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

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

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NEO-CHINA GROUP

中新集團

NEO-CHINA GROUP (HOLDINGS) LIMITED

中新集團（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 563)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 30% EQUITY INTEREST IN
CHONGQING CHINA ENTERPRISES PROPERTY
DEVELOPMENT COMPANY LIMITED**

* For identification purpose only

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DEFINITIONS

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

“Acquisition”	An acquisition of 30% equity interest in the Target
“Agreement”	the equity transfer agreement dated 31 March 2006 entered into between the Vendor and the Purchaser for the acquisition of the 30% equity interest in the Target;
“Board”	the board of Directors of the Company;
“Company”	Neo-China Group (Holdings) Limited, a company incorporated in Bermuda and whose securities are listed on the Main Board of the Stock Exchange;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	26 April 2006 being the latest practicable date for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Project”	Development of a piece of land located at Yuanjiagang District, Hi-Tech Zone, Chongqing with a site area of 96,000 square metres into a residential and commercial complex ;
“Purchaser”	Neo-China Property (Beijing) Enterprises Management Company Limited (中置(北京)企業管理有限公司), a wholly-owned subsidiary of the Company;

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	the ordinary shares of the Company;
“Shareholders”	the holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target”	Chongqing China Enterprises Property Development Company Limited (重慶中華企業房地產發展有限公司), a company incorporated in the PRC;
“Vendor”	Shanghai Haotai Property Investment Management Company Limited (上海昊泰房地產投資管理有限公司), the vendor under the Agreement;
“%”	per cent.

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

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 Shi Yong

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

28 April, 2006

To the shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF 30% EQUITY INTEREST IN CHONGQING CHINA ENTERPRISES PROPERTY DEVELOPMENT COMPANY LIMITED

INTRODUCTION

In an announcement dated 6 April 2006, the Directors announced that the Group entered into the Agreement with the Vendor on 31 March 2006 for the acquisition of 30% equity interest in the Target.

* *For identification purpose only*

LETTER FROM THE BOARD

The entering into of the Agreement constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing rules. The purpose of this circular is to give you, among other things, details of the Agreement.

A SUMMARY OF THE AGREEMENT

Date of Agreement: 31 March 2006

Parties: (1) the Vendor, as the vendor of a 30% equity interest in the Target
(2) the Purchaser, as the purchaser of a 30% equity interest in the Target

The Vendor is principally engaged in property development and investment businesses in the PRC.

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

Subject Matter of the Acquisition: 30% equity interest in the Target which was incorporated on 28 May 2003 solely for the purpose of acquisition and development of the Project. The Project involves the development of a piece of land located in Chongqing, the PRC, into a commercial/ residential complex.

The piece of land is divided into four different sites for development purpose, construction works for two of these sites have been started and it is anticipated the whole Project will be completed by the end of 2007.

Based on the unaudited financial statements of the Target for the twelve months ended 31 December 2004 and that for the twelve months ended 31 December 2005, the net loss after taxation and extraordinary item of the Target for the years ended 31 December 2004 and 31 December 2005 were RMB5,618,542 (approximately HK\$5,402,444) and RMB10,071,165 (approximately HK\$9,683,812.5) respectively. The Target did not have any turnover for the years ended 31 December 2004 and 31 December 2005. The unaudited net asset value of the Target as at 31 December 2005 was RMB534,004,475 (approximately HK\$513,465,841).

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Consideration: RMB181,000,000 in cash (approximately HK\$173,038,462) payable by the Purchaser to the Vendor.

The consideration has been arrived at after arm's length negotiation based on actual amount of debt and capital contributions by the Vendors to the Target and the corresponding shareholder interests in respect of the 30% equity interest in the Target up to 31 December 2005.

The consideration will be funded by internal resources of the Company derived from the proceeds of the subscription of shares as announced by the Company on 13 February 2006.

Payment of Consideration: The consideration will be paid by the Purchaser to the Vendor in three installments:–

- (1) The Purchaser shall pay RMB37,500,000 (approximately HK\$36,057,692) to the Vendor within 3 business days after execution of the Agreement.
- (2) The Purchaser shall pay the Vendor RMB71,100,000 (approximately HK\$68,365,385) within 90 days after execution of the Agreement and at the time of execution of the relevant documents for the registration of the change in a 20% equity interest in the Target for submission to the relevant government authorities,
- (3) The Purchaser shall pay RMB72,400,000 (approximately HK\$69,326,923) to the Vendor within 120 days after execution of the above registration documents or when the Purchaser is entitled to process with the transfer of equity interests of the two other shareholders of the Target (which ever is the earlier). The parties will execute the relevant documents for the registration of the changes in a 10% equity interest in the Target after payment of the third installment.

Reasons of the Acquisition

The Group is principally engaged in property investment and development in the PRC. As part of its strategy and as announced previously, the Group has been appraising actively investment opportunities in high-potential investments and attractive businesses in the major cities in the PRC.

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The vendor is principally engaged in property investment and development in the PRC. The Project is still in its very early stage of development and is still making a loss mainly due to the acquisition cost of the land. The anticipated development cost of Project is RMB660 million and the source of such funding will be come from internal resources and the presale of the Project units. However, as the Project is located at a premier location in Chongqing which is a popular residential and commercial area with stable residential and commercial market conditions, the Directors are confident about the future development of the Project and consider it desirable to proceed with the prompt development of the Project and acquire the majority equity interest in the Target.

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

The acquisition will be funded by internal resources of the Company, it is not expected that there would be material liability assumed by the Company in connection with the acquisition of the 30% equity interest. After the acquisition, the Target will be treated as an “associate” of the Company, the assets of the Company will be increased while cash of the Company will be decreased for the amount of consideration paid. As the Project is still in its very early stage of development, it is not expected to have material effect on the earnings of the Company in the near future.

The Group also proposes to make further acquisitions of interests in the Target. As announced by the Company on 8 February 2006, the Company has signed a memorandum of understanding with the two other shareholders of the Target, namely Shanghai Gubei (Group) Company Limited and Zhong Hwa Enterprises Holdings Company Limited for the possible acquisition of the remaining 70% equity interest in the Target.

On 15 September 2005, a wholly-owned subsidiary of the Company, and Mr. Li (the controlling shareholder of the Company) had entered into the American Rock Agreement and the Youngman Point Agreement to acquire further 40% interest in the American Rock JV (upon completion of the acquisition, the American Rock JV would become a 85% interest subsidiary of the Company) and 70% interest in the Youngman Point JV respectively. The acquisitions were completed in February 2006 and March 2005 respectively.

On 11 April 2006, the Company announced that it had entered into a cooperation framework agreement with the Pi Xian People’s Government for land development, relocation, and construction of city infrastructure in Pi Xian Xi Pu Zhen in Chengdu City. The Company expects the project to involve an investment cost of around RMB1.2 billion, which will be contributed by the Company in stages according to the progress of the project.

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Apart from being business partners of each other for the development of the Project, there is no other relationship between the Vendor and the two other shareholders of the Target. The Company is now in its advance stage for completion of the due diligence on the Target, however, the parties are still in negotiation of the terms and conditions for the formal sale and purchase agreement in relation to such acquisition. The acquisition of the 70% equity interest in the Target may or may not proceed, the Company will make further announcements in relation to such further acquisition as and when it is required by the Listing Rules.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:–

(1) Issued Share of the Company

Name of Director	Long/short position	Capacity	No. of Shares	Percentage of issued share capital
Li Song Xiao	long	Interest in corporation	2,298,986,537	56.36%

Note: Mr Li Song Xiao was deemed to be interested in 2,298,986,537 Shares in the Company by virtue of his 100% interest in Invest Gain Limited, which held such Shares.

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name of substantial shareholder	Long/short position	Capacity	No. of Shares	Percentage of issued share capital
Invest Gain Limited	Long	Beneficial owner	2,298,986,537	56.36
Mr Li Song Xiao	Long	Interest in corporation (<i>note a</i>)	2,298,986,537	56.36
Mr Wang Yan	Long	Beneficial owner (<i>note c</i>)	400,000,000	9.81
Penta Investment Advisers Ltd.	Long	Investment Manager	225,380,000	5.52
Mr John Zwaanstra Ltd	Long	Interest in corporation (<i>note d</i>)	225,380,000	5.52
Mr Michael Moore	Long	Interest in corporation (<i>note d</i>)	225,380,000	5.52

Notes:

- (a) These shares are held by Invest Gain Limited, which is beneficially wholly owned by Mr Li Song Xiao.
- (b) Ms Liu Hui is deemed to be interested in 2,298,986,537 ordinary Shares of the Company, being the interests held by her spouse, Mr Li Song Xiao.
- (c) Mr Wang Yan, is a holder of convertible note of the Company, is deemed to be a shareholder of the Company and has the rights to convert the note into 400,000,000 ordinary shares of the Company within the specified period.
- (d) These shares are held by Penta Investment Advisers Ltd which is beneficially wholly owned by Mr John Zwaanstra Ltd (50%) and Mr Michael Moore (50%).

Save as disclosed, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

4. SERVICE CONTRACTS

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

5. COMPETING INTERESTS

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

6. LITIGATION

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

7. GENERAL

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