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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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15 June 2006

\* For identification purpose only

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## DEFINITIONS

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

“Acquisition”	an acquisition of 25% equity interest in the Target
“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;
“Latest Practicable Date”	12 June 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 北京市海澱區西釣魚台村東2條15號, Beijing 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;

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## DEFINITIONS

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“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 the 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.

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

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## LETTER FROM THE BOARD

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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)**

*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

15 June, 2006

To the shareholders of the Company

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION ACQUISITION OF 25% EQUITY INTEREST IN BEIJING NEW SHINE LAND INVESTMENT CONSULTANCY LIMITED**

#### **INTRODUCTION**

In an announcement dated 24 May 2006, the Directors announced that the Purchaser, a wholly-owned subsidiary of the Company entered into the Agreement with the Vendor on 22 May 2006 for the acquisition of 25% equity interest in the Target.

\* For identification purpose only

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## LETTER FROM THE BOARD

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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: 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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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- (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. The board of the Target currently has three members, one of them is nominated by the Group.

### **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 Board is also confident about the demand in the PRC's property market and as the Project is located at a premier location and with the strong demand in the PRC's property market, the Board is of the view that the recent tightening control by the PRC Government on the property market will not have any adverse effect on the Group as a result of the Acquisition in view of such recent tightening control.

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.

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## LETTER FROM THE BOARD

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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 25% 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.

### 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

<b>Name of Director</b>	<b>Long/short position</b>	<b>Capacity</b>	<b>No. of Shares</b>	<b>Percentage of issued share capital</b>
Li Song Xiao	long	Interest in corporation	2,301,986,537	51.39%

*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 and 3,000,000 Shares in the Company pursuant to the options outstanding under the share option scheme of the Company as stated below.

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

<b>Name of Director</b>	<b>Date of grant</b>	<b>Date of expiry</b>	<b>Exercise price (HK\$)</b>	<b>Number of Share options outstanding</b>
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	51.32%
Mr Li Song Xiao	Long	Interest in corporation ( <i>note a</i> )	2,301,986,537	51.39%
Ms Liu Hui	Long	Sponse ( <i>note b</i> )	2,301,986,537	51.39%
Penta Investment Advisers Ltd.	Long	Investment Manager	267,200,000	5.96%
Mr John Zwaanstra	Long	Interest in corporation ( <i>note c</i> )	267,200,000	5.96%
BOCI Financial Products Limited	Long	Beneficial owner	215,975,532	5.29%
BOC International Holdings Limited	Long	Interest in corporate ( <i>note d</i> )	215,975,532	5.29%
Bank of China Limited	Long	Interest in corporate ( <i>note d</i> )	215,975,532	5.29%
Central Safe Investments Limited	Long	Interest in corporate ( <i>note d</i> )	215,975,532	5.29%

*Notes:*

- (a) 2,298,986,537 of these Shares are held by Invest Gain Limited, which is beneficially wholly owned by Mr Li Song Xiao and the remaining 3,000,000 Shares in the Company pursuant to the options outstanding under the share option scheme of the Company.
- (b) Ms Liu Hui is deemed to be interested in 2,301,986,537 ordinary Shares of the Company, being the interests held by her spouse, Mr Li Song Xiao.
- (c) These Shares are held by Penta Investment Advisers Ltd which is beneficially owned by Mr John Zwaanstra.
- (d) These Shares are held by BOCI Financial Products Limited which is wholly-owned by BOC International Holdings Limited which is in turn wholly-owned by Bank of China Limited which is in turn wholly-owned by Central Safe Investments Limited.

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.