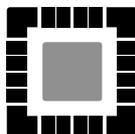


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This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares.



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 100% EQUITY INTEREST IN
天津市億嘉合置業有限公司
(TIANJIN CITY YI JIA HE ZHI YE COMPANY LIMITED)

ACQUISITION

The Board is pleased to inform the Shareholders that the Company and the Company's wholly owned subsidiary, 中置(北京)企業管理有限公司 (Zhongzhi (Beijing) Enterprise Management Company Limited) entered into two Share Transfer Agreements on 22 January 2007 in relation to 100% equity interest in 天津市億嘉合置業有限公司 (Tianjin City Yi Jia He Zhi Ye Company Limited), a project company established to carry out a Property Development Project in Tianjin (天津), People's Republic of China.

Part of the consideration under one of the Share Transfer Agreements will be satisfied by the allotment and issue of Consideration Shares by the Company to the vendor.

The transaction constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A circular in connection with the transactions will be dispatched to the shareholders of the Company 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 18 January 2007 pending release of an announcement relating to a share transaction released on 23 January 2007 and remains suspended 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 January 2007.

ACQUISITION OF A 100% EQUITY INTEREST IN THE PROJECT COMPANY

The Board is pleased to inform the Shareholders that, on 22 January 2007, the Company and the Company's wholly owned subsidiary, Zhongzhi entered into Agreement I and Agreement II respectively in relation to 100% equity interest in the Project Company with Parsonturham, Qingdao Beichen and Yaxing whereby:-

- (i) By Agreement I, the Company shall acquire from Parsonturham all its shares in Wah Po, which is holding 95% equity interest in Lixing, which in turn is holding 70% of the equity interest in the Project Company;
- (ii) By Agreement II, Zhongzhi shall acquire from Yaxing all its shares in the Project Company representing 30% equity interest in Project Company; and
- (iii) By Agreement II, Zhongzhi shall acquire from Qingdao Beichen all its shares in Lixing, representing 5% equity interest in Lixing, which in turn is holding 70% of the equity interest in the Project Company.

A summary of Agreement I:-

Effective Date
of Agreement: 22 January 2007

Parties: Party A: Parsonturham
Party B: the Company
Party C: Yaxing

Parsonturham acts as an investment holding company and is the legal and beneficial owner of the entire share capital of Wah Po. Wah Po acts as an investment holding company and its major asset is the equity interest in Lixing. Wah Po is holding 95% of the equity interest in Lixing, which in turn is holding 70% of the equity interest in the Project Company. Parsonturham is beneficially owned by Zhu Lan Ying (朱蘭英).

The Company acts as an investment holding company. The principal activities of its subsidiaries, including Zhongzhi, are investment holding and/or investment in, or development of, land and real estate in PRC.

Yaxing, as an investment holding company, holding the remaining 30% of the equity interest in the Project Company. Yaxing is beneficially owned by Wah Po, Zhu Lan Ying (朱蘭英), Jiang Jian (姜劍) and Hao Bin (郝斌). In Agreement I, the role of Yaxing is to warrant that Wah Po, Lixing and the Project Company have no liabilities not disclosed to the Company.

The Project Company is a property development company in PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Parsonturham, Wah Po, Lixing, Yaxing and their respective beneficial owners 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 for
Agreement I: The Project Company is a limited company incorporated in PRC, with registered capital of RMB38,000,000. Its registered share capital has been fully paid up. The Project Company is carrying out a Property Development Project in Tianjin, PRC.

The Project Company has acquired the development right of the Land, namely the piece of land situated at 天津北辰區宜興埠舊村 (Bujiu Village, Yixing, Beichen District), PRC with a site area of approximately 1,115,476.40 square metres and a gross construction area of approximately 1,656,700 square metres and a gross saleable construction area of approximately 1,586,856 square metres, under the Property Development Project. On 18 October 2004, the Project Company entered into a sale of land use rights grant contract with 國土資源局 (Land Resources Administration Bureau) in respect of the Land at the consideration of RMB82,273,670. The Project Company has fully paid the consideration of the Land.

Subject to fulfillment of the terms and conditions the said sale of land use rights grant contract to complete the relocation works for occupants on the Land, the Project Company shall fully acquire the land use right in respect of the Land. The Land will be used for both commercial and residential purposes. The development of the Land is in the early stage and the Project Company is in the course of acquiring the full land use right in respect of the Land. No building or construction on the Land has been commenced, which is expected to commence in 2007 and complete in 2011.

By Agreement I, the Company shall acquire from Parsonturham all its shares in Wah Po, which is holding 95% equity interest in Lixing, which in turn is holding 70% of the equity interest in the Project Company.

Consideration and
Payment of
Agreement I:

The consideration of Agreement I is HK\$655,170,000, which will be satisfied in the following manner:—

- (i) In respect of HK\$205,170,000 – by a cash payment by the Company to Parsonturham upon signing of Agreement I;
- (ii) In respect of HK\$450,000,000 – by the issue and allotment to Parsonturham or its nominee of the 250,000,000 Consideration Shares at the Issued Price (i.e. HK\$1.80), which was determined after arm's length negotiations between the parties with reference to recent market values and future prospects of the Company, within 90 working days after signing of Agreement I.

The Cash Consideration for Agreement I will be financed from internal sources of the Group.

The value of Consideration Shares on the Last Trading Day, i.e. at market value at close of business on 17 January 2007 was HK\$1.24 per share x 250,000,000 shares to be issued, amounting to HK\$310,000,000.

The Consideration Shares represent (i) approximately 3.89% of the issued share capital of the Company as at 17 January 2007 and (ii) approximately 3.75% 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 ordinary Shares then in issue. There is no restriction applicable to the subsequent sale of the Consideration Shares.

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:

- (i) a premium of approximately 45.2% to the closing price per Share of HK\$1.24 as quoted on the Stock Exchange on 17 January 2007 being the Last Trading Day;
- (ii) a premium of approximately 46.3% to the average closing price per Share of HK\$1.23 as quoted on the Stock Exchange for the last 5 trading days to and including the Last Trading Day.

The Consideration Shares will be issued under the general mandate granted to the Board. The grant date of the general mandate is 25 September 2006, i.e. the date of the annual general meeting of the Company, on which the Board was granted the general mandate to allot, issue and deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at 25 September 2006. The total number of Share in issue as at 25 September 2006 was 5,722,374,340 and 20% thereof was 1,144,474,868. Taking into account the number of Shares to be issued under the announcement dated 24 January 2007 in relation to a share transaction, the number of Shares still available after the issue of the Consideration Shares is 81,474,868. The Company has no current plan for future fund raising activities.

Based on latest management account of the Project Company, as at 31 December 2006, the net asset value of the Project Company which is the subject of the transaction is approximately RMB142,373,822. There was no profit (both before and after taxation and extraordinary items) attributable to the Project Company for the two financial years immediately preceding the transaction. The Project Company, which was newly incorporated on 18 April 2003 is still in the early stage of the Property Development Project and has not generated revenue or profit.

The consideration has been arrived at after arm's length negotiations between the parties to Agreement I whereby although no independent valuation has been performed, the Board has made reference to the market situation in and the city development of Tianjin of PRC and market value of similar properties in the relevant locations, and is of the view that the terms of Agreement I including the consideration are in normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole. In reaching such a view, the Board has also considered the rapid development and the substantial increase in price of the lands in the similar location.

REASONS FOR THE TRANSACTION UNDER AGREEMENT I

Please refer to below under the item "REASONS FOR THE TRANSACTION UNDER AGREEMENT I and AGREEMENT II"

A summary of Agreement II:-

Effective Date 22 January 2007
of Agreement:

Parties: Party A: Yaxing
Party B: Qingdao Beichen
Party C: Zhongzhi

Yaxing, as an investment holding company, is holding 30% of the equity interest in the Project Company.

Qingdao Beichen, as an investment holding company is holding 5% of the equity interest in Lixing, which in turn is holding 70% of the equity interest in the Project Company. Qingdao Beichen is beneficially owned by Hao Bin (郝斌), Xu Jie (徐捷), Liao Jian Ming (廖劍銘) and Yue Zhen Huan (岳震寰).

Zhongzhi is a wholly owned subsidiary of the Company. The principal activities of Zhongzhi are investment holding and/or investment in, or development of, land and real estate in PRC.

The Project Company is a property development company in PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Yaxing, Qingdao Beichen and their respective beneficial owners 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 for
Agreement II:

The relevant information about the Project Company and the Property Development Project in respect of Agreement II is provided above under the item "the Subject Matter of Acquisition for Agreement I".

By Agreement II, Zhongzhi acquires from Yaxing all its shares in the Project Company representing 30% equity interest in Project Company.

By Agreement II, Zhongzhi acquires from Qingdao Beichen all its shares in Lixing, representing 5% equity interest in Lixing, which in turn is holding 70% of the equity interest in the Project Company.

By Agreement I and Agreement II, the Company and Zhongzhi together hold 100% equity interest in the Project Company and the accounts will be consolidated. The Project Company shall become a wholly owned subsidiary of the Company.

Consideration and
Payment of
Agreement II:

The consideration of Agreement II is RMB12,630,000 payable by cash, of which:-

- (i) RMB11,300,000 is to be paid, within 15 working days from the date of signing of Agreement II, to Yaxing for all its shares in the Project Company representing 30% equity interest in Project Company;
- (ii) RMB1,330,000 is to be paid, within 15 working days from the date of signing of Agreement II, to Qingdao Beichen for all it shares in Lixing representing 5% equity interest in Lixing, which in turn is holding 70% of the equity interest in the Project Company.

The Cash Consideration for Agreement II will be financed from internal sources of the Group. The Board confirms that with the Company's recent serious of acquisitions, the Group has sufficient internal resources to finance the Cash Consideration for Agreement I and Agreement II.

The consideration has been arrived at after arm's length negotiations between the parties to Agreement II whereby although no independent valuation has been performed, the Board has made reference to the market situation in and the city development of Tianjin of PRC and market value of similar properties in the relevant locations, and is of the view that the terms of Agreement II including the consideration are in normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole. In reaching such a view, the Board has also considered the rapid development and the substantial increase in price of the lands in the similar location.

The consideration under Agreement II payable to Yaxing for equity interest in the Project Company and the consideration under Agreement I payable to Parsonturham for the equity interest in the Project Company have been reached by the parties to Agreement I and Agreement II on the same date. Before entering into the subject transaction, Parsonturham and Yaxing as well as their respective beneficial owners were business partners under the Project Company and they had offered considerations under Agreement I and Agreement II, which the Company and its subsidiary Zhongzhi accepted. By the transaction, the Company and Zhongzhi acquire 100% equity interest in the Project Company, the Board evaluates the value of the Project Company and considers the overall consideration rather than the considerations individually under Agreement I and Agreement II. The Board considers that overall consideration for Agreement I and Agreement II are in normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole. Agreement I and Agreement II are inter-conditional. A valuation report will be voluntarily included in the circular to be dispatched.

Before entering into Agreement II, Yaxing had advanced a loan of RMB82,200,000 to the Project Company ("the said loan") for the latter to satisfy its contractual obligations to third parties.

Under Agreement II, Zhongzhi agrees to pay RMB82,200,000 in cash to Yaxing, in the following 2 stages:-

- (i) RMB37,200,000 within 15 working days from the date of signing of Agreement II; and
- (ii) RMB45,000,000 on a date to be determined by the parties to Agreement II,

and thereafter the loan previously advanced by Yaxing to the Project Company is fully discharged and Zhongzhi shall be treated as having advanced a loan of RMB82,200,000 to the Project Company. The reason for this loan is to secure that Yaxing would help Zhongzhi in dealing with the local authorities in Tianjin City. Zhongzhi has sufficient resources to pay the loan immediately. There is no similar loan by Lixing to the Company or Zhongzhi.

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 of Agreement I and Agreement II

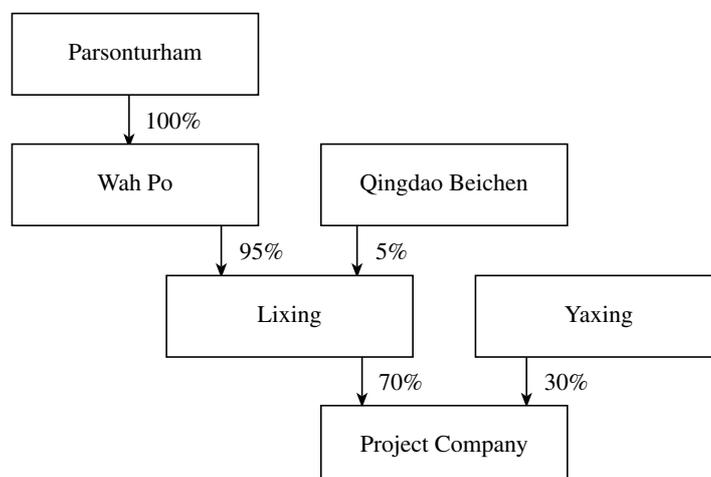
Shareholders	Existing shareholding structure at the date of this announcement		Shareholding structure immediately after Completion (Note 1)	
	Number of Shares held	%	Number of Shares held	%
Invest Gain Limited (Note 2)	2,992,751,390	46.69%	2,992,751,390	44.93%
Mr. Li Song Xiao and concert parties other than Invest Gain Limited (Note 3)	609,630,000	9.51%	609,630,000	9.15%
	3,602,381,390	56.20%	3,602,381,390	54.08%
Public Shareholders, including the Vendors	2,807,992,950	43.80%	2,807,992,950	42.16%
	0	0%	250,000,000	3.75%
	<u>2,807,992,950</u>	<u>43.80%</u>	<u>3,057,992,950</u>	<u>45.91%</u>
Total	<u>6,410,374,340</u>	<u>100.00%</u>	<u>6,660,374,340</u>	<u>100%</u>

Notes:

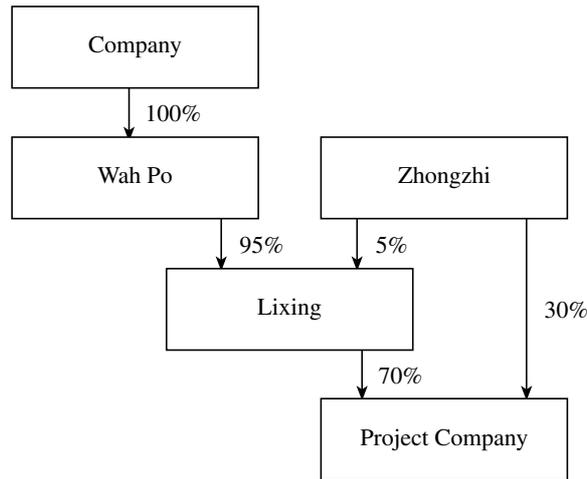
1. Assuming that no Shares will be issued and no Shares will be disposed of by Invest Gain Limited, after the date of this announcement, save for the Consideration Shares.
2. Mr. Li Song Xiao is the ultimate beneficial sole shareholder of Invest Gain Limited.
3. 600,000,000 of these Shares are held by Sinoeagle Pacific Limited, a company wholly-owned by Mr. Li Song Xiao, 9,630,000 of these Shares are held by Mr. Li personally.

The structure of the Project Company before and after the completion of Agreement I and Agreement I will be as follows:-

Structure Before Completion



Structure After Completion



REASONS FOR THE TRANSACTION UNDER AGREEMENT I AND AGREEMENT II

The Group is principally engaged in property investment and development in 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 major cities in PRC.

The Board believes that the Proposed Investment provides a good opportunity for the Group to further expand its business in the property market in Tianjin. The Company's plan with respect of the Property Development Project is for development of real estate property on the Land rather than re-sale of the undeveloped land.

This announcement is made by the order of the Board, of which the directors individually and jointly accept responsibility for the accuracy of the information contained in this announcement.

The Board confirms that due diligence has been carried out in the Project Company and in all respects satisfactory to the Directors. After exercise of due care and diligence, the Board considers that the terms and conditions of Agreement I and Agreement II, including the consideration thereof, are in normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Board confirms that there has been no director's dealing in the Shares since 17 January 2007.

GENERAL

Each of Agreement I and Agreement II constitutes a discloseable transaction of the Company pursuant to the Listing Rules. A circular in connection with Agreement I and Agreement II will therefore be dispatched to the Shareholders as soon as practicable and in any event not later than 21 days from the publication of this announcement.

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 18 January 2007 pending release of an announcement released on 23 January 2007 relating to a share transaction, and remains suspended 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 January 2007.

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, the Company 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 the Company 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, the Company 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.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following shall have the following meanings:

“%”	per cent.
“Acquisition”	The acquisition of the 100% equity interest in the Project Company;
“Agreement I”	Share Transfer Agreements on 22 January 2007 entered into by Parsonturham, Yaxing and the Company, dated 17 January 2007;
“Agreement II”	Share Transfer Agreements on 22 January 2007 entered into by Yaxing, Qingdao Beichen and Zhongzhi, dated 17 January 2007;
“Board”	the board of Directors;
“Cash Consideration”	the cash consideration of HK\$205,170,000 and/or RMB12,630,000 for the Acquisition, further details are set out in the item “A summary of Agreement I” and the item “A summary of Agreement II” of this announcement;
“Company”	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;
“Consideration Shares”	the 250,000,000 new Shares to be allotted and issued by the Company to Parsonturham or its nominee, as part of consideration under Agreement I;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issue Price”	The issue price of HK\$1.80 per Consideration Share, which was determined after arm’s length negotiations between the parties with reference to recent market values and future prospects of the Company;
“Land”	the piece of land situated at 天津北辰區宜興埠舊村 (Tianjin Beichen Qu Yi Xing Bu Jiu Chun) PRC with a gross construction area of approximately 1,656,700 square metres and a gross saleable construction area of approximately 1,586,856 square metres;
“Last Trading Day”	17 January 2007, being the last day on which the Shares were traded on the Stock Exchange prior to the release of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lixing”	上海雅閣麗星裝飾有限公司 (Shanghai Yage Lixing Zhangshi Company Limited) incorporated in PRC;
“Parsonsturham”	Parsonsturham Consulting Limited (北辰端拱顧問有限公司), incorporated in British Virgin Islands of Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands, the only shareholder of Wah Po;
“Project Company”	天津市億嘉合置業有限公司 (Tianjin City Yi Jia He Zhi Ye Company Limited) incorporated in PRC;
“Property Development Project”	The property development project named 天津北辰區宜興埠舊村改造項目 (Tianjin Beichen Qu Yi Xing Bu Jiu Cun Redevelopment Project), being carried out by the Project Company at 天津北辰區宜興埠舊村 (Tianjin Beichen Qu Yi Xing Bu Jiu Cun);
“Proposed Investment”	the proposed investment contemplated under Agreement I and II whereby the Company and Zhongzhi acquire 100% equity interest in Project Company;
“Qingdao Beichen”	青島北辰端拱地產顧問有限公司 (Qingdao Beichen Duan Gong Real Estate Consultancy Company Limited) incorporated in PRC;
“RMB”	Reminbi, the lawful currency of PRC;
“Shareholders”	the holders of the Shares;
“Shares”	Shares of HK\$0.01 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Wah Po”	Wah Po Holding Limited (華寶控股有限公司), of Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands;
“Yaxing”	青島亞星置業有限公司 (Qingdao Yaxing Zhi Ye Company Limited) incorporated in PRC;
“Zhongzhi”	中置(北京)企業管理有限公司 (Zhongzhi (Beijing) Enterprise Management Company Limited) incorporated in PRC, being a wholly owned subsidiary of the Company;

The board of Directors individually and jointly accepts responsibility for the accuracy of this announcement.

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

Hong Kong, 26 January 2007

As at the date of this announcement, the board of directors of the Company comprises Mr. Li Song Xiao as chairman, Mr. Liu Yi, Ms. Niu Xiao Rong, Mr. Yuan Kun, Ms. Liu Yan as executive directors; Ms. Nie Mei Sheng, Mr. Wang Shiyong and Mr. Zhang Qing Lin as independent non-executive directors.

* *For identification purpose only*

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