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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 transferee 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 70% EQUITY INTEREST IN
CHONGQING CHINA ENTERPRISES PROPERTY
DEVELOPMENT COMPANY LIMITED**

26 June 2006

* For identification only

CONTENTS

Definitions	1
Letter from the Board	3
Appendix – General Information	8

DEFINITIONS

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

“Acquisition”	the acquisition of a 70% equity interest in the Target by way of tender described herein;
“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 a 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;
“Latest Practicable Date”	22 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;
“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;

DEFINITIONS

“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.

In this Circular sums translated from RMB into HK\$ have been translated at the 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

Mr YUAN Kun

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Ms Nie Mei Sheng

Mr Zhen Kuan

Mr Wang Shi Yong

Principal Place of Business:

Unit 1908-9, 19th Floor

Office Tower, Convention Plaza

No. 1 Harbour Road

Wanchai

Hong Kong

26 June, 2006

To the shareholders of the Company

Dear Sir or Madam,

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

INTRODUCTION

In an announcement dated 5 June 2006, the Company announced the execution of the MOU with the Vendors on 8 February 2006, the Company has successfully secured through a 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 Acquisition.

* *For identification only*

LETTER FROM THE BOARD

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 under Rule 14.06(2) of the Listing Rules. The purpose of this circular is to give you, among other things, further details of the Agreement.

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 right.

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

A SUMMARY OF THE AGREEMENT

- 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 their ultimate beneficial owners are third parties independent of the Company and of the connected persons (as defined in the Listing Rules) of the Company.

LETTER FROM THE BOARD

Subject matter of 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.

LETTER FROM THE BOARD

Payment of Consideration:

The consideration will be funded for 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.

Board Structure:

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 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 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 Board is also confident about the demand in the PRC's property market and as the Project is located at a premier location together 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.

LETTER FROM THE BOARD

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. After the Acquisition, the Target will become a subsidiary 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

Name of Director	Long/short position	No. of Shares	Percentage of issued share capital
Li Song Xiao	long	2,311,616,537	51.60%
		(Note)	

Note: 2,298,986,537 of these Shares are held by Invest Gain Limited which is beneficially wholly owned by Mr Li Song Xiao, 9,630,000 Shares in the Company held by Mr Li Song Xiao personally and the remaining 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

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
Niu Xiao Rong	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 (note a)	2,311,616,537	51.60%
Ms Liu Hui	Long	Spouse (note b)	2,311,616,537	51.60%
Penta Investment Advisers Ltd.	Long	Investment Manager	267,200,000	5.96%
Mr John Zwaanstra	Long	Interest in corporation (note c)	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 (note d)	215,975,532	5.29%
Bank of China Limited	Long	Interest in corporate (note d)	215,975,532	5.29%
Central Safe Investments Limited	Long	Interest in corporate (note d)	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, 9,630,000 Shares in the Company held by Mr Li Song Xiao personally 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 2,311,616,537 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.