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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)

ACQUISITION OF 70% EQUITY INTEREST IN CHONGQING CHINA ENTERPRISES PROPERTY DEVELOPMENT COMPANY LIMITED

Further to the announcement of the Company dated 8 February 2006 in relation to the MOU and that dated 6 April 2006 in relation to the acquisition of 30% equity interest in the Target, the Company has successfully secured through a tender the right to acquire a further 70% equity interests in the Target and has received the Confirmation from the Authority on 26 May 2006 in relation to such acquisition.

The Acquisition when aggregated with the acquisition of 30% equity interest in the Target as disclosed by the Company on 6 April 2006 constitutes a discloseable transaction of the Company. A circular containing among other things, such details of acquisition will be despatched to the shareholders in due course.

The Company announced the execution of the MOU with the Vendors on 8 February 2006. After the execution of the MOU, the Vendors went through a tender process to find the best price for the Acquisition. The tender was governed by the Authority, a PRC local government authority in charge of transfer of assets in that particular area where the Project is located. The Company participated in the tender based on the terms of the MOU and the Directors are pleased to announce that the Company has successfully secured through the tender the right to acquire a further 70% equity interest in the Target and has received the Confirmation from the Authority on 26 May 2006 in relation to such rights.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Authority 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.

DETAILS OF THE ACQUISITION

The Company has agreed to purchase and the Authority has approved the sale of 70% equity interest in the Target to the Company based on the MOU entered into by the Company and the Vendors on 8 February 2006.

A SUMMARY OF THE MOU

- Parties:
- (1) Zhonghwa, as one of the vendors for the sale of 60% equity interests in the Target
 - (2) Gubei, as the other vendors for the sale of 10% equity interests in the Target
 - (3) the Company, as the purchaser for the 70% equity interest in the Target

Gubei is a wholly owned subsidiary of Zhonghwa and the group 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 enquiry, each of the Vendors 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.

The Acquisition 70% equity interest in the Target which was incorporated on 28 May 2003 in the PRC 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. After the Acquisition, the Target will become a wholly-owned subsidiary of the Company and the board of directors of the Target will be nominated by the Company.

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. The expected costs for the development of the Project is RMB2,000,000,000 (approximately HK\$1,923,076,923) which will be funded by internal resources of the Company.

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 year 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 unaudited net asset value of the Target as at 31 December 2005 was HK\$534,004,475 (approximately RMB513,465,841).

Consideration: RMB422,100,000 in cash (approximately HK\$405,865,385) payable by the Company to the Vendors.

The consideration has been arrived at after arm's length negotiation based on actual capital contribution by the Vendors to the Target up to 15 January 2006, in the amount of RMB50,000,000 (approximately HK\$48,076,923) subject to adjustment of any further capital contribution by the Vendors after 15 January 2006 and prior to completion of the Acquisition and the valuation report prepared by Savills Valuation and Professional Services Limited, an independent valuer valuing the land at RMB616,900,000 (approximately HK\$593,173,077) as at 31 March 2006.

- Payment of Consideration: The consideration will be funded by internal resources of the Group.
- The Company has paid RMB253,260,000 in cash (approximately HK\$243,519,231) to the Vendors after receipt of the Confirmation and the parties to the MOU are now processing with the registration of the changes in equity interest in the Target.
- The Purchaser shall pay the remaining amount of consideration of RMB168,840,000 (approximately HK\$162,346,154) to the Vendors within 120 days from the finalisation of the registration for the changes in equity interest in the Target.
- Conditions: The Acquisition is subject to the relevant consents and approvals (including board and shareholders' approval of the relevant parties) having been obtained and satisfactory completion of the due diligence to be conducted by the Company.

REASONS FOR 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 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. 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 to acquire the 100% 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.

General

The Acquisition when aggregated with the acquisition of the 30% equity interest in the Target as disclosed by the Company on 6 April 2006 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 in due course.

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:–

- “Acquisition” the acquisition of the 70% equity interest in the Target;
- “Authority” Shanghai United Assets and Equity Exchange (上海聯合產權交易所);
- “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;
“Confirmation”	the上市掛牌項目信息反饋函 dated 26 May 2006 from the Authority to the Company upon completion of the tender process of the Acquisition which confirms the Company’s entitlement to acquire the 70% equity interest in the Target;
“Directors”	the directors of the Company;
“Gubei”	Shanghai Gubei (Group) Company Limited上海古北(集團)有限公司, a company incorporated in the PRC and a wholly-owned subsidiary of Zhong Hwa;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“MOU”	the memorandum of understanding dated 8 February 2006 entered into between the Vendors and the Company to record their intention for the sale and purchase of the 70% equity interests in the Target;
“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/commercial complex.
“RMB”	Reminbi, the lawful currency of the PRC;
“Shares”	the ordinary shares of the Company;
“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;
“Vendors”	Gubei and Zhonghwa, the vendors under the MOU;
“Zhong Hwa”	Zhong Hwa Holdings Company Limited (中華企業股份有限公司), a company incorporated in the PRC whose shares are listed on the Stock Exchange of Shanghai, the PRC;

“%”

per cent.

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

Hong Kong, 5 June 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.