

2008
INTERIM REPORT

newcapital

NewCapital
International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1062)

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CORPORATION INFORMATION

DIRECTORS

Executive Directors

Mr. Liu Xiao Guang, *Chairman*

Mr. Lawrence H. Wood,
Chief Executive Officer
(also known as Wu Yuk Shing or
Hu Xu Cheng)

Mr. Cheng Bing Ren

Mr. Liu Xue Min

Mr. Shi Tao

Mr. Lin Si Yu

Mr. Xiong Wei

Independent Non-executive Directors

Mr. To Chun Kei

Dr. Kwong Chun Wai Michael

Mr. Fung Tze Wa

QUALIFIED ACCOUNTANT

Mr. Chu Kim Wah

COMPANY SECRETARY

Miss Cheng Wing Sze, Christy

AUDIT COMMITTEE

Mr. To Chun Kei

Dr. Kwong Chun Wai Michael

Mr. Fung Tze Wa

REMUNERATION COMMITTEE

Mr. Liu Xiao Guang

Mr. To Chun Kei

Dr. Kwong Chun Wai Michael

Mr. Fung Tze Wa

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3306
Two Exchange Square
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

**Bank of Butterfield International (Cayman)
Ltd.**
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKER

The Bank of East Asia, Limited

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER

DLA Piper Hong Kong

INVESTMENT MANAGER

KBR Management Limited

Suite 3306

Two Exchange Square

Central

Hong Kong

PROJECT MANAGER

ZY International Project Management

(China) Limited

P.O. Box 957

Offshore Incorporations Centre

Tortola, British Virgin Islands

CUSTODIAN

Orangefield Management (Hong Kong)

Limited

Room 1001-1002

10/F, Man Yee Building

68 Des Voeux Road Central

Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong

Limited: 1062

WEBSITE

www.newcapital.com.hk

www.irasia.com/listco/hk/newcapital

MANAGEMENT DISCUSSION AND ANALYSIS

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 2008. The interim report for the six months ended 30 June 2008 has been reviewed by the audit committee and auditors of the Company.

RESULTS

The loss of the Group for the first half year of 2008 was HK\$11,255,189 compared to the profit of HK\$302,278 for the same period in 2007. 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 7 to 19 of this report.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the cash and bank balance of the Company is HK\$35,590,495 (31 December 2007: HK\$32,298,094). 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 2008, the Company had assets of HK\$209,983,045 (31 December 2007: HK\$233,845,735) 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 2008.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2008, there were no charges on the Company's assets or any significant contingent liabilities (31 December 2007: Nil).

REVIEW OF THE PERIOD

China's GDP growth slowed to 10.1% year-on-year in second quarter 2008. With world demand slowing, and the surging oil prices, China economic growth is set to moderate in 2008, the slow down is owing to the weaker outlook from net exports, the main source of growth comes from the domestic market. In the first half year 2008, China's Fixed Asset Investment increased by 26.3% year-on-year to RMB6840.2 billion. The real estate sector valued at RMB1319.6 billion, up 33.5% during the period, as compared with RMB1114 billion and 31.3% in the first half year of 2007.

Hang Seng Index ("HSI") experienced an inverted V-shaped in the second quarter 2008. Investors turned more cautious and trading turnover down to low level in May and June. However, Hong Kong economy is expected to stay resilient, supported by a nine-year-low unemployment rate and robust retail sales. The local consumption is expected to stay healthy. Current valuation of HSI at about 14X PE ratio, looks reasonable and is worth to accumulate.

PORTFOLIO REVIEW

China Property Development (Holdings) Ltd. ("CPDH"), one of the major investments of New Capital, has completed the sale of Beijing Richmond Park Project in December 2007 and generated an IRR return of over 24% for CPDH's investment in the project. In March and April 2008, the Group received dividend income distribution from CPDH of about USD13.37 million. The income will strengthen New Capital's position in pursuing its strategic plan and improving returns.

Beijing Far East Instrument Co., Ltd. ("Beijing Far East") is a leading industrial precision instrument manufacturer in China. Based on the unaudited management accounts as at 30 June 2008, the revenue of Beijing Far East increased by 69% to Rmb213 million as compared to the same period last year. Its half-year profit before adjustment reached Rmb8.8 million, as compared to Rmb9.3 million for the year 2007.

After five-year improvement process, Beijing Far East has consolidated the performance, and is migrating to be leading wireless solution provider in the measurement instrumentation market in China. Beijing Far East's management is working to enhance resources utilization, increase the asset turnover and achieve market growth. For the year 2008, the budgeted revenue is over Rmb400 million and profit will over Rmb11 million.

During the period under review, New Capital explored ways to enhance performance consistently. In April 2008, the Group entered into a convertible loan agreement with Hong Ta Group to buy the development right of a gold mine in Yunnan, China. Valuation of the mine is about Rmb605 million and our investment is HK\$31.5 million. In view of the fluctuated commodity market and attractive return offered, the Group transferred the convertible loan to a third party and earned interest of 12% p.a. from the investment.

New Capital has been holding two retail floors of Wuhan Xing Cheng Building since early 2007. Wuhan Xing Cheng Building is a commercial building situated at the prime location of the city centre of Jiangnan District in Wuhan. The building is at proximity to shopping malls, luxury residential apartments and commercial buildings. There are 12 office floors above the building with more than 200 office units which provide a large customer base for the retail business. The acquisition has provided the Group a guaranteed rental income of 8% per annum. The valuation of the retail floors appreciates in June 2008 due to the general increase of retail property market in the region. New Capital will seek to capture market opportunities to realize profit of the investment.

FUTURE PROSPECTS

The recent fall of the HSI is to a large extent affected by the correction in China's stock market and the weakening of the global economy. The market speculates that the Chinese Government will intervene in the domestic stock market in the short to medium term which may help to stabilize the Hong Kong market. With strong fundamentals, the outlook for China's economy continues to be positive. This also helps to underpin the Hong Kong economy to withstand any effect of a potential global correction. In Hong Kong, the negative real interest rate, robust retail consumption and healthy economic prospects will make HSI attractive for investments. The Group will continue to monitor the stock market for suitable opportunities.

The double-digit GDP growth shows that China's economy is growing at a steady and relatively fast pace. With tightening of the credit system and high interest rate, Chinese companies are posed to seek foreign capital to support their growing capital needs. The Group will continue to take advantage of the environment to seek new investment opportunities with attractive returns to shareholders. Looking forward, the Board is confident with the future prospects of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30 June	
		2008	2007
		HK\$	HK\$
	NOTES	(unaudited)	(unaudited)
Turnover	4	167,436	591,217
Other (loss) gain		(7,186,735)	75,134
Operating expenses		(7,535,111)	(5,149,896)
Share of profits of associates		3,844,600	1,182,407
Share of (loss) profit of a jointly controlled entity		(341,355)	902,409
Loss on disposal of held for trading investments		(204,024)	–
Gain on disposal of available-for-sale securities	5	<u>–</u>	<u>2,701,007</u>
(Loss) profit for the period	6	<u>(11,255,189)</u>	<u>302,278</u>
(Loss) earnings per share	9		
Basic		<u>(1.650) HK cent</u>	<u>0.049 HK cent</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

		At 30 June 2008 HK\$ (unaudited)	At 31 December 2007 HK\$ (audited)
Non-current assets			
Property, plant and equipment	10	116,330	212,197
Interest in associates	11	70,832,576	148,521,008
Interest in jointly controlled entities	12	24,454,145	24,795,500
Loan to a jointly controlled entity	13	9,522,393	9,522,393
		104,925,444	183,051,098
Current assets			
Held-for-trading investments	14	39,671,000	–
Dividend receivable from an associate		–	21,606,409
Other receivables	15	45,816,245	12,574,687
Cash and cash equivalents	16	35,590,495	32,298,094
		121,077,740	66,479,190
Current liabilities			
Other payables		16,020,139	15,684,553
Net current assets		105,057,601	50,794,637
Total assets less current liabilities		209,983,045	233,845,735
Capital and reserves			
Share capital	17	6,820,940	6,820,940
Reserves		203,162,105	227,024,795
		209,983,045	233,845,735
Net asset value per share	19	0.308	0.343

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company							
	Share capital HK\$	Share premium HK\$	Special reserve HK\$	Exchange reserve HK\$	Fair value reserve HK\$	Capital redemption reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2008	6,820,940	184,529,293	382,880,958	7,642,332	-	270,200	(348,297,988)	233,845,735
Exchange differences on translation of financial statements of PRC associate	-	-	-	1,034,379	-	-	-	1,034,379
Net income for the period recognised directly in equity	-	-	-	1,034,379	-	-	-	1,034,379
Loss for the period	-	-	-	-	-	-	(11,255,189)	(11,255,189)
Total recognised income and expense for the period	-	-	-	1,039,379	-	-	(11,255,189)	(10,220,810)
2007 final dividend <i>(note)</i>	-	(13,641,880)	-	-	-	-	-	(13,641,880)
At 30 June 2008	<u>6,820,940</u>	<u>170,887,413</u>	<u>382,880,958</u>	<u>8,676,711</u>	<u>-</u>	<u>270,200</u>	<u>(359,553,177)</u>	<u>209,983,045</u>

	Attributable to equity holders of the Company							
	Share capital HK\$	Share premium HK\$	Special reserve HK\$	Exchange reserve HK\$	Fair value reserve HK\$	Capital redemption reserve HK\$	Accumulated losses HK\$	Total 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	-	(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>

Note: Pursuant to a resolution passed in the annual general meeting dated 13 May 2008, a final dividend of HK2.0 cents per share, amounting to HK\$13,641,880, for the year ended 31 December 2007, was paid and distributed out of the share premium account.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June	
	2008	2007
	HK\$	HK\$
	(unaudited)	(unaudited)
Net cash (used in) generated from operating activities	(87,235,719)	3,100,583
Net cash generated from (used in) investing activities		
Purchase of property, plant and equipment	(3,820)	(4,800)
Dividend received from an associate	104,173,820	–
Investment in a jointly controlled entity	–	(10,100,000)
Proceeds from disposal of available-for-sale securities	–	7,045,807
	104,170,000	(3,058,993)
Net cash from (used in) financing activities		
Dividend paid	(13,641,880)	(9,921,504)
Repurchase of shares	–	(22,136)
	(13,641,880)	(9,943,640)
Net increase (decrease) in cash and cash equivalents	3,292,401	(9,902,050)
Cash and cash equivalents at 1 January	32,298,094	33,461,172
Cash and cash equivalents at 30 June	35,590,495	23,559,122

NOTES OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008 (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 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008. The adoption of these new Interpretations 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.

HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 13	Customer loyalty programmes ³
HK(IFRIC) – INT 15	Agreement for the construction of real estate ¹
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2009.

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

⁴ Effective for annual periods beginning on or after 1 October 2008.

2. **PRINCIPAL ACCOUNTING POLICIES** *(continued)*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised 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 securities and equity investments as a single business segment. No geographical segment information is presented as the results of the Group are mainly derived from its associate and jointly controlled entity.

4. **TURNOVER**

Turnover represents interest income from deposits with banks.

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

		Six months ended 30 June 2007		
	Six months ended 30 June 2008 HK\$	Skyworth Digital Holdings Limited ("Skyworth Digital") HK\$	China Construction Bank Corporation ("CCB") HK\$	Total HK\$
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>252,183</u>	<u>2,448,824</u>	<u>2,701,007</u>

The gain on disposal for the period ended 30 June 2007 included HK\$2,701,007 which was transferred from the fair value reserve.

6. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after crediting (charging):

	Six months ended 30 June	
	2008	2007
	HK\$	HK\$
Other (loss) gain:		
Loss on fair value changes of held-for-trading investments	(7,098,529)	–
Net exchange (loss) gain	(88,206)	15,134
Sundry	–	60,000
	<u>(7,186,735)</u>	<u>75,134</u>
Operating expenses:		
Audit fee	(804,897)	(637,041)
Custodian fee (<i>note a</i>)	(30,000)	(31,669)
Depreciation	(99,687)	(93,370)
Legal and secretarial fees	(577,536)	(305,882)
Rent and Rates	(418,130)	(416,080)
Investment management fees (<i>note b</i>)	(194,172)	(150,000)
Project management fees (<i>note c</i>)	(1,176,315)	(936,250)
Staff costs	(1,590,068)	(1,466,249)
Other operating expenses	(2,644,306)	(1,113,355)
	<u>(7,535,111)</u>	<u>(5,149,896)</u>

Note:

- (a) On 20 September 2006, the Group entered into a custodian agreement with Orangefield Management (Hong Kong) Limited. The Group paid custodian fee of HK\$30,000 (2007: HK\$31,669) to Orangefield Management (Hong Kong) Limited in the current period.
- (b) On 21 August 2006, the Group entered into an investment management agreement with an independent third party for a fixed amount per annum for terms of three years. On 29 February, 2008, the Group terminated this investment management agreement, and entered into a new investment management agreement with KBR Management Limited. A key management personnel of the Group is a director of KBR Management Limited. The Group paid HK\$133,000 to KBR Management Limited in the current period.
- (c) Project management fees are paid to ZY International Project Management Limited. The Group has paid ZY International Project Management Limited a lump sum compensation in respect of the project consultancy and management services.

7. TAXATION

No provision for Hong Kong Profits Tax has been made for the periods ended 30 June 2008 and 2007 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 HK2.0 cents per share for the year ended 31 December 2007 (31 December 2006: 1.6 cents per share) was paid by the Company pursuant to a resolution passed in the annual general meeting on 13 May 2008.

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2008	2007
	HK\$	HK\$
(Loss) earnings for the purpose of (loss) earnings per share	<u>(11,255,189)</u>	<u>302,278</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of (loss) earnings per share	<u>682,094,000</u>	<u>620,100,629</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 2008, the Group spent HK\$3,820 (30 June 2007: HK\$4,800) on acquisition of property, plant and equipment.

11. INTEREST IN ASSOCIATES

	At	At
	30 June	31 December
	2008	2007
	HK\$	HK\$
Share of net assets	<u>70,832,576</u>	<u>148,521,008</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").
- (ii) As disclosed in the 2007 annual report, World Lexus and Beijing Pacific Palace, had certain legal proceedings against the former minority shareholders of World Lexus and a consultancy company in relation to their certain breaches of equity transfer agreement.

In November 2007, CPDH disposed of its entire interest in World Lexus, but excluding the relevant claims under different legal proceedings, details of which are set out in notes 13 and 28 to the consolidated financial statements of the Company for the year ended 31 December 2007. In accordance with the sale and purchase agreement, CPDH is entitled to 90% of the total consideration upon the disposal of World Lexus and the remaining 10% will be withheld within a year after the completion of the disposal as guarantee for any contingent liabilities or undisclosed tax matters.

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 adjourned.

The directors of the Company, after considering the status of the above litigations and claims and the information provided by CPDH, 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.

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 2007, 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 ended 31 December 2007. The voting interest in Beijing Far East of 9% was transferred back to the Group in the current period. As such, the Group has accounted for 35% of the result of Beijing Far East for both periods. The Group in the process on the resolution of excessive voting right in Beijing Far East in compliance with Chapter 21 of the Listing Rules. No final resolution has been reached up to the date of the 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
	2008	2007
	HK\$	HK\$
Share of net assets	<u>24,454,145</u>	<u>24,795,500</u>

(a) Profit Harbour Industries Limited ("Profit Harbour")

During the year ended 31 December 2007, the Group entered into an agreement ("Agreement") with the vendor of the investment deposit as set out in note 17 of the annual report 2007 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.

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 the investment deposit.

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

(a) Profit Harbour Industries Limited ("Profit Harbour") (continued)

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 loan to a jointly controlled entity is recognised for both periods.

(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 commenced its business during the year. On 3 December 2007, the directors of China Eco-Hotel proposed to liquidate Anyi. The directors of China Eco-Hotel began the liquidation procedures of Anyi and these procedures have not yet completed up to the interim financial information are authorised for issue. The directors of the Company and China Eco-Hotel considered the underlying assets and liabilities of Anyi approximate to the net realisable values.

13. LOAN TO A JOINTLY CONTROLLED ENTITY

The amount is interest-free and unsecured. Details of the amount is set out in note 12 (a).

14. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	At 30 June 2008 HK\$	At 31 December 2007 HK\$
Listed security:		
– Equity securities listed in Hong Kong	<u>39,671,000</u>	<u>–</u>

15. OTHER RECEIVABLES

All of the other receivables are expected to be recovered within one year.

Included in other receivables represented advance of HK\$5,050,000 to the venture partner of China Eco-Hotel. The advance is pledged by 5,050,000 ordinary shares of China Eco-Hotel held by that venture partner. Such concentration of credit risks have been reduced by the collateral held by the Group.

16. CASH AND CASH EQUIVALENTS

	At 30 June 2008 HK\$	At 31 December 2007 HK\$
Deposits with banks	7,412,782	29,038,453
Cash at bank	<u>28,177,713</u>	<u>3,259,641</u>
	<u>35,590,495</u>	<u>32,298,094</u>

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

17. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$</i>
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 31 December 2007 and 30 June 2008	<u>12,000,000,000</u>	<u>120,000,000</u>
Issued and fully paid:		
At 1 January 2008 and 30 June 2008	<u>682,094,000</u>	<u>6,820,940</u>

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 2008.

19. NET ASSET VALUE PER SHARE

The net asset value per share as at 30 June 2008 is computed based on the consolidated net assets of HK\$209,983,045 as at 30 June 2008 (31 December 2007: HK\$233,845,735) and 682,094,000 ordinary shares in issue as at 30 June 2008 (31 December 2007: 682,094,000 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.
- (b) The Group paid key management personnel compensation as follows:

	Six months ended 30 June	
	2008	2007
	HK\$	<i>HK\$</i>
Salaries and other short-term employee benefits	1,011,000	747,500
Retirement scheme contributions	12,000	6,000
	<u>1,023,000</u>	<u>753,500</u>

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF

NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED

新資本國際投資有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 7 to 19, which comprise the condensed consolidated balance sheet of New Capital International Investment Limited as of 30 June 2008 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

10 September 2008

OTHER INFORMATION

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

As at 30 June 2008, 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 2008, 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:

Name of Shareholder	No. of Shares	Approximate % of shareholding
Lin Si Yu <i>(Note 1)</i>	107,600,000	15.77
Sense Control International Limited <i>(Note 1)</i>	107,600,000	15.77
Dover VI Associates, LLC <i>(Note 2)</i>	105,800,000	15.51
Dover VI Associates, L.P. <i>(Note 2)</i>	105,800,000	15.51
Dover SPING GP LLC <i>(Note 2)</i>	85,140,000	12.48
Dover SPING L.P. <i>(Note 2)</i>	85,140,000	12.48
Dover Street VI L.P. <i>(Note 2)</i>	20,660,000	3.03
Xiong Wei <i>(Note 3)</i>	62,000,000	9.09
Econoworth Investments Limited <i>(Note 3)</i>	62,000,000	9.09

Notes:

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.
3. Econoworth Investments Limited is beneficially and wholly owned by Mr. Xiong Wei. Mr. Xiong Wei is therefore deemed to be interested in the same parcel of shares held by Econoworth Investments Limited.

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 2008, no option was granted since the adoption of the Share Option Scheme. There are no share options outstanding as at 30 June 2008.

INTERIM DIVIDEND

The Board of Directors does not recommend payment of interim dividend for the period ended 30 June 2008 (30 June 2007: Nil).

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2008, there were no charges on the Company's assets or any significant contingent liabilities (31 December 2007: Nil).

EMPLOYEE

As at 30 June 2008, the Group had seven 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 1 September 2008 to review the Group's 2008 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, Dr. Kwong Chun Wai Michael and Mr. Fung Tze Wa.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2008, 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 13 May 2008 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, Mr. Lin Si Yu and Mr. Xiong Wei as Executive Directors; and Mr. To Chun Kei, Dr. 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, 10 September 2008