



CSI

Capital Strategic Investment Limited

資本策略投資有限公司



88 Gloucester Road



Interim
Report 2003

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2003

| | Notes | Six months ended 30th September, 2003 HK\$'000 (unaudited) | 2002 HK\$'000 (unaudited) (as restated) |
|--|-------|--|--|
| Turnover | | 238,124 | 259,101 |
| Cost of sales | | (203,526) | (215,632) |
| Gross profit | | 34,598 | 43,469 |
| Other operating income | 4 | 4,770 | 4,366 |
| Administrative expenses | | (6,915) | (13,340) |
| Other expenses | 5 | (5,000) | (8,678) |
| Profit from operations | 6 | 27,453 | 25,817 |
| Finance costs | | (953) | (333) |
| Share of results of associates | | (7,813) | — |
| Amortization of goodwill of associates | | (1,321) | — |
| Net gain on disposal of interests in subsidiaries | | — | 2,150 |
| Profit before taxation | | 17,366 | 27,634 |
| Taxation | 7 | (685) | — |
| Profit before minority interests | | 16,681 | 27,634 |
| Minority interests | | (159) | (95) |
| Net profit for the period | | 16,522 | 27,539 |
| Earnings per share | 8 | | |
| — Basic | | 1.1 cents | 2.1 cents |
| — Diluted | | N/A | 2.1 cents |

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2003

| | Notes | 30th September, 2003 HK\$'000 (unaudited) | 31st March, 2003 HK\$'000 (audited) (as restated) |
|---|-------|---|--|
| Non-Current Assets | | | |
| Investment properties | 9 | 262,913 | 60,400 |
| Property, plant and equipment | | 6,631 | 7,676 |
| Property held for development | 9 | — | 4,000 |
| Interests in associates | | 81,828 | 86,378 |
| Investments in securities | 10 | 24,455 | 22,450 |
| Deferred tax assets | | 2,109 | 2,109 |
| Deposits paid on acquisition of investment properties | | — | 5,000 |
| | | <u>377,936</u> | <u>188,013</u> |
| Current Assets | | | |
| Trade and other receivables | 11 | 11,485 | 5,671 |
| Investments in securities | 10 | 134,601 | 268,738 |
| Taxation recoverable | | — | 289 |
| Pledged bank deposits | | 5,204 | 5,178 |
| Bank balances and cash | | 108,704 | 36,554 |
| | | <u>259,994</u> | <u>316,430</u> |
| Current Liabilities | | | |
| Trade and other payables | 12 | 9,363 | 4,898 |
| Taxation payable | | 865 | 187 |
| Bank borrowings | 13 | 7,443 | 5,250 |
| | | <u>17,671</u> | <u>10,335</u> |
| Net Current Assets | | <u>242,323</u> | <u>306,095</u> |
| | | <u>620,259</u> | <u>494,108</u> |
| Capital and Reserves | | | |
| Share capital | 14 | 15,338 | 15,338 |
| Reserves | | 469,293 | 452,771 |
| | | <u>484,631</u> | <u>468,109</u> |
| Minority Interests | | <u>288</u> | <u>129</u> |
| Non-Current Liability | | | |
| Bank borrowings | | | |
| — due after one year | 13 | 135,340 | 25,870 |
| | | <u>620,259</u> | <u>494,108</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2003

| | Share Capital HK\$'000 | Share Premium HK\$'000 | Contributed Surplus HK\$'000 | Accumulated (losses) Profits HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------|------------------------------------|--|-------------------|
| At 1st April, 2002 | | | | | |
| — As originally stated | 128,379 | 464,823 | — | (163,030) | 430,172 |
| — prior year adjustment (note 2) | — | — | — | 5,036 | 5,036 |
| As restated | 128,379 | 464,823 | — | (157,994) | 435,208 |
| Reduction of share capital and share premium | (115,541) | (464,823) | 580,364 | — | — |
| Transfer to accumulated losses | — | — | (304,306) | 304,306 | — |
| Net profit for the period | — | — | — | 27,539 | 27,539 |
| At 1st October, 2002 | 12,838 | — | 276,058 | 173,851 | 462,747 |
| Issue of shares | 2,500 | 23,750 | — | — | 26,250 |
| Share issue expenses | — | (525) | — | — | (525) |
| Loss for the period | — | — | — | (20,363) | (20,363) |
| At 31st March, 2003 | 15,338 | 23,225 | 276,058 | 153,488 | 468,109 |
| Net profit for the period | — | — | — | 16,522 | 16,522 |
| At 30th September, 2003 | <u>15,338</u> | <u>23,225</u> | <u>276,058</u> | <u>170,010</u> | <u>484,631</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2003

| | Six months ended 30th September, | |
|---|-------------------------------------|-------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Net cash from (used in) operating activities | 165,103 | (4,630) |
| Net cash used in investing activities | (204,616) | (25,445) |
| Net cash from (used in) financing activities | 115,350 | (780) |
| Net increase (decrease) in cash and cash equivalents | 75,837 | (30,855) |
| Cash and cash equivalents at beginning of the period | 32,864 | 151,382 |
| Cash and cash equivalent at end of the period | 108,701 | 120,527 |
| Analysis of the balances of cash and cash equivalents | | |
| Bank balances and cash | 108,704 | 121,377 |
| Bank overdraft | (3) | (850) |
| | 108,701 | 120,527 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2003

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 Practice ("SSAP") No.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 financial statements for the year ended 31st March, 2003, except for the adoption of Statement of Standard Accounting Practice 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As at 1st April 2002, deficit have been reduced and deferred tax assets in respect of tax losses have been increased by HK\$5,036,000, which are the cumulative effect of the change in policy on the results for the periods prior to 2002. There was no effect on income in the six months ended 30th September 2002 and 2003 (For year ended 31st March 2003: there was increased charge to income tax of HK\$2,927,000).

3. SEGMENTAL INFORMATION

By business segments

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information.

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

| | Estate agency HK\$'000 | Property investment HK\$'000 | Securities investment HK\$'000 | Consolidated HK\$'000 |
|---|---------------------------|------------------------------------|--------------------------------------|--------------------------|
| For the six months ended 30th September, 2003 | | | | |
| TURNOVER | | | | |
| External Sales | <u>1,340</u> | <u>5,286</u> | <u>231,498</u> | <u>238,124</u> |
| RESULT | | | | |
| Segment result | <u>468</u> | <u>1,476</u> | <u>24,537</u> | 26,481 |
| Unallocated corporate expenses | | | | (2,708) |
| Interest income | | | | 2,728 |
| Dividend income | | | | <u>952</u> |
| Profit from operations | | | | <u>27,453</u> |

| | Estate agency HK\$'000 | Property investment HK\$'000 | Securities investment HK\$'000 | Consolidated HK\$'000 |
|--|---------------------------|------------------------------------|--------------------------------------|--------------------------|
| For the six months ended 30th September, 2002 | | | | |
| TURNOVER | | | | |
| External Sales | <u>428</u> | <u>1,254</u> | <u>257,419</u> | <u>259,101</u> |
| RESULT | | | | |
| Segment result | <u>236</u> | <u>428</u> | <u>30,501</u> | 31,165 |
| Unallocated corporate expenses | | | | (974) |
| Impairment loss recognized in respect of goodwill of subsidiaries | | | | (8,491) |
| Interest income | | | | 3,839 |
| Dividend income | | | | <u>278</u> |
| Profit from operations | | | | <u>25,817</u> |

Over 90% of the Group's turnover and profit from operations were derived from Hong Kong, and no geographical segments are presented.

4. OTHER OPERATING INCOME

| | Six months ended 30th September, | |
|--|-------------------------------------|--------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Interest income | 2,728 | 3,839 |
| Dividend income | 952 | 278 |
| Gain on disposal of property held for development | 530 | — |
| Others | 560 | 249 |
| | <u>4,770</u> | <u>4,366</u> |

5. OTHER EXPENSES

| | Six months ended 30th September, | |
|--|-------------------------------------|--------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Amortization of goodwill of subsidiaries | — | 187 |
| Impairment loss recognized in respect of goodwill | — | 8,491 |
| Impairment loss of investment in securities | 3,000 | — |
| Revaluation decrease of investment properties | 2,000 | — |
| | <u>5,000</u> | <u>8,678</u> |

6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

| | Six months ended 30th September, | |
|---|-------------------------------------|------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Depreciation of property, plant and equipment | <u>1,068</u> | <u>477</u> |

7. TAXATION

| Six months ended 30th September, | |
|-------------------------------------|----------|
| 2003 | 2002 |
| HK\$'000 | HK\$'000 |

The charge comprises:

| | | |
|-----------------------|--------------|----------|
| Hong Kong Profits Tax | <u>(685)</u> | <u>—</u> |
|-----------------------|--------------|----------|

Hong Kong Profits Tax was calculated at the rate of 17.5% (30th September 2002: 16%) on the estimated assessable profit for the period.

8. EARNINGS PER SHARE

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

| Six months ended 30th September, | |
|-------------------------------------|----------|
| 2003 | 2002 |
| HK\$'000 | HK\$'000 |

| | | |
|---|---------------|---------------|
| Earnings for the purpose of calculating basic and diluted earnings per share: Net profit for the period | <u>16,522</u> | <u>27,539</u> |
|---|---------------|---------------|

| | | |
|--|----------------------|---------------|
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | <u>1,533,791,800</u> | 1,283,791,800 |
|--|----------------------|---------------|

| | | |
|--|------------|-------------------|
| Effect of dilutive potential ordinary shares: Share options | <u>N/A</u> | <u>13,812,000</u> |
|--|------------|-------------------|

| | | |
|--|------------|----------------------|
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | <u>N/A</u> | <u>1,297,603,800</u> |
|--|------------|----------------------|

No diluted earnings per share for the period ended 30th September, 2003 has been presented as the exercise price of the share options was greater than the average market price of the Company's shares during the period.

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY HELD FOR DEVELOPMENT

During the period, the Group acquired investment properties at a consideration of approximately HK\$204,000,000.

The Group disposed of the property held for development with a carrying amount of HK\$4,000,000 for a consideration of RMB5,000,000 (approximately HK\$4,530,000).

The Group's investment properties were revalued by the directors with reference to the estimated selling prices at 30th September 2003. The resulting revaluation deficit of HK\$2,000,000 has been charged to condensed consolidated income statement.

10. MOVEMENTS IN INVESTMENT SECURITIES

During the period, the Group acquired other investments at consideration of approximately HK\$74,395,000 and disposed of other investments with the carrying value of approximately HK\$204,894,000.

In addition, an unrealized holding gain on other investments of approximately HK\$1,367,000 has been credited to the condensed consolidated income statement during the period. The directors reviewed the carrying amount of investment securities with reference to the market value of the assets held by the investee and identified an impairment loss of approximately HK\$3,000,000 which was charged to the condensed consolidated income statement.

11. 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 reporting date is as follows:

| | 30th September, 2003 HK\$'000 | 31st March 2003 HK\$'000 |
|-------------------|--|---|
| 0-30 days | 2,313 | 2,086 |
| 31-60 days | 1,620 | 194 |
| 61-90 days | 553 | 276 |
| Over 90 days | <u>3,285</u> | <u>713</u> |
| | 7,771 | 3,269 |
| Other receivables | <u>3,714</u> | <u>2,402</u> |
| | <u>11,485</u> | <u>5,671</u> |

12. TRADE AND OTHER PAYABLES

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

| | 30th September, 2003 HK\$'000 | 31st March 2003 HK\$'000 |
|----------------|--|-----------------------------------|
| 0-30 days | 2,088 | 1,214 |
| 31-60 days | 1,543 | 223 |
| 61-90 days | 592 | 244 |
| Over 90 days | 2,559 | 856 |
| | 6,782 | 2,537 |
| Other payables | 2,581 | 2,361 |
| | 9,363 | 4,898 |

13. BANK BORROWINGS

During the period, the Group obtained new bank loans of approximately HK\$117,600,000. The bank loans bear interest at prevailing market rates and are repayable in instalments over a period of 10 years.

14. SHARE CAPITAL

| | Number of shares | Value HK\$'000 |
|---|-----------------------|-------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.1 each at 31st March, 2002 | 1,800,000,000 | 180,000 |
| Adjustment of nominal value (note a) | — | (162,000) |
| Increase (note a) | <u>16,200,000,000</u> | <u>162,000</u> |
| | | |
| Ordinary shares of HK\$0.01 each at 31st March, 2003 & 30th September, 2003 | <u>18,000,000,000</u> | <u>180,000</u> |
| | | |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.1 each at 31st March, 2002 | 1,283,791,800 | 128,379 |
| Adjustment of nominal value (note a) | — | (115,541) |
| Issue of shares (note b) | <u>250,000,000</u> | <u>2,500</u> |
| | | |
| Ordinary shares of HK\$0.01 each at 31st March, 2003 & 30th September, 2003 | <u>1,533,791,800</u> | <u>15,338</u> |

(a) 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 Reorganisation"):

- Nominal value of the issued and unissued share was reduced from HK\$0.10 to HK\$0.01 ("Capital Reduction");
- The authorised 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;
- The entire amount of the share premium account of the Company as at 31st March, 2002 was cancelled ("Share Premium Reduction");
- 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.

- (b) The Company issued and allotted 250,000,000 ordinary shares of HK\$0.01 each to independent investors for cash at HK\$0.105 per share. The net proceeds of approximately HK\$25,800,000 were used as the Company's general working capital for daily operation. These shares were issued under the general mandate granted to the Directors at the special general meeting held on 26th August, 2002.

15. POST BALANCE SHEET EVENTS

- (a) Capital Strategic Investment (B.V.I.) Limited, a wholly-owned subsidiary of the Company, entered into an agreement to dispose of its wholly-owned subsidiary, Charm Management Limited ("Charm") to an independent third party, at a consideration of HK\$61,000,000. The sole asset of Charm is holding of 201,000,000 shares of Capital Prosper Limited ("Capital Prosper"), representing approximately 28.22% of the issued share capital of Capital Prosper. Capital Prosper is a company whose shares are listed on The Stock Exchange of Hong Kong Limited. Details of this are set out in the announcement dated 11th November, 2003 issued jointly by the Company and Capital Prosper. Upon the disposal, the gain on disposal of Charm was approximately HK\$5,900,000 and accordingly, the net tangible asset value of the Group was adjusted by approximately HK\$48.8 million to HK\$486.5 million as at 30th September, 2003 from HK\$437.7 million as at 31st March, 2003.
- (b) The Group entered into agreements to dispose of the investment properties with carrying value of HK\$3,900,000 for a total consideration of approximately HK\$2,451,000. The loss on disposal of these investment properties was approximately HK\$1,449,000.
- (c) On 5th September, 2003, On Glory Holdings Limited, a wholly-owned subsidiary of the Company entered into agreement with High Cheong Developments Limited ("High Cheong"), a wholly-owned subsidiary of Capital Estate Limited ("Capital Estate") to dispose of its entire 80% interest in the issued share capital of Consecutive Profits Limited ("CPL") to High Cheong for a consideration of HK\$6,000,000, subject to adjustment. The sole asset of CPL is 82.5% interest in Century 21 Hong Kong Limited. Capital Estate is an associate of the Group and whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr Ng Kai Man, Luke, an executive director and the Deputy Chairman of Capital Estate, is also a substantial shareholder of CPL. The transaction constituted a connected transaction of Capital Estate under the Listing Rules.

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 12.

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 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, 2003.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
18th December, 2003

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2003. (2002: Nil)

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK\$238.1 million for the six months ended 30th September, 2003, representing a decrease of 8.1% from approximately HK\$259.1 million for the corresponding period in the last year. The decrease of revenue generated from securities trading by approximately HK\$25.9 million was partly offset by the increase in revenue generated from property investment by approximately HK\$4.9 million. The Group recorded a net profit of approximately HK\$16.5 million for the six months ended 30th September, 2003 compared to a net profit of approximately HK\$27.5 million in last period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included highly liquid investment in securities of approximately HK\$134.6 million and cash of approximately HK\$113.9 million. The investment in securities mainly comprised of debt security instruments with high credit ratings. The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

The Group's short-term bank borrowing has been increased from approximately HK\$5.2 million as at 31st March, 2003 to approximately HK\$7.4 million as at 30th September, 2003, and long-term bank borrowing has been increased from approximately HK\$25.9 million as at 31st March, 2003 to approximately HK\$135.4 million as at 30th September, 2003. All the bank borrowings were utilized in financing the Group's investment properties in generating recurring rental income. As a result, the Group's total bank borrowings have been increased from approximately HK\$31.1 million as at 31st March, 2003 to approximately HK\$142.8 million as at 30th September, 2003, and the total debt-to-equity ratio was increased to 31.6% (At 31st March, 2003: 7.7%). All bank borrowings were denominated in HK dollars and were on a floating rate basis at either bank prime lending rates or short-term inter-bank offer rates. The maturity profile spread over a period of 10 years with approximately HK\$7.5 million repayable within one year, HK\$46.3 million repayable between one to five years, and HK\$89 million over five years.

The Group has little foreign exchange exposure as the Group's assets and liabilities were all denominated in Hong Kong dollars and US dollars.

BUSINESS REVIEW

The six months under review have seen some of the most difficult business operating environments in recent years. In addition to the adverse effects on the global economy as a result of the war against Iraq, the devastating effects on the local economy caused by the outbreak of SARS were more than apparent. Nevertheless, the Group has successfully continued to generate healthy returns from its investments, and a net profit of approximately HK\$16.5 million was recorded.

The Group's focus 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, continued to result in significant contribution towards the Group's revenue and profit from operations. Moreover, a significant portion of the Group's net profit for the period under review was mainly attributable to the returns generated from these investments.

As for the making of other strategic investments, besides that of financial instruments, the Group has been continuing to seek 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, several potential investment projects, primarily in the prime real estate sector, were looked into during the period under review, and as previously announced, the Group has successfully completed its acquisition of a prime 23-storey commercial building at No. 88 Gloucester Road, Hong Kong (together with certain car parking spaces) in July 2003. In line with the Group's strategy, rental returns generated as a result of this acquisition is expected to further broaden the Group's recurring income and revenue base.

In relation to the Group's other prime residential property investments, notwithstanding the adverse impact of SARS on the property rental market in general, these prime properties of the Group remained fully let and continued to generate stable return on investment during the period under review. Following the control of the outbreak of SARS, the local property rental market appeared to have stabilized and showed cautious signs of improvement, and 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.

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 as a result of SARS throughout the period under review. Following the end of the period under review, the Group has, as previously announced, conditionally agreed to dispose of its interests in Century 21 Hong Kong Limited to the Group's associated company, Capital Estate Limited (HKSE Code: 193), with a view to streamline the Group's own operation as well as to strengthen the core businesses of, and thus to enhance the value of the Group's investment in, Capital Estate Limited.

Following the end of the period under review, and in capturing the opportunities afforded by the improved sentiment in the regional local equity markets, the Group has successfully disposed and realized its entire investment in Capital Prosper Limited (HKSE Code: 1003) for HK\$61 million as previously announced. Thus, going forward, with a strengthened recurring 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 when they arise, and to expand the Group's income and revenue base as considered appropriate.

CONTINGENT LIABILITIES

As 30th September, 2003, (31st March, 2003: Nil) the Group had no material contingent liability.

PLEDGE OF ASSETS

At 30th September 2003, the following assets were pledged to secure general banking facilities granted to the Group:

- (a) Investment properties with a carrying value of HK\$261,013,000 (31st March, 2003: HK\$56,500,000).
- (b) Bank deposit of approximately HK\$5,204,000 (31st March, 2003: HK\$5,178,000).

EMPLOYEE

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. In addition to salaries and sales commission, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. Share options may be granted as a recognition of their contribution and an incentive to motivate them.

DIRECTORS' INTERESTS IN SHARES OR SHARE OPTIONS

As at 30th September, 2003, as recorded in the register maintained by the Company pursuant to section 352 of the Securities Futures Ordinance ("SFO"), or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("SEHK") ("Listing Rules"), Mr. Choo Yeow Ming is deemed to have interest in 450,349,000 shares of the Company, and represented 29.36% of the issued share capital of the Company.

The 450,349,000 shares were held by Air Zone Group Limited ("Air Zone"), a wholly owned subsidiary of Cyber One Group Limited ("Cyber One"). Both Air Zone and Cyber One are corporations controlled by Mr. Choo Yeow Ming. Further, the entire issued share capital of Cyber One is held by a discretionary trust and certain corporate beneficiaries of which are wholly owned by Mr. Choo Yeow Ming.

Save as disclosed herein, as at 30th September, 2003, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the share, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

At no time during the six months ended 30th September, 2003 was the Company, its subsidiaries or its associated corporations a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates to acquire benefits by an acquisitions of shares or underlying shares in, or debentures of, the Company or its associates corporations.

SUBSTANTIAL SHAREHOLDER

Save as disclosed directors' interests in share above and so far as was known to any director of the Company, there was no person who has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30th September 2003.

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, 2003.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30th September 2003, in compliance with the Code of Best Practice stipulated in Appendix 14 to the Listing Rules, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-law 99(A), 102(B) and 182 of the Company's Bye-laws.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of shares of the Company by the Company or its subsidiaries during the six months ended 30th September, 2003.

By order of the Board
Choo Yeow Ming
Executive Chairman

Hong Kong, 18th December, 2003