

# CHAIRMAN'S STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2006,

the audited net profit for New Capital International Investment Limited (“New Capital” or the “Company”) and its subsidiaries (the “Group”) totaled HK\$25,860,547. The consolidated net asset value of the Company was HK\$191,665,423 as at 31 December 2006. The Group’s audited combined loss for the year up to 31 December 2005, and combined net asset value per share as at 31 December 2005 were HK\$12,726,109 and HK\$0.264 respectively.

management team together with its local expertise is expected to add value in project supervision and to enhance the potential of investee companies, and to provide valuable advice on situations when dealing with various issues of investing in China.

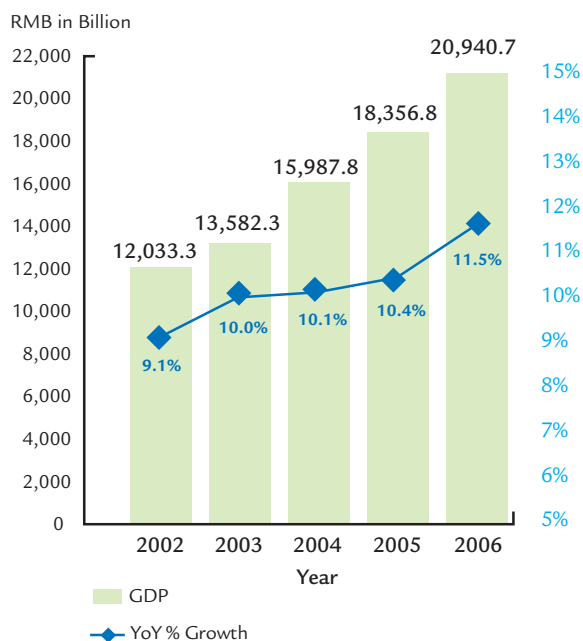
In order to reinforce the management of the Company, the Company has established new inhouse management structure in order to better serve the needs of the Company and to meet the rising corporate governance requirements.

## CONTINUED GROWTH IN 2006

China has recorded another year of impressive economic growth in 2006. Real GDP growth reached 11.5% in 2006, and is set to be the fourth consecutive year that China has achieved a double-digit increase.

## NEW CORPORATE STRUCTURE

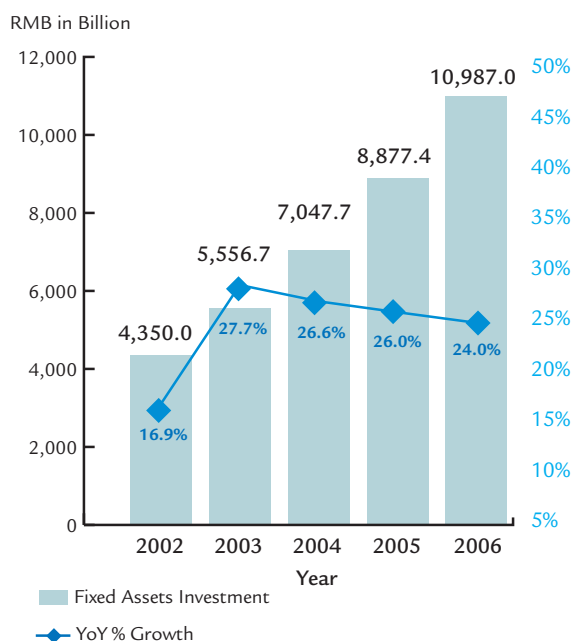
New Capital has entered new Investment Management Agreement with Avanta Investment Management Limited (“Avanta”) commencing from 1 September 2006. Avanta has extensive experience in advising listed investment holding companies in Hong Kong, which have diversified investments in listed and unlisted investments. The Company considers that such extensive experience is relevant to the Company in pursuing its investment objective. New Capital also engaged ZY International Project Management Limited to render Project Management service to the Company from 1 October 2006. The Project Manager is knowledgeable in the investment environment and government systems in China. It has successful track record in property development and industrial projects. Its professional



# CHAIRMAN'S STATEMENT

Various government authorities have implemented a range of monetary-based tightening policies to contain economic growth. Abundant liquidity continued to buoy the Chinese economy in 2006. Foreign reserves grew 30% and exceeded US\$1 trillion, equity prices continued to

surge despite rising interest rate and higher required reserve ratios. Property prices started to accelerate; not only buoyant asset prices created wealth effect, salaries and wages are also heading north. Fixed Asset Investment (FAI) charted only a mild deceleration by 24% towards the end of 2006. Investment in real estate was reported at RMB1,938.2 billion, up 21.8% year-on-year.



## REAL ESTATE MARKET OVERVIEW

The Chinese government has expressed much concern about rising residential property prices. Throughout the year 2006, various directives, circulars and opinions were promulgated to stabilize the property prices and development of real estate market; they were aimed to strengthen control over the rising influx of foreign investment into real estate acquisition and development, further restricting investment channels while at the same time also tightening supervision of overseas investors purchasing property in China. However, these new regulations have not changed the basic strategies of institutional investors who have adopted a long-term view with respect to investing in China. High-quality properties will continue to remain the focus of attention



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for both overseas investors and domestic institutional investors. Residential development continues to flourish as the house price goes up between 10-20% in different parts of the country, supported by the continued demand for housing from the fast increasing middle class population.

### REAL ESTATE TRANSACTIONS

The Group invested HKD 78 million in China Property Development (Holdings) Limited ("CPDH") in February 2002. CPDH holds a 100% interest in a Beijing residential development project, the Pacific Town Project (marketed as Richmond Park in Beijing). The project is a 240,000 square meters high-end residential development project located in the northeast corner of Beijing within the Lido Area of the Chaoyang District.

The units of Phase I of the Project have been handed over to buyers in April 2006, the project development company of Richmond Park has completed and submitted the tax audit report of Phase I to the relevant government authority. The profit of Phase I of the Project can then be distributed once approval is obtained.

Phase II-A consists of two buildings, A4 and A5. Phase III has one building of B5. The two phases represent total floor area of 51,327 sq.m. in 230 units which have been substantially pre-sold in the market, and their construction works are scheduled to complete in late 2007.



The Group has approved to acquire two commercial floors of Xing Cheng Building in Wuhan as long term investment. Wuhan Xing Cheng Building is a commercial building situated at the city centre of Jiangnan District in Wuhan. The building is at proximity to shopping malls, luxury residential apartments and commercial buildings. The acquisition will provide the Group a stable rental income and potential for capital appreciation.

### 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 has been obtained on 9 March 2007, the management team has been set up and getting ready to start development work at pre-identified sites.

# CHAIRMAN'S STATEMENT

## FUTURE PROSPECTS

Global growth continues to be robust while oil prices have settled to much lower levels. There are no strong signs of inflationary pressure in China. Underlying demand conditions are supportive of rapid growth in the medium to long term. Private consumption is expected to remain buoyant in 2007 on the back of rising household income, rising property prices and appreciation in the currency. With the tightening monetary and administrative policy in real estate market, fixed asset investment should slow, but the real estate market to develop at a healthy pace.

The new government regulations have not changed the basic strategies of institutional investors who have

adopted a long-term view with respect to investing in China. High-quality properties will continue to remain the focus of attention for both overseas investors and domestic institutional investors. The Board of the Company is confident that the Company will be benefited from its real estate investments.

The growth of the China economy and its tourism industry has led to a rapid development in the hotel industry. In recent years, the small, economic and friendly hotels have become more popular, especially for budget conscious travelers. The Company's investment in China Eco-hotel Investments Limited will provide renewed impetus for the Company in the years to come.

