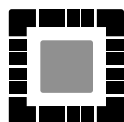


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**中新集团**  
NEO CHINA GROUP

## **NEO-CHINA GROUP (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 563)**

### **PLACING OF EXISTING SHARES AND EXEMPT CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION TOP-UP OF NEW SHARES BY INVEST GAIN LIMITED**

#### **PLACING OF EXISTING SHARES AND PROPOSED SUBSCRIPTION TOP-UP OF NEW SHARES**

On 28 November 2006, Neo-China, the Vendor and J. P. Morgan entered into the Placing and Subscription Agreement. Pursuant to the Placing and Subscription Agreement, the Vendor had agreed to place on a fully-underwritten basis, through J. P. Morgan, the Placing Shares being an aggregate of 688,000,000 existing Shares, to twelve independent investors, at the Placing Price of HK\$1.132 per Share. The Vendor has conditionally agreed to subscribe for the Top-up Subscription Shares representing an aggregate of 688,000,000 new Shares at the Subscription Price of HK\$1.132 per Share. The Top-up Subscription is a connected transaction for Neo-China but is exempt from approval by the Neo-China Independent Shareholders under the Listing Rules.

The Placing Shares represent (i) approximately 12.02% of the existing issued share capital of Neo-China of 5,722,374,340 Shares, as at the date of this announcement and (ii) approximately 10.73% of the issued share capital of Neo-China as enlarged by the Subscription Top-up of 688,000,000 Shares.

The Placing Price and Subscription Price of HK\$1.132 per Share represent a discount of approximately 7.97% to the closing price of HK\$1.230 per Share as quoted on the Stock Exchange on 24 November 2006 and a discount of approximately 5.98% to the average closing price of HK\$1.204 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 24 November 2006.

The net proceeds from the Subscription Top-up are estimated to be approximately HK\$770.0 million, which will be used as to approximately HK\$400.0 million for potential land acquisitions and approximately HK\$250.0 million for the Group's projects in Xian announced on 16 November 2006. The balance will be used for general working capital. No specific land to be acquired for has yet been identified. **As the Placing and Subscription Agreement may or may not complete, shareholders and prospective investors in Neo-China are advised to exercise caution when dealing in the shares of Neo-China.**

At the request of Neo-China, trading in the Shares on the Stock Exchange has been suspended since 9:30 a.m. (Hong Kong time) on 27 November 2006 pending the release of this announcement, and application has been made by Neo-China for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. (Hong Kong time) on 29 November 2006.

## **PLACING OF EXISTING SHARES AND PROPOSED SUBSCRIPTION TOP-UP**

### **PLACING AND SUBSCRIPTION AGREEMENT**

**Date:**

28 November 2006

**Parties:**

Neo-China, the Vendor and J. P. Morgan. J. P. Morgan is not a connected person of Neo-China or an associate of the Vendor under the Listing Rules or of persons acting in concert with the Vendor for the purposes of the Code.

**Placees:**

Twelve Placees who are professional, institutional and other investors and who and whose ultimate beneficial owners are not connected persons of Neo-China or associates of the Vendor and are not acting in concert or presumed to be acting in concert for the purposes of the Code with the Vendor or persons acting in concert with it. So far as the Company is aware, none of the Placees will own more than 10% of the Company's issued share capital immediately upon completion of the Placing.

**Placing Shares:**

688,000,000 Shares, representing approximately 12.02% of Neo-China's existing issued share capital of 5,722,374,340 Shares, and approximately 10.73% of the issued share capital of Neo-China as enlarged by the Subscription Top-up of 688,000,000 Shares.

**Placing Price:**

The Placing Price of HK\$1.132 per Placing Share represents a discount of approximately 7.97% to the closing price of HK\$1.230 per Share as quoted on the Stock Exchange on 24 November 2006 and a discount of approximately 5.98% to the average closing price of HK\$1.204 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 24 November 2006.

The Placing Price was negotiated on an arm's length basis between Neo-China, the Vendor and J. P. Morgan with reference to the recent market price of the Shares.

**Rights of the Placing Shares:**

The Placing Shares will be sold free from all third party rights, liens, charges, equities and encumbrances and together with all rights attaching thereto as at 28 November 2006, including the right to receive all dividends and distributions declared, made or paid after 28 November 2006.

**Completion of the Placing:**

The Placing is unconditional. Completion of the Placing is expected to take place on or before 30 November 2006.

**The Top-up Subscription Shares:**

There will be 688,000,000 Top-up Subscription Shares, representing approximately 12.02% of Neo-China's existing issued share capital of 5,722,374,340 Shares or 10.73% of the issued share capital of Neo-China as enlarged by the Subscription Top-up of 688,000,000 Shares.

The Top-up Subscription Shares will be issued pursuant to the general mandate granted to the directors of Neo-China at the annual general meeting of Neo-China held on 25 September 2006.

**Subscription Price:**

The Subscription Price is HK\$1.132 per Share, which is the same as the Placing Price. The estimated net proceeds upon completion of the Subscription Top-up estimated to be approximately HK\$770.0 million, being the Subscription Price net of expenses in relation to the Placing. Neo-China will pay all of its own and the Vendor's costs and expenses in connection with the Subscription Top-up.

**Ranking of the Top-up Subscription Shares:**

The Top-up Subscription Shares, when fully paid, will rank pari passu with the existing Shares, including as to dividends.

**Conditions of the Subscription Top-up:**

Completion of the Subscription Top-up is conditional upon:

- (a) the completion of the Placing;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Top-up Subscription Shares;

- (c) if necessary, the consent of the Bermuda Monetary Authority to the issue of the Subscription Top-up Shares. Neo-China understands no such consent is necessary.

Accordingly, as at the close of business on the date of this announcement, the only outstanding conditions precedent for the completion of the Subscription Top-up are those set out in (a) and (b). There is no provision of the Placing and Subscription Agreement giving any party the right to waive these conditions.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Top-up Subscription Shares.

### **Completion of the Subscription Top-up:**

The conditions to the Subscription Top-up are expected to be fulfilled on or before 11 December 2006, or such later date as may be agreed by Neo-China and the Vendor.

If the Subscription Top-up is not completed within 14 days after the date of the Placing and Subscription Agreement, the Subscription Top-up will be subject to compliance with all requirements in relation to connected transactions under the Listing Rules and if it is to proceed the completion of the Subscription Top-up will have to be made conditional upon approval from the independent shareholders of Neo-China having been obtained.

### **Lock up Undertakings:**

Neo-China has undertaken to J. P. Morgan that for a period of 3 months from the Closing Date, Neo-China will not, except for the Top-up Subscription Shares to be sold by it and save pursuant to (1) the terms of any employee share option scheme of Neo-China or other existing contractual obligations or (2) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares of Neo-China in accordance with its Bye-laws, (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of J. P. Morgan.

The Vendor has undertaken to J. P. Morgan that amongst other things for a period of 3 months after the Closing Date, it will not and will procure that none of its nominees and wholly-owned subsidiaries (whether individually or together and whether directly or indirectly) will, except with the prior written consent of J. P. Morgan, transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares owned or held by it or any securities convertible into or exchangeable Shares or interests in them; or enter into any agreement that transfers the economic risk of ownership of the Shares if as a result its interest in the issued shares would fall below 2,942,021,390 Shares.

## CHANGES IN THE SHAREHOLDING STRUCTURE OF NEO-CHINA

The shareholdings in Neo-China before and after the Placing and the Subscription Top-up (without taking account of the Shares to be issued pursuant to the exercise of Share Options) are summarised as follows:

	As at the date of this announcement <sup>1</sup>		Immediately % after the Placing but before Subscription Top-up		Immediately % after the Placing and Subscription Top-up	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Vendor	2,942,021,390	51.41	2,254,021,390	39.39	2,942,021,390	45.89
Mr. Li Song Xiao and concert parties other than Vendor	609,630,000	10.65	609,630,000	10.65	609,630,000	9.51
Public	2,170,722,950	37.94	2,858,722,950	49.96	2,858,722,950	44.60
Total	<u>5,722,374,340</u>	<u>100.00</u>	<u>5,722,374,340</u>	<u>100.00</u>	<u>6,410,374,340</u>	<u>100.00</u>

*Note:* 1. The above shareholding information does not reflect the proposed Xi'an acquisition announced on November 16, 2006

## **Neo-China and the Vendor**

Neo-China acts as an investment holding company. The principal activities of its subsidiaries are investment holding and investment in, of development, of real estate in the PRC.

The Vendor is a controlling shareholder of Neo-China and is an investment holding company wholly owned by Mr. Li Song Xiao as the Chairman of Neo-China.

## **NET PROCEEDS AND REASONS FOR THE PLACING AND SUBSCRIPTION TOP-UP**

The net proceeds from the Subscription Top-up are estimated to be approximately HK\$770.0 million (or net price of approximately HK\$1.118 per Share), which will be used by Neo-China as to approximately HK\$400.0 million for potential land acquisitions and as to approximately HK\$250.0 million for the Group's projects in Xian announced on 16 November 2006. The balance will be used for general working capital. No specific land to be acquired for has yet been identified.

The Directors of Neo-China consider that the Placing and Subscription Top-up will strengthen the capital base of Neo-China and may increase liquidity of trading in the Shares.

## **FUND RAISING IN LAST 12 MONTHS**

On 13 February 2006, the Board announced that on 10 February 2006, the Placing Agent agreed to place ("February Placing"), on a fully underwritten basis, 496,720,000 existing Shares at a price of HK\$0.89 per Share on behalf of Mr. Li Song Xiao. On the same day, the Company entered into a conditional agreement with Mr. Li Song Xiao for the subscription ("February Subscription") of 496,720,000 new Shares at the same price per Share. The February Placing and the February Subscription were completed on 10 February 2006 and 27 February 2006 respectively. Consistent with the Group's plan announced on 13 February 2006, the net proceeds from the February Subscription in the amount of approximately HK\$434 million were used mostly for the Group's acquisition of 70% interest in Chongqing project as announced on 5 June 2006 and the remaining for working capital.

On 15 May 2006, Neo-China announced the issue of zero coupon convertible bonds due 2011 in the principal amount of HK\$1,340 million. Details of this issue were set out in the announcement of Neo-China dated 15 May 2006. The net proceeds in the amount of approximately HK\$1,292.3 million were intended to be used as general working capital and potential acquisitions. The Company will apply approximately HK\$125 million to the acquisition of 25% interest in the Beijing project as announced on 24 May 2006 and the remaining for the Group's project in Tianjin as announced on 28 June 2006 which is expected to be funded by bank loans and internal resources of the Company including proceeds from pre-sale of the buildings located therein.

Save as disclosed above, Neo-China has not raised any funds on any issue of equity securities or convertible bonds in the 12 months immediately preceding the date of this announcement.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of Neo-China, trading in the Shares on the Stock Exchange has been suspended since 9:30 a.m. (Hong Kong time) on 27 November 2006 pending the release of this announcement, and application has been made by Neo-China for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. (Hong Kong time) on 29 November 2006.

**As the Placing and Subscription Agreement may or may not complete, shareholders and prospective investors of Neo-China investors are advised to exercise caution when dealing in the shares of Neo-China.**

## **DEFINITIONS**

In this announcement, the following terms have the meanings set opposite them below.

“Closing Date”	the date on which the Top-up Subscription is completed, as the case may be
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People's Republic of China



“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares on a fully-underwritten basis pursuant to the Placing and Subscription Agreement
“Placing and Subscription Agreement”	a placing, underwriting and subscription agreement dated 27 November 2006 entered into between Neo-China, the Vendor and J. P. Morgan
“Placing Price”	HK\$1.132 per Placing Share
“Placing Shares”	688,000,000 existing Shares
“Neo-China”	Neo-China Group (Holdings) Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Neo-China
“Share Options “	options to subscribe Shares outstanding under the employee share option scheme of Neo-China adopted on 12 December 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Top-up”	the subscription by the Vendor of the Top-up Subscription Shares pursuant to the Placing and Subscription Agreement
“Subscription Price”	HK\$1.132, which is equivalent to the Placing Price
“Top-up Subscription Shares”	688,000,000 new Shares to be subscribed by the Vendor or its nominee under the Subscription Top-up
“J. P. Morgan”	J.P. Morgan Securities (Asia Pacific) Limited

“US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“US Person”	the meaning ascribed thereto in US Securities Act of 1933, as amended
“Vendor”	Invest Gain Limited, a company incorporated in the British Virgin Islands with limited liability wholly owned by Mr. Li Song Xiao, the Chairman of the Company

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

Hong Kong, 28 November 2006

*At the date of this announcement, the board of Directors of Neo-China comprises Mr. Li Song Xiao as chairman, Mr. Liu Yi, Ms. Niu Xiao Rong, Mr. Yuan Kun and Ms. Liu Yan as Executive Directors and Ms. Nie Mei Sheng, Mr. Wang Shiyong and Mr. Zhang Qing Lin as independent Non-executive Directors.*

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