Shares since the AGM. On 13th February 2006, the Board announced that on 10th February 2006, the Placing Agent agreed to place, on a fully underwritten basis, 496,720,000 existing Shares at a price of HK\$0.89 per Share on behalf of Mr. Li. On the same day, the Company entered into a conditional agreement with Mr. Li for the subscription of the Subscription Shares in an aggregate of 496,720,000 new Shares at the same price per Share. The Placing and the Subscription were completed on 10 February 2006 and 27 February 2006 respectively.

The Subscription Shares represent approximately 20% of the existing issued share capital and 16.67% of the issued share capital as enlarged by the Subscription. The Subscription Shares were issued under the Existing General Mandate granted to the Directors at the AGM. The net proceeds on the Subscription were approximately HK\$434 million. The Company intends to use the proceeds for the potential acquisition of 70% equity interests in Chongqing China Enterprises Property Development Company Limited as announced by the Company on 8th February 2006. In the event the potential acquisition does not proceed, the Company intends to use the proceeds for other potential property projects in the PRC and general working capital of the Company. After the Subscription, only a further 6,590 Shares can be issued under the Existing General Mandate. As such, the Board proposes to refresh the general mandates for the Directors to:

- (a) issue and allot shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM; and
- (b) repurchase shares on the Stock Exchange not exceeding 10% of the issued share capital of the Company as at the date of the SGM.

The purpose of this circular is to give you further details of the proposed Issue Mandate and the Repurchase Mandate and to convene a SGM to consider and, if thought fit, approve the New General Mandates.

GENERAL MANDATE TO ISSUE SHARES

At the SGM, an ordinary resolution will be proposed to give the Directors a general mandate to allot, issue and deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the proposed resolution of Issue Mandate.

The Issue Mandate will, if granted, remain effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or Bye-Laws; and (iii) its revocation or variation by an ordinary resolution of the Shareholders in general meeting.

LETTER FROM THE BOARD

In addition, if the Repurchase Mandate, as described below, is granted, a separate ordinary resolution will be proposed at the SGM to increase the number of Shares which may be allotted and issued under the Issue Mandate by the number of Shares repurchased under the Repurchase Mandate (up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the grant of the Issue Mandate).

Although the Directors have no present intention to exercise the Issue Mandate to allot Shares and the Repurchase Mandate to repurchase the Shares, the Company has been actively looking for suitable investment opportunities and therefore may require funding. These opportunities may or may not involve the issue of new Shares.

GENERAL MANDATE TO REPURCHASE SHARES

At the SGM, an ordinary resolution will also be proposed to grant to the Directors authority to repurchase Shares up to 10% of the share capital of the Company in issue as at the date of passing the proposed resolution of Repurchase Mandate.

The Repurchase Mandate will, if granted, remain in effect until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or by the Bye-laws; and (iii) its revocation or variation by an ordinary resolution of the Shareholders in general meeting.

An explanatory statement in relation to the Repurchase Mandate as required by the relevant provisions of the Listing Rules concerning the regulation of repurchases by companies of their own securities on the Stock Exchange is set out in Appendix I to this circular.

PROCEDURE BY WHICH THE SHAREHOLDERS MAY DEMAND A POLL

Under Bye-law 66(1) of the Bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:—

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (c) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

In addition, in compliance with the Listing Rules, any vote of Shareholders at a general meeting will be taken on a poll where:

- (i) the chairman of the general meeting and/or the directors individually or collectively hold proxies in respect of shares representing 5% or more of the total voting rights at the general meeting, and the meeting votes, on a show of hands, in the opposite manner to that instructed in those proxies unless it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands;
- (ii) the meeting is to approve connected transactions;
- (iii) the meeting is to approve transactions that are subject to independent shareholders' approval pursuant to the Listing Rules; or
- (iv) the meeting is to approve granting of options to a substantial shareholder or an independent non-executive director of the issuer, or any of their respective associates, as required under the Listing Rules;
- (v) the meeting is to approve any other transactions in which a shareholder has a material interest and is therefore required to abstain from voting at the general meeting.

RECOMMENDATION

As at the Latest Practicable Date, the Company had 4,079,339,487 issued Shares. On the basis that no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the SGM, the Company would be allowed to allot, issue and deal with up to 815,867,897 Shares under the Issue Mandate and to repurchase up to 407,933,948 Shares under the Repurchase Mandate.

LETTER FROM THE BOARD

The Directors consider the Issue Mandate and the Repurchase Mandate will enhance the flexibility for the Company to manage its business.

The Directors are of the opinion that the proposals of the New General Mandates are fair and reasonable and the granting of the New General Mandates are in the interests of the Company and the Shareholders, and accordingly recommend that all the Shareholders vote in favour of all the resolutions to be proposed at the SGM.

SGM

Pages 20 to 23 of this circular contains a notice of the SGM to be held at Units 1908-09, 19th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 9th May 2006 at 10:00 am Tuesday at which ordinary resolutions will be proposed to Shareholders to approve the New General Mandates.

The proposed New General Mandates will be voted by poll.

Mr. Li and his associates will abstain from voting in respect of the resolution for the granting of the New Mandates at the SGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

24th April 2006

To the Independent Shareholders

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES

We refer to the circular of the Company to the Shareholders dated 24th April 2006 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

The Independent Board Committee has been established to give a recommendation to the Independent Shareholders in respect of the proposed Issue Mandate. First Shanghai Capital Limited has been appointed as the independent financial advisor to advise us and the Independent Shareholders in connection with the proposed Issue Mandate. Details of its advice, together with the principal factors and reasons taken into account in arriving at such advice, are set out in their letter on pages 10 to 15 of the Circular.

Your attention is also drawn to the “Letter from the Board” on pages 4 to 8 of the Circular and the additional information set out in the appendix to the Circular.

Having taken into account the terms of the Issue Mandate and the advice of the Independent Financial Advisor, we consider that the terms of the Issue Mandate are fair and reasonable in so far as the Independent Shareholders are concerned and the granting of the Issue Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote for the resolutions to be proposed at the SGM to approve the Issue Mandate.

Yours faithfully,

For and on behalf of

The Independent Board of Committee

Ms. Nie Mei Sheng, Mr. Wang Shiyong and Mr. Zheng Kuan

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from First Shanghai Capital Limited in respect of the Issue Mandate for the purpose of incorporation in this circular.



19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

24th April 2006

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Issue Mandate. Details of the Issue Mandate are described in the circular of the Company dated 24th April 2006 (the “Circular”), of which this letter forms part. Unless otherwise required, capitalized terms used in this letter have the same meanings as defined in the Circular.

On 13th February 2006, the Board announced that on 10th February 2006, the Placing Agent agreed to place, on a fully underwritten basis, 496,720,000 existing Shares at a price of HK\$0.89 per Share on behalf of Mr. Li. On the same day, the Company entered into a conditional agreement with Mr. Li for the subscription of the Subscription Shares in an aggregate of 496,720,000 new Shares at the same price per Share. The Placing and the Subscription were completed on 10th February 2006 and 27th February 2006, respectively. The Subscription Shares were issued under the Existing General Mandate. Under the Existing General Mandate, which was granted at the annual general meeting held on 12th September 2005, the Directors may allot, issue and deal with up to 496,726,590 Shares, representing 20% of the then issued share capital of the Company. As a result of the completion of the Subscription, only a further 6,590 Shares can be issued under the Existing General Mandate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Pursuant to Rule 13.36(4) of the Listing Rules, an ordinary resolution will be required and proposed at a general meeting of the Company to obtain approval from the Independent Shareholders if the Company would like to refresh the number of Shares which the Board may be allowed to allot and issue under the Existing General Mandate before the next annual general meeting, so that the Directors will be entitled to exercise the powers to allot and issue new Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM. Mr. Li, the controlling Shareholder, and his associates shall abstain from voting in favor of the resolution for the granting of the Issue Mandate at the SGM.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on the information and representations contained in the Circular and information provided, and opinions expressed, by the Company and its directors. We have assumed such information and representation were true, accurate and complete at the time they were made and continue to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Company and its directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and its directors and the information contained in this Circular. We have also been advised by the Company and its directors that no material facts have been omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted an independent investigation into the business, operations or financial condition of the Group. We have taken reasonable steps as required under Rule 13.80 of the Listing Rules in forming our opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation on the Issue Mandate, we have considered, among other things, the following principal factors and reasons:

1. Background

The Existing General Mandate was approved at the Company's annual general meeting on 12th September 2005. The Existing General Mandate was based on the then issued Shares of 2,483,632,950. On 10th February 2006, the Placing Agent agreed to place, on a fully underwritten basis, 496,720,000 existing Shares at a price of HK\$0.89 per Share on behalf of Mr. Li. On the same day, the Company entered into a conditional agreement with Mr. Li for the subscription of the Subscription Shares in an aggregate of 496,720,000 new Shares at the same price per Share, which represented approximately 20% of the then issued share capital and 16.67% of the issued share capital of the Company as enlarged by the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Subscription. Upon the completion of the Subscription, the Company would only have a further 6,590 Shares that can be issued under the Existing General Mandate. As stated in the Company's announcement on 13th February 2006, the Company raised net proceeds of approximately HK\$434 million from the Subscription and intended to use it for the potential acquisition of Chongqing China Enterprises Property Development Company Limited. In the event such acquisition does not proceed, the company intended to use the proceeds for other property projects in the PRC and for general working capital.

On 31st March 2006, the Group entered into an agreement to purchase 30% equity interest in Chongqing China Enterprises Property Development Company Limited at a consideration of RMB181,000,000 (approximately HK\$173,038,462) payable in cash. As a result, approximately 40% of the funds raised from the Subscription will be used. Furthermore, it also proposed to make further acquisition for the remaining equity interests in the above company. As stated in the Company's announcement on 8th February 2006, it had originally signed a memorandum of understanding to purchase 70% equity interest in the above company for RMB422,100,000 (approximately HK\$398,209,140) payable in cash.

Should the above memorandum continue to proceed, it would have depleted the approximately HK\$434 million in funds raised from the Subscription. The Issue Mandate would then provide the Company with additional flexibility to raise further funds from other sources that may be needed to complete the above potential investments and/or other investment opportunities.

2. Financial flexibility

The Directors believe that the Issue Mandate will enhance the flexibility for the Company to manage its business.

Increase amount of equity capital raised

As at the Latest Practicable Date, the Company had a total of 4,079,339,487 Shares in issue. Assuming that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be permitted to allot and issue up to 815,867,897 Shares under the Issue Mandate.

As mentioned above, the Company only has a further 6,590 Shares which could be allotted and issued under the Existing General Mandate. The Issue Mandate would then allow the Company to further allot and issue a maximum of 815,867,897 Shares. The Company would then have an enlarged amount of capital which could be raised under the Issue Mandate to provide for additional financial resources when negotiating for investment and/or acquisition opportunities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Shorten time required for fund raising

As stated in the letter from the Board, the Company is appraising actively investment opportunities. As advised by the Directors, funding decisions may have to be made quickly when these investment or acquisition opportunities arise. These opportunities may or may not result in issuance of new Shares depending on the circumstances and market conditions. Save for the memorandum of understanding mentioned above, the Company does not have any definitive investment or acquisition plans with concrete terms now or any immediate funding needs. The Issue Mandate would then enable the Group to allot and issue Shares as consideration or raise capital to fund such opportunities in a short period of time.

Provide an alternative financing method

As advised by the Directors, the Company generally considers various methods when raising funds. These include bank and other debt financing, or equity fund raising such as rights issue of new Shares, depending on the financial position, capital structure and cost of funding to the Group. Although there are many fund raising methods as outlined above, we note that these exercises generally tend to involve longer completion time and/or higher costs as well. As such, the Issue Mandate would provide an additional fund raising alternative to the Company.

Based on the above, we consider that the granting of the Issue Mandate could enhance the financing flexibility of the Company to raise capital and to strengthen the capital base of the Group, if and when required, through placing of Shares for its business development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

3. Potential dilution to Shareholders

The table below shows the shareholding structure of the Company as at the Latest Practicable Date and the assumed shareholding structure of the Company upon full utilization of the Issue Mandate and the Convertible Note (as defined below):

	Shareholding		Shareholding upon		Shareholding upon	
	as at the		full exercise of		the Issue Mandate	
	Latest Practicable Date		the Issue Mandate		and full conversion of	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Li	2,298,986,537	56.36	2,298,986,537	46.96	2,298,986,537	43.42
Shares which may be issued under the Issue Mandate	-	-	815,867,897	16.67	815,867,897	15.41
Wang Yan	-	-	-	-	400,000,000	7.55
Public Shareholders	1,780,352,950	43.64	1,780,352,950	36.37	1,780,352,950	33.62
Total	4,079,339,487	100.00	4,895,207,384	100.00	5,295,207,384	100.00

Note 1: Mr. Li is interested in the 2,289,986,537 Shares through Invest Gain Limited, a company wholly owned by Mr. Li

Note 2: The Convertible Note was issued to Wang Yan by the Company with an outstanding principal amount of HK\$104 million, bears interest at 1% per annum, is redeemable at par on 28th February 2007 and carries the right to convert into new Shares at the initial conversion price of HK\$0.26 per Share, subject to adjustments, issued in consideration for the acquisition of Top Fair Limited as part of a major and connected transaction of the Company which was approved by the Shareholders in August 2004.

Upon full utilization of the Issue Mandate, 815,867,897 Shares will be issued, representing approximately 20% and 16.67% of the existing issued share capital and the enlarged issued share capital of the Company, respectively. The aggregate shareholding of the existing public shareholders will decrease from approximately 43.64% to approximately 36.37% after full utilization of the Issue Mandate, resulting in a dilution of approximately 10.27%. Should the Convertible Note be fully converted into Shares, the existing public shareholders' shareholding in the Company will further decrease to approximately 33.62%, or a dilution of approximately 2.75%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Shareholders should note that the Issue Mandate will, if granted, remain effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or Bye-Laws; and (iii) its revocation or variation by an ordinary resolution of the Shareholders in general meeting.

Taking into account the granting of the Issue Mandate would increase the amount of equity capital that could be raised under the Issue Mandate, shorten the time required for fund raising and would provide more financing options to the Group for its business development and potential acquisitions, as well as the fact that the shareholding of all Shareholders would be diluted to the same extent upon utilization of the Issue Mandate, we consider that the potential dilution to the Independent Shareholders' shareholding to be acceptable.

RECOMMENDATION

Having considered all factors referred to above, we consider that the Issue Mandate is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolutions to be proposed at the SGM to approve the Issue Mandate.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Managing Director

Byron Tan

Managing Director

The following is an explanatory statement required by the Stock Exchange to be presented to Shareholders concerning the Repurchase Mandate.

1. STOCK EXCHANGE RULES FOR REPURCHASES OF SHARES

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

The Listing Rules provide that all proposed repurchases of share by a company with a primary listing on the Stock Exchange must be approved by shareholders in advance by an ordinary resolution, either by way of a general mandate or, by a specific approval of a particular transaction and that the shares to be repurchased must be fully paid up.

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

3. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprise 4,079,339,487 Shares.

Subject to the passing of the relevant ordinary resolution to approve the New General Mandates to issue and repurchase Share and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the SGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 407,933,948 Shares.

4. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-laws, the laws of Bermuda and/or any other applicable laws.

The Company is empowered by its Memorandum of Association and the current Bye-laws to repurchase Shares. The laws of Bermuda provide that the amount of capital paid in connection with a share repurchase by a company may only be paid out of either the capital paid up on the relevant shares, or the funds of the company which would otherwise be available for dividend or distribution or the proceeds of a fresh issue of shares made for such purpose. The amount of premium payable on repurchase may only be paid out of funds of the company which would otherwise be available for dividend or distribution or out of the share premium account of the company before the shares are repurchased.

5. IMPACT OF REPURCHASE

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 30 April 2005) in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

6. TAKEOVERS CODE

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all the Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, Invest Gain Limited, the Company's substantial shareholder, was interested in 2,298,986,537 Shares (representing approximately 56.36% of the total issued share capital of the Company). Invest Gain Limited is wholly-owned by Mr. Li Song Xiao (the Chairman of the Board). On the basis that the issued share capital of the Company remains unchanged up to the date of the SGM, in the event that the Directors exercise in full the power to repurchase Shares in accordance with the terms of the relevant ordinary resolution to be proposed at the SGM, the interest of Invest Gain Limited in the issued Shares would be increased to approximately 62.62% of the total issued share capital of the Company. Such an increase of shareholding would not give rise to an obligation for Invest Gain Limited and its concert parties to make a mandatory offer under the Takeovers Code. The Directors do not have any present intention to exercise the Repurchase Mandate to such an extent as would give rise to such an obligation.

Save as aforesaid and as at the Latest Practicable Date, the Directors were not aware of any consequence which the exercise in full of the Repurchase Mandate would have under the Takeovers Code.

7. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors or, to the best of the knowledge and belief of the Directors, having made all reasonable enquiries, any of their respective associates has any present intention to sell any Shares to the Company in the event that the granting of the Repurchase Mandate is approved by the Shareholders.

The Company has not been notified by any Connected Persons of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any of the Shares held by them to the Company in the event that the granting of the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchase of Shares pursuant to the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of Bermuda and in accordance with the Memorandum of Association and Bye-laws of the Company.

8. SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of Shares has been made by the Company in the six months (whether on the Stock Exchange or otherwise) ended on the Latest Practicable Date.

9. MARKET PRICES OF SHARES

The highest and lowest prices per Share at which the Shares have traded on the Stock Exchange during each of the following months were as follows :

	Month	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2005		
March	0.44	0.39
April	0.44	0.37
May	0.435	0.41
June	0.56	0.415
July	0.61	0.54
August	0.61	0.50
September	0.64	0.57
October	0.62	0.57
November	0.62	0.57
December	0.80	0.62
2006		
January	0.86	0.74
February	0.98	0.80
March	1.08	0.85
April (up to the Latest Practicable Date)	1.29	1.02

NOTICE OF SGM



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)

NOTICE IS HEREBY GIVEN that a special general meeting of Neo-China Group (Holdings) Limited will be held at Units 1908-09, 19th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on 9th May 2006 at 10:00 am for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with authorised and unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Right Issue (as defined below);
 - (ii) the exercise of options under a share option scheme of the Company; and

* For identification purpose only

NOTICE OF SGM

- (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company,

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on the date of the passing of this resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting;
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognised regulatory body or any stock exchange).”;

2. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;

NOTICE OF SGM

- (b) the total nominal amount of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and
 - (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of :
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held.”;
3. “**THAT** conditional upon the passing of the resolutions set out in items 1 and 2 of the notice convening this meeting (the “Notice”), the general mandate referred to in the resolution set out in item 1 of the Notice be and is hereby extended by the addition to the aggregate nominal amount of shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of shares purchased by the Company pursuant to the mandate referred to in the resolution set out in item 2 of the Notice, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution.”.

Yours faithfully,
On behalf of the Board
Li Song Xiao
Chairman of the Board

Hong Kong, 24th April 2006

NOTICE OF SGM

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business:

Unit 1908-9, 19th Floor
Office Tower, Convention Plaza
No.1 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Share Registrar of the Company in Hong Kong, Secretaries Ltd., 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of Neo-China from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.
4. All resolutions will be voted on by way of poll.
5. At the date of this notice, the executive directors of Neo-China are Mr. Li Song Xiao, Mr. Liu Yi, Ms. Niu Xiao Rong, Ms. Song Xuan, Mr. Zhang Huai An and Mr. Yuan Kun, and the independent non-executive directors are Ms. Nie Mei Sheng, Mr. Zhen Kuan and Mr. Wang Shiyong.