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*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities*



**NEO-CHINA GROUP (HOLDINGS) LIMITED**  
**中新集團（控股）有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 563)**

**ISSUE OF 4,000 UNITS CONSISTING OF IN AGGREGATE  
US\$400,000,000 PRINCIPAL AMOUNT 9.75% SENIOR NOTES  
DUE 2014 AND 264,000,000 WARRANTS FOR UP TO  
264,000,000 ORDINARY SHARES OF  
NEO-CHINA GROUP (HOLDINGS) LIMITED  
AND  
RESUMPTION OF TRADING**

Further to the Company’s announcement dated 5th July, 2007, the Company, BOCI Asia Limited and Deutsche Bank Securities Inc. have entered into the Purchase Agreement in connection with the issue of Units consisting of in aggregate US\$400,000,000 principal amount 9.75% Senior Notes due 2014 and 264,000,000 warrants for up to 264,000,000 Shares of Neo-China Group (Holdings) Limited.

\* for identification only

The Notes and Warrants will be immediately separated upon the closing of the offering of Units.

The Notes will be designated for trading in the National Association of Securities Dealers Inc.'s PORTAL Market. Approval in-principle has been received for the listing of the Notes on the SGX-ST. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors or the Notes. No application has been made or will be made to list the Warrants on any securities exchange.

The closing price of the Shares on 12th July, 2007 being the last day of trading was HK\$1.37 and the exercise price per Warrant Share (subject to adjustment) is HK\$1.68.

The Company estimates that the net proceeds from this offering of Units, after deducting the underwriting discount and other estimated expenses payable in connection with this offering of Units, will be approximately US\$391 million. The Company intends to use the net proceeds from this offering of Units to repay existing indebtedness and to acquire new development sites in the PRC, in particular in the cities where the Group currently has operations.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares and convertible bonds (stock code: 2528) was suspended with effect from 9:30 a.m. on 13 July 2007 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 and convertible bonds (stock code: 2528) with effect from 9:30 a.m. on 19 July 2007.

## **INTRODUCTION**

Further to the Company's announcement dated 5th July, 2007, the Company, the Guarantors, BOCI and Deutsche Bank have entered into the Purchase Agreement in connection with the issue of the Units consisting of in aggregate US\$400,000,000 principal amount 9.75% Senior Notes due 2014 and 264,000,000 warrants for up to 264,000,000 Shares of Neo-China Group (Holdings) Limited.

## **Purchase Agreement**

**Date:** 12 July, 2007

**Parties:**

- (a) The Company as the Issuer;
- (b) BOCI and Deutsche Bank, as initial purchasers of the Notes; and
- (c) the Company's subsidiaries (other than those organised in the PRC) as guarantors of the Notes.

BOCI and Deutsche Bank, as joint bookrunners and joint lead managers in respect of the offer and sale of the Units, are the Initial Purchasers of the Units. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of BOCI and Deutsche Bank is an independent third party not connected with the Company or its connected persons.

None of the Notes or the Warrants will be offered to the public in Hong Kong and none of the Notes or the Warrants will be placed to any connected persons of the Company. The issue of the Notes and Warrants were offered to certain institutional investors and will not constitute an offer to the public under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) for which a prospectus within the meaning of the Companies Ordinance is required. The Company will notify the Stock Exchange if any dealings in the Notes and Warrants by any connected persons of the Company come to its attention.

If any of the conditions specified in the Purchase Agreement have not been fulfilled when and as required in the Purchase Agreement, or if any of the certificates, opinions, written statements or letters furnished to the Initial Purchasers pursuant to the Purchase Agreement shall not be in all respects satisfactory in form and substance to the Initial Purchasers, all obligations of the Initial Purchasers thereunder may be terminated by the Initial Purchasers at, or at any time prior to, the closing date. Subject to the foregoing, the Notes and Warrants are expected to be issued on or before the closing date.

Upon the issue of the Units to the Initial Purchasers, the Notes and Warrants comprising the Units will be immediately separated.

The closing date is expected to be on or around 23 July, 2007, New York City time.

## Principal Terms of the Notes

Each Unit will include US\$100,000 principal amount of Notes. A summary of the principal terms of issue of the Notes is set out below.

Issuer	Neo-China Group (Holdings) Limited
Issue Price	US\$100,000 per Unit
Notes Offered	US\$400,000,000 principal amount of fixed rate senior notes
Maturity Date	23 July 2014
Interest	The Notes will bear interest at an annual rate of 9.75% and will be payable semi-annually in arrears on 23 January and 23 July of each year, commencing on 23 January 2008
Ratings	The Notes have been rated B+ stable by Standard & Poor's Rating Services and B1 stable by Moody's Investors Service
Ranking	<p>The Notes:</p> <ul style="list-style-type: none"><li>– will be general obligations of the Company;</li><li>– will be guaranteed by the Subsidiary Guarantors on a senior basis subject to certain limitations as described in the Notes;</li><li>– will be senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;</li><li>– rank pari passu in right of payment with all unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law) with respect to all other assets of the Company; and</li></ul>

- will be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

#### Subsidiary Guarantees

Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.

Each Subsidiary Guarantee will be limited in an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as provided in the Indenture;
- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or

- upon the sale of a Subsidiary Guarantor in compliance with the terms of the Indenture resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture.

The initial Subsidiary Guarantors will consist of all the Restricted Subsidiaries, other than those Restricted Subsidiaries organized under the laws of the PRC.

Any future Restricted Subsidiary (other than subsidiaries organised under the laws of the PRC), will provide a guarantee of the Notes immediately upon becoming a Restricted Subsidiary.

Ranking of the  
Subsidiary  
Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor:

- will be a general obligation of such Subsidiary Guarantor;
- will be effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- will rank at least pari passu with all unsecured, unsubordinated indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law) with respect to all other assets of the Company.

Optional Redemption	At any time before the maturity of the Notes, the Company may redeem the Notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a premium reflecting the present value of the remaining interest that would have occurred from the redemption date to the maturity date and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to 23 July, 2011, the Company may redeem up to 35% of the principal amount of the Notes using proceeds from certain equity offerings at a redemption price of 109.75% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the redemption date.
Repurchase of Notes Upon a Change of Control Triggering Event	No later than 30 days following a Change of Control Triggering Event (as will be defined in the Indenture), the Company must make an offer to repurchase all Notes then outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.  The controlling shareholder of the Company (Invest Gain Limited, a company wholly-owned by Mr. Li Song Xiao the Chairman of the Company), however, is not subject to any specific obligations under the Indenture or the Notes.
Optional Tax Redemption	Subject to certain exceptions and as more fully described in the Indenture, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances.

## Covenants

The Notes, the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company's ability and the ability of its Subsidiary Guarantors, among other things to:

- incur additional indebtedness and issue preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of the Restricted Subsidiaries;
- guarantee indebtedness;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the ability of the Restricted Subsidiaries to pay dividends and transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates;
- effect a consolidation or merger; and
- engage in different business activities.

These covenants are subject to a number of important qualifications and exceptions under the Notes.

## Transfer Restrictions

The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale.

Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$100,000 of principal amount and integral multiples of US\$10,000 in excess thereof and will be initially represented by one or more global Notes registered in the name of a nominee of The Depository Trust Company.
Listings	The Notes will be designated for trading in the National Association of Securities Dealers Inc.'s PORTAL market. Approval in-principle has been received for the listing of the Notes on the SGX-ST. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors or the Notes.
Governing law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York, U.S.A.

The terms of the Covenants were negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved.

## **WARRANTS**

Each Unit will include 66,000 Warrants. A summary of the principal terms of issue of the Warrants as set out below.

Issuer	Neo-China Group (Holdings) Limited.
General	264,000,000 Warrants, which, when exercised, will entitle the holders thereof to be issued up to an aggregate of 264,000,000 ordinary shares of the Issuer (the "Warrant Shares"), which would represent approximately 3.84% of the existing issued share capital of the Issuer and approximately 3.70% of the issued share capital, as enlarged by the issue of all potential Warrant Shares.

The Warrant Shares will be issued under the Company's existing general mandate granted by shareholders of the Company on 25 September, 2006. Since the grant of the general mandate, 813,000,000 Shares have been issued under the general mandate and 331,474,868 Shares remain available for issue under the general mandate. 688,000,000 Shares were issued under the "top up" placing of the Company as announced in November 2006 and 125,000,000 Shares were issued as consideration under the Company's acquisition of a property project in Xuzhou, PRC as announced in February 2007.

Each Warrant initially will be exercisable for up to one Warrant Share, subject to adjustment in certain circumstances.

Exercise Price	The Warrants have an initial notional exercise price, subject to adjustment in certain circumstances (the "Exercise Price"), of HK\$1.68 per share.
Exercise Period	From (and including) the date of issue to (and including) 4:00 pm (Hong Kong time) on 22 July, 2012.
Expiration	Warrants not previously exercised will expire at 4:00 pm (Hong Kong time) on 22 July, 2012.

Cashless Exercise Only      The Warrants will only be exercisable on a cashless basis as follows: Upon exercise, the Warrantholder will be entitled to receive a number of Ordinary Shares equal to (a) the number of Warrants being exercised times (b) the quotient obtained by dividing (x) the excess of the Market Price (as defined below) in effect on the date of exercise over the Exercise Price in effect on the date of exercise by (y) such Market Price. For this purpose, “Market Price” means the volume weighted average traded price of the Ordinary Shares as displayed on Bloomberg or any successor service for the 5 trading days ending on the trading day immediately preceding the date on which the applicable Warrant is exercised. The Warrants will not be exercisable for any Warrant Shares unless the then current Market Price exceeds the then current Exercise Price. No further amount will be payable at the time of the exercise of the Warrants, and the Warrant Shares will be issued as fully paid.

The Warrant Shares will not be issued free of charge. No cash is payable for the Warrant Shares on exercise as the price of the Units includes the whole consideration payable for the Warrant Shares.

The Warrants will be recorded at fair value at initial recognition and change in fair value will be recognised in profit or loss statement until the liability is settled.

Voting Rights                      Holders of the Warrants will not have voting rights in respect of the Warrant Shares.

Listing                                Warrants that are sold to qualified institutional buyers are expected to be eligible for trading in the PORTAL market. The Warrants will not be listed on any stock exchange. An application will be made to the Listing Committee of the Hong Kong Stock Exchange for the listing of and permission to deal in the Warrant Shares to be issued upon the exercise of the Warrants.

Anti-Dilution                      The exercise price and number of Warrant Shares issuable upon exercise of the Warrants are both subject to adjustment in certain cases.

## Adjustments

Subject to certain exceptions as set out below in “Exceptions to adjustments”, the Exercise Price will be subject to adjustment in certain events including:

- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve);
- (iii) a Capital Distribution (as defined in the Warrant Agreement) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares (in their capacity as such);
- (iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its Subsidiaries (as will be defined in the Warrant Agreement);
- (v) an offer or grant by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price per new Share which is less than 90% of the Adjustment Market Price (as defined below));
- (vi) an issue wholly for cash being made by the Company or any other Subsidiary of securities convertible into or exchangeable for or carrying rights or subscription for new Shares, if in any case the Total Effective Consideration (as will be defined in the Warrant Agreement) per Share is less than 90% of the Adjustment Market Price, or the terms of any such issue being altered so that the said total Effective Consideration is less than 90% of such Adjustment Market Price;

- (vii) an issue being made by the Company wholly for cash or Shares (other than pursuant to a share option scheme (as will be defined in the Warrant Agreement), at a price less than 90% of the Adjustment Market Price (calculated as provided in the Warrant Agreement); and
- (viii) a cancellation of any Shares repurchased by the Company (other than on the Hong Kong Stock Exchange or any other stock exchange recognised for such purpose) in circumstances where the directors of the Company consider that it may be appropriate to make an adjustment to the Exercise Price.

“Adjustment Market Price” means the volume weighted average sale price of the Shares for the 5 trading days ending on the trading day immediately preceding the relevant record date or effective date.

### **Exceptions to adjustments**

Except in certain limited circumstances, no adjustment will be made to the Exercise Price in respect of:

- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire shares;
- (ii) an issue of Shares or other securities of the Company or any Subsidiary of the Company wholly or partly convertible into, or carrying rights to acquire, Shares to executive Directors or employees of the Company or any Subsidiaries or their personal representatives pursuant to a share option scheme;
- (iii) an issue by the Company of Shares or by the Company or any Subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;

- (iv) an issue of fully paid Shares by way of capitalisation of all or part of the capital reserve to be established pursuant to the terms and conditions contained in the Warrant Agreement (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or rights to acquire Shares);
- (v) an issue of Shares in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculated as provided in the Warrant Agreement) of such Shares is not more than 110% of the amount of dividends which holders of Shares could elect to or would otherwise receive in cash; and
- (vi) the issue of the Warrants.

Adjustments are to be made in accordance with pre-determined formula under the Warrant Agreement common in warrants of similar kind and are to be determined by the directors of the Company who will exercise due care and act reasonably in determining adjustments.

Governing Law

The Warrants and the Warrant Agreement will be governed by and will be construed in accordance with the laws of the State of New York, U.S.A.

Transfer Restrictions;  
Absence of Public  
Market for the  
Warrants

The Warrants will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. The Warrants will not be offered to the public. The Warrants are transferable without prior approval of the Company. The Company will notify the Stock Exchange as and when it becomes aware of a dealing in Warrants by connected persons of the Company (as defined in the Listing Rules).



## **Use of proceeds**

The Company estimates that the net proceeds from the offering, after deducting the underwriting discount and other estimated expenses payable in connection with the issue of the Notes, will be approximately US\$391 million.

The Company intends to use the net proceeds from the issue of the Units as follows: approximately US\$64 million to repay existing indebtedness and the remainder to acquire new development sites in the PRC, in particular in the cities where the Group currently has operations. Discussions in relation to such proposed acquisition are still ongoing. The proposed acquisitions are in Chengdu, Xian, Tianjin and Beijing where the Group currently has operations.

In the 12 months immediately preceding the date of this announcement, the Company has raised no funds by way of issue of equity securities except for the “top up” placing in November, 2006 under which net proceeds of HK\$770 million were raised and were intended to be used as to approximately HK\$400 million for potential land acquisitions and approximately HK\$250 million for the Group’s projects in Xi’an, PRC and the remaining balance for general working capital. As at the date hereof, all of the proceeds have been used for the Group’s land acquisitions or capital injection into property projects.

## GENERAL

### Changes to shareholding structure

The Company has in issue various rights to require it to issue Shares, being the Other Equity Rights.

The following table shows the effect on the issued share capital of the Company on exercise of the Warrants and Other Equity Rights and assumes no other Shares will be issued at any material time:–

	Before issue of the Units		Immediately after issue of the Units but before exercise of any Warrants and Other Equity Rights		Immediately after issue of the Units and full exercise of the Warrants but before exercise of any Other Equity Rights		Immediately after issue of the Units full exercise of the Warrants and full exercise of all Other Equity Rights	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Li Song Xiao and companies controlled or wholly-owned by him	3,665,021,390	53.3	3,665,021,390	53.3	3,665,021,390	51.3	4,132,613,982 <sup>f</sup>	44.2
<b>Public</b>								
Warrant holders	0	0	0	0	264,000,000	3.7	264,000,000	2.8
Other Equity Rights holders <sup>1</sup>								
– under convertible securities <sup>2</sup>	0	0	0	0	0	0	930,483,785	9.9
– others <sup>3</sup>	0	0	0	0	0	0	820,000,000	8.8
Existing Share holders <sup>5</sup>	3,210,352,950	46.7	3,210,352,950	46.7	3,210,352,950	45.0	3,210,352,950	34.3
<b>Total</b>	<b>6,875,374,340</b>	<b>100.0</b>	<b>6,875,374,340</b>	<b>100.0</b>	<b>7,139,374,340</b>	<b>100.0</b>	<b>9,357,450,717</b>	<b>100.0</b>

*Notes:*

- <sup>1</sup> Other Equity Rights holders may have interests not known to the Company.
- <sup>2</sup> These 930,483,785 Shares may fall to be issued under convertible notes due 2007 and 2011.
- <sup>3</sup> These are (i) 570,000,000 Shares which may fall to be issued under options granted under Chapter 17 share option scheme; and (ii) 250,000,000 Shares which may be issued under the share transfer agreement in relation to the Group's project in Tianjin.
- <sup>4</sup> These include 467,592,592 Shares which are expected to be issued to Invest Gain Limited under the Company's acquisition of a property project in Shanghai.
- <sup>5</sup> According to the register required to be kept by the Company under the Securities and Futures Ordinance ("SFO"), Deutsche Bank Aktiengesellschaft has a long position in 404,080,000 Shares, Deutsche Bank Securities Inc. is a wholly-owned subsidiary of Deutsche Bank Aktiengesellschaft.

Except for the convertible notes due 2007 and 2001, the Company has no other convertible securities for the purposes of Rule 15.02(1) of the Listing Rules. As the Shares to be issued on exercise of Warrants when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights are not expected to exceed 20% of the issued share capital of the Company at the time when the Warrants are issued, the Company is and will be in compliance with Rule 15.02(1) of the Listing Rules.

### **Suspension and Resumption of Trading**

At the request of the Company, trading in the Shares and convertible bonds (stock code: 2528) was suspended with effect from 9:30 a.m. on 13 July 2007 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 and convertible bonds (stock code: 2528) with effect from 9:30 a.m. on 19 July 2007.

This announcement is issued pursuant to the Company's obligations under Rule 13.09 of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

- “Affiliate” with respect to any person, any other person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such person; (2) who is a director or officer of such person or any Subsidiary of such person or of any person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise.
- “BOCI” BOCI Asia Limited
- “Capital Stock” with respect to any person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such person, whether outstanding on the Original Issue Date or issued thereafter;

“Change of Control”

the occurrence of one or more of the following events:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;
- (2) the Company consolidates with, or merges with or into, any person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than certain specified types) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;
- (3) the Permitted Holders are the beneficial owners of less than 35% of the total voting power of the Voting Stock of the Company;
- (4) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

- (5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors elected by a vote of at least two-thirds of the current board of directors or whose nomination for election by the shareholders of the Company was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose nomination was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (6) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event”	the occurrence of both a Change of Control and a Rating Decline.
“China” or “PRC”	the People’s Republic of China. Except where the context requires, geographical references in this announcement to the PRC or China exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Commission”	the Securities and Exchange Commission of the U.S.A.
“Company”	Neo-China Group (Holdings) Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Deutsche Bank”	Deutsche Bank Securities Inc.
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Indenture”	an indenture, to be dated as of the issue date and entered into among the Company, the Subsidiary Guarantors, as guarantors and Citibank, N.A., London Branch, as trustee
“Initial Purchasers”	BOCI and Deutsche Bank
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Guarantor Subsidiaries”	the subsidiaries of the Company established under the laws of the PRC or whose guarantee has been released
“Notes”	US\$400,000,000 in aggregate principal amount of 9.75% senior notes to be issued by the Company
“Original Issue Date”	the date on which the Notes are originally issued under the Indenture
“Other Equity Rights”	rights to subscribe new Shares in the Company being:– <ul style="list-style-type: none"> <li>(1) HK\$1.34 billion in outstanding principal amount of zero coupon convertible bonds due 2011 pursuant to which at the current conversion price, a total of 890,483,785 Shares would fall to be issued;</li> <li>(2) RMB40 million in outstanding principal amount of zero coupon convertible notes due 2007 pursuant to which at the current conversion price, a total of 40,000,000 Shares would fall to be issued;</li> <li>(3) as at the date of this announcement, there are options outstanding under a Chapter 17 employee share option scheme of the Company adopted on 12 December 2002 to subscribe an aggregate of 570,000,000 Shares;</li> </ul>

- (4) the Group entered into a share transfer agreement on 22 January 2007 with independent third parties for the acquisition of the entire equity interest in天津市億嘉合置業有限公司 (Tianjin City Yi Jia He Zhi Ye Company Limited) (amended by an agreement dated 29 June 2007), under which 250,000,000 Shares may be issued or are expected to be issued, subject to shareholders approval and they are included in Other Equity Rights; and
- (5) the Group entered into a sale and purchase agreement on 26 March 2007 with Invest Gain Limited, a company wholly owned by Mr. Li Song Xiao the chairman of the Company, the controlling shareholder of the Company for the acquisition of the entire equity interest in One Alliance Investment Limited, holding the entire equity interest in a property project in Shanghai, under this agreement 467,592,592 Shares are expected to be issued;

“Permitted Holders”

means any or all of the following:

- (1) Li Song Xiao, Invest Gain Limited, Sinoeagle Pacific Limited, (whether directly or indirectly);
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in clauses (1) and (2).

“Purchase Agreement”

an agreement dated 12 July, 2007 entered into between the Company, the Guarantors BOCI and Deutsche Bank in relation to the issue of the Units pursuant to which BOCI and Deutsche Bank will act as the Initial Purchasers of the Units

- “Rating Agencies” (1) Standard & Poor’s Ratings Services and its affiliates and (2) Moody’s Investors Service, Inc. and its affiliates and (3) if either or both shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for either or both, as the case may be.
- “Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption “– Consolidation, Merger and Sale of Assets” in the Purchase Agreement, the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:
- (a) in the event the Notes are rated by both Moody’s and S&P on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;
  - (b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
  - (c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).
- “Restricted Subsidiaries” the meaning ascribed to it in the Indenture

“Securities Act”	the United States Securities Act of 1933, as amended
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary of the Company
“Subsidiary Guarantees”	any guarantees of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor
“Subsidiary Guarantors”	the subsidiaries of the Company which provide a guarantee for the payment of the Notes provided that Subsidiary Guarantors will not include any subsidiaries of the Company established under the laws of the PRC or whose guarantee has been released
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Units”	units, each of US\$100,000 principal amount of Notes and 66,000 Warrants
“US\$”	US dollars, the lawful currency of the United States
“Voting Stock”	with respect to any person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person.
“Warrant Agreement”	the agreement to be entered into to constitute the Warrants

“Warrants” the 264,000,000 Warrants described herein

“Warrants Shares” the Shares issuable on exercise of the Warrants

*As at the date of this announcement, Mr. Li Song Xiao, Mr. Liu Yi, Ms. Niu Xiao Rong, Mr. Yuan Kun and Ms. Liu Yan are the executive Directors and Ms. Nie Mei Sheng, Mr. Zhang Qing Lin and Mr. Gao Ling are independent non-executive Directors.*

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

Hong Kong, 18 July, 2007