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## **NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED**

### **新資本國際投資有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1062)

#### **ANNOUNCEMENT**

#### **Connected Transaction – Appointment of Project Manager**

The board of Directors are pleased to announce that the Company entered into the Project Management Agreement with ZY International Project Management Limited on 27 September 2006 whereby ZY has agreed to provide project management services to the Company for an initial term of three years from the effective date of its appointment subject to the terms and conditions of the Project Management Agreement.

Mr. Wood is the shareholder of ZY. Mr. Wood is also a director and chief executive officer of the Company. Mr. Wood therefore is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. As the aggregate value of the fees payable to ZY in a financial year will not exceed HK\$2,500,000, which is less than HK\$10,000,000 and 2.5% in respect of each of the percentage ratios (other than the profits ratio) prescribed under Rule 14A.34 of the Listing Rules. The transaction contemplated under the Project Management Agreement is subject to reporting and announcement requirement but exempt from independent shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules.

#### **PROJECT MANAGEMENT AGREEMENT**

The Company has entered into the Project Management Agreement with ZY on 27 September 2006 to appoint ZY as its project manager commencing on 1 October 2006.

#### **Parties:**

- (1) The Company; and
- (2) ZY International Project Management Limited

Mr. Wood is the shareholder of ZY. Mr. Wood is also a director and chief executive officer of the Company. Mr. Wood therefore is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. ZY will provide project management services (which include, but not restricted to project investment projects) only to the Company. ZY has other associates providing development management services and property consultancy services. ZY Group is a real estate servicing company which provides property related professional services to domestic and foreign clients. It has a team of over 50 people based in the PRC.

#### **Date:**

27 September 2006

#### **Terms of the Project Management Agreement**

ZY will be appointed as the project manager of the Company commencing from 1 October 2006 to provide project management service. The project management services as defined in the Project Management Agreement includes the provision of assistance or procurement of information as may be reasonably required by the board of directors of the Company to carry out due diligence exercise on the potential projects, and assisting the Company in liaising with and supervising of PRC professional advisers; assisting in the execution of the investment and divestment decisions of the Company; responsible for the day-to-day management and supervision of the Company's investments; assisting the Company in completing all legal and statutory requirements in executing the investments of the Company, and providing coordination in obtaining all necessary approval of investments from relevant government authorities. The Project Management Agreement shall be for an initial term of three years and shall be automatically renewed thereafter for a further three-year

period unless and until terminated by either party in accordance with the Project Management Agreement. There is no notice period required by either party to terminate the Project Management Agreement.

Pursuant to the Project Management Agreement, the Company shall pay ZY a sum of HK\$540,000 upon execution of the agreement. It is a lump sum compensation to ZY in respect of the project consultancy and management services and efforts provided by ZY to the Company for the period of 4 months from 1 June 2006 to 30 September 2006. Based on the unaudited consolidated net asset value of the Company as at 30 June 2006 is approximately HK\$163 million and the monthly project management fee payable to ZY is equivalent to 1% of the net asset value of the Company, the lump sum compensation payable to ZY for the period of 4 months from 1 June 2006 to 30 September 2006 shall be approximately HK\$540,000.

Since the beginning of 2006, ZY has been providing consultancy advice to the Company in relation to the management of the Company's investee company, Beijing Far East Instrument Company Limited, which resulted in substantial improvement in the performance of Far East Instrument Company Limited in 2006; with a 29% increase in turnover in the first half year of 2006 and 232% increase in post tax profit as compared to same period in 2005. In addition, ZY introduced an investment opportunity in the economy hotel business to the Company. ZY also assisted the Company in liaising with the local partner of the economy hotel project throughout.

In addition to the lump sum compensation to ZY, a project management fee is payable to ZY which is equivalent to 1 % of the net asset value of the Company as at the end of each month, payable quarterly in advance. It is based on the market practice to pay management fee as a percentage of net asset value and was arrived at after arm's length negotiations between ZY and the Company.

ZY will also be entitled to receive an incentive fee calculated at (i) 10% of the realised profit of the Company for a financial year if the realised profit per issued share does not exceed 10%; (ii) 15% of the realized profit if the realised profit per issued share exceeds 10% but is below 15%; or (iii) 20% of the realized profit if the realised profit per share equals or exceeds 15%. Realised profit as defined in the Project Management Agreement means profit attributable to shareholders as per audited annual report of the Company. The incentive fee payable to ZY in connection with result of the preceding financial year should be treated as fee payable to the Project Manager in the preceding year.

Under the Project Management Agreement, the aggregate project management fee and incentive fee payable in a financial year will not exceed HK\$2,500,000. Any excess amount of the project management fee and/or incentive fee will be paid in the following financial years until it is fully paid up.

### **Reasons for the entering into the Project Management Agreement**

The Directors wishes to retain the services of ZY to provide the project management services in relation to its portfolio of investment, and to avail itself of the experience, advice and assistance of the project. The Company's existing investment portfolio consists of property related investment, as well as industrial project (Far East) and real estate development project in the PRC, interest in a property holding company and an economy hotel business to be acquired before end of this year. The Directors believe that the appointment of project manager can assist the Company in monitoring the performance of the investee companies and act as its representatives to exercise on its behalf all the powers and perform all the duties involved in the day-to-day management and supervision of the investee companies.

The board of directors of the Company agreed to restructure the management of the Company to enhance efficiency. Accordingly, the board of directors decided to split the management functions: the investment manager and the project manager. The investment manager will focus on fund management and high-level investment matters. The project manager will focus on the investee companies' day-to-day operations. The Directors believe that the project manager with strong local expertise will be in a better position to supervise the investee companies' performance. The investment manager is not required to seek out investment/divestment opportunities but is required to consider and evaluate potential investments (including project proposals from its own sources or brought to its attention by other third parties) upon request as defined in clause 3(D) of the Investment Management Agreement. The project manager is required to seek out, identify, review

and evaluate investment and divestment opportunities for the Company. Accordingly, investment/divestment opportunities identified by the project manager will be referred to the investment manager for high level evaluation. It is the duty of the investment manager to recommend the investment/divestment opportunity to the board of directors of the Company for approval. The project manager is not empowered to make recommendation to the board of directors of the Company. After an investment/divestment opportunity is being approved, the project manager will assist the Company in the execution of the transaction as required.

Since the beginning of 2006, ZY has been providing consultancy advice to the Company in relation to the management of the Company's investee company, Beijing Far East Instrument Company Limited, which resulted in substantial improvement in the performance of Far East Instrument Company Limited in 2006; with a 29% increase in turnover in the first half year of 2006 and 232% increase in post tax profit as compared to same period in 2005. In addition, ZY introduced an investment opportunity in the economy hotel business to the Company. ZY also assisted the Company in liaising with the local partner of the economy hotel project throughout. The investment had been approved by the board of directors of the Company and is now close to completion. The Company is appreciative with the contribution of ZY during the year and would like to continue the relationship in a formalized manner.

Based on the above reasons, the Directors consider the experience of ZY is relevant to the investment strategies of the Company and are of the view that its expertise will be beneficial to the Company and its shareholders as a whole.

### **Information on the Company**

The principal activity of the Company is to act as investment holding company holding equity investments primarily in companies or other entities with business interests or involvement in the PRC and/or Hong Kong.

### **Connected Transaction**

Mr. Wood is holding 100% of the shareholding of ZY. Mr. Wood is also a director and chief executive officer of the Company. Mr. Wood therefore is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. ZY will provide project management services only to the Company. ZY has other associates providing development management services and property consultancy services. ZY Group is a real estate servicing company which provides property related professional services to domestic and foreign clients. It has a team of over 50 people based in the PRC.

The appointment of ZY pursuant to the Project Management Agreement constituted continuing connected transaction under the Listing Rules. The unaudited consolidated net asset value of the Company as at 30 June 2006 is approximately HK\$163 million, the estimated value of the continuing connected transaction for the three financial years 2006, 2007 and 2008 will be approximately HK\$ 1.63 million per annum. The Directors proposed to set an annual cap amount for the transaction for each of the financial year ended 2006, 2007 and 2008 at HK\$2.5 million. The cap amounts are determined by reference to existing net asset value of the Company with 50% mark-up. As the aggregate value of the fees payable to ZY in a financial year will not exceed HK\$2,500,000, which is less than HK\$10,000,000 and 2.5% in respect of each of the percentage ratios (other than the profits ratio) prescribed under Rule 14A.34 of the Listing Rules. The transaction contemplated under the Project Management Agreement is subject to reporting and announcement requirement but exempt from independent shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules.

The project management fee was arrived at after arm's length negotiations between ZY and the Company. The Company considered that the project management fee is reasonable in view of the wide geographic coverage of the existing investments and potential new investments of the Company. The Company also considered that unlikely that any other companies in the market possess similar experience with both property development experience and PRC local connections. The possibility of engaging an international real estate consultancy firm instead of ZY was considered and the Directors concluded that this will result in higher cost and lack of local connection advantage. The appointment of ZY as project manager, together with the appointment of investment manager (as disclosed in the Company's announcement dated 22 August 2006) are part

of the Company's effort to streamline its management structure and to improve its cost efficiency. The Directors (including the independent non-executive Directors and with Mr. Wood abstain from voting) consider the terms of the Project Management Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As at the date of this announcement, the members of the board of directors of the Company are Mr. Liu Xiao Guang, Mr. Cheng Bin Ren, Mr. Lawrence H. Wood, Mr. Liu Xue Min, Mr. To Chun Kei, Mr. Fung Tze Wa and Mr. Kwong Chun Wai Michael.

## DEFINITIONS

“Company”	New Capital International Investment Limited, a company incorporated in the Cayman Islands with limited liability which shares are traded on the Stock Exchange
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wood”	Mr. Lawrence H. Wood, a director of the Company
“Project Management Agreement”	the project management agreement dated 27 September 2006 between the Company and ZY
“Shareholder(s)”	The shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ZY”	ZY International Project Management Limited, a company incorporated in British Virgin Islands with limited liability

By Order of the Board of Directors of  
**New Capital International Investment Limited**  
**Lawrence H Wood**  
*Executive Director*

Hong Kong, 6 October 2006

\* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.