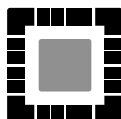

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.



中新集團
NEO CHINA GROUP

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 A 71.5% EQUITY INTEREST
IN XIAN CHAN BA CONSTRUCTION DEVELOPMENT COMPANY LIMITED
(西安瀆灞建設開發有限公司)**

A notice convening a special general meeting of Neo-China Group (Holdings) Limited to be held at Unit 1908-9, 19th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on 19 January 2007 at 10:00 a.m. is set out on pages 27 to 29 of this circular. A form of proxy for use at the special general meeting is also enclosed.

If you are not able to attend the special general meeting, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Share Registrar of the Company in Hong Kong, Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

8 December 2006

* For identification only

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DEFINITIONS

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

“Announcement”	the announcement issued by the Company dated 16 November 2006;
“Agreements”	the Target Acquisition Agreement and the SPV Acquisition Agreements;
“Board”	the board of Directors of the Company;
“CCASS”	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited;
“Company”	Neo-China Group (Holdings) Limited, a company incorporated in Bermuda and whose securities are listed on the Main Board of the Stock Exchange;
“Consideration Shares”	the new Shares to be allotted and issued by the Company to the Vendors (or their nominee) as part of the consideration under the Target Acquisition Agreement;
“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;
“Issue Price”	the issue price of HK\$1 per Consideration Share;
“Jia Cheng”	Shanghai Jia Cheng Investment Management Limited (上海嘉誠投資管理有限公司), a company holding a 28.5% equity interest in the SPV;
“Last Trading Day”	6 November 2006, being the last day on which the Shares were traded on the Stock Exchange prior to the release of the Announcement;

DEFINITIONS

“Latest Practicable Date”	1 December 2006 being the latest practicable date for ascertaining certain information for inclusion in this circular;
“Listing Committee”	The listing sub-committee of the board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Project”	the development of seven parcels of land located at land lot A, Chanba River Delta, Xian City, Shanxi Province, the PRC, with a total site area of approximately 2,569,000 square metres into a residential and commercial complex including the conference centre for the holding of the “歐亞論壇” (Euro-Asia Economic Forum) in November 2007;
“Richspeed”	Richspeed Investment Limited, a company incorporated in the British Virgin Island and a wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“SGM”	the special general meeting of the Company to be held to approve the authority to be granted to the Directors to issue the Consideration Shares and the shares to be issued under the convertible bonds to the Vendors;
“Shares”	ordinary shares in the Company;
“Shareholders”	the holders of the Shares;
“SPV”	Xian Chan Ba Construction Development Company Limited (西安滄灞建設開發有限公司), a special purpose vehicle incorporated in the PRC for the purpose of developing and holding the land in the Project;
“SPV Acquisition Agreements”	the Zhong Yuen SPV Agreement and the Zhou Bang SPV Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Supplemental Target Acquisition Agreement”	the agreement dated 13 November 2006 entered into between the Vendors, the Company and Jia Cheng to supplement the terms and conditions of the Target Acquisition Agreement;
“Target”	Honest State Limited, (誠邦有限公司), a company incorporated in the British Virgin Islands and wholly-owned by the Vendors;
“Target Acquisition Agreement”	an agreement dated 6 November 2006 entered into between the Vendors and Richspeed for the acquisition of the entire issue of share capital of the Target as supplemented and amended by the Supplemental Target Acquisition Agreement;
“Vendors”	Mr. 石德毅 (Shi Deyi) and Ms. 喬曉輝 (Qiao Xiachui);
“Zhong Zhi”	Zhongzhi (Beijing) Enterprise Management Company Limited (中置(北京)企業管理有限公司), a wholly-owned subsidiary of the Company, the purchaser under the SPV Acquisition Agreements;
“Zhong Yuen”	Shanghai Zhong Yuen Subconstruction Subcontracting Company Limited (上海中遠建設總承包有限公司), the vendor under the Zhong Yuen SPV Agreement for the sale of a 2.8% equity interest in the SPV;
“Zhong Yuen SPV Agreement”	an agreement dated 6 November 2006 entered into between Zhong Zhi as the purchaser and Zhong Yuen as the vendor for the acquisition of 2.8% equity interest in the SPV;
“Zhou Bang”	Xian Zhou Ban Investment Management Company Limited (西安洲邦投資管理有限公司), the vendor under the Zhou Bang SPV Agreement for the sale of a 14.2% equity interest in the SPV;
“Zhou Bang SPV Agreement”	the agreement dated 6 November 2006 entered into between Zhong Zhi as the purchaser and Zhou Bang as the vendor for the acquisition of 14.2% equity interest in the SPV;
“%”	per cent.

In this Circular sums translated from RMB into HK\$ have been translated at the rate of HK\$1.00=RMB1.02.

LETTER FROM THE BOARD



中新集團
NEO CHINA GROUP

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

Ms Liu Yan

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

Independent non-executive Directors:

Ms Nie Mei Sheng

Mr Zhang Qing Lin

Mr Wang Shiyong

8 December 2006

To the shareholders of the Company

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
ACQUISITION OF A 71.5% EQUITY INTEREST
IN XIAN CHAN BA CONSTRUCTION DEVELOPMENT COMPANY LIMITED
(西安滄灞建設開發有限公司)**

INTRODUCTION

In an announcement dated 16 November 2006, the Company announced that on 31 October 2006, the Company and Richspeed, a wholly-owned subsidiary of the Company, had entered into the Target Acquisition Agreement with the Vendors for the acquisition of the entire issued share capital of the Target. On the same day, Zhong Zhi, another wholly-owned subsidiary of the Company,

* *For identification only*

LETTER FROM THE BOARD

entered into the SPV Acquisition Agreements with each of Zhong Yuen and Zhou Bang for the acquisition of an aggregate 17% equity interest in the SPV. Richspeed, the Company, the Vendors, Zhong Zhi and each of Zhong Yuen and Zhou Bang then entered into a supplemental agreement on 31 October 2006 for the Target Acquisition Agreement and the SPV Acquisition Agreements to become effective on 6 November 2006. On 13 November 2006, the Company and Richspeed entered into the Supplemental Target Acquisition Agreement with the Vendors and Jia Cheng to supplement and amend the terms and conditions of the Target Acquisition Agreement.

The entering into of the Agreements, constituted a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

Part of the consideration under the Target Acquisition Agreement will be satisfied by the allotment and issue of Consideration Shares by the Company to the Vendors. The Company will also issue convertible bonds to the Vendors pursuant to the Supplemental Target Acquisition Agreement. The issue of the Consideration Shares and the convertible bonds is subject to the approval of the Shareholders at the SGM. The purpose of this circular is to give you, among other things, details of the Agreements.

Target Acquisition Agreement

On 31 October 2006, the Company and Richspeed, a wholly-owned subsidiary of the Company entered into the Target Acquisition Agreement with the Vendors for the acquisition of the entire issued share capital of the Target. On the same day, Zhong Zhi, another wholly-owned subsidiary of the Company, entered into the SPV Acquisition Agreements with each of Zhong Yuen and Zhou Bang for the acquisition of an aggregate 17% equity interest in the SPV.

The Vendors subsequently requested the inclusion of additional major terms and conditions to the Agreements, including the issue of Consideration Shares, and proposed to have a longer period for them to consider the terms thereof. As the Board is confident that the possible acquisition pursuant to the Agreements can enrich the investments of the Group, the Company agreed to the proposal to change the date of effectiveness of the Agreements to 6 November 2006.

A summary of the Target Acquisition Agreement:-

Effective Date 6 November 2006
of Agreement:

- Parties:
- (1) the Vendors, as the vendors of the entire issued share capital of the Target
 - (2) Richspeed and the Company, collectively as the purchasers of the entire issued share capital of the Target

LETTER FROM THE BOARD

The Vendors represented in the Target Acquisition Agreement that they are the legal and beneficial owners of the entire issued share capital of the Target. The above representation is also consistent with the results of the due diligence review conducted by the Company on the Target.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors 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: The entire issued share capital of the Target. The Target holds 54.5% of the SPV which was incorporated on 24 November 2004 and its sole business is development of the Project. The Project involves the development of seven parcels of land located in Xian, Shanxi Province, the PRC, into a commercial/residential complex.

The piece of land is divided into three (3) different phases for development purposes having a gross area of approximately 2,832,000 square metres and site area of around 2,569,000 square metres. Construction works for phase 1 have been started in October 2006 and it is anticipated the whole Project will be completed by 2011.

The Target is an investment holding company incorporated on 15 October 2003 and has no operation apart from holding the 54.5% equity interest in the SPV.

Based on the audited financial statements of the SPV for the twelve months ended 31 December 2004 and for the twelve months ended 31 December 2005, the net loss after taxation and extraordinary item of the SPV for the years ended 31 December 2004 and 31 December 2005 were RMB530,114 (approximately HK\$519,719.6) and RMB2,144,336 (approximately HK\$2,102,290) respectively. The SPV did not have any turnover for the years ended 31 December 2004 and 31 December 2005. The audited net asset value of the SPV as at 31 December 2005 was RMB408,868,393 (approximately HK\$400,851,365.6).

Consideration: An aggregate of RMB730,000,000 (approximately HK\$715,686,274.50) (including the shareholder's loan of RMB 50 million) which will be satisfied:-

- (i) initially in cash in the amount of RMB340,000,000 (approximately HK\$333,333,333.3) but this was amended by the Supplemental Target Acquisition Agreement as stated in the section headed "A summary of the Supplemental Target Acquisition Agreement" below; and

LETTER FROM THE BOARD

- (ii) by the allotment and issue by the Company to the Vendors (or their nominee) of 340,000,000 Consideration Shares at the Issue Price, which was determined after arm's length negotiations between the parties with reference to recent market values and perceived future prospects of the Company.

The Consideration Shares represent (i) approximately 5.3% of the issued share capital of the Company at the Latest Practicable Date and (ii) approximately 5% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares will be issued credited as fully paid and shall rank pari passu in all respects with the 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 2.04% to the closing price per Share of HK\$0.98 as quoted on the Stock Exchange on 6 November, 2006, being the Last Trading Day;
- (b) a premium of approximately 2.25% to the average closing price per Share of HK\$0.978 as quoted on the Stock Exchange for the last 5 trading days to and including the Last Trading Day;
- (c) a premium of approximately 4.71% to the average closing price per Share of HK\$0.955 as quoted on the Stock Exchange for the last 10 trading days to and including the Last Trading Day;
- (d) a premium of approximately 20.8% to the average closing price per Share of HK\$0.828 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 9.91% to the closing price per Share of HK\$1.11 as quoted on the Stock Exchange on 1 December, 2006, being the Latest Practicable Date; and
- (f) a premium of approximately 264.5% over the latest audited consolidated net tangible assets per Share of approximately HK\$0.378 at 30 April 2006.

LETTER FROM THE BOARD

The consideration was arrived at after arm's length negotiation based on a property valuation of the SPV by an independent valuer, Savills Valuation and Professional Services Limited at RMB1,377,400,000 (approximately HK\$1,350,392,156) as at 30 September 2006 based on a direct comparison of similar properties in the vicinity area in Xian together with considerations of the market position and potential for the development of the Project.

The Consideration Shares will be issued by authority of a resolution to be proposed at the SGM. Mr. Li Song Xiao, a majority Shareholder has undertaken to vote in favour of the issue of the Consideration Shares at the SGM. The Company did not propose to use the general mandate to issue the Consideration Shares as it wishes to preserve flexibility to raise funds through issue of Shares in the future.

The part of the consideration to be satisfied in cash will be funded by internal resources of the Company.

Management of SPV: As at the Latest Practicable Date, the board of the SPV consisted of a total of 5 (five) directors, 1 (one) of whom is nominated by Zhou Bang, 2 (two) are nominated by the Target and 1 (one) of whom is nominated by Jia Cheng and 1 (one) of whom is nominated by Zhong Yuen. After Richspeed acquired the entire issued share capital of the Target, Richspeed will be able to nominate such number of directors of the SPV so as to control the board of the SPV and the Vendors will not be appointed as the directors of the SPV.

Supplemental Target Acquisition Agreement

The Company and Richspeed entered into the Supplemental Target Acquisition Agreement with Jia Cheng and the Vendors on 13 November 2006 to amend the amount and payment of the consideration under the Target Acquisition Agreement. Jia Cheng was also added as a party to the transaction because it was the remaining shareholder of the SPV, holding 28.5% interest in the SPV. Jia Cheng wanted to ensure its rights in the SPV will not be changed after the transaction. As such, the Group agreed to give such reassurance to Jia Cheng by including such terms in the Supplemental Target Acquisition Agreement.

LETTER FROM THE BOARD

A summary of the Supplemental Target Acquisition Agreement:–

Date of Agreement: 13 November 2006

Parties: (1) the Vendors
(2) the Company
(3) the Jia Cheng

The ultimate beneficial owners of Jia Cheng are Ms 喬曉輝 (Qiao Xiachui) and Mr 關釗 (Guan Chao) holding 70% and 30% equity interest in Jia Cheng respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jia Cheng and its ultimate beneficial owners are third parties independent of the Company and of the connected persons (as defined in the Listing Rules) of the Company.

Amendments to the Target Acquisition Agreement: The amount of the total consideration was increased from a total of RMB 730 million to RMB786 million (including the assumption of the shareholder's loan of RMB50,000,000). The amount of the part of consideration (i.e. the cash component) to be satisfied in cash under the Target Acquisition Agreement has been amended from RMB340,000,000 (approximately HK\$333,333,333) to RMB396,000,000 (approximately HK\$388,235,294) which is payable by the Company to the Vendors in three (3) instalments as follows:–

- (1) Payment of the first instalment in the amount of RMB190,000,000 (approximately HK\$186,274,510):–
 - (i) upon the execution of the Supplemental Target Acquisition Agreement, the Company has paid HK\$200,000,000 and RMB90,000,000 (approximately HK\$88,235,294) to the Vendor;
 - (ii) the excess between RMB190,000,000 and the amount stated in (1) (i) above will be refunded by the Vendors to the Company without interest, after deduction of a loan made by the Vendors to the SPV in the amount of RMB50,000,000 (approximately HK\$49,019,607.8), within a period of six (6) months immediately after the Company issues 170,000,000 convertible bonds to the Vendors as stated in 3(ii) below;

LETTER FROM THE BOARD

- (2) Payment of the second instalment in the amount of RMB36,000,000 (approximately HK\$35,294,117.6):-
- (i) the second instalment will be adjusted by the differences (if any) between the amount of investments made by the respective shareholders of the SPV as disclosed by the Vendors in the Target Acquisition Agreement and the actual amount of investments made by such shareholders as ascertained by due diligence review conducted by the Company;
 - (ii) if the amount of investment by each shareholder of the SPV as disclosed in the Target Acquisition Agreement is different from the actual amount of investment contributed by such shareholder, the amount of the second instalment shall be adjusted accordingly and the second instalment will be payable after the actual amount investment by each shareholder of the SPV has been ascertained;
- (3) Payment of the third instalment in the amount of RMB170,000,000 (approximately HK\$166,666,666.6):-
- (i) the Company will issue 170,000,000 convertible bonds with a term of six (6) months from the date of issue to the Vendors to secure payment of the third instalment, the Vendors are not entitled to convert the bonds into Shares within such six (6) months period. The parties agreed that within three (3) business days after the expiry of the convertible bonds, the Company shall redeem the bonds at an annual interest rate of 3.88%. If the Company fails to redeem the convertible bonds within a period of three (3) business days as stated above, the Vendor shall have the right to convert the bonds into Shares at the conversion price at HK\$1.00 which is subject to usual anti-dilution adjustments (this was agreed by the parties on 15 November 2006);
 - (ii) the parties agreed that obligations of the Company to pay the RMB170,000,000 will be satisfied by either redemption or conversion of the convertible bonds.

The parties subsequently agreed on 16 November 2006 that (i) the convertible bonds will be issued within 7 days from the date of the listing approval and (ii) as the conversion price of the convertible bonds has been agreed, there would not be further adjustment to the second instalment. The due diligence review has been completed on 6 December 2006.

LETTER FROM THE BOARD

Shares to be issued upon conversion of the convertible bonds will be issued by authority of a resolution to be proposed at the SGM. Mr. Li Song Xiao, a majority Shareholder has undertaken to vote in favour of the issue of the Shares upon conversion of the convertible bonds at the SGM.

The convertible bonds are not freely transferable. No application will be made for the listing of the convertible bonds on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the conversion shares to be issued as a result of the exercise of the conversion rights attached to the convertible bonds.

Assuming the convertible bonds are fully converted into Shares at the initial conversion price of HK\$1.00, a total of 170,000,000 Shares will be issued representing 2.9% of the total number of issued Shares as at the Latest Practicable Date and 2.88% of the share capital of the Company as enlarged by the Shares being converted.

- Other terms and conditions:
- (i) the Company shall apply to the Stock Exchange for the listing of, and permission to deal in the Consideration Shares within 10 business day after the execution of the Supplemental Target Acquisition Agreement. Subject to, and within 10 business days after, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and the shares to be issued under the convertible bonds, the Company will issue and allot the Consideration Shares and the convertible bonds to the Vendors (or their nominees). The listing approval is expected to be subject to the approval of the issue of the Consideration Shares and the convertible bonds by the Shareholder at the SGM;
 - (ii) the Vendor shall on the date of execution of this agreement, deliver all the original corporate documents and seals of the SPV to the Company;
 - (iii) the parties agree that Jia Cheng shall be entitled to 28.5% profit of the Project and has the right to nominate one (1) director of the SPV.

The increase in the cash portion of RMB56,000,000 of the consideration was based on commercial decision of the Group. The payment arrangement (i.e. the first instalment) was a result of commercial negotiation. Such payment arrangement was requested by the Vendors. The Directors consider that the Company can nearly double the amount of its land bank pursuant to this acquisition and that is one of the major reasons for the Board accepting such increase in the consideration and the payment arrangement.

LETTER FROM THE BOARD

All necessary arrangements will be made to enable the Consideration Shares and the Shares to be issued upon conversion of the convertible bonds to be admitted to CCASS.

A summary of the SPV Acquisition Agreements:-

The Zhong Yuen SPV Agreement:-

Effective Date 6 November 2006
of Agreement:

Parties: Zhong Yuen, as the vendor of 2.8% equity interest in the SPV

Zhong Zhi, as the purchaser of 2.8% equity interest in the SPV

Zhong Yuen has represented that it is the legal and registered owner of the 2.8% equity interest in the SPV

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhong Yuen 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 2.8% equity interest in the SPV
of Acquisition:

Consideration: RMB20,000,000 (approximately HK\$19,607,843) which were paid by Zhong Zhi to Zhong Yuen on the date of execution of the Zhong Yuen SPV Agreement in cash funded by internal resources of the Company including part of the proceeds from the placing of Shares as announced by the Company on 28 November 2006. After execution of the Zhong Yuen SPV Agreement, the parties thereof shall work with the SPV to proceed with the necessary procedures and registration for the transfer of the 2.8% equity interest in the SPV.

The consideration has been arrived at after arm's length negotiation based on a valuation of the SPV by an independent valuer, Savills Valuation and Professional Services Limited at RMB1,377,400,000 (approximately HK\$1,350,392,156) based on a direct comparison of similar properties in the vicinity in Xian together with considerations of the market position and potential for the development of the Project.

LETTER FROM THE BOARD

The Zhou Bang SPV Agreement:-

Effective Date 6 November 2006
of Agreement:

Parties: Zhou Bang, as the vendor of 14.2% equity interest in the SPV

 Zhong Zhi, as the purchaser of the 14.2% equity interest in the SPV

Zhou Bang has represented that it is the legal and registered owner of the 14.2% equity interest in the SPV.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhou Bang 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 14.2% equity interest in the SPV
of Acquisition:

Consideration: RMB120,000,000 (approximately HK\$117,647,058) in cash which will be funded by internal resources of the Company including part of the proceeds from the placing of Shares as announced by the Company on 28 November 2006.

The consideration has been arrived at after arm's length negotiation based on a valuation of the SPV by an independent valuer, Savills Valuation and Professional Services Limited at RMB1,377,400,000 (approximately HK\$1,350,392,156) as at 30 September 2006 based on a direct comparison of similar properties in the vicinity in Xian together with considerations of the market position and potential for the development of the Project.

Payment of The consideration is payable by Zhong Zhi to Zhou Bang as follows:-
Consideration:

- (1) RMB40,000,000 (approximately HK\$39,215,686) has been paid into an account jointly controlled by Zhong Zhi and Zhong Yuen.
- (2) Subject to completion of all the preparation works for the transfer of the equity interest pursuant to the Zhou Bang SPV Agreement, Zhong Zhi shall pay RMB80,000,000 (approximately HK\$78,431,372) to the account jointly controlled by Zhong Zhi and Zhong Yuen.

LETTER FROM THE BOARD

- (3) Upon obtaining the necessary approvals for the transfer of 14.2% equity interest in the SPV from the relevant local authority and notification from the relevant local authority in relation to the processing of the registration for the change in equity interest in the SPV, Zhong Zhi and Zhou Bang will authorise the release of the above RMB120,000,000 to Zhou Bang. It is expected that the above necessary approvals will be obtained on or before 31 January 2007.

Completion of the Target Acquisition Agreement and the SPV Agreements is not inter-conditional.

The different payment arrangements in the Zhou Bang SPV Agreement and the Zhong Yuen SPV Agreement were a result of commercial negotiation. The counter-parties in the Zhong Yuen SPV Agreement had bigger bargaining power and hence the payment arrangement was less favourable to the Company. However, after careful consideration and given the potential significant benefit of this transaction to the Company, the Directors considered that this payment arrangement was acceptable. The Directors consider that the transaction under the Zhong Yuen SPV Agreement as a whole is fair and reasonable and in the interest of the Company and its Shareholders.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company at the Latest Practicable Date and immediately after completion of the Target Acquisition Agreement:–

Shareholders	Existing shareholding structure at the Latest Practicable Date of the Announcement		Shareholding structure immediately after completion		Shareholding structure immediately after completion and assuming full conversion of the convertible bonds	
	Number of Shares held	%	Number of Shares held	%	Number of Shares held	%
			(Note 1)		(Note 4)	
Invest Gain Limited (Note 2)	2,977,181,390	46.32%	2,977,181,390	44%	2,977,181,390	42.91%
Mr. Li Song Xiao and concert parties other than Invest Gain Limited (Note 3)	609,630,000	9.48%	609,630,000	9%	609,630,000	8.79%
	3,586,811,390	55.80%	3,586,811,390	53%	3,586,811,390	51.70%
Public Shareholders, including the Vendors	2,841,142,950	44.20%	2,841,142,950	41.98%	2,841,142,950	40.95%
	0	0%	340,000,000	5.02%	510,000,000	7.35%
	<u>2,841,142,950</u>	<u>44.20%</u>	<u>3,181,142,950</u>	<u>47%</u>	<u>3,351,142,950</u>	<u>48.30%</u>
Total	<u>6,427,954,340</u>	<u>100.00%</u>	<u>6,767,954,340</u>	<u>100.00%</u>	<u>6,937,954,340</u>	<u>100.00%</u>

Notes:

- Assuming that no Shares will be issued and no Shares will be disposed of by Invest Gain Limited, after 16 November 2006 until the completion of the Agreements, save for the Consideration Shares.
- Mr. Li Song Xiao is the ultimate beneficial sole shareholder of Invest Gain Limited.
- 600,000,000 of these Shares are held by Sinoeagle Pacific Limited, a company wholly-owned by Mr Li Song Xiao, 9,630,000 of these Shares are held by Mr Li personally.

LETTER FROM THE BOARD

4. Assuming that no Shares will be issued and no Shares will be disposed of by Invest Gain Limited, after 16 November 2006 until the completion of the Agreements, save for the Consideration Shares and the shares to be issued upon full conversion of the convertible bond.
5. Assuming that the proposed subscription of 688,000,000 new shares by Invest Gain Ltd as announced by the Company on 28 November 2006 is completed.

The issue of Consideration Shares and the Shares to be issued upon full conversion of the convertible bonds will not result in a change of control of the Company, based on the current shareholdings.

REASONS FOR THE ACQUISITION

The Group is principally engaged in property investment and development in the PRC. As part of its strategy and as announced previously, the Group has been appraising actively investment opportunities in high-potential investments and attractive businesses in the major cities in the PRC.

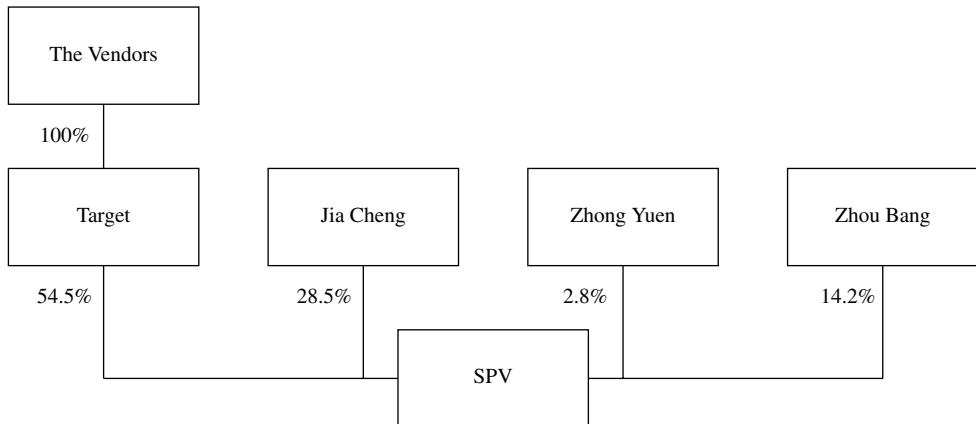
The Project is still in its very early stage of development and is still making a loss mainly due to development costs and the acquisition cost of the land. However, as the Project is located at land lot A, Chanba River, Xian City, Shanxi Province, the PRC, a premier location in Xian which is a popular 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 acquire the entire issued share capital of in the Target and the majority equity interest in the SPV so as control the board of the SPV. The Group may or may not acquire the remaining 28.5% equity interest in the SPV, if the Group acquires the remaining 28.5% equity interest in the SPV, the Board will make further announcement if and as required by the Listing Rules.

The Directors are of the view that the terms of the Agreements, including the consideration, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

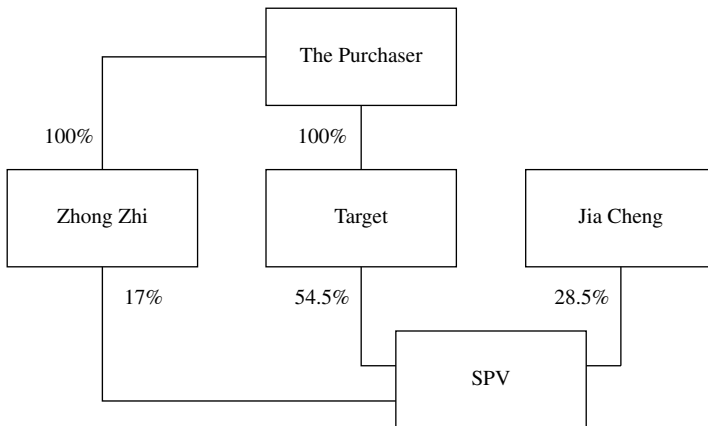
LETTER FROM THE BOARD

Apart from being business partners of each other for the development of the Project, there is no other relationship between the Vendors and the other shareholders of the SPV. The structure of the SPV before and after the completion of the Agreements will be as follow:-

Structure of the SPV before Completion



Structure of the SPV after Completion



LETTER FROM THE BOARD

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES OF THE COMPANY IN THE PAST 12 MONTHS

Apart from the events set out in the following table, the Company had not conducted any other fund raising activities involving issue of its securities in the past 12 months preceding the Latest Practicable Date:–

Date of completion	Event	Net proceeds	Stated intended use of proceeds	Actual use of proceeds
subscription and placing of Shares were completed on 10 February 2006 and 27 February 2006 respectively	Issue of 496,720,000 new Shares by the Company to Mr. Li Song Xiao in relation to the placing of 496,720,000 old Shares on behalf of Mr. Li Song Xiao as announced by the Company on 13 February 2006	approximately HK\$434 million	For the acquisition of equity interest in Chongqing China Enterprises Property Development Company Limited and for general working capital of the Company	Same as those stated in the column to the left
12 June 2006	Issue of convertible bonds by the Company as announced by the Company on 15 May 2006	approximately HK\$1,292.3 million	Acquisition of certain pieces of land in Old Urban Area, Tianjin City Nankai District, Tianjin and for general working capital	Same as those stated in the column to the left
Placing completed on 28 November 2006 and subscription of Shares not yet completed	Placing of 688,000,000 existing Shares and proposed subscription of 688,000,000 new Shares by Invest Gain Limited as announced by the Company on 28 November 2006	approximately HK\$770.0 million	Approximately HK\$400.0 million will be used for potential land acquisitions and approximately HK\$250.0 million for the Project and balance for general working capital	Not yet used

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ACQUISITION

The acquisition pursuant to the Agreements will be funded by (i) the issue of 340,000,000 Consideration Shares and (ii) the remaining by internal resources of the Company including part of the proceeds from the placing of Shares as announced by the Company on 28 November 2006. It is not expected that any material liability will be assumed by the Company in connection with the acquisition of the 71.5% equity interest. After the acquisition, the Target will be treated as 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 development, it is not expected to have a material effect on the earnings of the Company in the near future.

THE SGM

Notice of the SGM is set out on pages 27 to 29 of this circular. At the SGM, resolutions will be proposed to approve, inter alia, the issue of the Consideration Shares and the convertible bonds to the Vendors.

Mr. Li Song Xiao, a majority Shareholder, has undertaken to vote in favour of the issue of Consideration Shares and the Shares upon conversion of the Convertible bonds at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Share Registrar of the Company in Hong Kong, Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Special General Meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

RECOMMENDATION

The Directors consider that the acquisition of the 71.5% of the SPV, which was conditional upon the approval of the issue of the Consideration Shares and convertible bonds, amongst other things, is in the best interests of the Company, the Group and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution at the SGM.

LETTER FROM THE BOARD

FURTHER INFORMATION

Your attention is drawn to the information set out in elsewhere in this circular and in the Appendices to it.

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

RESPONSIBILITY STATEMENTS

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.

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	Capacity	No. of Shares	Percentage of issued share capital
Li Song Xiao	long	Interest in corporation	3,589,811,390	55.85%

Note: Mr Li Song Xiao was deemed to be interested in 2,977,181,390 Shares and 600,000,000 Shares in the Company by virtue of his 100% interest in Invest Gain Limited and Sinoeagle Pacific Ltd respectively. For the remaining 12,630,000 Shares, 3,000,000 of which are held pursuant to the options outstanding under the share option scheme of the Company and 9,630,000 Shares are held directly by Mr. Li himself. Assuming that the proposed subscription of 688,000,000 new Shares by Invest Gain Ltd as announced by the Company on 28 November 2006 is completed.

(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 17 November 2006	3 April 2016 22 October 2016	0.90 0.93	16,000,000 24,000,000
Niu Xiao Rong	4 April 2006 17 November 2006	3 April 2016 22 October 2016	0.90 0.93	16,000,000 24,000,000
Yuan Kun	4 April 2006 17 November 2006	3 April 2016 22 October 2016	0.90 0.93	8,000,000 16,000,000
Liu Yan	17 November 2006	22 October 2016	0.93	16,000,000

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.

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	2,977,181,390	46.32%
Mr Li Song Xiao	Long	Interest in corporation (note a)	3,589,811,390	55.85%

Name of substantial shareholder	Long/short position	Capacity	No. of Shares	Percentage of issued share capital
Ms Liu Hui	Long	Spouse (note b)	3,589,811,390	55.85%
Sinoeagle Pacific Limited	Long	Beneficial owner	600,000,000	9.33%
Penta Investment Advisers Ltd.	Long	Investment Manager	319,890,000	5%
Mr John Zwaanstra	Long	Interest in corporation (note c)	319,890,000	5%

Notes:

- (a) 2,977,181,390 and 600,000,000 of these Shares are held by Invest Gain Limited and Sinoeagle Pacific Limited respectively, which are beneficially wholly owned by Mr Li Song Xiao. For the remaining 12,630,000 Shares, 3,000,000 of which are held pursuant to the options outstanding under the share option scheme of the Company and 9,630,000 Shares are held directly by Mr. Li himself.

Assuming that the proposed subscription of 688,000,000 new Shares by Invest Gain Ltd as announced by the Company on 28 November 2006 is complete.

- (b) Ms Liu Hui is deemed to be interested in 3,589,811,390 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.

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.

SERVICE CONTRACTS

None of the Directors has entered (or proposed to enter) into, with any member of the Group, a service agreement which does not expire and is not terminable within one year without payment of compensation (other than statutory compensation).

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.

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.

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 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.

APPENDIX II PROCEDURE BY WHICH THE SHAREHOLDERS MAY DEMAND A POLL AT A GENERAL MEETING PURSUANT TO THE BYE-LAWS

The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company (including the Special General Meeting) pursuant to the Bye-laws.

According to Bye-law 66(1) of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

In addition, in compliance with the Listing Rules, any vote of shareholders at a general meeting will be taken on a poll where:

- (i) the chairman of the general meeting and/or the directors individually or collectively hold proxies in respect of shares representing 5% or more of the total voting rights at the general meeting, and the meeting votes, on a show of hands, in the opposite manner to that instructed in those proxies unless it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands;
- (ii) the meeting is to approve connected transactions;

**APPENDIX II PROCEDURE BY WHICH THE SHAREHOLDERS MAY DEMAND
A POLL AT A GENERAL MEETING PURSUANT TO THE BYE-LAWS**

- (iii) the meeting is to approve transactions that are subject to independent shareholders' approval pursuant to the Listing Rules;
- (iv) the meeting is to approve the granting of options to a substantial shareholder or an independent non-executive director of the issuer, or any of their respective associates, as required under the Listing Rules; or
- (v) the meeting is to approve any other transactions in which a shareholder has a material interest and is therefore required to abstain from voting at the general meeting.

NOTICE OF THE SPECIAL GENERAL MEETING



中新集團
NEO CHINA GROUP

NEO-CHINA GROUP (HOLDINGS) LIMITED

中新集團（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

NOTICE IS HEREBY GIVEN that an Special General Meeting of Neo-China Group (Holdings) Limited (the “Company”) will be held at Unit 1908-9, 19th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on 19 January 2007 at 10:00 a.m. for the following purposes:-

ORDINARY RESOLUTION

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of, and permission to deal in, the Consideration Shares (as defined below) and the Conversion Shares (as defined below):

- (A) the issue of 340,000,000 new ordinary shares of the Company of HK\$0.01 each (the “Consideration Shares”) by the Company to the Mr. Shi Deyi and Ms. Qiao Xiaohui (the “Vendors”) (or their nominee), as part of consideration under the agreement dated November 2006 entered into between the Vendors and Richspeed Investment Limited for the acquisition of the entire issue of share capital of Honest State Limited (the “Target”) (a copy of which has been produced to this meeting and marked “A” and initialled by the chairman of this meeting for the purposes of identification) and as supplemented and amended by the agreement dated 13 November 2006 entered into by the Vendors, the Company and Shanghai Jia Cheng Investment Management Limited (the “Supplemental Target Acquisition Agreement”) (a copy of which has been produced to this meeting and marked “B” and initialled by the chairman of this meeting for the purposes of identification), be and is hereby approved;
- (B) the issue of up to 170,000,000 new shares of the Company of HK\$0.01 each (the “Conversion Shares”) upon conversion of the convertible bonds to be issued to the Vendors pursuant to the Supplemental Target Acquisition Agreement at the conversion price of HK\$1.00 per Conversion Share be and is hereby approved; and

* *For identification only*

NOTICE OF THE SPECIAL GENERAL MEETING

- (C) the directors of the Company be and are hereby authorised to issue and allot the Consideration Shares and the Conversion Shares on the terms as set out in the circular of the Company dated 8 December 2006 (a copy of which has been produced to this meeting and marked “C” and initialled by the chairman of this meeting for the purposes of identification), and to do all such acts and things, to sign and execute all further documents and to take such steps as the directors of the Company may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the issue of the Consideration Shares and Conversion Shares.

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

8 December 2006

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business:

Unit 1908-9, 19th Floor
Office Tower, Convention Plaza
No.1 Harbour Road
Wanchai, Hong Kong

NOTICE OF THE SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Share Registrar of the Company in Hong Kong, Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting. Delivery of the form of proxy shall not preclude a Member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled hereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose deemed joint holders thereof.
4. At the date of this notice, the executive directors of the Company are Mr Li Song Xiao (chairman), Mr Liu Yi, Ms Niu Xiao Rong, Mr Yuan Kun and Ms. Liu Yan, and the independent non-executive directors of the Company are Ms Nie Mei Sheng, Mr Wang Shiyong and Mr. Zhang Qing Lin.