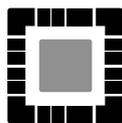

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any 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 otherwise transferred all your securities in Neo-China Group (Holdings) Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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中新集团
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 TRANSACTIONS

**TWO INVESTMENT PROJECTS IN LAND DEVELOPMENT IN
CHENGDU (成都), PRC**

31 January 2007

* For identification purpose only

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DEFINITIONS

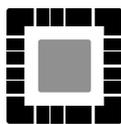
In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“Agreement I”	the Cooperation Development Agreement (合作開發協議書) entered into by China Mianshi and Land Reserve Centre on 31 December 2006;
“Agreement II”	the Cooperation Framework Agreement (合作開發協議書) entered into by the Company and Chengdu Zhongtai on 3 January 2007;
“Announcement”	The announcement issued by the Company dated 9 January 2007;
“Board”	the board of Directors of the Company;
“Chengdu Zhongtai”	成都中泰交通建設發展有限公司 (Chengdu Zhongtai Communication Construction Development Company Limited);
“China Mianshi ”	中國綿世 (成都) 建設開發有限公司 (China Mianshi (Chengdu) Construction Development Company Limited), being the Company’s subsidiary;
“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;
“Cooperation Project I”	the cooperation project in Pi Xian Xi Pu Town (郫縣犀浦鎮) in Chengdu City (成都市) as detailed under Agreement I;
“Cooperation Project II”	the cooperation project in Wen Jiang Xin Cheng District (溫江新城區) in Chengdu City (成都市) as detailed under Agreement II;
“Directors”	the directors of the Company;
“Government”	Pi Xian People’s Government (郫縣人民政府) of the PRC;
“Group”	the Company and its subsidiaries;

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Land I”	Pi Xian Xi Pu Town Longzi Wanpian District (郫縣犀浦鎮龍梓萬片區) in Chengdu City (成都市) as more particularly defined in Agreement I;
“Land II”	2 pieces of land situated at Wen Jiang Xin Cheng District (溫江新城區) in Chengdu City (成都市) as more particularly defined in Agreement II;
“Land Reserve Centre”	郫縣土地儲備中心 (Pi Xian Land Reserve Centre), being an authorized entity of the Government;
“Latest Practicable Date”	29 January 2007 being the latest practicable date for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Reminbi, the lawful currency of the PRC;
“SFO”	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shareholders”	the holders of the Shares;
“Shares”	ordinary shares in the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

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 HM11
Bermuda

Independent Non-executive Directors:

Ms. Nie Mei Sheng
Mr. Wang Shiyong
Mr. Zhang Qing Lin

Principal Place of Business

Unit 1908-09, 19th Floor,
Office Tower, Convention Plaza,
No.1 Harbour Road, Wanchai,
Hong Kong

31 January 2007

To the Shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTIONS
TWO INVESTMENT PROJECTS IN LAND DEVELOPMENT IN
CHENGDU (成都), PRC

INTRODUCTION

In an announcement dated 9 January 2007, the Company announced that (i) the Company's subsidiary, namely, 中國綿世（成都）建設開發有限公司 (China Mianshi (Chengdu) Construction Development Company Limited) and the Government, through its authorized entity 郫縣土地儲備中心 (Pi Xian Land Reserve Centre), entered into Agreement I on 31 December 2006; and (ii) the Company and 成都中泰交通建設發展有限公司 (Chengdu Zhongtai Communication Construction Development Company Limited), entered into Agreement II in respect of 2 pieces of land situated at Wen Jiang Xin Cheng District (溫江新城區) in Chengdu City (成都市) on 3 January 2007.

* For identification purpose only

LETTER FROM THE BOARD

The entering into each of Agreement I and Agreement II, constituted a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

The purpose of this circular is to give you, amongst other things, details of Agreement I and Agreement II.

AGREEMENT I

On 31 December 2006, China Mianshi and Land Reserve Centre entered into Agreement I in respect of Land I.

A Summary of Agreement I

Date of Agreement I: 31 December 2006

Parties: (1) China Mianshi, being the Company's subsidiary
(2) Land Reserve Centre, being an authorized entity of the Government

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Government and Land Reserve Centre are third parties independent of the Company and of the connected persons (as defined in the Listing Rules) of the Company.

Subject matter: The land development in Land I, that is, Pi Xian Xi Pu Town Longzi Wanpian District (郫縣犀浦鎮龍梓萬片區) in Chengdu City (成都市) of the PRC as more particularly defined in Agreement I.

Consideration: Please see below.

Information of the Company, China Mianshi and Land Reserve Centre

The Company acts as an investment holding company. China Mianshi is a subsidiary of the Company. The principal activities of China Mianshi are investment in or of development of land and real estate in the PRC.

Land Reserve Centre is an entity authorized by the Government to deal with resumption, removal, compensation, relocation and reconstruction of the lands in Pi Xian Xi Pu Town (郫縣犀浦鎮) in Chengdu City (成都市) of the PRC.

LETTER FROM THE BOARD

Terms and Conditions of Agreement I

Certain salient terms and conditions of Agreement I are as follows:–

1. China Mianshi and Land Reserve Centre shall jointly develop Land I. The total site area of Land I is approximately 1,400,000 square metres. Cooperation Project I will be implemented in 2 stages, the first stage of which involves approximately 1,102,000 square metres and the second stage, approximately 298,000 square metres.
2. Cooperation Project I involves land development, relocation and construction of city infrastructure (including water supply, drainage, road construction, electricity supply, gas supply, telecommunication set-up, optical fibers connection as well as ground leveling of Land I).
3. Subject to the approval of governmental authority, the intended uses of Land I include city commercial use, living and residential use, administration and office use, educational and cultural use, etc.
4. Land Reserve Centre shall be responsible for, amongst other things, the lawful resumption and purchase of the land use rights in respect of Land I and the relocation arrangements. The title of the land use rights shall continue to be vested in Land Reserve Centre.
5. China Mianshi shall be responsible for, amongst other things, managing and implementing the construction of city infrastructure of Land I.
6. The Cooperation Project I is expected to involve an investment amount of RMB700,000,000 for the first stage, which will be contributed by China Mianshi according to the progress of the Cooperation Project I. China Mianshi has not made any other capital commitment as to the second and last stage of the Cooperation Project I.
7. The duration of Agreement I is 30 months. The auction sale is expected to be held within the duration of Agreement I.

LETTER FROM THE BOARD

8. China Mianshi shall be re-paid by Land Reserve Centre, its investment return out of the proceeds arising from the auction sale of Land I after the development of the city infrastructure. After repayment to China Mianshi of its investment amount under Cooperation Project I, the remaining proceeds from the auction sale shall be distributed between China Mianshi and Land Reserve Centre according to the following calculation:

Whereas “Reference Unit Price (臨界點宗地單價)” is equal to investment amount $\times 50\% \div$ [land area sold $\times 23\% \times (1 - \text{profits tax rate 所得稅稅率})$]

If the unit sale price (before profits tax) is equal to or below the Reference Unit Price, China Mianshi shall be entitled to an investment return (before profits tax) equivalent to the unit sale price \times land area sold $\times 23\%$.

If the unit sale price (before profits tax) is above the Reference Unit Price, China Mianshi shall be entitled to an investment return (before profits tax) equivalent to Reference Unit Price \times land area sold $\times 23\% +$ (unit sale price – Reference Unit Price) \times land area sold $\times 15\%$.

Reasons for and Benefits of the Transaction under Agreement I

The Group is principally engaged in, inter alia, investment in and of development of land and real estate in the PRC. As part of its strategy, the Group has been appraising actively investment opportunities in high-potential investment and attractive businesses in major cities in the PRC.

The Directors are optimistic about the city infrastructure and land development in the PRC, and in particular, Chengdu city which is one the fastest developing cities in the PRC.

The execution of Agreement I marks a further step towards the Company’s investment in the land and property development business in Chengdu of the PRC. It is expected that the transaction under Agreement I will contribute positively to the future development of the Group.

After exercise of due care and diligence and having made reference to the market situation in and the city development of Chengdu City, the Directors consider the terms and conditions of Agreement I, including the consideration, to be fair and reasonable, are on an arm’s length basis and are in the interest of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

Financial Effects of the Transaction under Agreement I

The investment amount of RMB700,000,000 for the first stage of Cooperation Project I will be contributed by China Mianshi according to the progress of the Cooperation Project I and from internal sources. China Mianshi has not made any other capital commitment as to the second and last stage of the Cooperation Project I. It is not expected that any material liability will be assumed by China Mianshi. As the Cooperation Project I is still in its development, it is not expected to have a material effect on the earnings of the Group in the near future.

AGREEMENT II

On 3 January 2007, the Company and Chengdu Zhongtai entered into Agreement II in respect of Land II.

A Summary of Agreement II

Date of Agreement II: 3 January 2007

Parties: (1) the Company
(2) Chengdu Zhongtai

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Chengdu Zhongtai and the ultimate beneficial owners of Chengdu Zhongtai are third parties independent of the Company and of the connected persons (as defined in the Listing Rules) of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Government/Land Reserve Centre and Chengdu Zhongtai are third parties independent of each other.

Subject matter: The real estate development on Land II, that is 2 pieces of land situated at Wen Jiang Xin Cheng District (溫江新城區) in Chengdu City (成都市) as more particularly defined in Agreement II.

Consideration: Please see below.

LETTER FROM THE BOARD

Information of the Company and Chengdu Zhongtai

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

Chengdu Zhongtai is a company incorporated in the PRC, principally engaging in property development business in the PRC.

Terms and Conditions of Agreement II

Certain salient terms and conditions of Agreement II are as follows:–

1. Agreement II is legally binding on the Company and Chengdu Zhongtai and no further formal agreement is required to be entered into.
2. The Company and Chengdu Zhongtai agreed to jointly develop the properties on Land II. The total gross floor area of Cooperation Project II is approximately 700,000 square metres.
3. The Company and Chengdu Zhongtai shall form a project company for the purpose of the Cooperation Project II, with registered capital of RMB200,000,000, and the Company and Chengdu Zhongtai shall respectively hold 70% and 30% of the shares in the project company. The project company shall become a subsidiary of the Company who holds 70% shares therein.
4. The project company shall develop residential and commercial properties on Land II.
5. The Company shall contribute to the project company RMB200,000,000 of which RMB140,000,000 is for the share capital of its 70% share and RMB60,000,000 is the shareholder loan to the project company. Chengdu Zhongtai shall contribute to the project company RMB300,000,000 of which RMB60,000,000 is for the share capital for its 30% share and RMB240,000,000 is the shareholder loan to the project company.
6. The Company shall be solely responsible for, and Chengdu Zhongtai shall not be involved in, the operation and management of the project company.

LETTER FROM THE BOARD

7. Chengdu Zhongtai is now holding the development right of Land II pursuant to a sale of the land use rights grant contract dated 26 December 2006 with 國土資源局 (Land Resources Administration Bureau) and shall be responsible for, amongst other things, transferring the development right of Land II to the project company. The total land cost for Land II is RMB775,438,000 (subject to final verification by the relevant governmental authority) which shall be paid in stages. The total contribution of RMB200,000,000 made by the Company to the project company and RMB300,000,000 made by Chengdu Zhongtai to the project company shall be used by the project company for part payment of the land cost of Land II.
8. Within 24 months from the signing of Agreement II, the Company shall purchase (i) the 30% shares of Chengdu Zhongtai in the project company as well as (ii) the shareholder loan of RMB240,000,000 owing by the project company to Chengdu Zhongtai, at the price of RMB300,000,000 (which is equivalent to the total contribution made by Chengdu Zhongtai) with an additional price of RMB100,000,000. The total capital commitment of the Company under Agreement II is RMB300,000,000. After the purchase of the remaining 30% shares in the project company, the project company shall become a wholly owned subsidiary of the Company and the accounts will be consolidated.

Reasons for and Benefits of the Transaction under Agreement II

The Group is principally engaged in, inter alia, investment in and of development of land and real estate in the PRC. As part of its strategy, the Group has been appraising actively investment opportunities in high-potential investment and attractive businesses in major cities in the PRC.

The Directors are optimistic about the property market and property investment and development in the PRC, and in particular, Chengdu city which is one the fastest developing cities in the PRC.

The execution of Agreement II marks a further step towards the Company's investment in the real property development business in Chengdu of the PRC. It is expected that the transaction under Agreement II will contribute positively to the future development of the Group.

The capital commitment of the Company including the guaranteed additional price of RMB100,000,000 for purchase of the 30% shares in the project company by the Company from Chengdu Zhongtai was agreed after arm's length negotiations between the Company and Chengdu Zhongtai. In considering the reasonableness and fairness of the amount of capital commitment, the Directors have made reference to the market situation in and the city development of Chengdu City and taken account of the increase in value of the 30% share in the project value at around the end of the 24 months' period; and the value of the right of the Company to buy the 30% share of Chengdu Zhongtai.

LETTER FROM THE BOARD

After exercise of due care and diligence and having made reference to the market situation in and the city development of Chengdu City, the Directors consider the terms and conditions of Agreement II, including the consideration, to be fair and reasonable, are on an arm's length basis and are in the interest of the Company and its shareholders as a whole.

Financial effects of the transaction under Agreement II

The total capital commitment of the Company in the sum of RMB300,000,000 for Cooperation Project II will be contributed by the Company from internal sources. It is not expected that any material liability will be assumed by the Company. As the Cooperation Project II is still in its development, it is not expected to have a material effect on the earnings of the Group in the near future.

Further Information

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

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

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained herein 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	3,605,381,390	56.2%

Note: Mr. Li Song Xiao was deemed to be interested in 2,992,751,390 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.

(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 2006	0.90	3,000,000
Liu Yi	4 April 2006	3 April 2006	0.90	16,000,000
	17 November 2006	22 October 2016	0.93	24,000,000
Niu Xiao Rong	4 April 2006	3 April 2016	0.90	16,000,000
	17 November 2006	22 October 2016	0.93	24,000,000
Yuan Kun	4 April 2006	3 April 2016	0.90	8,000,000
	17 November 2006	22 October 2016	0.93	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% 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	2,992,751,390	47.0%
Mr. Li Song Xiao	Long	Interest in corporation (note a)	3,605,381,390	56.2%
Ms. Liu Hui	Long	Spouse (note b)	3,605,381,390	56.2%
Sinoeagle Pacific Limited	Long	Beneficial owner	600,000,000	9.0%
Penta Investment Advisers Ltd.	Long	Investment Manager	319,890,000	5.0%
Mr. John Zwaanstra	Long	Interest in corporation (note c)	319,890,000	5.0%

Notes:

- (a) 2,992,751,390 and 600,000,00 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.
- (b) Ms. Liu Hui is deemed to be interested in 3,605,381,390 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% 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.