

New Capital

International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1062)

New Capital

INTERIM REPORT 2007

REVIEW OF THE PERIOD

The Board of Directors of New Capital International Investment Limited (the “Company” or “New Capital”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007. The interim report for the six months ended 30 June 2007 has been reviewed by the audit committee and auditors of the Company.

Results

The profit of New Capital International Investment Limited (the “Company” or “New Capital”) and its subsidiaries (“the Group”) for the first half year of 2007 was HK\$302,278 compared to the loss of HK\$2,543,562 for the same period in 2006. The consolidated results, consolidated balance sheet and condensed consolidated cash flow statement of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 6 to 10 of this report.

Liquidity and financial resources

As at 30 June 2007, the cash and bank balance of the Company is HK\$23,559,122 (31 December 2006: HK\$33,461,172). As all the retained cash was placed in Hong Kong Dollars short-term deposits with a major bank in Hong Kong, the Company’s exposure to exchange fluctuations is considered minimal. The Board believes that the Company has sufficient financial resources to meet its immediate investment or working capital requirements.

As at 30 June 2007, the Company had assets of HK\$182,501,179 (31 December 2006: HK\$191,665,423) and no borrowings or long-term liabilities, putting the Company in an advantageous position to pursue its investment strategies and investment opportunities.

Capital structure

There had been no change to the Company’s capital structure for the six months ended 30 June 2007.

Charge on assets and contingent liabilities

As at 30 June 2007, there were no charges on the Company’s assets or any significant contingent liabilities (31 December 2006: Nil).

BUSINESS REVIEW

China's economy grew 11.9% in the second quarter, its Gross Domestic Product (GDP) hitting the highest since 1995. In the first half year of 2007, China's Fixed Asset Investment (FAI) increased by 26.7% year-on-year to RMB4,607.78 billion. The real estate sector witnessed an investment jump of 31.3% to RMB1,114 billion during the period, as compared with 27.9% and RMB848.71 billion in the first half year of 2006.

During the period under review, the Group worked to consolidate the business in accordance with the strategic plan, focusing its efforts and resources to high potential projects. The Group invested in China Property Development (Holdings) Limited ("CPDH") in 2002, representing an equity interest of 33.42%. CPDH holds 100% interest in a Beijing residential development project, the Pacific Town Project (marketed as Richmond Park in Beijing). The profit arising from Phase I development of the Project had been reflected in the financial statements in 2006. Towards the last quarter of 2007, the Project will complete units of 3 blocks of about GFA 51,000 square meters, the profit arising from newly-completed units will be confirmed once tax audit clearance be completed. In the beginning of 2007, the Group acquired two commercial floors of Xing Cheng Building in Wuhan; the acquisition will provide the Group a stable rental income and potential for capital appreciation. In view of the growth of China economy and tourism industry has led to a rapid development in the hotel industry, the Group invested in China Eco-hotel Investments Limited and established a joint venture in Chengdu, Sichuen in March 2007, the Group continued to monitor the plan of the joint venture in building up the economic hotel chain in South West region in China and to realize results.

REVIEW OF EXISTING PORTFOLIO

China Property Development (Holdings) Limited ("CPDH")

The Group invested HK\$78 million in China Property Development (Holdings) Limited ("CPDH") in February 2002. CPDH holds 100% interest in a Beijing residential development project, the Pacific Town Project (marketed as Richmond Park in Beijing). The Group's profit sharing ratio in CPDH is 33.42%.

Richmond Park

The Richmond Park Project, is a 338,000 square meters mixed development project located in the up-market Lido area at the northeastern corner of Beijing outside the Fourth Ring Road. Popular amongst foreigners, major hotels and international schools are situated within the area. With convenient access to major expressways and roads, the Beijing International Airport, CBD and Yansa Business District are all within 10 minutes drive by car.

Phase I of Richmond Park consists of three buildings of high-rise apartments and one clubhouse building. The residential units of Phase I had been completed and delivered to buyer for occupancy in late April 2006. The profit has been recorded in the financial statements at the end of 2006.

Phase II-A consists of two buildings, A4 and A5. The construction for building A4 and A5 has been substantially completed and the project development company is working on the adjustment and maintenance works. It has started handover of the 144 units to buyers by the end of August.

Phase III has one building of B5. The external wall tiling of building B5 is finished and the internal decoration is on-going. It is scheduled to hand over to buyers in October 2007.

Tax clearance for the buildings A4, A5 and B5 will be done immediately after the handover and profits can be ascertained accordingly.

Building A6 of Phase II-B is condo offices and retail. The project company expects to resettle the remaining one household and starts construction at the end of September. Phase IV consists of building B6, which is over 24,000 square meters low rise apartment units, and is on the stage of preparation for resettlement and land clearance.

Wuhan Xing Cheng Buildings

Wuhan city is the capital of Hubei Province, a central metropolitan in the middle reaches of Yangtze River, national pivotal industrial base in Central China.

Wuhan Xing Cheng Building is a commercial building situated at the city centre of Jianghan District of Wuhan, it is at proximity to shopping malls, luxury residential apartments and commercial buildings. Wuhan Xing Cheng Building has 16 floors, the underground floor is public areas and car parks. The first and second floors are areas for shopping purposes, the third to fifteen floors are commercial offices.

The Group has acquired Profit Harbour Industries Limited, a company registered in Hong Kong, which holds the two retails floors, Level 1 and Level 2 of Wuhan Xing Cheng Building, and is leased out to CITIC Bank and Beijing Illinois. This acquisition provides a guaranteed rental yield of 8% per year to the Group.

China Eco-hotel Investments Limited

In December 2006, the Group entered into agreement to establish China Eco-hotel Investments Limited ("China Eco-hotel") to invest in Anyi (Sichuan) Hotel Development Company Limited ("Anyi"). Anyi is a cooperative joint venture of China Eco-hotel with Sichuan Mishan Investment Limited ("Mishan") to operate and manage economic hotel business in China. Mishan is one of the leading hotel investment and hotel management companies in Chengdu, China, it will provide experience and professional management to the joint venture. Mishan currently operate 4 economy hotels in Chengdu under the "Anyi 158" brand. The new joint venture is to expand the Anyi network to other cities in the South West region.

The government approval and the business license of the joint venture company had been obtained on 9 March 2007. The company is pending decision from the board to start operation, the commencement of business of the company is affected by temporary out of service of its key management staff.

Beijing Far East Instrument Co., Ltd. ("Far East")

Based on the unaudited management account as at 30 June 2007, the revenue and profit of Far East reached RMB168 million and RMB9.46 million, it represented 34% and 4% growth respectively as compared to the same period in 2006. The profitability of Far East did not increase correspondently with the increase in sales. It reflects Far East's production composition is still focused in traditional electrical products and assembly of third party products. The production shift to self-developed products is still to show result.

In March 2002, The Group entered into a conditional agreement to sell 9% out of its equity interest in Far East to Beijing Capital Group for a consideration of approximately RMB14 million, payable over a term of 5 years. The conditional sale agreement expired in March 2007, the conditions of the disposal and the settlement of the consideration had not been satisfied, Beijing Capital Group was required to transfer back the equity interest in Far East in relation to the unpaid portion of the consideration to the Group. The Group keeps to its plan to seek strategic buyer to take over the 9% equity interest in Far East and to realize the sale proceeds.

Quoted investment

On 24 October 2005, the Company subscribed 3,954,000 shares of China Construction Bank Corporation – H shares (“China Construction Bank”) at HK\$2.35 per share. The Company has disposed the remaining 1,000,000 shares of China Construction Bank in January 2007. The disposal contributed a gain of approximately HK\$2.45 million to the Group.

The Group has also disposed the remaining 2,190,000 shares of Skyworth Digital Company Limited (“Skyworth”) in March and April 2007. The disposal produced a gain of approximately HK\$0.252 million to the Group.

FUTURE PROSPECTS

The recent interest rate rise and a series of macroeconomic measures in China have better regulated the overheated market in China, and will benefit the economic development and the property market in the long run. With the robust economic development and appreciation of Renminbi, there are new emerging high-growth industries and regions in China. Recently in China, the demand for small, economic and friendly hotels has become more popular. The economic development in Central and Western China has gone ahead in a faster pace to the coastal regions. The Group is confident that through its extensive network, experience and market knowledge, it can achieve better shareholder returns by diversifying into different sectors and industries, and sourcing potential projects with attractive development opportunities. Looking forward, the Board of the Company is optimistic on the future prospects of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Six months ended 30 June	
		2007	2006
		HK\$	HK\$
	<i>Notes</i>	(unaudited)	(unaudited)
Turnover	4	591,217	592,645
Other gain		75,134	10,682
Operating expenses		(5,149,896)	(5,350,221)
Share of profits of associates		1,182,407	866,457
Share of profit of a jointly controlled entity		902,409	–
Gain on disposal of securities held for trading		–	1,336,875
Gain on disposal of available-for-sale securities	5	<u>2,701,007</u>	<u>–</u>
Profit (loss) for the period	6	<u><u>302,278</u></u>	<u><u>(2,543,562)</u></u>
Earnings (loss) per share			
Basic	9	<u><u>0.049 HK cent</u></u>	<u><u>(0.403) HK cent</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

		At 30 June 2007 HK\$ (unaudited)	At 31 December 2006 HK\$ (audited)
Non-current assets			
Property, plant and equipment	10	277,117	365,687
Interest in associates	11	93,201,335	110,856,719
Interest in jointly controlled entities	12	21,825,699	–
Available-for-sale securities	13	–	6,636,300
Investment deposit	14	–	29,284,932
		115,304,151	147,143,638
Current assets			
Amount due from a jointly controlled entity	15	10,648,344	–
Dividend receivable from an associate		21,606,409	–
Other receivables		13,293,302	12,713,975
Bank balances	16	23,559,122	33,461,172
		69,107,177	46,175,147
Current liabilities			
Other payables		1,910,149	1,653,362
Net current assets		67,197,028	44,521,785
Total assets less current liabilities		182,501,179	191,665,423
Capital and reserves			
Share capital	17	6,200,940	6,202,140
Reserves		176,300,239	185,463,283
		182,501,179	191,665,423
Net asset value per share	19	0.294	0.309

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company							
	Share capital	Share premium	Special reserve	Exchange reserve	Fair value reserve	Capital redemption reserve	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2007	6,202,140	177,760,966	382,880,958	5,951,002	2,291,500	269,000	(383,690,143)	191,665,423
Changes in fair value of available-for-sale securities	-	-	-	-	409,507	-	-	409,507
Exchange differences on translation of financial statements of PRC associates	-	-	-	2,768,618	-	-	-	2,768,618
Net income for the period recognised directly in equity	-	-	-	2,768,618	409,507	-	-	3,178,125
Profit for the period	-	-	-	-	-	-	302,278	302,278
Transfer to profit or loss on disposal of available-for-sale securities	-	-	-	-	(2,701,007)	-	-	(2,701,007)
Total recognised income and expense for the period	-	-	-	2,768,618	(2,291,500)	-	302,278	779,396
Repurchase of shares	(1,200)	-	-	-	-	1,200	(1,200)	(1,200)
Premium on repurchases of shares	-	-	-	-	-	-	(20,936)	(20,936)
2006 final dividend (note)	-	(9,921,504)	-	-	-	-	-	(9,921,504)
At 30 June 2007	<u>6,200,940</u>	<u>167,839,462</u>	<u>382,880,958</u>	<u>8,719,620</u>	<u>-</u>	<u>270,200</u>	<u>(383,410,001)</u>	<u>182,501,179</u>

Attributable to equity holders of the Company

	Share capital	Share premium	Special reserve	Exchange reserve	Fair value reserve	Capital redemption reserve	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2006	6,471,140	177,760,966	382,880,958	4,048,753	3,590,945	-	(403,747,290)	171,005,472
Changes in fair value of available-for-sale securities	-	-	-	-	(340,250)	-	-	(340,250)
Exchange differences on translation of financial statements of PRC associates	-	-	-	184,203	-	-	-	184,203
Net expenses for the period recognised directly in equity	-	-	-	184,203	(340,250)	-	-	(156,047)
Loss for the period	-	-	-	-	-	-	(2,543,562)	(2,543,562)
Total recognised income and expense for the period	-	-	-	184,203	(340,250)	-	(2,543,562)	(2,699,609)
Repurchase of shares	(238,300)	-	-	-	-	238,300	(238,300)	(238,300)
Premium on repurchase of shares	-	-	-	-	-	-	(4,892,090)	(4,892,090)
At 30 June 2006	<u>6,232,840</u>	<u>177,760,966</u>	<u>382,880,958</u>	<u>4,232,956</u>	<u>3,250,695</u>	<u>238,300</u>	<u>(411,421,242)</u>	<u>163,175,473</u>

Note: Pursuant to a resolution passed in the annual general meeting dated 28 May 2007, a final dividend of HK1.6 cents per share, amounting to HK\$9,921,504, for the year ended 31 December 2006, was paid and distributed out of the share premium account.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	HK\$	HK\$
	(unaudited)	(unaudited)
Net cash from (used in) operating activities	3,100,583	(3,430,689)
Net cash used in investing activities		
Purchase of property, plant and equipment	(4,800)	(23,500)
Investment in a jointly controlled entity	(10,100,000)	–
Proceeds from disposal of available-for-sale securities	7,045,807	–
	(3,058,993)	(23,500)
Net cash used in financing activities		
Dividend paid	(9,921,504)	–
Repurchase of shares	(22,136)	(5,130,390)
	(9,943,640)	(5,130,390)
Net decrease in cash and cash equivalents	(9,902,050)	(8,584,579)
Cash and cash equivalents at 1 January	33,461,172	38,967,253
Cash and cash equivalents at 30 June	23,559,122	30,382,674

NOTES OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007 (Unaudited)

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for the Group's financial year beginning on 1 January 2007. The adoption of these new HKFRSs has had no material effect on how the results or financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been recognised.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

⁵ Effective for annual periods beginning on or after 1 November 2006.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions ²
HK(IFRIC) – INT 12	Service concession arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's principal activities are holding of equity investments primarily in companies or other entities with significant business interests or involvement in the People's Republic of China ("the PRC") as a single business segment. No geographical segment information is presented as the results of the Group and its associates were substantially derived from the PRC.

4. TURNOVER

Turnover represents interest income and dividend income from available-for-sale securities and is analysed as follows:

	Six months ended 30 June	
	2007	2006
	HK\$	HK\$
Interest income from deposits with banks	591,217	492,645
Dividend income from available-for-sale securities	–	100,000
	<u>591,217</u>	<u>592,645</u>

5. GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE SECURITIES

	2007			
	Skyworth Digital Holdings Limited ("Skyworth Digital")	China Construction Bank Corporation ("CCB")	Total	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Sales proceeds, net of expenses	2,223,183	4,822,624	7,045,807	–
Original cost	<u>(1,971,000)</u>	<u>(2,373,800)</u>	<u>(4,344,800)</u>	<u>–</u>
	<u>252,183</u>	<u>2,448,824</u>	<u>2,701,007</u>	<u>–</u>

The gain on disposal for the period included HK\$2,701,007 which was transferred from the fair value reserve.

6. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after crediting (charging):

	Six months ended 30 June	
	2007	2006
	HK\$	HK\$
Other gain:		
Net exchange gain	15,134	10,674
Sundry	60,000	8
	<u>75,134</u>	<u>10,682</u>
Operating expenses:		
Administrative fees <i>(note)</i>	–	(396,712)
Custodian fee <i>(note)</i>	(31,669)	(25,000)
Depreciation	(93,370)	(87,334)
Legal and secretarial fees	(305,882)	(68,737)
Investment management fees <i>(note)</i>	(150,000)	(2,158,262)
Project management fees <i>(note)</i>	(936,250)	–
Staff costs	(1,466,249)	(655,741)
Other operating expenses	(2,166,476)	(1,958,435)
	<u>(5,149,896)</u>	<u>(5,350,221)</u>

Note:

Administrative fees were paid to Orangefield Management (Hong Kong) Limited (formerly known as ING Management (Hong Kong) Limited), a wholly owned subsidiary of ING Groep N.V. until 30 June 2007. The administrative fee was charged at a fixed amount per annum. The Company terminated these administrative fees with Orangefield Management (Hong Kong) Limited in the previous year. ING Groep N.V. was a substantial shareholder of the Company until 29 December 2006.

On 20 September 2006, the Group entered into a custodian agreement with Orangefield Management (Hong Kong) Limited. The Group paid custodian fee of HK\$31,669 to Orangefield Management (Hong Kong) Limited in the current period.

6. PROFIT (LOSS) FOR THE PERIOD *(continued)*

Note: (continued)

Project management fees are paid to ZY International Project Management Limited. The Company has paid ZY International Project Management Limited a lump sum compensation in respect of the project consultancy and management services. ZY International Project Management Limited is a related party of the Company, in which a director of the Company is the shareholder of ZY International Project Management Limited.

Investment management fees were paid to ING Real Estate (Asia) Limited, a wholly owned subsidiary of ING Groep N.V. The management fee is calculated at the rate of 2% per annum of the net asset value of the Company. On 21 August 2006, the Company entered into a new investment management agreement with an independent party and the fee is charged at a fixed amount per annum. The new investment management agreement was effective on 1 September 2006 with an initial term of three years. The management fees paid to ING Real Estate (Asia) Limited was terminated on 31 August 2006.

7. TAXATION

No provision for Hong Kong Profits Tax has been made for the periods ended 30 June 2007 and 2006 as the Group has no assessable profits for both periods. There is no significant unprovided deferred taxation during the period or at the balance sheet date.

8. DIVIDENDS

A final dividend of HK1.6 cents per share for the year ended 31 December 2006 was paid by the Company pursuant to a resolution passed in the annual general meeting on 28 May 2007.

No dividend was paid or declared by the Company in prior period.

9. EARNINGS (LOSS) PER SHARE

The calculation of the earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2007	2006
	HK\$	HK\$
Earnings (loss) for the purpose of earnings (loss) per share	<u>302,278</u>	<u>(2,543,562)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of earnings (loss) per share	<u>620,100,629</u>	<u>630,513,503</u>

No diluted earnings per share has been presented as there were no potential ordinary shares for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group spent HK\$4,800(30.6.2006: HK\$23,500) on acquisition of property, plant and equipment.

11. INTEREST IN ASSOCIATES

	At	At
	30 June	31 December
	2007	2006
	HK\$	HK\$
Share of net assets	<u>93,201,335</u>	<u>110,856,719</u>

11. INTEREST IN ASSOCIATES *(continued)*

(a) China Property Development (Holdings) Limited ("CPDH")

- (i) The Group has a 33.42% equity interest in CPDH and holds 20.49% of the voting rights in CPDH. CPDH, through its wholly owned subsidiaries, Sound Advantage Limited ("Sound Advantage") and Choice Capital Limited ("Choice Capital"), acquired an 80% equity interest in World Lexus Pacific Limited ("World Lexus") in 2002. World Lexus' sole asset is a wholly owned PRC subsidiary, Beijing Pacific Palace Real Estate Development Co Ltd ("Beijing Pacific Palace"), which is engaged in a property development project at the Lido area of Jiangtai Town, Chaoyang District, Beijing, the PRC ("Pacific Town project").

The Pacific Town project is a medium density residential area with a mixed development of high rise apartments and villas. The development of the project will be carried out in several phases. The completion certificate for Phase I was obtained and the sales of properties in Phase I was recognised in the year ended 31 December 2006. Pre-sale of the properties of Phase IIA and Phase III commenced in September 2005 and December 2005, respectively. The construction of Phase II-A and III will be completed soon and are scheduled to hand over to buyers in the third quarters of 2007.

- (ii) As disclosed in the 2006 annual report, World Lexus and Beijing Pacific Palace, had contingent liabilities in respect of certain breaches of equity transfer agreement with the former minority shareholder of World Lexus and legal proceedings against a consultancy company respectively.

These claims are currently the subject of arbitration proceedings. The first hearing of arbitration proceedings ended on 20 April 2007 and the second hearing is scheduled to take place in May 2008.

The directors of the Company, after considering the status of the above litigations and claims and the information provided by the directors of CPDH and World Lexus, are of the opinion that no provision or additional impairment loss is required to be made in the financial statements of the Group's associates which are used for equity accounting in the financial statements of the Group. The directors of the Company are of the opinion that there will be no further contingent liabilities in respect of the arbitration proceedings.

11. INTEREST IN ASSOCIATES *(continued)*

(b) Beijing Far East Instrument Company Limited ("Beijing Far East")

In March 2002, the Group entered into a conditional agreement with Beijing Capital Group pursuant to which, the Group agreed to sell an equity interest of 9% in Beijing Far East for a consideration of approximately RMB14 million, subject to the fulfilment of certain conditions. The consideration is payable over a period of 5 years. Up to 31 December 2006, the disposal has not been accounted for as the conditions have not been satisfied, including the settlement of the consideration. According to the agreement between the Group and Beijing Capital Group, Beijing Capital Group is required to transfer back the equity interest in Beijing Far East in relation to the unpaid portion of the consideration to the Group upon the expiry of the 5-year period ending 31 December 2006. The Group continues to account for the share of profit or loss attributable to the portion of equity interest for which the consideration has not been settled. As such, although the conditional agreement was expired during the period, the Group has accounted for 35% of the result of Beijing Far East for the period. The Group is negotiating with Beijing Capital Group on the resolution of the transfer of 9% equity interest and no agreement has been reached up to the date of interim financial information are authorised for issue by the directors. A director of the Company is also a member of the key management of Beijing Capital Group.

12. INTEREST IN JOINTLY CONTROLLED ENTITIES

	At	At
	30 June	31 December
	2007	2006
	HK\$	HK\$
Share of net assets	<u>21,825,699</u>	<u>–</u>

(a) Profit Harbour Industries Limited

During the period, the Group entered into an agreement ("Agreement") with the vendor of the investment deposit as set out in note 14 to settle the outstanding investment deposits by transfer of equity interest of Profit Harbour which holds certain investment properties in the PRC.

Profit Harbour has an authorised and issued share capital of HK\$10,000 divided into 300 ordinary shares, 9,000 non-voting ordinary shares and 700 redeemable voting deferred shares of HK\$1 each.

12. INTEREST IN JOINTLY CONTROLLED ENTITIES *(continued)*

(a) Profit Harbour Industries Limited (continued)

In accordance with the Agreement, the Group acquired 300 ordinary shares and 9,000 non-voting ordinary shares of HK\$1 each of Profit Harbour and loan of principal amount of HK\$10,637,254 due and owing by Profit Harbour to the vendor, and the considerations were fully and validly made by way of settlement against the sum of HK\$29,284,932 of the investment deposit.

The Group's profit sharing ratio and proportion of voting rights in Profit Harbour are 100% and 30% respectively.

The vendor then provided a minimum annual rental guarantee from the existing tenancies of those investment properties in the PRC. The vendor also granted the Group an option to require the vendor to purchase all of the Group's legal and beneficial interest in and loan due from Profit Harbour at any time from 1 January 2011 to 31 December 2011, at a pre-determined consideration set out in the Agreement.

The directors considered that the interest in jointly controlled entity would be recoverable from the Group's attributable interest derived from these investment properties in the PRC, and accordingly, no impairment loss for the investment in and amount due from a jointly controlled entity is recognised at 30 June 2007.

(b) China Eco-Hotel Investments Limited ("China Eco-Hotel")

The Group entered into an agreement to set up a jointly controlled entity, China Eco-Hotel to invest in Anyi (Sichuan) Hotel Development Co., Ltd. ("Anyi"). China Eco-Hotel was incorporated in January 2007 with authorised capital of HK\$20,200,000 divided into 10,100,000 ordinary shares of HK\$1 each and 10,100,000 non-voting shares of HK\$1 each. The Group subscribed for 3,030,000 ordinary shares and 7,070,000 non voting shares for a total consideration of HK\$10,100,000 while the Group is entitled to 50% of the equity interest in China Eco-Hotel with 30% voting rights in its shareholders' meetings.

Anyi is a sino foreign equity joint venture company incorporated in the PRC in March 2007 to operate and manage budget hotel businesses in the PRC. China Eco-Hotel subscribed for an equity interest of 90.9% in Anyi for a total consideration of RMB20,000,000.

Anyi has not yet commenced business up to the date of the interim financial information are authorised for issue by the directors.

13. AVAILABLE-FOR-SALE SECURITIES

	At	At
	30 June	31 December
	2007	2006
	HK\$	HK\$
Listed investments, cost	–	4,344,800
Fair value adjustments	–	2,291,500
	<u>–</u>	<u>6,636,300</u>
	<u>–</u>	<u>6,636,300</u>

The amount represented the Group's investments in Skyworth Digital and CCB. These shares are listed in the Stock Exchange. During the period, these shares were disposed of as set out in note 6.

14. INVESTMENT DEPOSIT

The amount represented the purchase consideration paid to acquire a 15% equity interest in a joint venture entity in the PRC in 2003 pursuant to a purchase agreement dated 10 November 2003. The PRC joint venture entity is engaged in the development of residential properties at the Taiyanggong Zone F in Beijing, the PRC. The purchase agreement has expired as the equity transfer was not effected by 31 October 2004 due to a delay.

According to a settlement agreement dated 10 May 2005, the investment deposit of HK\$35 million plus compensation would be refunded by the vendor in two instalments on 30 June 2005 and 31 December 2005. The first instalment of HK\$5.7 million was received in July 2005 and accounted for as a partial repayment of the investment deposit in the financial statements.

The vendor did not pay the final instalment due on 31 December 2005. During the period, the Group entered into an agreement with the vendor for the transfer of an equity interest in a jointly controlled entity which holds certain investment properties in the PRC to settle the remaining balance of the investment deposits.

Details of the jointly controlled entity are set out in note 12.

15. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount is interest-free, unsecured and repayable on demand. Details of the amount is set out in note 12.

16. BANK BALANCES

	At 30 June 2007 HK\$	At 31 December 2006 HK\$
Deposits with banks	22,063,198	15,500,976
Cash at bank	1,495,924	17,960,196
	<u>23,559,122</u>	<u>33,461,172</u>

Deposits with banks represent fixed deposits with maturity within 3 months from initial inception.

17. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 31 December 2006 and 30 June 2007	<u>12,000,000,000</u>	<u>120,000,000</u>
Issued and fully paid:		
At 1 January 2007	620,214,000	6,202,140
Repurchase of shares	<u>(120,000)</u>	<u>(1,200)</u>
At 30 June 2007	<u>620,094,000</u>	<u>6,200,940</u>

The Company repurchased its own shares on the Stock Exchange as follows:

Month	Number of shares	Price per share		Aggregate consideration HK\$
		Lowest HK\$	Highest HK\$	
January 2007	<u>120,000</u>	<u>0.182</u>	<u>0.185</u>	<u>22,136</u>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against accumulated losses. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated losses to the capital redemption reserve.

18. EQUITY COMPENSATION BENEFITS

The Company operates a share option scheme under which the Board of Directors may grant options to employees, including directors, of the Company and its subsidiaries to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share of the Company.

There were no options granted under the new share option scheme of the Company during the period or outstanding options as at 30 June 2007.

19. NET ASSET VALUE PER SHARE

The net asset value per share as at 30 June 2007 is computed based on the consolidated net assets of HK\$182,501,179 as at 30 June 2007 (31 December 2006: HK\$191,665,423) and 620,094,000 ordinary shares in issue as at 30 June 2007 (31 December 2006: 620,214,000 ordinary shares).

20. RELATED PARTY TRANSACTIONS

(a) During the period, the Group paid certain management fees and expenses to its related companies, the details of which are set out in note 6 on this interim financial report.

(b) The Group paid key management personnel compensation as follows:

	Six months ended 30 June	
	2007	2006
	HK\$	HK\$
Salaries and other short-term		
employee benefits	747,500	652,741
Retirement scheme contributions	6,000	3,000
	<u>753,500</u>	<u>655,741</u>

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 6 to 22, which comprises the condensed consolidated balance sheet of New Capital International Investment Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

17 September 2007

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to the Directors, as at 30 June 2007, the persons/companies who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Names	No. of Shares	Approximate % of shareholding
Lin Si Yu (<i>note 1</i>)	107,600,000	17.35
Sense Control International Limited (<i>note 1</i>)	107,600,000	17.35
Dover VI Associates, LLC (<i>note 2</i>)	105,800,000	17.06
Dover VI Associates, L.P. (<i>note 2</i>)	105,800,000	17.06
Dover SPING GP LLC (<i>note 2</i>)	85,140,000	13.73
Dover SPING L.P. (<i>note 2</i>)	85,140,000	13.73
Dover Street VI L.P. (<i>note 2</i>)	20,660,000	3.33

Note:

1. Sense Control International Limited is beneficially and wholly owned by Mr. Lin Si Yu. Mr. Lin Si Yu is therefore deemed to be interested in the same parcel of shares held by Sense Control International Limited.
2. (a) The 85,140,000 shares were held by Dover SPING L.P. Dover SPING GP LLC, which has controlling interest in Dover SPING L.P., is therefore deemed to be interested in the same parcel of shares held by Dover SPING L.P.
- (b) The 20,660,000 shares were held by Dover Street VI L.P.

- (c) Dover VI Associates, LLC has controlling interest in Dover VI Associates L.P. and Dover VI Associates L.P. has controlling interest in Dover SPING GP LLC and Dover Street VI L.P.. Both Dover VI Associates, LLC and Dover VI Associates L.P. are therefore deemed to be interested in the 85,140,000 shares held by Dover SPING L.P. and the 20,660,000 shares held by Dover Street VI L.P..

SHARE OPTION SCHEME

A share option scheme was adopted by the Company effective 13 April 2005 under which the board of directors of the Company may, at its discretion, grant to any director, employee, executive or officer of the Company, or any director, employee, executive of any subsidiaries from time to time of the Company, to subscribe for the Company's shares.

As at 30 June 2007, no option was granted since the adoption of the Share Option Scheme. There are no share options outstanding as at 30 June 2007.

INTERIM DIVIDEND

The Board of Directors does not recommend payment of interim dividend for the period ended 30 June 2007 (2006: nil).

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2007, there were no charges on the Company's assets or any significant contingent liabilities (31 December 2006: Nil).

EMPLOYEE

As at 30 June 2007, the Group had six employees. Basic salary, discretionary bonus and mandatory provident fund scheme are provided to these employees.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors. This Committee acts in an advisory capacity and makes recommendations to the Board. It met on 14 September 2007 to review the Group's 2007 interim results before it was tabled for the Board's approval.

REMUNERATION COMMITTEE

The Remuneration Committee is headed by Mr. Liu Xiao Guang, the Chairman of the Board. The other members of the Remuneration Committee are the three Independent Non-executive Directors, Mr. To Chun Kei, Mr. Kwong Chun Wai Michael and Mr. Fung Tze Wa .

PURCHASE, SALE OR REDEMPTION OF SHARES

As at 30 June 2007, 120,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$0.182 to HK\$0.185 per share through The Stock Exchange of Hong Kong Limited and all of the repurchased shares were subsequently cancelled.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2007, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings and that the chairman of the board did not attend the annual general meeting of the Company held on 28 May 2007 due to business commitment.

COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Code"). Having made specific enquiry by the Company, all Directors confirmed that they had complied with the required standards as set out in the Code during the period.

DIRECTORS

As at the date hereof, the Board is comprised of Mr. Liu Xiao Guang, Mr. Lawrence H. Wood, Mr. Cheng Bing Ren, Mr. Liu Xue Min and Mr. Shi Tao as Executive Directors, Mr. To Chun Kei, Mr. Kwong Chun Wai Michael and Mr. Fung Tze Wa as Independent Non-executive Directors.

By Order of the Board

Liu Xiao Guang

Chairman

Hong Kong, 17 September 2007