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

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

MAJOR TRANSACTION
ACQUISITION OF 100% EQUITY INTEREST IN
珠海市淇州島影視城有限公司
(ZHUHAI CITY QI ZHOU ISLAND MOVIE TOWN COMPANY LIMITED)

THE FIRST ANNOUNCEMENT

Reference is made to the First Announcement issued by the Company on 8 October 2007 in respect of the acquisition of 100% equity interest in 珠海市淇州島影視城有限公司 (Zhuhai City Qi Zhou Island Movie Town Company Limited), a project company established to carry out the Property Development Project named “淇澳島項目 (Qi Ao Island Project)” in Zhuhai city (珠海市), the PRC.

* For identification purpose only

MAJOR TRANSACTION

The First Announcement was issued when the valuation report of the Land (which is the subject matter of the Acquisition) was not yet available to the Company and thus the Acquisition (based on the total consideration of RMB3.1 billion) was classified as a discloseable transaction. The Company received the valuation report of an independent property valuer in respect of the Land on 20 October 2007, which revealed that the value of the Land as at 30 September 2007 was approximately RMB5,500,000,000. Accordingly, pursuant to Rule 14.15 of the Listing Rule, the Acquisition should be a major transaction instead of a discloseable transaction for the purpose of the Listing Rules

As the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, it is subject to the approval by the Shareholders at a general meeting of the Company. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder is required to abstain from voting for the resolution to approve the Acquisition. The Company has accepted a written approval dated 23 October 2007 given by Invest Gain Limited (which holds 3,552,603,982 Shares, representing approximately 47.09% of the issued share capital of the Company) and Sinoeagle Pacific Limited (which holds 60,000,000 Shares, representing approximately 7.59% of the issued share capital of the Company), in respect of the Acquisition pursuant to Rule 14.44(2) of the Listing Rules in lieu of a resolution to be passed at a general meeting.

The Company will despatch a circular in relation to the Acquisition to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares and the convertible bonds (Stock Code: 2528) of the Company was suspended with effect from 9:31 a.m. on 22 October 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 the convertible bonds with effect from 9:30 a.m. on 24 October 2007.

Reference is made to the first announcement issued by the Company on 8 October 2007 (the “First Announcement”) in respect of the acquisition of 100% equity interest in 珠海市淇州島影視城有限公司 (Zhuhai City Qi Zhou Island Movie Town Company Limited), a project company established to carry out the Property Development Project named “淇澳島項目 (Qi Ao Island Project)” in Zhuhai city (珠海市), the PRC. Terms defined in the First Announcement shall have the same meanings when used herein, unless the context otherwise requires.

The First Announcement was issued when the valuation report of the Land (which is the subject matter of the Acquisition) was not yet available to the Company and thus the then classification of the Acquisition as a discloseable transaction was based on the total consideration of the Acquisition of RMB3.1 billion instead of the value of the Land.

The consideration of RMB3.1 billion was agreed upon between the parties to the Acquisition after arm’s length negotiations when the independent valuation of the Land was not yet available. And thus the parties determined the consideration by their own experience with reference to the market situation in, and the city development of, Zhuhai city and the market value of similar properties in the relevant locations, which could be different from professional valuer’s independent valuation.

As at the date of this announcement, there is no change in the terms and conditions of each of the Agreement I and Agreement II.

The Company received the valuation report of an independent property valuer in respect of the Land on 20 October 2007, which revealed that the value of the Land as at 30 September 2007 was approximately RMB5,500,000,000. Accordingly, pursuant to Rule 14.15 of the Listing Rule, the Acquisition should be a major transaction instead of a discloseable transaction for the purpose of the Listing Rules.

As the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, it is subject to the approval by the Shareholders at a general meeting of the Company. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder is required to abstain from voting for the resolution to approve the Acquisition. The Company has accepted a written approval dated 23 October 2007 given by Invest Gain Limited (which holds 3,552,603,982 Shares, representing approximately 47.09% of the issued share capital of the Company) and Sinoeagle Pacific Limited (which holds 60,000,000 Shares, representing approximately 7.59% of the issued

share capital of the Company), in respect of the Acquisition pursuant to Rule 14.44(2) of the Listing Rules in lieu of a resolution to be passed at a general meeting. The respective issued share capital of both Invest Gain Limited and Sinoeagle Pacific Limited are beneficially and wholly owned by Mr. Li Song Xiao, a director of the Company. Invest Gain Limited and Sinoeagle Pacific Limited are closely allied group of Shareholders for the purposes of Rule 14.44(2) and 14.45 of the Listing Rules.

As at the date of this announcement, no accountants' report has been prepared for the Project Company. In the event that the reporting accountants can only give a qualified opinion in the accountants' report of the Project Company, the Company will convene a general meeting for the shareholders' consideration and approval of the Acquisition.

The Company will dispatch a circular in relation to the Acquisition to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares and the convertible bonds (Stock Code: 2528) of the Company was suspended with effect from 9:31 a.m. on 22 October 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 the convertible bonds with effect from 9:30 a.m. on 24 October 2007.

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

Hong Kong, 23 October, 2007

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.