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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)

PROPOSED MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION OF THE TIANJIN PROJECT WITH GROSS FLOOR AREA OF 1.087 MILLION SQUARE METRES

Financial Adviser to Neo-China Group (Holdings) Limited

JPMorgan 

Proposed Acquisitions

On 26 June 2006, Mr. Li Song Xiao (as vendor), Neo-China Property Limited, a wholly-owned subsidiary of the Company (as purchaser) and the Company entered into the Agreement pursuant to which inter alia the Purchaser conditionally agreed to acquire, and the Vendor agreed to sell, the entire issued share capital of the Holding Companies for an aggregate consideration of HK\$845,263,700.

The Consideration is to be satisfied in full by the allotment and issue of 1,243,034,853 Consideration Shares to the Vendor at the issue price of HK\$0.68 each. The Consideration Shares represent approximately 27.75% of the current share capital of the Company in issue and 21.72% of the share capital as increased by the Consideration Shares.

The Holding Companies will by Completion together directly hold 100% of equity interest in the Property Owners, which are the developers of the Tianjin Project. The Tianjin Project is a residential and commercial property development project located at Old Urban Area, Tianjin City, Nankai District, Tianjin, the PRC.

As of the date of this announcement, the Holding Companies do not hold 100% of the Property Owners, which together own seven parcels of land and properties of the Tianjin Project. The Vendor will procure that they do so as a condition precedent to Completion.

* For identification purposes only

Implications of the Proposed Acquisitions under Listing Rules and Takeovers Code

At the date of this announcement, the Vendor is the chairman of the Board and, through Invest Gain Limited, a company wholly-owned by him, and Mr. Li Song Xiao himself is beneficially interested in 2,311,616,537 Shares, representing approximately 51.60% of the existing issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company under the Listing Rules. The entering into the Agreement thus constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM. The Agreement also constitutes a major transaction for the Company.

Upon completion of the Agreement (assuming that no further Shares are issued by the Company between the date of this announcement and Completion), the ultimate beneficial shareholding interest of the Vendor in the Company will increase from approximately 51.60% to approximately 62.12%. As he already controls over 50% of the issued Shares, the Vendor will not as a result be obliged to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with him under Rule 26.1 of the Takeovers Code.

Completion of the Agreement is subject to the satisfaction of a number of conditions precedent as detailed below and may or may not be completed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

General

An independent board committee of the Company will be formed to advise the Independent Shareholders on the terms of the Agreement. First Shanghai Capital Limited has been appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Proposed Acquisition, the recommendation of the independent board committee of the Company and the letter of advice from First Shanghai Capital Limited in respect thereof, and a notice convening the SGM, will be sent to the Shareholders as soon as practicable.

Suspension and resumption of trading

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 26 June 2006 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 June 2006.

THE PROPOSED ACQUISITIONS

On 26 June 2006, the Purchaser (a wholly-owned subsidiary of the Company), the Company and the Vendor entered into the Agreement.

The Agreement

Date:	26 June 2006
Parties:	
<i>Vendor:</i>	Mr. Li Song Xiao, the ultimate controlling Shareholder
<i>Purchaser:</i>	Neo-China Property Limited, a wholly-owned subsidiary of the Company
Issuer:	the Company as issuer of the Consideration Shares
Asset to be acquired:	the entire issued share capitals of each of the Holding Companies
Consideration:	HK\$845,263,700, which will be satisfied at the Completion by the allotment and issue by the Company to the Vendor (or his nominee) of 1,243,034,853 Consideration Shares at the Issue Price determined after arm's length negotiations between the parties with reference to recent traded price of the Shares and future prospects of the Company.

The value of the Consideration Shares based on the closing price of the Shares on 23 June 2006, the closing price immediately prior to the suspension of the trading in the Shares pending the release of this announcement is HK\$663,947,775.

The Consideration Shares represent (i) approximately 27.75% of the issued share capital of the Company at the date of this announcement and (ii) approximately 21.72% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares will be issued as fully paid and will rank pari passu in all respects with the ordinary Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price represents:

- (a) a premium of approximately 33.33% to the closing price per Share of HK\$0.51 as quoted on the Stock Exchange on 23 June 2006, being the Last Trading Day;
- (b) a premium of approximately 9.50% to the average closing price per Share of HK\$0.62 as quoted on the Stock Exchange for the last 10 trading days to and including the Last Trading Day;
- (c) a discount of approximately 14.68% to the average closing price per Share of HK\$0.80 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and

- (d) a premium of approximately 187.65% over the latest audited consolidated net tangible assets per Share of approximately HK\$0.24 at 30 April 2005.

Conditions precedent: Completion is subject to the satisfaction of the following conditions:

- I. the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares;
- II. the Purchaser being satisfied that the Restructuring has been completed;
- III. approval by way of poll of the Agreement (including the allotment and issue of the Consideration Shares);
- IV. the issue of legal opinions by the PRC legal adviser to the Purchaser, in form and substance satisfactory to the Purchaser, to the effect that, among other things:
 - a. the Holding Companies together are the lawful owners of in aggregate 100% of the registered capital of the Property Owners free and clear of Encumbrances and that the relevant acquisitions by the Holding Companies of their interests in the Property Owners have been approved by the relevant regulatory authorities in the PRC; and
 - b. the owners of the Property Owners have contributed their respective shares of the Property Owners' registered capital in accordance with the relevant governmental approval, and the Property Owners are respectively the lawful owner, user, occupier and developer of the Property Interests free of all Encumbrances other than disclosed mortgages.
- V. the consent of the Joint Lead Managers of the zero coupon convertible bonds due 2011 of the Issuer to the issue of the Consideration Shares; and
- VI. the issue to the Purchaser by the Valuer chosen by it of a valuation report in form and substance satisfactory to the Purchaser, valuing the Property Interests at RMB1,750,350,000 (or approximately HK\$1,683,028,846) in aggregate. (The Valuer is an Independent Third Party, but its report has not yet been issued and this condition remains to be satisfied).

If the above conditions are not fulfilled or waived by the Purchaser on or before 5:00 p.m. on the Long Stop Date (or such later date as the parties may agree), then all rights and obligations of the parties to the Agreement shall cease and determine and no party thereto shall have any claim against any other, save for claims (if any) in respect of any antecedent breach of the Agreement. Conditions (I) and (III) cannot be waived by the Vendor or the Purchaser.

Completion: Completion shall take place on the third business day (excluding a Saturday) after satisfaction of all the above conditions of the Agreement or such other date as the parties may agree.

Basis for determining the Consideration

As at 30 April 2006, the market value of the Property Interests is appraised at RMB1,750,350,000 (or approximately HK\$1,683,028,846) by the Valuer. After adjusting for the net debt of the Property Owners, the net market value of the Property Interests is valued at HK\$1,309,251,846.

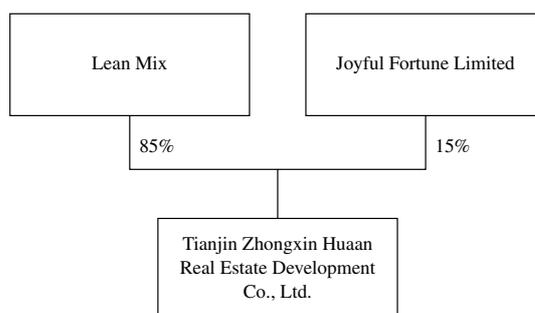
The Consideration amount of HK\$845,263,700 represents an acquisition discount of 35.44% to the net market value of the Property Interests. Such discount has been determined after arm's length negotiation between the Company and the Vendor as well as by reference to the discount level of comparable PRC property companies listed in Hong Kong at the time of negotiation and the current market position. For the five trading days before the signing of the Agreement, the average discount to the estimated NAV of comparable PRC property companies listed in Hong Kong was 34.72%.

Full details of the accountants' reports and of the valuation report by the Valuer will be included in the Company's circular to its Shareholders.

Information on the Holding Companies, the Property Owners and the Tianjin Project

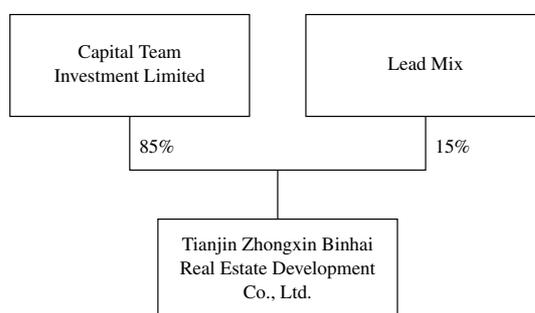
The charts below set out the ownership structure of each of the Property Owners as at the date of this Announcement:

(a) **Tianjin Zhongxin Huaan Real Estate Development Co., Ltd.**
(天津中新華安房地產開發有限公司)



Note: Joyful Fortune Limited is an investment holding company incorporated in the British Virgin Islands on 29 March 2005. The ultimate beneficial owner of Joyful Fortune Limited is the Vendor.

(b) **Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.**
(天津中新濱海房地產開發有限公司)



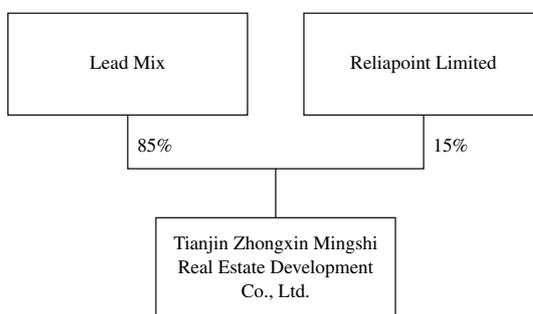
Note: Capital Team Investments Limited an investment holding company incorporated in the British Virgin Islands on 13 November 2003. The ultimate beneficial owner of Capital Team Investments Limited is the Vendor.

(c) **Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd.**
(天津中新信捷房地產開發有限公司)



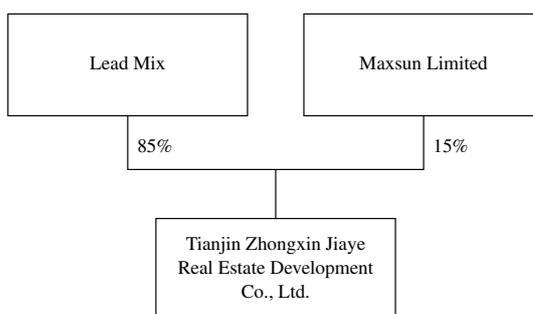
Note: Eastern Winway Limited is an investment holding company incorporated in the British Virgin Islands on 18 January 2005. The ultimate beneficial owner of Eastern Winway Limited is the Vendor.

(d) **Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd.**
(天津中新名仕房地產開發有限公司)



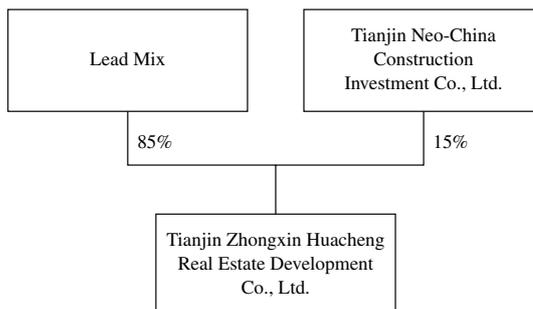
Note: Reliapoint Limited is an investment holding company incorporated in the British Virgin Islands on 1 February 2005. The ultimate beneficial owner of Reliapoint Limited is the Vendor.

(e) **Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd.**
(天津中新嘉業房地產開發有限公司)



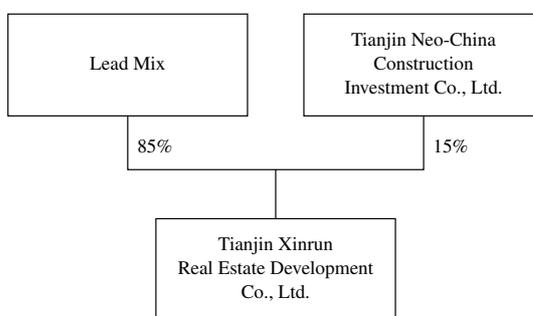
Note: Maxsun Limited is an investment holding company incorporated in the British Virgin Islands on 13 January 2005. The ultimate beneficial owner of Maxsun Limited is the Vendor.

(f) Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd.
 (天津中新華城房地產開發有限公司)



Note: Tianjin Neo-China Construction Investment Co., Ltd. (天津中新建業投資有限公司) is an investment holding company incorporated in the PRC on 13 August 2004. The ultimate beneficial owners of Tianjin Neo-China Construction Investment Co., Ltd are the Vendor, Ms. Liu Hui (the spouse of the Vendor) and Ms. Song Xuan (and ex-director and currently a chief executive officer of the Group).

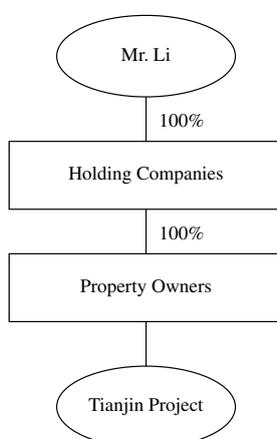
(g) Tianjin Xinrun Real Estate Development Co., Ltd.
 (天津新潤房地產開發有限公司)



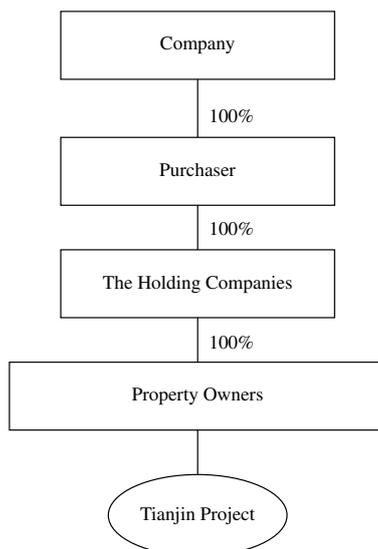
Note: Tianjin Neo-China Construction Investment Co., Ltd. (天津中新建業投資有限公司) is an investment holding company incorporated in the PRC on 13 August 2004. The ultimate beneficial owners of Tianjin Neo-China Construction Investment Co., Ltd are the Vendor, Ms Liu Hui (the spouse of the Vendor) and Ms. Song Xuan (an ex-director and currently a chief executive officer of the Group).

The charts below set out the ownership structure of the Tianjin Project after the Restructuring and upon the Completion:–

After Restructuring and immediately before the Completion



Upon the Completion



The Property Owners have good title to the Property Interests (so far as the Company is aware) and together own the Property Interests constituting the Tianjin Project.

The Tianjin Project is a residential and commercial property project located at Old Urban Area, Tianjin City, Nankai District, Tianjin, the PRC which consists of the seven pieces of land adjacent to each other and owned by the Property Owners details of which are disclosed below under the heading “Details of Property Owners”. While the Tianjin Project is collectively defined as a residential and commercial development, due to the large scale of the project, it is divided into different phases with their own development timing and use. The intended development plan for the various pieces of land includes office, high-rise residential, villa, serviced apartment, commercial and other public facilities such as school.

The aggregate registered capital of the Properties Owners is RMB150,620,000 (approximately HK\$144,740,000) and the capital amount for the development of the Tianjin Project, excluding land costs, is expected to be RMB3,261,000,000 (approximately HK\$3,135,576,923) which will be funded by bank loans and internal resources of the Company including the proceeds from the pre-sale of the buildings located therein.

The Holding Companies are both limited liability companies incorporated in the British Virgin Islands on 6 April 2006 and each is an investment holding company which holds the interest in the Property Owners at Completion. The sole ultimate beneficial shareholder and director of the Holding Companies is the Vendor. The Holding Companies are both investment holding companies and will have no business operation and assets upon Completion apart from holding the Property Owners. Upon Completion, each of the Holding Companies and the Property Owners will become an indirect wholly-owned subsidiary of the Company, and the effective equity interest of the Company in the Tianjin Project will be 100%.

Details of the Property Owners

Set out below are the details of each of the Property Owners:

(a) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd.
(天津中新華安房地產開發有限公司)

Address	天津市南開區二馬路龍鳳市場內17-3號, Tianjin, the PRC
Registered and paid up capital	RMB20.00 million (approximately HK\$19.23 million)
Term	20 years from the date of issue of its business licence on 3 June 2005
Value and net profits	For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) amounted to approximately RMB0.00 million (approximately HK\$0.00 million) and approximately RMB0.09 million (approximately HK\$0.09 million) respectively. For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of the Holding Companies amounted to approximately RMB0.00 million (approximately HK\$0.00 million) and approximately RMB0.09 million (approximately HK\$0.09 million) respectively (no taxation expenses were incurred during the financial periods). The audited net asset value of Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) as at 30 April 2006 and 31 December 2005 were RMB\$19.93 million (approximately HK\$19.16 million) and RMB19.93 million (approximately HK\$19.16 million) respectively.
Business activities and major assets held	Developer of the piece of land located at Land Lot No. 1 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it. The piece of land is one of the parcels of land of the Property Interests, site area of which is 55,423 square meters and with gross floor area of 237,700 square meters. Construction work for this piece of land is expected to commence by the end of 2007. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(b) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd.
(天津中新濱海房地產開發有限公司)

Address	天津市南開區二馬路龍鳳市場內9號, Tianjin, the PRC
Registered and paid up capital	RMB10.62 million (approximately HK\$10.21 million)
Term	20 years from the date of issue of its business licence on 9 December 2004

Value and net profits For the 4 months ended 30 April 2006 and for the period from 9 December 2004 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) amounted to approximately RMB0.00 million (approximately HK\$0.00 million) and approximately RMB0.02 million (approximately HK\$0.02 million) respectively. For the 4 months ended 30 April 2006 and for the period from 9 December 2004 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders amounted to nil and approximately RMB0.02 million (approximately HK\$0.02 million) respectively (no taxation expenses were incurred during the both financial periods). The audited net asset value of Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) as at 30 April 2006 and 31 December 2005 was RMB10.62 million (approximately HK\$10.21 million) and RMB10.62 million (approximately 10.21 million) respectively.

Business activities and major assets held Developer of the piece of land located at Land Lot No. 2 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it.

The piece of land is one of the parcels of land of the Property Interests, with site area of 77,156 square meters and gross floor area of 72,400 square meters. Construction work for this piece of land is expected to commence by the end of 2007. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(c) **Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd.**
(天津中新信捷房地產開發有限公司)

Address 天津市南開區二馬路龍鳳市場內17-1號, Tianjin, the PRC

Registered and paid up capital RMB20.00 million (approximately HK\$19.16 million)

Term 20 years from the date of issue of its business licence on 30 August 2005

Value and net profits For the 4 months ended 30 April 2006 and for the period from 30 August 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) amounted to approximately RMB0.00 million (approximately HK\$0.00 million) and approximately RMB0.10 million (approximately HK\$0.09 million) respectively. For the 4 months ended 30 April 2006 and for the period from 30 August 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of the Holding Companies amounted to nil and approximately RMB0.10 million (approximately HK\$0.09 million) respectively (no taxation expenses were incurred during the financial periods). The audited net asset value of Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) as at 30 April 2006 and 31 December 2005 were RMB19.93 million (approximately HK\$19.16 million) and RMB19.93 million (approximately HK\$19.16 million) respectively.

Business activities and major assets held Developer of the piece of land located at Land Lot No. 9 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it.

The piece of land is one of the parcels of land of the Property Interests, site area of which is 41,107 square meters and with gross floor area of 200,900 square meters. Construction work for this piece of land is expected to commence by the end of 2006 and be completed by early 2008. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(d) Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd.
(天津中新名仕房地產開發有限公司)

Address 天津市南開區二馬路龍鳳市場內9-1號, Tianjin, the PRC

Registered and paid up capital RMB20.00 million (approximately HK\$19.23 million)

Term 20 years from the date of issue of its business licence on 3 June 2005

Value and net profits For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司) amounted to approximately RMB0.00 million (approximately HK\$0.00 million) and approximately RMB0.09 million (approximately HK\$0.09 million) respectively. For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of the Holding Companies amounted to nil and approximately RMB0.09 million (approximately HK\$0.09 million) respectively (no taxation expenses were incurred during financial periods). The audited net asset value of Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司) as at 30 April 2006 and 31 December 2005 was RMB19.93 million (approximately HK\$19.16 million) and RMB19.93 million (approximately HK\$19.16 million) respectively.

Business activities and major assets held Developer of the piece of land located at Land Lot No. 12 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it.

The piece of land is one of the parcels of land of the Property Interests, site area of which is 25,866 square meters and with gross floor area of 153,200 square meters. Construction work for this piece of land is expected to commence by the end of 2006. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(e) **Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd.**
(天津中新嘉業房地產開發有限公司)

Address	天津市南開區二馬路龍鳳市場內17-2號, Tianjin, the PRC
Registered and paid up capital	RMB20.00 million (approximately HK\$19.23 million)
Term	20 years from the date of issue of its business licence on 3 June 2005
Value and net profits	For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) amounted to approximately RMB0.10 million (approximately HK\$0.10 million) and approximately RMB0.10 million (approximately HK\$0.10 million) respectively. For the 4 months ended 30 April 2006 and for the period from 3 June 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders of approximately RMB0.10 million (or approximately HK\$0.10 million) and approximately RMB0.10 million (approximately HK\$0.10 million) respectively (no taxation expenses were incurred during the financial period). The audited net asset value of Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) as at 30 April 2006 and 31 December 2005 was RMB19.80 million (approximately HK\$19.04 million) and RMB19.91 million (approximately RMB19.14 million).
Business activities and major assets held	Developer of the piece of land located at Land Lot No. 15 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it. The piece of land is one of the parcels of land of the Property Interests, site area of which is 38,295 square meters and with gross floor area of 140,100 square meters. Construction work for this piece of land has commenced in February 2006 and is expected to be completed in June 2007. Pre-sale has also commenced for the buildings located on this piece of land. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(f) **Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd.**
(天津中新華城房地產開發有限公司)

Address	天津市南開區二馬路龍鳳市場內9號, Tianjin, the PRC
Registered and paid up capital	RMB50.00 million (approximately HK\$48.07 million)
Term	20 years from the date of issue of its business licence on 23 September 2004

Value and net profits For the 4 months ended 30 April 2006 for the year ended 31 December 2005 and for the period from 23 September 2004 (date of incorporation) to 31 December 2004, the audited net profit/loss after taxation of Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. (天津中新華城房地產開發有限公司) amounted to approximately RMB(0.03) million (approximately HK\$(0.02) million) approximately RMB0.19 million (approximately HK\$0.18 million) and approximately RMB0.06 million (approximately HK\$0.06 million) respectively. For the 4 months ended 30 April 2006, for the year ended 31 December 2005 and for the period from 23 September 2004 (date of incorporation) to 31 December 2004, the audited net (profit)/loss attributable to shareholders amounted to approximately RMB(0.03) million (or approximately HK\$(0.02) million) approximately RMB0.19 million (approximately HK\$0.18 million) and approximately RMB0.06 million (approximately HK\$0.06 million) respectively (no taxation expenses were incurred during the financial period). The audited net asset value of Tianjin Zhongxin Huacheng Real Estate Development Co., Ltd. (天津中新華城房地產開發有限公司) as at 30 April 2006, 31 December 2005 and 31 December 2004 was RMB49.77 million (approximately HK\$47.86 million) approximately RMB49.74 million (approximately HK\$47.83 million) and approximately RMB49.94 million (approximately HK\$48.02 million) respectively.

Business activities and major assets held Developer of the piece of land located at Land Lot No. 11 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it.

The piece of land is one of the parcels of land of the Property Interests, site area of which is 62,867 square meters and with gross floor area of 53,231 square meters. Construction work for this piece of land has been completed in May 2006 and pre-sale has also commenced for the buildings located on this piece of land. Development of this piece of land will be financed by bank loans and internal resources of the Group.

(g) Tianjin Xinrun Real Estate Development Co., Ltd.
(天津新潤房地產開發有限公司)

Address 天津市南開區二馬路龍鳳市場內9號, Tianjin, the PRC

Registered and paid up capital RMB10.00 million (approximately HK\$9.61 million)

Term 20 years from the date of issue of its business licence (date of incorporation) on 5 April 2005

Value and net profits For the 4 months ended 30 April 2006 and for the period from 5 April 2005 (date of incorporation) to 31 December 2005, the audited net loss after taxation of Tianjin Xinrun Real Estate Development Co., Ltd. (天津新潤房地產開發有限公司) amounted to approximately RMB0.00 million (or approximately HK\$0.00 million) and approximately RMB(0.01) million (or approximately HK\$0.01 million) respectively. For the 4 months ended 30 April 2006, for the period from 5 April 2005 (date of incorporation) to 31 December 2005, the audited net loss attributable to shareholders amounted to approximately RMB0.00 million (or approximately HK\$0.00 million) and approximately RMB0.01 million (approximately HK\$0.01 million) respectively.

million) respectively (no taxation expenses were incurred during the financial period). The audited net asset value of Tianjin Xinrun Real Estate Development Co., Ltd. (天津新潤房地產開發有限公司) as at 30 April 2006 and 31 December 2005 was RMB19.99 million (approximately HK\$9.60 million and approximately RMB9.99 million (approximately HK\$9.60 million) respectively.

Business activities and major assets held Developer of the piece of land located at Land Lot No. 13 of Old Urban Area, Nankai District, Tianjin, the PRC which is the major asset held by it.

The piece of land is one of the parcels of land of the Property Interests, site area of which is 52,299 square meters and with gross floor area of 229,100 square meters. Construction work for this piece of land is expected to commence in October 2006 and will be completed by March 2008. Development of this piece of land will be financed by bank loans and internal resources of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company at the date of this announcement and immediately after Completion:-

Shareholders	Existing shareholding structure at the date of this announcement		Shareholding structure immediately after completion (Note 1)	
	Number of Shares held	%	Number of Shares held	%
Invest Gain Limited (Note 2)	2,298,986,537	51.32%	2,298,986,537	40.18%
Mr. Li Song Xiao and concert parties other than Invest Gain Limited	12,630,000	0.28%	1,255,664,853	21.94%
Public Shareholders	2,311,616,537	51.60%	3,554,651,390	62.12%
	2,167,722,950	48.39%	2,167,722,950	37.88%
Total	<u>4,479,339,487</u>	<u>100.00%</u>	<u>5,722,374,340</u>	<u>100.00%</u>

Notes:

- Assuming that (a) no Shares will be disposed of by Invest Gain Limited, after the date of this announcement until the Completion, (b) save for the Consideration Shares that fail to be issued to satisfy the Consideration under the Proposed Acquisitions.
- Mr. Li Song Xiao is the ultimate beneficial sole shareholder of Invest Gain Limited.

REASONS FOR THE PROPOSED ACQUISITIONS

The Company was incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in property development and investment in the PRC. The Group has been appraising proactively various investment opportunities to explore high potential investments and attractive business opportunities in the major cities in the PRC, such as Beijing, Tianjin, Shanghai, Chongqing, Chengdu, Shenzhen and elsewhere. The Directors have looked into the location and valuation of the Tianjin Project. The Company is of the view that the Proposed Acquisitions represent a good opportunity for the Group to further expand its business in the property market in Tianjin. The Binhai area, with Tianjin as its center, is one of the key economic development zones under the PRC government's eleventh five-year plan. The Directors are familiar with Tianjin market and perceive it as an attractive area to engage in real estate development and investment and the Proposed Acquisitions will strengthen the assets and income base of the Group. The Board is also confident about the demand in the PRC property market and as the Tianjin Project is located at a premier location and there is strong demand in the PRC property market, the Board is of the view that the recent tightening of control by the PRC Government on the property market will not have any adverse effect on the Group as a result of the Proposed Acquisition.

Further, by paying for the assets to be acquired in shares rather than cash the Company will increase its permanent capital and avoid depletion of cash reserves (and/or the costs and risks of borrowing to fund the Proposed Acquisition).

The executive and the non-executive Directors consider that the Proposed Acquisition is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. The independent non-executive Directors' views are subject to review in light of the advice to be received from an independent financial adviser and their views and recommendations in respect of the transactions contemplated under the Agreement will be set out in the circular to be issued by the Company to the Shareholders as required by the Listing Rules.

IMPLICATIONS OF THE PROPOSED ACQUISITIONS UNDER LISTING RULES AND TAKEOVERS CODE

At the date of this announcement, the Vendor is the chairman of the Board and, primarily through Invest Gain Limited, a company wholly-owned by him, is beneficially interested in 2,311,616,537 Shares, representing approximately 51.60% of the existing issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company under the Listing Rules. The Agreement therefore constitutes a major transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders (being Shareholders other than the Vendor, Invest Gain Limited and their respective associates and parties acting in concert with them, and other Shareholders who may not be permitted to vote under the Listing Rules by way of poll at the SGM. At the date of this announcement, the Vendor is also a connected person of the Company under the Listing Rules. The entering into of the Agreement thus constitutes a connected transaction for the Company under the Listing Rules.

Upon Completion (assuming that no further Shares will be issued by the Company from the date of this announcement to Completion), the ultimate beneficial shareholding interest of the Vendor in the Company and parties acting in concert with him will increase from approximately 51.60% to approximately 62.12%. The Vendor will not be obliged to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with him under Rule 26.1 of the Takeovers Code.

GENERAL

An independent board committee of the Company will be formed to advise the Independent Shareholders on the terms of the Agreement. First Shanghai Capital Limited has been appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Proposed Acquisition, the recommendation of the independent board committee of the Company and the letter of advice from First Shanghai Capital Limited in respect thereof, and a notice convening the SGM, will be sent to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 26 June 2006 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 June 2006.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 26 June 2006 between the Vendor, the Purchaser and the Company in respect of the sale and purchase of the entire issued share capital of the Holding Companies
“associates”	the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Company”	Neo-China Group (Holdings) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on Stock Exchange
“Completion”	Completion of the Agreement
“Consideration”	the consideration of HK\$845,263,700 for the acquisition by the Purchaser of the entire issued share capital of the Holding Companies pursuant to the Agreement
“Consideration Shares”	the new Shares to be allotted and issued by the Company to the Vendor (or his nominee) as consideration under the Agreement
“Director(s)”	director(s) of the Company
“Divo”	DIVO Success Limited, a company incorporated with limited liability in the British Virgin Islands
“Encumbrance”	mortgage (whether legal or equitable), charge, lien, lease, option, licence, covenant, condition, agreement or other third party right
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by the Hong Kong Institute of Certified Public Accountants
“Holding Companies”	Divo and Lead Mix
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than the Vendor, Invest Gain Limited and their respective associates and parties acting in concert with them, and other Shareholders who may not be permitted to vote under the Listing Rules

“Independent Third Party (Parties)”	party(parties) independent of and not connected with the directors, chief executives or substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Issue Price”	the issue price of HK\$0.68 per Consideration Share
“Joint Lead Managers”	J P Morgan Securities Ltd. and BOCI Asia Limited collectively;
“Last Trading Day”	23 June 2006, being the last day on which the Shares were traded on the Stock Exchange prior to the release of this announcement
“Lead Mix”	Lead Mix Limited, a company incorporated with limited liability in the British Virgin Islands
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2006
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Acquisitions”	the proposed acquisitions of the entire issued share capital of each of the Holding Companies by the Purchaser pursuant to the Agreement
“Property Interests”	seven parcels of land and property at Old Urban Area, Tianjin City Nau Kai District, Tianjin
“Property Owners”	(i) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司), (ii) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司), (iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司), (iv) Tianjin Zhongxin Mingshi Real Estate Development Co., Ltd. (天津中新名仕房地產開發有限公司), (v) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司), (vi) 天津中新華城房地產開發有限公司 and (vii) 天津新潤房地產開發有限公司 each incorporated in the PRC that together hold in aggregate the Property Interests
“Purchaser”	Neo-China Property Limited, a wholly-owned subsidiary of the Company
“Restructuring”	the restructuring of the ownership of the Property Owners before Completion so that they are 100% owned by the Holding Companies
“SGM”	the special general meeting of Company to be convened to consider and, if thought fit, approve, among other things, the entering into of the Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

“Tianjin Project”	a residential and commercial property project which consists of land and property owned by the Property Owners
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Valuer”	Savills Valuation and Professional Services Limited, an independent property valuer
“Vendor”	Mr. Li Song Xiao, a Director and the chairman of the Board and the ultimate controlling shareholder of the Company, who has a 51.60% beneficial shareholding interest in the Company at the date of this announcement
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rates of RMB1.04 = HK\$1.00 and US\$1.00 = HK\$7.80 have been used for currency translation, where applicable. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amount in US\$, HK\$ or RMB have been, could have been or may be converted at such or any other rates or at all.

Certain English translations of Chinese names or words in this announcement are included for information only, and are not official English translations of such Chinese names or words.

On behalf of the Board of
Neo-China Group (Holdings) Limited
Li Song Xiao
Chairman

Hong Kong, 28 June 2006

At the date of this announcement, the Board comprises Mr. Li Song Xiao (chairman); Ms. Liu Yi, Ms. Niu Xiao Rong, and Mr. Yuan Kun (executive Directors); and Ms. Nie Mei Sheng, Mr. Zhen Kuan and Mr. Wang Shiyong (independent non-executive Directors).

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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