



INTERIM REPORT 2011



NEW CAPITAL

NewCapital
International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1062)

New Capital

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New Corporate Information Capital

DIRECTORS

Executive Directors

Mr LIU Xiao Guang (Chairman)
Mr Lawrence H WOOD
(also known as WU Yuk Shing
or HU Xu Cheng) (Chief Executive Officer)
Mr LIU Xue Min
Mr PAN Wentang
Mr GE Zemin

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

Ms CHOI Oi Yin

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

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House
68 Fort Street
P.O. Box 609
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

AUDITOR

BDO Limited

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**

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Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited:
1062

WEBSITES

www.newcapital.com.hk
www.irasia.com/listco/hk/newcapital

New Capital

Management Discussion and Analysis

The board of directors (the “**Board**” or “**Directors**”) of New Capital International Investment Limited (the “**Company**” or “**New Capital**”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2011. The interim results for the six months ended 30 June 2011 have been reviewed by the audit committee and the auditor of the Company.

RESULTS

The loss of the Group for the first half year of 2011 was approximately HK\$8.7 million compared to the loss of approximately HK\$8.5 million for the same period in 2010. The condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 7 to 18 of this report.

The operating expenses of the Group for the period ended 30 June 2011 was approximately HK\$10.8 million (30 June 2010: 6.0 million). The increase was mainly due to the increase of the legal and other professional services fees, printing and administration expenses during the financial period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the cash and bank balance of the Group was approximately HK\$167.7 million (31 December 2010: HK\$200.6 million). As all the retained cash was placed in Hong Kong Dollars short-term deposits with a major bank in Hong Kong, the Group’s exposure to exchange fluctuations is considered minimal. The Board believes that the Group has sufficient financial resources to meet its immediate investment or working capital requirements.

As at 30 June 2011, the Group had net assets of approximately HK\$290.2 million (31 December 2010: HK\$297.6 million) and no borrowings or long-term liabilities, putting the Group in an advantageous position to pursue its investment strategies and investment opportunities.

CAPITAL STRUCTURE

On 22 May 2011, New Capital and China Development Bank Capital Corporation Ltd (國開金融有限責任公司) (“**CDBC**”) had entered into a share subscription agreement (the “**Share Subscription Agreement**”) in relation to the subscription of 1,920,000,000 new ordinary shares of the Company (the “**Subscription Shares**”) at a subscription price of HK\$0.40 per ordinary share in the share capital of the Company in cash, equivalent to a total consideration of HK\$768,000,000.

On 5 August 2011 at the extraordinary general meeting of the Company, the resolutions in respect of the allotment and issue of Subscription Shares under the specific mandate and the Whitewash Waiver (as defined in the circular of the Company dated 11 July 2011 (the “**Circular**”)) were duly passed by the independent shareholders of the Company by way of poll. As disclosed in the Circular, subject to the satisfaction of certain conditions under the Share Subscription Agreement, the Company will allot and issue the Subscription Shares to CDDBC or its nominee in accordance with the Share Subscription Agreement. As at the date of this report, the Subscription Shares represent approximately 195.48% and 66.16% of the existing and the enlarged issued share capital of the Company. CDDBC and/or its nominee will become the controlling shareholder of the Company.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2011, there were no charges on the Group’s assets or any significant contingent liabilities (31 December 2010: Nil).

PORTFOLIO REVIEW

Beijing Far East

An associate of the Group, Beijing Far East Instrument Company Limited (“**Beijing Far East**”), is a leading industrial precision instrument manufacturer in China. The principal business of Beijing Far East is to manufacture meters and precise measuring instruments.

Based on the unaudited management accounts for the six months ended 30 June 2011, Beijing Far East recorded its unaudited consolidated profit of approximately RMB9.9 million, an increase of approximately 17.9%, as compared with its unaudited consolidated profit of approximately RMB8.4 million for the six months ended 30 June 2010.

Capital Aihua

In November 2010, the Group invested approximately RMB28.97 million in acquiring 12% equity interest of Capital Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd. (“**Capital Aihua**”). Capital Aihua is a joint venture established in 2001. The principal business of Capital Aihua is to provide municipal and environmental consultancy services in China. It specializes in water supply project, covering consultancy works from engineering, procurement, construction and management.

New Capital

Management Discussion and Analysis

Pursuant to the equity transfer agreement in relation to the acquisition of 12% equity interest of Capital Aihua, the Group has an option to request the seller under such agreement to repurchase the 12% equity interest at the cost of the acquisition plus a guaranteed return at 15% per annum. As at the date of this report, the Group has not exercised the option, the management of the Company has considered that Capital Aihua is a medium-term investment project. The management of the Company will review the status and the market position of Capital Aihua regularly and will exercise the option as and when appropriate.

Securities investments

During the financial period ended 30 June 2011, the Company increased its investments in Hong Kong listed securities. For the six months ended 30 June 2011, the financial assets held for trading were all equity shares listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). As at 30 June 2011, the market value of the securities investments was amounted to approximately HK\$37.1 million (31 December 2010: HK\$17.0 million).

EMPLOYEES

As at 30 June 2011, the Company had 8 employees. Basic salary, double pay, discretionary bonus and mandatory provident fund scheme are provided to these employees.

FUTURE PROSPECTS

As disclosed in the Circular, the Completion (as defined in the Circular) of the Share Subscription Agreement is conditional upon the satisfaction of the conditions precedent to Completion as set out in the Share Subscription Agreement. Following the Completion, CDDBC and/or its nominee will become the controlling shareholder of the Company to introduce the businesses to the Company. The Directors believe that the Company would benefit from CDDBC’s financial and management resources and extensive network and experience in the investment business and consider that the long term commitment of CDDBC would give the Company access to a broad range of international investment opportunities through the investment networks of CDDBC and its ultimate parent company.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$ (Unaudited)	2010 HK\$ (Unaudited)
Revenue	4	95,626	249,513
Operating expenses		(10,843,994)	(6,008,554)
Share of profit/(loss) of associates		2,801,269	(4,294,873)
Share of profit of a jointly controlled entity		–	4,228,396
Change in fair value of financial assets held for trading		215,732	(2,458,209)
Change in fair value of other financial assets		(634,992)	–
Loss before income tax	5	(8,366,359)	(8,283,727)
Income tax expense	6	(295,368)	(241,000)
Loss for the period		(8,661,727)	(8,524,727)
Other comprehensive income			
Exchange differences on translation of financial statements of associates and jointly controlled entity		1,213,597	858,574
Other comprehensive income for the period		1,213,597	858,574
Total comprehensive income for the period		(7,448,130)	(7,666,153)
Loss for the period attributable to:			
Owners of the Company		(8,661,727)	(8,524,727)
Total comprehensive income for the period attributable to:			
Owners of the Company		(7,448,130)	(7,666,153)
		HK cent	HK cents
Loss per share for loss attributable to owners of the Company during the period			
– Basic	7	(0.882)	(1.054)
– Diluted	7	N/A	N/A

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Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	At 30 June 2011 HK\$ (Unaudited)	At 31 December 2010 HK\$ (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	67,259	85,366
Interests in associates		63,210,535	59,195,669
Available-for-sale financial assets		31,808,623	31,808,623
Other financial assets		1,550,753	2,185,745
		96,637,170	93,275,403
Current assets			
Financial assets held for trading		37,131,548	17,030,506
Other receivables		885,989	3,347,904
Cash and cash equivalents	10	167,718,054	200,621,488
		205,735,591	220,999,898
Current liabilities			
Other payables and accruals		11,077,870	15,827,648
		194,657,721	205,172,250
Net current assets			
		291,294,891	298,447,653
Non-current liabilities			
Deferred tax liabilities		1,132,368	837,000
		290,162,523	297,610,653
Net assets			
EQUITY			
Share capital	11	9,822,154	9,822,154
Reserves		280,340,369	287,788,499
		290,162,523	297,610,653
Total equity			
		290,162,523	297,610,653
Net asset value per share			
	15	0.295	0.303

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 – Unaudited

	Attributable to owners of the Company						
	Share capital HK\$	Share premium HK\$	Special reserve HK\$	Exchange reserve HK\$	Capital redemption reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2011	9,822,154	295,000,983	382,880,958	10,007,394	270,200	(400,371,036)	297,610,653
Comprehensive income							
Loss for the period	-	-	-	-	-	(8,661,727)	(8,661,727)
Other comprehensive income							
Exchange differences on translation of financial statements of associates	-	-	-	1,213,597	-	-	1,213,597
Total comprehensive income for the period	-	-	-	1,213,597	-	(8,661,727)	(7,448,130)
At 30 June 2011	9,822,154	295,000,983	382,880,958	11,220,991	270,200	(409,032,763)	290,162,523

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Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 – Unaudited

	Attributable to owners of the Company						
	Share capital HK\$	Share premium HK\$	Special reserve HK\$	Exchange reserve HK\$	Capital redemption reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2010	6,820,940	170,887,413	382,880,958	8,499,299	270,200	(392,944,539)	176,414,271
Transaction with owners							
Issuance of new shares	1,364,188	35,468,888	-	-	-	-	36,833,076
Share issue expenses	-	(9,290)	-	-	-	-	(9,290)
Total transactions with owners	1,364,188	35,459,598	-	-	-	-	36,823,786
Comprehensive income							
Loss for the period	-	-	-	-	-	(8,524,727)	(8,524,727)
Other comprehensive income							
Exchange differences on translation of financial statements of associates and jointly controlled entity	-	-	-	858,574	-	-	858,574
Total comprehensive income for the period	-	-	-	858,574	-	(8,524,727)	(7,666,153)
At 30 June 2010	8,185,128	206,347,011	382,880,958	9,357,873	270,200	(401,469,266)	205,571,904

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 HK\$ (Unaudited)	2010 HK\$ (Unaudited)
Net cash used in operating activities	(32,896,266)	(5,902,745)
Net cash used in investing activities	(7,168)	(24,968)
Net cash from financing activities	-	36,823,786
(Decrease)/Increase in cash and cash equivalents	(32,903,434)	30,896,073
Cash and cash equivalents at 1 January	200,621,488	83,143,139
Cash and cash equivalents at 30 June	167,718,054	114,039,212

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Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

This unaudited interim financial information (“**The Unaudited Interim Financial Information**”) has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Unaudited Interim Financial Information has been reviewed by our auditor 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 HKICPA.

The Unaudited Interim Financial Information for the six months ended 30 June 2011 was approved for issue by the board of directors on 23 August 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of comparatives used in the annual financial statements of the Company for the year ended 31 December 2010 (the “**2010 Annual Financial Statements**”), except for the adoption of the new or amended Hong Kong Financial Reporting Standards (“**HKFRSs**”), which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**Int**”). The adoption of these new and revised HKFRSs has had no material impact on the Group’s financial statements. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective. The Unaudited Interim Financial Information should be read in conjunction with the 2010 Annual Financial Statements.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company’s executive directors. The Group’s principal activity is investment in securities and equity instruments. The executive directors regard it as a single business segment. Also, the measurement policies the Group adopted for segment reporting under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, therefore segment disclosures are not presented.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2011

3. SEGMENT INFORMATION *(Continued)*

The management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

The Group's non-current assets (other than financial instruments) are located in the following geographical area, which based on the physical location of the assets:

	At 30 June 2011 HK\$ (Unaudited)	At 31 December 2010 HK\$ (Audited)
People's Republic of China ("PRC")	63,210,535	59,195,669
Hong Kong	67,259	85,366
	63,277,794	59,281,035

For both the six months ended 30 June 2011 and 2010, the Group's revenue was all derived in Hong Kong. The geographical analysis of revenue is based on the physical location of the underlying assets that generate the revenue.

4. REVENUE

Revenue, which is also the Group's turnover, represents interest income and dividend income receivable from financial assets held for trading. Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2011 HK\$ (Unaudited)	2010 HK\$ (Unaudited)
Dividend income from financial assets held for trading	80,754	241,139
Interest income	14,872	8,374
	95,626	249,513

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2011

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging:

	Six months ended 30 June	
	2011	2010
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Depreciation	25,275	22,146
Legal and professional fees	3,184,424	354,370

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (Six months ended 30 June 2010: Nil).

	Six months ended 30 June	
	2011	2010
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Deferred tax arising from undistributed profits of an associate	295,368	241,000

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$8,661,727 (Six months ended 30 June 2010: HK\$ HK\$8,524,727) and on the weighted average of 982,215,360 (Six months ended 30 June 2010: 808,714,765) ordinary shares in issue during the period.

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

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2011

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (Six months ended 30 June 2010: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment of HK\$7,168 (Six months ended 30 June 2010: HK\$24,968). There was no disposal of property, plant and equipment during the period (Six months ended 30 June 2010: Nil).

10. CASH AND CASH EQUIVALENTS

	At 30 June 2011 HK\$ (Unaudited)	At 31 December 2010 HK\$ (Audited)
Deposits with banks	7,524,775	7,510,087
Cash at banks and in hand	160,193,279	193,111,401
	167,718,054	200,621,488

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

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Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2011

11. SHARE CAPITAL

	At 30 June 2011 (Unaudited)		At 31 December 2010 (Audited)	
	Number of shares '000	Amount HK\$	Number of shares '000	Amount HK\$
Ordinary shares of HK\$0.01 each Authorised	12,000,000	120,000,000	12,000,000	120,000,000
Issued and fully paid				
At 1 January	982,215	9,822,154	682,094	6,820,940
Placement of shares	-	-	300,121	3,001,214
At 30 June/31 December	982,215	9,822,154	982,215	9,822,154

12. LITIGATION MATTERS

As set out in the 2010 Annual Financial Statements, one of the Group's associate, China Property Development (Holdings) Limited ("CPDH"), had certain legal claims arising from the transactions relating to its former subsidiaries, World Lexus Pacific Limited and one of its subsidiaries, Beijing Pacific Palace Real Estate Development Co., Limited. The arbitration proceedings ended on November 2009. The tribunal made the final award of the arbitration proceedings on May 2010 (the "Award"). CPDH had settled all the legal claims in accordance with the judgements in the Award. An additional amount of approximately HK\$5,600,000 was paid and recognised in profit or loss of CPDH for the six months ended 30 June 2010.

The directors of the Company, with reference to the information provided by the directors and lawyers of CPDH, were of the opinion that no further provision or further impairment loss is required to be made in the consolidated financial statements of CPDH which have already been accounted for under equity accounting in the consolidated financial statements of the Group. The directors of the Company were of the opinion that there would be no further contingent liabilities in respect of the above arbitration proceedings.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2011

13. CONNECTED AND RELATED PARTY TRANSACTIONS

13.1 On 3 March 2008, the Group entered into an investment management agreement with KBR Management Limited ("KBR"). During the period, the Group paid HK\$200,000 (Six months ended 30 June 2010: HK\$200,000) to KBR. Investment manager of the Group is regarded as a connected party in accordance with the Listing Rule 21.13.

13.2 During the period, the Group paid key management personnel compensation as follows:

	Six months ended 30 June	
	2011	2010
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	1,155,837	1,057,600
Retirement scheme contributions	9,000	12,000
	1,164,837	1,069,600

14. COMMITMENTS

As at 30 June 2011, the Group did not have any capital commitment (31 December 2010: Nil).

15. NET ASSET VALUE PER SHARE

Net asset value per share as at 30 June 2011 is computed based on the unaudited consolidated net assets of HK\$290,162,523 as at 30 June 2011 (31 December 2010: HK\$297,610,653 (audited)) and 982,215,360 ordinary shares in issue as at 30 June 2011 (31 December 2010: 982,215,360 ordinary shares).

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2011

16. EVENT AFTER REPORTING DATE

The Company and China Development Bank Capital Corporation Ltd (國開金融有限責任公司) entered into a share subscription agreement dated 22 May 2011 in respect of a proposed subscription of 1,920,000,000 new shares (the "**Subscription Shares**") of the Company, at a subscription price of HK\$0.40 per share in cash, equivalent to a total consideration of HK\$768,000,000. The subscription for the Subscription Shares is subject to approval from the Company's independent shareholders, details of which have been set out in the Company's Circular dated 11 July 2011.

It was resolved in the Company's extraordinary general meeting held on 5 August 2011 that the allotment and issue of the Subscription Shares had already obtained approval from the independent shareholders by way of poll.



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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 7 to 18 which comprise the condensed consolidated statement of financial position of New Capital International Investment Limited as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended, and a summary of significant accounting policies and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 (“**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 the 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 inquiries, 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 on the interim financial information.

New Capital

Independent Review Report

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Au Yiu Kwan

Practising Certificate Number P05018

23 August 2011

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

As at 30 June 2011, 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 Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to any Directors or chief executive of the Company, as at 30 June 2011, the following persons (other than a Director or chief executive of the Company) had 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, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in the shares and underlying shares of the Company

Name of Shareholder	Number of issued shares of the Company held	Approximate percentage of the existing issued share capital of the Company
Mr LIU Tong (Note 1)	163,702,560	16.67%
Yoobright Investments Limited (Note 1)	163,702,560	16.67%
Beijing Capital (Hong Kong) Limited (Note 2)	81,418,800	8.29%

New Other Information Capital

Notes:

1. Yoobright Investments Limited is beneficially and wholly owned by Mr LIU Tong. Mr LIU Tong is therefore deemed to be interested in the same parcel of shares held by Yoobright Investments Limited.
2. Beijing Capital (Hong Kong) Limited is wholly-owned by Beijing Capital Co., Ltd., a company listed on the Shanghai Stock Exchange.

Save as disclosed above, at 30 June 2011, the Company had not been notified by any person, other than Directors and chief executive of the Company, who had interests or short positions in the shares and 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 SFC, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 7 February 2005 (the “**Share Option Scheme**”) under which the Board 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 2011, no option had been granted by the Company since the adoption of the Share Option Scheme. There was no share option outstanding as at 30 June 2011.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three Independent Non-executive Directors. The Audit Committee reviews the financial reporting matters, internal control system, risk management systems, the auditor’s judgement or independence in respect of the audit process and makes recommendations to the Board. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2011, which has also been reviewed by the Company’s auditor, BDO Limited, 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.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “**Remuneration Committee**”) comprises four members, namely Mr LIU Xiao Guang, Mr TO Chun Kei, Dr KWONG Chun Wai Michael and Mr FUNG Tze Wa. The majority of the Remuneration Committee members are Independent Non-executive Directors. The Remuneration Committee advises the Board on the Group’s overall policy and structure for the remuneration of directors and senior management.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2011, in the opinion of the Directors, the Company has complied with the code provisions (the “**Code Provision(s)**”) of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, except for the Code Provision E.1.2.

Under the Code Provision E.1.2, the chairman of the board should attend the annual general meeting. The chairman of the Board did not attend the annual general meeting of the Company held on 13 May 2011 (the “**AGM**”) due to other business commitment. An executive Director was elected to act as the chairman of the AGM pursuant to the article 63 of the Company’s article of association to proceed the businesses of the AGM and answer the shareholders’ questions to ensure effective communication with the shareholders of the Company at the AGM.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding the directors’ securities transactions. Having made specific enquiry by the Company, the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2011.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' biographical details since the date of the annual report of the Company for 2010 is as follows.

Mr PAN Wentang advised the Company that he is no longer the vice chairman of Shenzhen Water (Group) Co., Ltd.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUBSEQUENT EVENT

The subsequent event is set out in note 16 to the unaudited consolidated financial statements.

ACKNOWLEDGMENT

On behalf of the Board, I would like to take this opportunity to express our appreciation to the external professionals to provide their professional services to the Group throughout the financial period. I would like to thank my fellow Directors for their valuable contribution and the staff of the Company for their commitment and dedicated services throughout the period. I would like to express our gratitude to our shareholders for their support to the Group.

DIRECTORS

As at the date hereof, the Board is comprised of Mr LIU Xiao Guang, Mr Lawrence H WOOD (also known as Mr WU Yuk Shing or Mr HU Xu Cheng), Mr LIU Xue Min, Mr PAN Wentang and Mr GE Zemin 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

New Capital International Investments Limited

LIU Xiao Guang

Chairman

Hong Kong, 23 August 2011