

FUTURE PROSPECTS

Since 2002, the Beijing municipal government has issued a series of directives intended to curtail an over rapid growth of investment in real estate development by limiting credit availability and tightening the supply of land. These measures will tend to eliminate the smaller, financially weaker developers from the market while leaving the larger developers with a better and more transparent environment to operate. It will also stimulate developers to put more emphasis on market research and producing better quality products. The Company's investment in the Pacific Town project is in a favorable position to enjoy the new conditions.

Beijing is enjoying a fast growing economy and the city's vast investment infrastructure for the 2008 Olympic Games will continue to stimulate domestic consumption and attract foreign companies. Multinationals are expected to invest more as they move beyond the start up and consolidation phase and begin looking for new business opportunities. This would in turn bring in more expatriates relocating to Beijing for both short and long-term assignments. An increasing number of foreigners, overseas and local Chinese were buying residential properties in Beijing for investment and self-occupation purposes. This indicated stable demand for high-end residential units in the short to mid-term.

Together with our years of knowledge in the China market and our relationship with local partners, we will continue to look for opportunities in the property sector and are confident that the sector will bring satisfactory return to our shareholders. The Pacific Town Project (marketed as Richmond Park in Beijing) launched presale on August 2004 and was well received by the market, having over 90% units sold as at the end of June 2005. Total sales contract value amounted to RMB664 million and presale proceeds amounted to RMB500 million were received. The Directors of the Company are both confident and optimistic on the prospects of the Group.

CORPORATE GOVERNANCE

On 19 November, 2004, the Stock Exchange of Hong Kong Limited have published its conclusion report and amendments have been made to the Listing Rules relating to the Code on Corporate Governance Practice and Rules on the Corporate Governance Report.

In view of such changes, New Capital held its Board Meeting on 23 June 2005 to update the directors the revised requirements and to work on the corporate governance compliance. In the meeting, the remuneration committee has been set up, the division of roles and responsibilities of chairman and chief executive officer is recognized and the revised terms of reference of the audit committee were adopted.