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 2005. The interim report for the six months ended 30 June 2005 has been reviewed by the audit committee and auditors of the Company.

The loss of the Group for the first half of 2005 was HKD5,896,648 compared to the profit of HKD7,006,369 for the same period in 2004. The consolidated results, consolidated balance sheet and condensed consolidated cash flow statement of the Group, all of which are unaudited, along with the explanatory notes, are set out on pages 7 to 29 of this report.

Business Development

China saw a rapid economic growth registering a value-added industrial output totaled Rmb3,227 billion in the first six months of 2005, up 16.4% yoy. Over the same period, China recorded a trade surplus of USD40 billion, with exports reaching USD342 billion, up 32.7% yoy while imports rose by 14.0% yoy to USD303 billion. China's GDP increased by 9.5% yoy in the first half year of 2005 to Rmb6,742 billion.

During the first half year of 2005, Fixed Asset Investment in Beijing reached Rmb97.7 billion, up 14.4% yoy. Real estate investment which accounted for 54.2% of Fixed Asset Investment totaled Rmb53 billion during the period, up 8.1% yoy. Over the same period, new building starts totaled 8.9 million sq m, down 23% yoy, of which new residential buildings amounted to 5.9 million sq m, down 31.7% yoy. This slowdown highlights the effects of the government's new tighter financing policies and other property related regulations.

The leasing residential market in Beijing continued to be active with increasing number of expatriates entering the city, triggering strong demand for luxury housing. In general, multinational companies engaged in the energy, automobile and communication fields were most active in bringing in the expatriates as their business expanded. From the supply perspective, some high quality projects were completed and ready for occupation, including Fortune Plaza Phase I, Central Park Phase II and Windsor Avenue.

Being attracted by the high return and strong market momentum, an increasing number of foreigners and overseas Chinese were buying residential properties in Beijing for investment and self-occupation purposes. The newly released regulation, which became effective 1 June, requires residential property owners pay a 5% business tax on the total price of the property that have been held for less than two years. As a result, some landlords have changed their investment strategy, from a short-term hold-and-sell strategy to a mid-term renting strategy. Nevertheless, it appears that Beijing has not been as affected by the policy as other cities like Shanghai, since the market is mainly driven by owner-occupier purchases. The government has issued several regulations to calm the real estate market in 2005. Thus far, transactions of high-end properties have decreased, although the average price of these properties has increased by 1.8% during the second quarter.

The recent measures had minor impact on the Beijing real estate market, evidenced by the market's response to Richmond Park Project. Pre-sales of building A2 in Phase I was launched on 24 June 2005, priced at an average selling price of Rmb12,000 per sq m inclusive of luxurious fitment. A2 is comprised of 22 apartment units with an average size ranging from approximately 191 to 324 sq m. It was well received by the market, in which 9 out of 22 units (40%) were booked within a one week period.

The Group invested HKD 78 million in China Property Development (Holdings) Limited ("CPDH") in February 2002. CPDH held 80% interest in a Beijing residential development project, the Pacific Town Project (marketed as Richmond Park in Beijing), and subsequently increased its stake to 100% in late 2004. Richmond Park has made significant progress in its sales, planning and development work. Apart from the favorable sales results of Phase I apartments, Richmond Park has also made significant progress in its planning and development work for the later phases. With the construction work of Phase I in progress, the management of the Project is currently focusing on Phases II (A &B) and III which comprises of approximately 130,000 sq m and 24,000 sq m of residential apartments. The resettlement work has reached the final stages for Phases IIA and III, and shall commence site clearance followed by super structure construction promptly. Moreover, in view of the 2% appreciation of Rmb in July this year, it is expected to impose a positive impact to our investment in the project as it would translate into a gain in valuation, and will inflate our derived income in HKD terms.