

CSI

Capital Strategic Investment Limited

資本策略投資有限公司

Interim Report 2002

An aerial photograph of a city skyline, likely Hong Kong, featuring numerous high-rise buildings and a prominent skyscraper with a distinctive lattice structure. The image is overlaid with a semi-transparent blue grid pattern.

Capital Strategic Investment Limited

(Incorporated in Bermuda with limited liability)

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2002

		Six months ended 30th September,	
	Notes	2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
Turnover	3	173,127	21,323
Cost of sales		<u>(153,733)</u>	<u>(19,352)</u>
Gross profit		19,394	1,971
Other operating income	4	4,366	9,150
Administrative expenses		(13,340)	(14,230)
Other expenses	5	<u>(32,349)</u>	<u>(14,271)</u>
Loss from operations	6	(21,929)	(17,380)
Finance costs		(333)	(355)
Share of results of associates		—	(8,801)
Net gain on disposal of interests in subsidiaries	7	2,150	7,098
Loss on disposal/dilution of interests in associates		—	(10,654)
Gain on disposal of investment securities		<u>47,746</u>	<u>—</u>
Profit (loss) before taxation		27,634	(30,092)
Taxation	8	<u>—</u>	<u>(360)</u>
Profit (loss) before minority interests		27,634	(30,452)
Minority interests		<u>(95)</u>	<u>387</u>
Net profit (loss) for the period		<u>27,539</u>	<u>(30,065)</u>
Earnings (loss) per share	9		
— Basic		<u>2.1cents</u>	<u>(3.6)cents</u>
— Diluted		<u>2.1cents</u>	<u>(3.6)cents</u>

Capital Strategic Investment Limited

(Incorporated in Bermuda with limited liability)

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2002

	Notes	30th September, 2002 HK\$'000 (unaudited)	31st March, 2002 HK\$'000 (audited)
Non-Current Assets			
Investment properties	10	62,700	65,550
Property, plant and equipment		1,895	2,370
Property held for development	10	4,000	4,000
Goodwill	11	—	8,678
Investment securities	12	5,944	1,850
		<u>74,539</u>	<u>82,448</u>
Current Assets			
Trade and other receivables	13	2,827	3,819
Other investments	12	288,626	220,500
Taxation recoverable		289	289
Pledged bank deposits		5,000	5,000
Bank balances and cash		121,377	152,012
		<u>418,119</u>	<u>381,620</u>
Current Liabilities			
Trade and other payables	14	5,688	4,172
Bank borrowings		2,410	2,190
		<u>8,098</u>	<u>6,362</u>
Net Current Assets			
		<u>410,021</u>	<u>375,258</u>
		<u>484,560</u>	<u>457,706</u>
Capital and Reserves			
Share capital	15	12,838	128,379
Reserves		444,873	301,793
		<u>457,711</u>	<u>430,172</u>
Minority Interests			
		<u>199</u>	<u>104</u>
Non-Current Liability			
Bank borrowings-due after one year		26,650	27,430
		<u>26,650</u>	<u>27,430</u>
		<u>484,560</u>	<u>457,706</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2002

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Goodwill on consolidation HK\$'000	Exchange reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
At 31st March, 2001	81,086	439,801	—	1,195	(80)	(176,950)	345,052
Issue of shares	36,100	—	—	—	—	—	36,100
Net premium on issue of shares	—	4,165	—	—	—	—	4,165
Realised on disposal of subsidiaries	—	—	—	(1,195)	80	—	(1,115)
Loss for the period	—	—	—	—	—	(30,065)	(30,065)
At 1st October, 2001	117,186	443,966	—	—	—	(207,015)	354,137
Issue of shares	11,193	—	—	—	—	—	11,193
Net premium on issue of shares	—	20,857	—	—	—	—	20,857
Profit for the period	—	—	—	—	—	43,985	43,985
At 31st March, 2002	128,379	464,823	—	—	—	(163,030)	430,172
Reduction of share capital and share premium (Note 15)	(115,541)	(464,823)	580,364	—	—	—	—
Transfer to accumulated losses (Note 15)	—	—	(304,306)	—	—	304,306	—
Net profit for the period	—	—	—	—	—	27,539	27,539
At 30th September, 2002	12,838	—	276,058	—	—	168,815	457,711

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2002

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in) generated from operating activities	(4,630)	16,321
Net cash used in investing activities	(25,445)	(89,775)
Net cash (used in) generated from financing activities	(780)	15,400
Net decrease in cash and cash equivalents	(30,855)	(58,054)
Cash and cash equivalents at beginning of the period	151,382	239,212
Cash and cash equivalent at end of the period	120,527	181,158
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	121,377	181,743
Bank overdraft	(850)	(585)
	120,527	181,158

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

1. BASIS OF PREPARATION

The condensed 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 "Listing Rules") and with the Statement of Standard Accounting Practices ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2002, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

Capital Strategic Investment Limited

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3. SEGMENTAL INFORMATION

Business segments

An analysis of the Group's turnover and contribution to operating results by business segments is as follows:

	Property holding and estate agency HK\$'000	Securities trading HK\$'000 (Note c)	Consolidation HK\$'000
For the six months ended 30th September, 2002			
TURNOVER			
External sales	1,682	171,445	173,127
RESULT			
Segment result	664	(9,567)	(8,903)
Unallocated corporate expenses			(974)
Impairment loss recognized in respect of investment securities			(7,678)
Impairment loss recognized in respect of goodwill			(8,491)
Interest income			3,839
Dividend income			278
Loss from operations			(21,929)

Capital Strategic Investment Limited

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	Property holding and estate agency <i>HK\$'000</i>	Discontinued Online and offline advertising services <i>HK\$'000</i> <i>(Note b)</i>	Computer and related products <i>HK\$'000</i> <i>(Note a)</i>	Consolidation <i>HK\$'000</i>
For the six months ended 30th September, 2001				
TURNOVER				
External sales	<u>553</u>	<u>247</u>	<u>20,523</u>	<u>21,323</u>
RESULT				
Segment result	<u>(726)</u>	<u>(3,823)</u>	<u>1,075</u>	(3,474)
Unallocated corporate expenses				(5,402)
Loss on disposal of investment securities				(6,604)
Impairment loss recognized in respect of investment securities				(6,157)
Interest income				4,065
Dividend income				<u>192</u>
Loss from operations				<u>(17,380)</u>

Capital Strategic Investment Limited

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Notes:

- (a) In July 2001, the Group disposed of its entire interest in Denco International Limited, Ocean Office Automation Limited and other subsidiaries, which were mainly engaged in the manufacturing and marketing of computers and related products. Upon the completion of the disposal, the business segment of manufacturing and marketing of computers and related products was regarded as discontinued operation during the period ended 30th September, 2001.
- (b) In October 2001, the Group disposed of its entire interest in Admomentum Limited, which is mainly engaged in the provision of online and offline advertising services. Upon the completion of the disposal, the business segment of provision of online and offline advertising was regarded as discontinued operation during the year ended 31st March, 2002.
- (c) In November 2001, the Group commenced its securities trading business and accordingly a business segment of securities trading was regarded as a new operation for the year ended 31st March, 2002.

4. OTHER OPERATING INCOME

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Interest income	3,839	4,065
Dividend income from listed investments	278	192
Others	249	4,893
	<u>4,366</u>	<u>9,150</u>

Capital Strategic Investment Limited

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5. OTHER EXPENSES

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Unrealized holding loss on other investments	15,993	—
Impairment loss recognized in respect of goodwill	8,491	—
Impairment loss recognized in respect of investment securities	7,678	6,157
Amortization of goodwill	187	1,012
Loss on disposal of investment securities	—	6,604
Loss on disposal of property, plant and equipment	—	393
Others	—	105
	<u>32,349</u>	<u>14,271</u>

6. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	477	778
Amortization of goodwill included in other expenses	187	1,012
	<u>664</u>	<u>1,790</u>

Capital Strategic Investment Limited

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7. NET GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Net gain on disposal of interests in subsidiaries	2,150	5,983
Add: Negative goodwill previously credited to reserve	—	1,195
Less: Exchange reserve realized	—	(80)
	<u>2,150</u>	<u>7,098</u>

8. TAXATION

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the period	—	360
	<u>—</u>	<u>360</u>

Capital Strategic Investment Limited

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9. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Earnings (loss) for the purpose of calculating basic and diluted earnings (loss) per share:		
Net profit (loss) for the period	<u>27,539</u>	<u>(30,065)</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share (in thousands)	1,283,792	835,589
Effect of dilutive potential ordinary shares (in thousands):		
Share options	<u>13,812</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share (in thousands)	<u>1,297,604</u>	<u>835,589</u>

The weighted average number of shares for the purpose of basic loss per share for the six months ended 30th September, 2001 has been adjusted for the effect of the Company's rights issue carried out on 4th October, 2001. Details of these are set out in the Company's circular dated 11th September, 2001.

The computation of diluted loss per share for the period ended 30th September, 2001 does not assume the exercise of the share options as the exercise of such would result in an decrease in loss per share.



Capital Strategic Investment Limited

(Incorporated in Bermuda with limited liability)

10. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY HELD FOR DEVELOPMENT

In the opinion of the directors, there is no material difference between the carrying amount and the market value of the investment properties and property held for development as at 30th September, 2002.

Investment properties with carrying value of approximately HK\$2,850,000 were disposed of as a result of disposal of subsidiaries.

11. MOVEMENT IN GOODWILL

During the period, the directors of the Company reviewed the carrying amount of goodwill with reference to the estimated value of business operated by those subsidiaries determined under the discounted cash flow method. Those subsidiaries are mainly engaged in provision of estate agency services and in view of the current economic condition, full amount of impairment loss of approximately HK\$8,491,000 has been identified are recognised in the condensed consolidated income statement.

12. MOVEMENTS IN INVESTMENTS IN SECURITIES

During the period, the Group acquired certain investments in securities at a consideration of approximately Hk\$288,000,000 and disposed of investments in securities with the carrying value of approximately HK\$192,000,000.

In addition, an unrealised holding loss on other investments of approximately Hk\$15,993,000 has been charged to the condensed consolidated income statement during the period. The directors reviewed the carrying amount of investment securities with reference to the estimated selling prices and identified an impairment loss of approximately HK\$7,678,000 which was charged to the condensed consolidated income statement.

Capital Strategic Investment Limited

(Incorporated in Bermuda with limited liability)

13. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers a credit period normally ranging from 30 days to 90 days. The aged analysis of the trade debtors at the reporting date is as follows:

	30th September, 2002 HK\$'000	31st March 2002 HK\$'000
0-30 days	388	981
31-60 days	267	475
61-90 days	92	39
Over 90 days	<u>395</u>	<u>696</u>
	1,142	2,191
Other receivables	<u>1,685</u>	<u>1,628</u>
	<u>2,827</u>	<u>3,819</u>

14. TRADE AND OTHER PAYABLES

At the reporting date, included in trade and other payables are creditors with the following aged analysis:

	30th September, 2002 HK\$'000	31st March 2002 HK\$'000
0-30 days	322	893
31-60 days	178	400
61-90 days	79	149
Over 90 days	<u>310</u>	<u>60</u>
	889	1,502
Other payables	<u>4,799</u>	<u>2,670</u>
	<u>5,688</u>	<u>4,172</u>

Capital Strategic Investment Limited

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15. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 31st March, 2002	1,800,000,000	180,000
Adjustment of nominal value (<i>Note a</i>)	—	(162,000)
	<hr/>	<hr/>
Ordinary shares of HK\$0.01 each	1,800,000,000	18,000
Additions (<i>Note b</i>)	16,200,000,000	162,000
	<hr/>	<hr/>
Ordinary shares of HK\$0.01 each at 30th September, 2002	18,000,000,000	180,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 31st March, 2002	1,283,791,800	128,379
Adjustment of nominal value (<i>Note a</i>)	—	(115,541)
	<hr/>	<hr/>
Ordinary shares of HK\$0.01 each at 30th September, 2002	1,283,791,800	12,838
	<hr/> <hr/>	<hr/> <hr/>

Pursuant to resolutions passed by the shareholders of the Company in a special general meeting held on 26th August, 2002, the Company carried out the following capital reorganisation ("Capital Reorganization"):

- (a) Nominal value of the issued and unissued share was reduced from HK\$0.10 to HK\$0.01 ("Capital Reduction");
- (b) The authorized capital of the Company was increased from HK\$18,000,000 to HK\$180,000,000 by the creation of an additional 16,200,000,000 ordinary shares of HK\$0.01 each;
- (c) The entire amount of the share premium account of the Company as at 31st March, 2002 was cancelled ("Share Premium Reduction");
- (d) The credit arisen as a result of the Capital Reduction and Share Premium Reduction was transferred to the contributed surplus account of the Company and HK\$304,306,000 in the contributed surplus account was applied against the accumulated losses of the Company.

Details of the Capital Reorganisation were set out in the circular to the Company's shareholders dated 9th August, 2002.

Capital Strategic Investment Limited

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16. DISPOSAL OF SUBSIDIARIES

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
The effect of the disposals are summarised as follows:		
Net assets disposed of	2,850	36,580
Negative goodwill released	—	(1,195)
Exchange reserve realised	—	80
	<u>2,850</u>	<u>35,465</u>
Gain on disposal	<u>2,150</u>	<u>7,098</u>
Consideration	<u>5,000</u>	<u>42,563</u>
Net cash inflow arising on disposal:		
Cash consideration received	5,000	42,563
Bank balances and cash disposed of	—	(12,384)
	<u>5,000</u>	<u>30,179</u>

During the period ended 30th September, 2002, the Group disposed of its entire interests in New Plaza International Limited and Sharpower Limited for a consideration of HK\$2,600,000 and HK\$2,400,000 respectively.

During the period ended 30th September, 2001, the Group disposed of its entire interests in Denco International Limited and Ocean Office Automation Limited for a consideration of HK\$40,500,000 and HK\$1,000,000, respectively. In addition, the Group also disposed of its interest in other subsidiaries for a consideration in aggregate of HK\$1,063,000. The disposal of subsidiaries resulted in the discontinued operations of the sale of computer and related products of the Group.

The disposed subsidiaries did not make any significant contribution to the results of the Group during both periods.

Capital Strategic Investment Limited

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INDEPENDENT REVIEW REPORT

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**Deloitte
Touche
Tohmatsu**

TO THE BOARD OF DIRECTORS OF CAPITAL STRATEGIC INVESTMENT LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 15.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing



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whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2002.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20th December, 2002



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INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2002. (2001: Nil)

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK\$173 million for the six months ended 30th September, 2002, representing an increase of 723 % from approximately HK\$21 million for the corresponding period in the last year. The increase was primarily due to the opportunity increase in financial investments during the period.

The Group recorded a profit of approximately HK\$27.5 million for the six months ended 30th September, 2002 compared to a net loss of approximately HK\$30.1 million in last period. This was mainly attributable to the realization of the profit from the long-term strategic investments and property investment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources continue to be healthy. At the period end, the cash balance of the Group decreased by 19.7% from approximately HK\$157 million in 2001 to approximately HK\$126 million in 2002, while the total bank borrowings of the Group decreased by 1.7% from approximately HK\$29.6 million in 2001 to approximately HK\$29.1 million in 2002 and the total debt-to-equity ratio reduced from 7.9% in 2001 to 7.6% in 2002.

The Group has little foreign exchange exposure and the Group's borrowings were all denominated in Hong Kong dollars.



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CORPORATE REVIEW AND PROSPECT

Notwithstanding the continued difficult business operating environments throughout the six months under review, the Group has succeeded in maintaining the generation of returns from its investments, and a profit of approximately HK\$27.5 million was recorded, compared to a loss of approximately HK\$30.1 million for the corresponding period in the previous year.

As previously announced, in towards broadening of the Group's revenue base, the Group began last year to concentrate in making strategic investments in various financial instruments, comprising mostly of debt securities with high credit ratings and other convertible debt securities in various locally listed companies. For the six months period under review, these investments have contributed significantly towards the Group's revenue and profit from operations. And whilst the Group's investment strategy has defined short, medium and long-term horizons, gains in certain longer-term investments have nevertheless been timely realized in light of the ever-rapid changes in surrounding factors. As a result, substantial other operating income was also achieved for the period under review.

In focusing on one of the Group's primary activities, namely that of making strategic investments, the Group has, besides investments in financial instruments, also been actively seeking to capture investment opportunities afforded by China's entry into the W.T.O., and generally those opportunities arising during periods of economic turmoil. To this end, numerous potential investment projects, ranging from prime real estate, hotel and travel operators, natural gas distributors, to securities house and providers of investment related services, etc., were looked into during the past six months. Whilst most of these projects have fallen short of the Group's stringent requirements in terms of strategic values, outlook and aggressive return on investment, the Group has nevertheless successfully taken up a strategic stake in one of the largest local private distributor of mobile phones and related products. The Group will continue to seek out other suitable investment candidates, particularly those with synergetic values with other undertakings of the Group.



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As for one of the Group's other operation, namely those carried on by Century 21 Hong Kong Limited and comprising principally that of franchising estate agency work, real estate project management and related undertakings, its businesses remained stable and with operating losses kept under control at a relatively minimal level, despite the local property market remaining depressed throughout the period under review.

Near the end of the last financial year, the Group has, as previously announced, acquired certain prime local properties, with the view to collect rental returns so as to further broaden the Group's income and revenue base. Notwithstanding the worsening of the property rental market, these prime properties of the Group remain fully let and continue to generate stable return on investment during the period under review. In view of the Group's belief in the long-term prospect of the real estate market, both locally and throughout Asia, the Group will continue to seek out opportunities in this sector, particularly with the view to capture capital growth potential as well as a stable return on investment.

Following the completion of the reorganization of the share capital of the Company in August, whereby the par value of shares in the Company was reduced, the flexibility in future pricing of any new issue of shares in the Company has been greatly improved. Thus, going forward, with an improved ability to access equity financing, a strengthened income base, and solid internal financial resources, the Group intends to continue to make good use of its strengths to capture those opportunities in making strategic investment as and well they arise, and to expand the Group's income and revenue base as considered appropriate.

CONTINGENT LIABILITIES

At 30th September, 2002, (31st March, 2002: Nil) the Group had no material contingent liability.

Capital Strategic Investment Limited

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PLEDGE OF ASSETS

At 30th September, 2002, a bank deposit of HK\$5,000,000 (31st March, 2002: HK\$5,000,000) and the investment properties with carrying value of HK\$58,500,000 (31st March, 2002: HK\$58,500,000) were pledged to secure the bank facilities granted to the Group.

REWARD FOR EMPLOYEES

The Group offers its employees competitive remuneration packages. During the period, share options were granted to various directors and employees on a performance related basis.

DIRECTORS' INTERESTS IN SHARES

As at 30th September, 2002, the interests of the directors in the share capital for the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 29 of the SDI Ordinance to be entered in the register, or pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") referred to therein are as follows:

Name of director	Number of shares			
	Personal interests	Family interests	Corporate interests	Other interest
Mr. Choo Yeow Ming (<i>Note</i>)	—	—	359,351,000	—

Note: The shares were held by Air Zone Group Limited, a wholly owned subsidiary of Cyber One Group Limited ("Cyber One"). The entire issued share capital of Cyber One is held under a discretionary trust, certain corporate beneficiaries of which are wholly owned by Mr. Choo Yeow Ming.

Capital Strategic Investment Limited

(Incorporated in Bermuda with limited liability)

Save as disclosed above, as at 30th September, 2002, none of the Company's directors or their associates had any personal, family, corporate or other interests in any shares of the Company or any of its associated corporations, within the meaning of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Details of the outstanding options granted to the directors under the Company's share option scheme are summarized as follows:

Name of Director	Option scheme type	Exercise price per share HK\$	Outstanding At 1.4.2002	Granted during the period	Cancelled during the period	Outstanding at 30.9. 2002
Ma Wai Man, Catherine	1992	0.2267	15,000,000	—	(15,000,000)	—
	1992	0.2533	3,000,000	—	—	3,000,000
	2001 (Note 1)	0.168	31,500,000	—	—	31,500,000
	2002 (Note 2)	0.14	—	12,500,000	—	12,500,000
Kan Sze Man	1992	0.2267	10,500,000	—	(10,500,000)	—
	1992	0.2533	4,500,000	—	—	4,500,000
	2001 (Note 1)	0.168	31,500,000	—	—	31,500,000
	2002 (Note 2)	0.14	—	12,500,000	—	12,500,000
Total for Directors			<u>96,000,000</u>	<u>25,000,000</u>	<u>(25,500,000)</u>	<u>95,500,000</u>

Notes:—

- There is a limit on the number of Share Options under the 2001 Share Option Scheme that may be exercised by each grantee during each period of 12 months commencing from 30th August, 2001 (until 29th August, 2006), namely, the aggregate of (a) 20% of the total number of such Share Options granted and (b) any unused limits accumulated during previous period (s), subject to the written consent of the executive chairman of the Company to the exercise of Share Options exceeding such limit.
- Being the new share option scheme of the Company adopted on 26th August, 2002. There is a limit on the number of Share Options under this Scheme that may be exercised by each grantee during each period of 12 months commencing from 23rd September, 2002 (until 22nd September, 2006), namely, the aggregate of (a) 20% of the total number of such Share Options granted and (b) any unused limits accumulated during previous period (s), subject to the written consent of the executive chairman of the Company to the exercise of Share Options exceeding such limit.

Capital Strategic Investment Limited

(Incorporated in Bermuda with limited liability)

Save as disclosed above, at no time during the period was the Company or any of its associated corporations, a party to any arrangements to enable the directors of the Company or their spouse and children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 30th September, 2002, the Company has been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of Shareholder	No. of Shares	Approximate % of issued Share capital
Air Zone	359,351,000	27.99%
Cyber One	359,351,000	27.99%
Mr. Choo Yeow Ming	359,351,000	27.99%

Note: The 359,351,000 shares were held by Air Zone Group Limited ("Air Zone"), a wholly owned subsidiary of Cyber One Group Limited ("Cyber One"). The entire issued share capital of Cyber One is held under a discretionary trust, certain corporate beneficiaries of which are wholly owned by Mr. Choo Yeow Ming.

Save as disclosed above, as at 30th September, 2002, the Company had not been notified of any other interests representing 10% or more of the issued share capital for the Company

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares in the Company by the Company or its subsidiaries during the period.



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AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th September, 2002.

The interim financial report of the Company for the six months ended 30th September, 2002 has been reviewed by the auditors, Deloitte Touche Tohmatsu, in accordance with the Statement of Auditing Standard 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Society of Accountants.

CODE OF BEST PRACTICE

Throughout the period, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited except that independent non-executive directors are not appointed for a specific term as they are subject to rotation at annual general meetings in accordance with Bye-law 99(A), 102(B) and 182 of the Company's Bye-laws.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Choo Yeow Ming
Executive Chairman

Hong Kong, 20th December, 2002