

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ACQUISITION OF 25% EQUITY INTEREST IN BEIJING NEW SHINE LAND INVESTMENT CONSULTANCY LIMITED

On 22 May 2006, the Purchaser, a wholly-owned subsidiary of the Company entered into the Agreement with the Vendor for the acquisition of 25% equity interest in the Target.

The entering into of the Agreement constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules. A circular containing, among other things, details of the Agreement will be despatched to the Shareholders as soon as practicable.

A summary of the Agreement:–

Date of Agreement: 22 May 2006

Parties: (1) the Vendor, as the vendor of a 25% equity interest in the Target
(2) the Purchaser, as the purchaser of a 25% equity interest in the Target

The Vendor is principally engaged in property investment.

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

Subject Matter of Acquisition: 25% equity interest in the Target. The Target is a property investment and management company incorporated in the PRC on 22 May 2003 and is the developer of the Project. As at the date of this Announcement, the Vendor holds 75% equity interest in the Target and the Purchaser holds the remaining 25% equity interest. On 8 August 2003, the Target acquired 50% equity interest in the SPV and then a further 30% on 27 July 2004, a company incorporated solely for the purpose of holding the piece of land for the Project.

The Project involves the development of a piece of land located in Beijing, the PRC, into a commercial/residential complex.

The piece of land is divided into three different sites for development purpose. Pre-sale has commenced for the buildings located in site 1 in 2005 and it is anticipated that construction works for the site 1 will be completed by the end of August 2006 and that for site 2 will commence by the end of this year and construction work for site 3 is yet to commence.

Based on the unaudited financial statements of the Target from 1 May 2005 to 31 March 2006 (the latest financial statements of the Target is only up to 31 March 2006 as the financial statements for the month of April 2006 is not yet available) and from 1 May 2004 to 30 April 2005, the net loss after minority interest for the period/year were approximately RMB22.8 million (approximately HK\$21.9 million) and approximately RMB0.2 million (approximately HK\$0.2 million) respectively. The losses for both periods were mainly due to the selling expenses of approximately RMB21 million (approximately HK\$20 million) and administrative expenses of approximately RMB5 million (approximately HK\$4.8 million) incurred for the period from 1 May 2005 to 31 March 2006 and selling expenses of approximately RMB0.1 million (approximately HK\$0.1 million) and administrative expenses of RMB0.1 million (approximately HK\$0.1 million) for the period from 1 May 2004 to 30 April 2005 and there were no turnover recorded for the both periods as the Project is still in its very early stage of development. There was no taxation for both periods. The unaudited net asset value of the Target as at 31 March 2006 was approximately RMB7.1 million (approximately HK\$6.8 million) (30 April 2005: approximately RMB29.9 million, equivalent to HK\$28.7 million). The difference between such net asset value and the capital contributed by Vendor of RMB22.5 million (approximately HK\$21.6 million) is mainly due to the losses resulted from the current and previous periods mentioned above.

Consideration: RMB130,000,000 in cash (approximately HK\$125,000,000) payable by the Purchaser to the Vendor subject to satisfactory completion of the financial and legal due diligence on the Target.

The consideration has been arrived at after arm's length negotiation mainly based on the valuation report prepared by Savills Valuation and Professional Services Limited, an independent valuer valuing the land at RMB1,538,790,000 (approximately HK\$1,479,605,769) as at 31 March 2006.

Payment of Consideration:

- (1) The Purchaser shall pay RMB20,000,000 (approximately HK\$19,230,770) to the Vendor upon the execution of the Agreement as deposit which will become part of the payment of the consideration.
- (2) The Purchaser shall pay the Vendor RMB110,000,000 (approximately HK\$105,769,230) within 3 business days after satisfactory completion of the financial and legal due diligence conducted by the Purchaser on the Target. The parties will execute the relevant documents and proceed with the registration of the changes in the 25% equity interest in the Target within 5 business days after payment of such RMB110,000,000.

Board Structure There will be no change in the board structure of the Target pursuant to the Agreement after the acquisition of the 25% equity interest in the Target.

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. The Target is currently an associate of the Group with the Group holding directly 25% of its equity interest which was acquired in November 2003, such transaction was not a notifiable transaction of the Company under the Listing Rules. After the acquisition of a further 25% equity interest in the Target, the Group will be holding directly 50% interest in the Target and indirectly 50% interest in the SPV.

The Project is still in its very early stage of development and is still making a loss mainly due to the selling and administration expenses during the past two financial periods for the development of the Project. However, as the Project is located at a premier location in Beijing with stable residential and commercial market conditions, the Directors are confident about the future development of the Project and consider it desirable to invest further in the Target.

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

GENERAL

The entering into of the Agreement constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules. A circular containing, amongst other things, further details of the Agreement will be despatched to Shareholders as soon as practicable.

The Target will be equity accounted for by the Group upon completion of the acquisition.

As at the date of this announcement, the Board comprises Mr Li Song Xiao as chairman; Mr Liu Yi, Ms Song Xuan, Ms Niu Xiao Rong, Mr Zhang Huai An and Mr Yuan Kun as executive Directors; Ms Nie Mei Sheng, Mr Zhen Kuan and Mr Wang Shiyong as independent non-executive Directors.

DEFINITIONS:

In this announcement, the following terms have the following meanings:–

“Agreement”	the equity transfer agreement dated 22 May 2006 entered into between the Vendor and the Purchaser for the acquisition of the 25% 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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“PRC”	the People’s Republic of China;
“Project”	Development of a piece of land located at 北京市海澱區西釣魚台村, with a site areas of 42,541 square metres into a residential/commercial complex;
“Purchaser”	中置(北京)企業管理有限公司, a wholly-owned subsidiary of the Company, the purchaser under the Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	the ordinary shares of the Company;
“Shareholders”	the holders of the Shares;
“SPV”	北京市御水苑房地產開發有限責任公司, a special purpose vehicle incorporated in the PRC for the purpose of the holding land of the Project;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target”	Beijing New Shine Land Investment Consultancy Limited (北京新松置地投資顧問有限公司);
“Vendor”	Beijing Xi Hua Wei Ye Construction Trading Company Limited (北京西華偉業建材經貿有限公司), a company incorporated in the PRC, the vendor under the Agreement;
“%”	per cent.

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

Hong Kong, 24 May 2006

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

* *For identification purpose only*

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