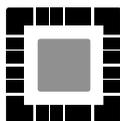

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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).

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.



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 TRANSACTION

DISPOSAL OF 100% EQUITY INTEREST IN

中住佳展地產（徐州）有限公司

(ZHONGZHU JIAZHAN REAL ESTATE (XUZHOU) COMPANY LIMITED)

21 May 2007

* For identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Appendix – General Information	10

DEFINITIONS

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

“Advanteam”	Advanteam Limited, a company incorporated in the British Virgin Islands, being a wholly-owned subsidiary of the Company;
“Agreement I”	sale and purchase agreement entered into by Advanteam and Rotunda dated 26 April 2007 in respect of the 100% shareholding in Well Develop which is holding 90% equity interest in the Project Company, which is legally binding on the parties;
“Agreement II”	sale and purchase agreement entered into by Zhongzhi and Rotunda dated 26 April 2007 in respect of the 10% equity interest in the Project Company, which is legally binding on the parties;
“Announcement”	The announcement issued by the Company dated 3 May 2007;
“Board”	the board of Directors;
“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;
“Completion Date”	30 April 2007;
“Directors”	the directors of the Company;
“Disposal”	the disposal of the 100% equity interest in the Project Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

DEFINITIONS

“Land”	the piece of land situated at 徐州市銅山縣漢王鎮 (Xuzhou Shi Tongshan Xian Han Wang Zhen) with a gross site area of approximately 1,050,000 square metres subject to a sale of land agreement dated 19 October 2005, entered into between 銅山縣國土資源局 (Tongshan Xian Guo Tu Zi Yuan Ju) as the vendor and the Project Company as the purchaser;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Latest Practicable Date”	2 May 2007 being the latest practicable date for ascertaining certain information for inclusion in this circular;
“PRC”	the People’s Republic of China;
“Project Company”	中住佳展地產(徐州)有限公司 (Zhongzhu Jiazhan Real Estate (Xuzhou) Company Limited) incorporated in the PRC;
“Property Development Project”	the property development project named “君臨泉山 (Jun Lin Quan Shan)” to be carried out by the Project Company;
“RMB”	Reminbi, the lawful currency of PRC;
“Rotunda”	Rotunda Group Limited, incorporated in British Virgin Islands of Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands;
“Rotunda’s Nominee Company”	a limited company incorporated or to be incorporated in PRC and beneficially owned by the same owner of Rotunda;
“SFO”	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shares”	ordinary shares of HK\$0.01 each in the issued share capital of the Company;
“Shareholders”	the holders of the Shares;

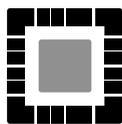
DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Well Develop”	Well Develop Investments Limited (佳展投資有限公司), incorporated in the British Virgin Islands, wholly-owned by Advanteam, being a wholly-owned subsidiary of the Company;
“Zhongzhi”	中置(北京)企業管理有限公司(Zhongzhi (Beijing) Enterprise Management Company Limited) incorporated in the PRC, being a wholly-owned subsidiary of the Company; and
“%”	per cent.

In this circular, unless otherwise indicated, the exchange rates of RMB1.00 = HK\$1.00 has been used for currency translation, where applicable. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rates or at all.

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

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)

Board of Directors

Executive Directors:

Mr. Li Song Xiao (*Chairman*)

Mr. Liu Yi

Ms. Niu Xiao Rong

Mr. Yuan Kun

Ms. Liu Yan

Independent Non-executive Directors:

Ms. Nie Mei Sheng

Mr. Zhang Qing Lin

Mr. Gao Ling

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal Place of Business

Unit 1908-09, 19th Floor,

Office Tower, Convention Plaza,

No.1 Harbour Road, Wanchai,

Hong Kong

21 May 2007

To the Shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

DISPOSAL OF 100% EQUITY INTEREST IN

中住佳展地產（徐州）有限公司

(ZHONGZHU JIAZHAN REAL ESTATE (XUZHOU) COMPANY LIMITED)

INTRODUCTION

In an announcement dated 3 May 2007, the Company announced that the Company's wholly-owned subsidiaries, Advanteam and Zhongzhi entered into Agreement I and Agreement II respectively, which are legally binding on the parties, with Rotunda. By Agreement I and Agreement II, Rotunda and Rotunda's Nominee Company shall acquire 100% equity interest in the Project Company.

* *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 26 April 2007, Advanteam entered into Agreement I with Rotunda in respect of Well Develop.

A Summary of Agreement I

Date of Agreement I: 26 April 2007

Parties: (1) Advanteam
(2) Rotunda

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of Rotunda and its ultimate beneficial owner is a third party independent of the Company and of its connected persons (as defined in the Listing Rules).

Subject matter: 100% shareholding in Well Develop, a wholly-owned subsidiary of the Advanteam, which in turn is holding 90% equity interest in the Project Company, as more particularly defined in Agreement I.

The only asset of Well Develop is the shares in the Project Company.

The Project Company is a limited company incorporated in the PRC on 12 September 2005, with registered capital of RMB100,000,000. Its registered share capital has been fully paid up. The Project Company is carrying out a Property Development Project in Xuzhou (徐州), the PRC. On 19 October 2005, the Project Company entered into a sale of land agreement with 銅山縣國土資源局 (Tongshan Xian Guo Tu Zi Yuan Ju) in respect of the Land in the consideration of RMB672,000,000, and the use of the Land is residential and commercial. The Project Company shall carry out the Property Development Project, which is a mix of residential and commercial properties, on the Land. The only asset of the Project Company is the Property Development Project.

The Directors declare that Well Develop shall cease to be a subsidiary of the Company following the transaction.

Consideration: Please see below.

LETTER FROM THE BOARD

Information of the Company, Advanteam and Rotunda

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

Rotunda is a company incorporated in British Virgin Islands. The principal activity of Rotunda is investment holding.

Terms and Conditions of Agreement I

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

1. Advanteam shall transfer all its 100% shareholding in Well Develop, which in turn is holding 90% equity interest in the Project Company, to Rotunda.
2. Rotunda shall pay HK\$580,000,000 as the consideration under Agreement I in the following manner:

10% of the consideration shall be paid by Rotunda in cash on Completion Date; and the remaining 90% of the consideration shall be paid in the following manner:

- (i) 30% thereof shall be paid on or before 30 May 2007;
 - (ii) 20% thereof shall be paid on or before 30 June 2007;
 - (iii) 20% thereof shall be paid on or before 30 August 2007; and
 - (iv) 20% thereof shall be paid on or before 30 October 2007.
3. Rotunda shall execute a form of Share Mortgage on Completion Date in favour of Advanteam as security for the outstanding 90% consideration payable by Rotunda under Agreement I and the outstanding consideration payable by Rotunda's Nominee Company under Agreement II until they are fully paid. Advanteam and Rotunda may agree from time to time that Rotunda may provide alternative security sufficient to cover the then indebtedness owing by Rotunda and Rotunda's Nominee Company to Advanteam and that the above-mentioned Share Mortgage be discharged immediately thereafter.

LETTER FROM THE BOARD

Reasons for and Benefits of the Transaction under Agreement I

Please refer to below under the item “Reasons for and Benefits of the Transaction under Agreement I and Agreement II”.

Financial Effects of the Transaction under Agreement I

Please refer to below under the item “Financial Effects of the Transaction under Agreement I and Agreement II”.

AGREEMENT II

On 26 April 2007, Zhongzhi entered into Agreement II with Rotunda in respect of all its shareholding in the Project Company, representing 10% equity interest in the Project Company.

A Summary of Agreement II

Date of Agreement II: 26 April 2007

Parties: (1) Zhongzhi
(2) Rotunda

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, each of Rotunda, Rotunda’s Nominee Company and their ultimate beneficial owner is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Subject matter: All the shareholding of Zhongzhi in the Project Company, representing 10% equity interest in the Project Company as more particularly defined in Agreement II.

The Directors declare that the Project Company shall cease to be a subsidiary of the Company following the transaction.

Consideration: Please see below.

LETTER FROM THE BOARD

Information of the Company, Zhongzhi and Rotunda

The relevant information about the Company is provided above under the item “Information of the Company, Advanteam and Rotunda” of “A Summary of Agreement I”.

Zhongzhi is the legal and beneficial owner of 10% equity interest of the Project Company. Zhongzhi is a wholly-owned subsidiary of the Company. Its principal activities are investment holding and/or investment in, or development of, land and real estate in the PRC.

Rotunda is a company incorporated in British Virgin Islands. Rotunda’s Nominee Company is a company incorporated or to be incorporated in PRC. Both Rotunda and Rotunda’s Nominee Company have the same beneficial owner. The principal activities of Rotunda and Rotunda’s Nominee Company are investing holding.

Terms and Conditions of Agreement II

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

1. Rotunda shall nominate Rotunda’s Nominee Company to acquire from Zhongzhi all its shareholding in the Project Company, representing 10% equity interest in the Project Company.
2. Zhongzhi shall transfer all its shareholding in the Project Company to Rotunda’s Nominee Company.
3. Rotunda shall pay RMB90,000,000 as consideration under Agreement II in the following manner:

10% of the consideration shall be paid by Rotunda in cash on Completion Date; and the remaining 90% of the consideration shall be paid in the following manner:

- (i) 30% thereof shall be paid on or before 30 May 2007;
- (ii) 20% thereof shall be paid on or before 30 June 2007;
- (iii) 20% thereof shall be paid on or before 30 August 2007; and
- (iv) 20% thereof shall be paid on or before 30 October 2007.

LETTER FROM THE BOARD

Reasons for and Benefits of the Transaction under Agreement I and Agreement II

The Group is principally engaged in property investment and development in the PRC. As a part of its strategy and as announced previously, the Disposal provides additional funds for the Group to acquire other high-potential investments and attractive businesses in major cities in the PRC. The Disposal also enables the Company to acquire other investments with higher returns and better business opportunities in the PRC. The proceeds from the Disposal will be used as working capital of the Group.

The consideration for the Disposal was arrived at after arm's length negotiations between the respective parties to the Agreement I and the Agreement II. According to an independent valuation of the Land performed on 31 March 2007, the value of the Land was RMB550,000,000. In determining the consideration, the Board has also made reference to the market situation in and the city development of Xuzhou of the PRC and the market value of similar properties in the relevant locations.

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.

Financial effects of the transaction under Agreement I and Agreement II

The Board believes that the proposed Disposal will realise an estimated special gain of approximately HK\$240,800,000 resulting from the sum of HK\$670,000,000 (being the total consideration of the Disposal under Agreement I and Agreement II) less the sum of HK\$429,200,000 (being the total costs of Advanteam and Zhongzhi used in the acquisition and development of the Property Development Project). This special gain may be adjusted when recognized in the Company's income statement for the financial year commencing 1 May 2006 and ending 30 April 2007. The Board estimates that the estimated special gain from the Disposal in the sum of approximately HK\$240,800,000 will result in an increase in the net assets of the Group and has a positive effect on the Group's working capital position.

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	3,668,021,390	53.3%

Note: Mr. Li Song Xiao was deemed to be interested in 3,055,391,390 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
	14 March 2007	06 March 2017	0.98	30,000,000

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	3,055,391,390	44.4%
Mr. Li Song Xiao	Long	Interest in corporation (note a)	3,668,021,390	53.3%
Ms. Liu Hui	Long	Spouse (note b)	3,668,021,390	53.3%
Sinoeagle Pacific Limited	Long	Beneficial owner	600,000,000	8.7%
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) 3,055,391,390 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.
- (b) Ms. Liu Hui is deemed to be interested in 3,668,021,390 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.