CSI

Capital Strategic Investment Limited

資本策略投資有限公司

Value and Growth

Interim Report 2005

CORPORATE INFORMATION

Board of directors

Non-Executive Director:

Chung Cho Yee, Mico
(*Non-Executive Chairman)*

Executive Directors:

Ma Wai Man, Catherine
(*Company Secretary)*
Chow Hou Man
(*Qualified Accountant)*

Independent Non-Executive Directors:

Lam Lee G.
Wong Sin Just
Cheng Yuk Wo

Audit committee

Lam Lee G.
Wong Sin Just
Cheng Yuk Wo

Remuneration Committee

Chung Cho Yee, Mico
Lam Lee G.
Cheng Yuk Wo

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business

3609-11
Two International Finance Centre
8 Finance Street
Central, Hong Kong

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
UBS AG
DBS Bank (Hong Kong) Limited
Goldman Sachs & Co.
JP Morgan Private Bank

Auditors

Deloitte Touche Tohmatsu
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Principal registrars

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong branch share registrars

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

INTERIM RESULTS HIGHLIGHTS

	Six months ended 30th September,	
	2005	2004
	(unaudited)	*(unaudited and restated)*
	HK$'000	*HK$'000*
Total turnover	**287,381**	159,370
Profit of the Group for the period before adoption of new HKFRSs	**70,560**	42,174
Profit of the Group for the period prepared under the new HKFRSs	**11,709**	28,649

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies that have an effect on how the results for the current period or prior accounting periods are prepared and presented. Details of these are set out in Notes 2 and 3 of this report.

RECONCILIATION OF PROFIT FOR THE PERIOD (BEFORE MINORITY INTERESTS)

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Profit for the period before adoption of new HKFRSs	**70,560**	42,174
Adjustments:		
Non-amortisation of goodwill of interest in an associate	**27**	—
Gain on disposal of interests in associates	**(1,225)**	—
Gain on disposal of investment properties included in other operating income to be recognized and adjusted in income statement for the year ended 31st March, 2005 *(Note)*	**(62,554)**	—
Gain on disposal of interests in subsidiaries	**—**	(13,525)
Taxation	**5,228**	—
Amortisation of prepaid lease payments included in administration expenses	**(327)**	—
Profit for the period prepared under the new HKFRSs	**11,709**	28,649

Note: The amount of HK$62,554,000 represents the decrease in release of investment property revaluation reserve to income statement upon disposal of investment properties upon the retrospective application of HKAS 40 "Investment Property" issued by HKICPA. This amount also represents the fair value gain on revaluation of investment property to be recognised in income statement for the year ended 31st March, 2005 upon the retrospective application of HKAS 40 "Investment Property" issued by HKICPA.

RECONCILIATION OF INCOME STATEMENT FOR THE PERIOD (BEFORE MINORITY INTERESTS)

	Six months ended 30th September, 2005			
	Amounts prepared before adoption of new HKFRSs	**Effect of the adoption of new HKFRSs**	**Amounts prepared under the new HKFRSs**	Six months ended 30th September, 2004
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
	(unaudited)	***(unaudited)***	***(unaudited)***	*(unaudited and restated)*
Turnover	**287,381**		**287,381**	159,370
Cost of sales	**(264,135)**		**(264,135)**	(138,959)
Gross profit	**23,246**		**23,246**	20,411
Other operating income	**69,120**	**(62,554)**	**6,566**	3,992
Other operating expenses	**—**		**—**	(3,675)
Administrative expenses	**(14,772)**	**(327)**	**(15,099)**	(14,268)
Other expenses	**—**		**—**	(6,159)
Profit from operations	**77,594**		**14,713**	301
Finance costs	**(7,576)**		**(7,576)**	(1,134)
Gain (loss) on disposal/dilution of interests in an associate	**12,873**	**(1,225)**	**11,648**	(2,021)
Gain on disposal of interests in subsidiaries	**—**		**—**	33,703
Share of results of associates	**362**		**362**	(171)
Amortisation of goodwill of interest in an associate	**(27)**	**27**	**—**	(75)
Profit before taxation	**83,226**		**19,147**	30,603
Taxation	**(12,666)**	**5,228**	**(7,438)**	(1,954)
Profit for the period	**70,560**		**11,709**	28,649

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2005

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies that have an effect in the results for the current period or prior accounting periods. Details of these are set out in notes 2 and notes 3 to the interim financial reports.

		Amounts prepared under adoption of new HKFRSs Six months ended 30th September,	
	Notes	**2005**	2004
		HK$'000	*HK$'000*
		(unaudited)	*(unaudited and restated)*
Turnover		**287,381**	159,370
Cost of sales		**(264,135)**	(138,959)
Gross profit		**23,246**	20,411
Other operating income	*5*	**6,566**	3,992
Other operating expenses		**—**	(3,675)
Administrative expenses		**(15,099)**	(14,268)
Other expenses	*6*	**—**	(6,159)
Profit from operations	*7*	**14,713**	301
Finance costs		**(7,576)**	(1,134)
Gain (loss) on disposal/dilution of interest in an associate	*12*	**11,648**	(2,021)
Gain on disposal of interests in subsidiaries		**—**	33,703
Share of results of associates		**362**	(171)
Amortisation of goodwill of interest in an associate		**—**	(75)
Profit before taxation		**19,147**	30,603
Taxation	*8*	**(7,438)**	(1,954)
Profit for the period		**11,709**	28,649
Attributable to:			
Equity holders of the parent		**10,107**	28,649
Minority interests		**1,602**	—
Profit for the period		**11,709**	28,649
Earnings per share	*9*		
— Basic		**2.2 cents**	7.5 cents
— Diluted		**2.0 cents**	7.3 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2005

	Notes	**30th September, 2005 HK$'000 (unaudited)**	31st March, 2005 HK$'000 (audited and restated)
Non-Current Assets			
Investment properties	10	**558,313**	818,000
Property, plant and equipment		**14,389**	15,080
Prepaid lease payments	11	**255,017**	15,620
Deposit paid for acquisition of subsidiaries		**—**	35,000
Club debenture		**6,860**	6,860
Interests in associates	12	**3,074**	30,119
Investments in securities		**1,157**	9,891
Deposits paid on acquisition of property, plant and equipment		**150**	—
Deferred tax asset	14	**814**	609
		839,774	931,179
Current Assets			
Trade and other receivables	15	**2,979**	5,562
Prepaid lease payments	11	**655**	380
Deposit held in stakeholders		**1,763**	4,531
Investments in securities		**—**	128,407
Investments in securities held for trading	13	**106,818**	—
Properties held for sale		**189,722**	227,009
Amount due from an investee	16	**11,069**	—
Taxation recoverable		**628**	919
Pledged bank deposits		**5,250**	5,230
Bank balances and cash		**282,101**	211,199
		600,985	583,237

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2005

	Notes	30th September, 2005 HK$'000 (unaudited)	31st March, 2005 HK$'000 (audited and restated)
Current Liabilities			
Accruals and other payables		**9,593**	41,304
Taxation payable		**16,615**	3,906
Amounts due to minority shareholders		**3,394**	—
Bank borrowings — due with one year	*17*	**69,255**	158,610
		98,857	203,820
Net Current Assets		**502,128**	379,417
		1,341,902	1,310,596
Capital and Reserves			
Share capital	*18*	**19,382**	15,382
Reserves		**980,717**	883,775
Equity attributable to equity holders of the parent		**1,000,099**	899,157
Minority interests		**1,602**	—
		1,001,701	899,157
Non-Current Liabilities			
Bank borrowings — due after one year	*17*	**323,565**	376,430
Amount due to minority shareholders		**—**	13,016
Deferred tax liability	*14*	**16,636**	21,993
		340,201	411,439
		1,341,902	1,310,596

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2005

	Attributable to equity holders of the parent							
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Investment property revaluation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interest HK$'000	Total HK$'000
At 31st March, 2004 as originally stated	15,338	23,225	276,058	214,503	184,131	713,255	—	713,255
— Effect of changes in accounting policies *(Note 3)*	—	—	—	(214,503)	204,323	(10,180)	—	(10,180)
At 31st March, 2004 as restated	15,338	23,225	276,058	—	388,454	703,075	—	703,075
Profit for the period (restated)	—	—	—	—	28,649	28,649	—	28,649
At 30th September, 2004	15,338	23,225	276,058	—	417,103	731,724	—	731,724
Profit for the period (restated)	—	—	—	—	166,699	166,699	—	166,699
Exercise of share option	44	690	—	—	—	734	—	734
At 31st March, 2005	15,382	23,915	276,058	—	583,802	899,157	—	899,157
— Effect of changes in accounting policies *(Note 3)*	—	—	—	—	1,225	1,225	—	1,225
At 1st April, 2005 as restated	15,382	23,915	276,058	—	585,027	900,382	—	900,382
Profit for the period	—	—	—	—	10,107	10,107	1,602	11,709
Issue of shares	4,000	104,000	—	—	—	108,000	—	108,000
Expenses related to issue of shares	—	(1,431)	—	—	—	(1,431)	—	(1,431)
Dividend paid	—	—	—	—	(16,959)	(16,959)	—	(16,959)
	4,000	102,569	—	—	(16,959)	89,610	—	89,610
At 30th September, 2005	19,382	126,484	276,058	—	578,175	1,000,099	1,602	1,001,701

The contributed surplus of the Group represented the amount arising from capital reorganisation carried out by the Company during the year ended 31st March, 2003.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2005

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Net cash from operating activities	**42,833**	110,880
Net cash from (used in) investing activities:		
Proceeds from disposal of property, plant and equipment	**440**	5,380
Proceeds from disposal of investment properties	**296,000**	—
Purchase of investment properties	**(35,000)**	(232,704)
Acquisition of subsidiaries	**(205,000)**	—
Cash inflows from other investing activities	**33,861**	78,410
	90,301	(148,914)
Net cash (used in) from financing activities:		
Proceeds of issue of shares, net of issue costs	**106,569**	734
Repayment of borrowings	**(355,890)**	(38,240)
New borrowings raised	**213,800**	145,000
Cash outflows from other financing activities	**(26,581)**	(13,654)
	(62,102)	93,840
Net increase in cash and cash equivalents	**71,032**	55,806
Cash and cash equivalents at beginning of the period	**211,069**	128,292
Cash and cash equivalents at end of the period	**282,101**	184,098
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**282,101**	184,098

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Company and its subsidiaries (the "Group") annual financial statements for the year ended 31st March, 2005, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(i) Business combinations

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life.

The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill arising on the acquisition of associates which were previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 are not required to be restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance was resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill of HK$1,225,000 on 1st April, 2005 which was previously presented as a deduction from interests in associates, with a corresponding increase to retained profit as at 1st April, 2005.

Contingent liabilities of acquirees

In accordance with HKFRS 3, contingent liabilities of an acquiree are recognised at the date of the acquisition if the fair value of the contingent liabilities can be measured reliably. Previously, contingent liabilities of acquirees were not recognised separately from goodwill. As no material contingent liabilities of the acquirees were identified in relation to acquisitions that took place in the current period, this change in accounting policy has had no material effect on the goodwill calculation. In addition, because the revised accounting policy has been applied prospectively to acquisitions for which the agreement date is on or after 1st January, 2005, comparative figures for 2004 have not been restated.

(ii) Share-based Payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. No share option was granted during the six months ended 30th September, 2005. In relation to share options granted before 1st April, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st April, 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st April, 2005. No share options remained unvested as at 1st April, 2005. The adoption of HKFRS 2 has had no material effect on the result for the current and prior accounting period. No prior period adjustment has been made.

(iii) Financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application. The adoption of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects on the Group as a result of implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

On or before 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice No. 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses while "other investments" are measured at fair value, with unrealised holding gains or losses included in the profit or loss. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

From 1st April, 2005 onwards, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Investments in securities classified under non-current assets with carrying amounts of approximately of HK$9,891,000 were designated as "financial assets" at fair value through profit or loss on 1st April , 2005 and presented as "investment in securities" in the balance sheet. Investments in securities classified under current assets with carrying amount of approximately HK$128,407,000 was also reclassified to investments in securities held for trading on 1st April, 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no material effect on the Group's result for the current and prior accounting periods.

(iv) Leasehold land held for undetermined future use

In previous years, properties under development were measured at cost less impairment and included in property, plant and equipment. Under HKAS 17, such leasehold land is classified as a prepaid lease payment under an operating lease, carried at cost and amortised on a straight-line basis over the lease term. In the absence of any specific transitional provisions in HKAS 17, such change in accounting policy has been applied retrospectively. Comparative figures have been restated. The amount of HK$16,000,000 included in properties held for development as at 31st March, 2005 are reclassified into prepaid lease payment under non-current assets of approximately HK$15,620,000 and prepaid lease payments under current assets of approximately HK$380,000 respectively. For the current period, amortisation charge of HK$327,000 was recognised in the income statement (six months ended 30th September, 2004: Nil).

(v) Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under Statement of Standard Accounting Practice 13 "Accounting for Investment Properties" issued by the HKICPA were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provision in HKAS 40 and elected to apply HKAS 40 retrospectively. Comparative figures have been restated.

(vi) Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HK (SIC) Interpretation 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

The Group has commenced considering the potential impact of the following new standards or interpretations that have been issued but are not effective, but is not yet in a position to determine whether these standards or interpretations would have a significant impact on how its results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment[3]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in accounting policies described above on the results are as follows:

(i) On results

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
Decrease in release of negative goodwill included in interests in associates to the income statement upon disposal of interests in associates	**(1,225)**	—
Decrease in release of investment property revaluation reserve to income statement upon disposal of investment properties/subsidiaries	**(62,554)**	(13,525)
Release of deferred tax liability related to investment property disposed of during the period	**5,228**	—
Non-amortisation of goodwill	**27**	—
Amortisation of prepaid lease payments	**(327)**	—
Decrease in profit for the period	**(58,851)**	(13,525)

(ii) On income statement line items

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
Non-amortisation of goodwill of interest in an associate	**27**	—
Gain on disposal of interests in associates	**(1,225)**	—
Gain on disposal of investment properties included in other operating income	**(62,554)**	—
Gain on disposal of interests in subsidiaries	—	(13,525)
Taxation	**5,228**	—
Amortisation of prepaid lease payments included in administrative expenses	**(327)**	—
	(58,851)	(13,525)

(iii) On balance sheet items

(a) The cumulative effects of the application of the new HKFRSs as at 31st March, 2005 and 1st April, 2005 are summarised below:

	As at 31st March, 2005 (originally stated)	Adjustment HKAS 40	Adjustment — HKAS 17	Adjustment — HK(SIC) — Int 21	As at 31st March, 2005 (as restated)	Adjustment — HKAS 39	Adjustment — HKFRS 3	As at 1st April, 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Properties held for development — non-current	16,000	—	(16,000)	—	—	—	—	—
Prepaid lease payment — non-current	—	—	15,620	—	15,620	—	—	15,620
Prepaid lease payment — current	—	—	380	—	380	—	—	380
Investment in securities — current	128,407	—	—	—	128,407	(128,407)	—	—
Investments in securities held for trading — current	—	—	—	—	—	128,407	—	128,407
Interests in associates — negative goodwill	(1,225)	—	—	—	(1,225)	—	1,225	—
Deferred tax liability	(2,360)	—	—	(19,633)	(21,993)	—	—	(21,993)
Total effects on assets and liabilities	140,822	—	—	(19,633)	121,189	—	1,225	122,414
Investment property revaluation reserve	(347,532)	347,532	—	—	—	—	—	—
Retained profits	(255,903)	(347,532)	—	19,633	(583,802)	—	(1,225)	(585,027)
Total effects on equity	(603,435)	—	—	19,633	(583,802)	—	(1,225)	(585,027)

(b) The financial effects of the application of the new HKFRSs to the Group's equity on 1st April, 2004 are summarised below:

	As originally stated	Adjustment- HKAS 40 & HK (SIC)- Int 21	As restated
	HK$'000	*HK$'000*	*HK$'000*
Retained earnings	184,131	204,323	388,454
Investment property revaluation reserve	214,503	(214,503)	—
Total effects on equity	398,634	(10,180)	388,454

4. SEGMENTAL INFORMATION

By business segments

The Group's primary format for reporting segment information is business segments.

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

	Property investment *HK$'000*	Securities investment *HK$'000*	Consolidated *HK$'000*
For the six months ended 30th September, 2005			
TURNOVER			
External Sales	179,140	108,241	287,381
RESULT			
Segment result	8,812	3,696	12,508
Unallocated corporate expenses			(2,931)
Interest income			4,898
Dividend income			238
Profit from operations			14,713
Finance costs			(7,576)
Gain on disposal/dilution of interests in an associate			11,648
Share of results of associates			362
Profit before taxation			19,147
Taxation			(7,438)
Profit for the period			11,709

	Property investment	Securities investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
	(restated)	*(restated)*	*(restated)*
For the six months ended 30th September, 2004			
TURNOVER			
External Sales	119,011	40,359	159,370
RESULT			
Segment result	19,157	(17,156)	2,001
Unallocated corporate expenses			(4,189)
Interest income			2,129
Dividend income			360
Profit from operations			301
Finance cost			(1,134)
Gain (loss) on disposal/ dilution of interest in an associate			(2,021)
Gain on disposal of interests in subsidiaries			33,703
Share of results of associates			(171)
Amortisation of goodwill of interests in an associate			(75)
Profit before taxation			30,603
Taxation			(1,954)
Profit for the period			28,649

Geographical segment

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

5. OTHER OPERATING INCOME

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
Dividend income from listed investments	**238**	360
Interest income	**4,898**	2,129
Gain on disposal of property, plant and equipment	**440**	1,417
Gain on disposal of investment in securities	**841**	—
Others	**149**	86
	6,566	3,992

6. OTHER EXPENSES

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
Fair value changes on investments in securities	**—**	6,159
	—	6,159

7. PROFIT FROM OPERATIONS

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
Profit from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,620**	790
Amortisation of prepaid lease payments	**327**	—
Allowance on properties held for sale included in cost of sales	**10,000**	—

8. TAXATION

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
The charge comprises:		
Hong Kong Profits Tax	**13,000**	2,300
Deferred tax *(Note 14)*	**(5,562)**	(346)
Attributable to the Company and its subsidiaries	**7,438**	(1,954)

Hong Kong Profits Tax was provided at the rate of 17.5% on the estimated assessable profit of the subsidiaries of the Group for both periods.

9. EARNINGS PER SHARE

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

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
Earnings for the purpose of calculating basic and diluted earnings per share:		
Profit for the period attributable to equity holders of the parent	**10,107**	28,649

	Number of Shares	Number of Shares
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**463,775,000**	383,448,000
Effect of dilutive potential ordinary shares:		
Share options	**32,414,000**	7,160,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**496,189,000**	390,608,000

10. MOVEMENTS IN INVESTMENT PROPERTIES

During the period, the Group acquired an investment property at a consideration of approximately HK$35,000,000 and disposed of investment property with a carrying amount of approximately HK$296,000,000 for a consideration of HK$296,000,000.

The directors considered that there was no material change in the market values of the investment properties since 31st March, 2005.

11. PREPAID LEASE PAYMENTS

During the six months ended 30th September 2005, the Group acquired a piece of leasehold land located in Hong Kong under an operating lease through acquisition of subsidiaries for a consideration of approximately HK$240,000,000 *(Note 22)*.

The Group had not determined its purpose at the date of this report. The leasehold land is carried at cost and amortised over the leas terms on straight-line basis.

12. INTERESTS IN ASSOCIATES

In May 2005, the Group disposed of its entire interest in Capital Estate Limited (a company whose shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited), an 21.13% associate of the Group as at 31st March, 2005 for a consideration of approximately HK$40,414,000 and resulted in a gain on disposal of an associate of approximately HK$11,648,000.

13. MOVEMENTS IN INVESTMENTS IN SECURITIES HELD FOR TRADING

During the period, the Group acquired investments in securities held for trading at consideration of approximately HK$83,112,000 and disposed of investment in securities held for trading with the carrying value of approximately HK$109,185,000.

In addition, a loss on fair value changes on investments in securities held for trading of approximately HK$4,484,000 has been charged to the condensed consolidated income statement during the period.

14. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognized and movements during the current and prior reporting periods:

	Revaluation of investment properties *HK$'000*	Accelerated tax deprecation *HK$'000*	Subtotal *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1st April, 2004, as originally stated	—	878	878	(275)	603
Effects of changes in accounting policies *(note 3)*	10,180	—	10,180	—	10,180
At 1st April, 2004 as restated	10,180	878	11,058	(275)	10,783
Charge (credit) to income for the period	—	(322)	(322)	(24)	(346)
At 30th September, 2004	10,180	556	10,736	(299)	10,437
Charge (credit) to income for the period	9,453	1,804	11,257	(310)	10,947
At 31st March, 2005	19,633	2,360	21,993	(609)	21,384
Credit to income for the period	—	(129)	(129)	(205)	(334)
Disposal of investment properties	(5,228)	—	(5,228)	—	(5,228)
At 30th September, 2005	14,405	2,231	16,636	(814)	15,822

15. 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, 2005 ***HK$'000***	31st March, 2005 *HK$'000*
0-30 days	**478**	239
Other receivables	**2,501**	5,323
	2,979	5,562

16. AMOUNT DUE FROM AN INVESTEE

The amount is unsecured, non-interest bearing and repayable on demand.

17. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately HK$213,800,000 and repaid approximately HK$356,000,000. The bank loans bear interest at prevailing market rates and are wholly repayable ranging from 2008 to 2015. The proceeds were used to finance the acquisition of investment properties and properties held for sales.

18. SHARE CAPITAL

	Number of shares	Value *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1st April, 2004	**18,000,000,000**	**180,000**
Share Consolidation	**(13,500,000,000)**	**—**
Ordinary shares of HK$0.04 each at 31st March, 2005 and 30th September, 2005	**4,500,000,000**	**180,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1st April, 2003 and 31st March, 2004	**1,533,791,800**	**15,338**
Share Consolidation	**(1,150,343,850)**	**—**
Ordinary shares of HK$0.04 each	**383,447,950**	**15,338**
Exercise of share options	**1,092,500**	**44**
Ordinary shares of HK$0.04 each at 31st March, 2005	**384,540,450**	**15,382**
Issue of shares *(Note)*	**100,000,000**	**4,000**
Ordinary shares of HK$0.04 each at 30th September, 2005	**484,540,450**	**19,382**

Note: Pursuant to a resolution passed at a special general meeting held on 6th May, 2005, the Company completed the subscription agreements with independent third parties in which the independent third parties subscribed an aggregate of 75,000,000 new ordinary shares of the HK$0.04 each at the subscription price of HK$1.08 per share. Pursuant to the resolution passed on the same special general meeting, the Company completed the placing agreement with placing agent in which the placing agent procured subscribers to subscribe 25,000,000 new ordinary shares of HK$0.04 each at the subscription price of HK$1.08 per share. All the ordinary share issued during the period rank pari passu with the then existing ordinary shares in all respects.

19. PLEDGE OF ASSETS

At as 30th September, 2005, the following assets were pledged to secure banking facilities granted to the Group:

(a) Investment properties with a carrying value of approximately HK$522,000,000 (31.3.2005: HK$818,000,000).

(b) Prepaid lease payment with a carrying value of approximately HK$240,000,000 (31.3.2005: HK$Nil).

(c) Property held for sales with carrying value of approximately HK$189,722,000 (31.3.2005: HK$227,009,000).

(d) Bank deposit of approximately HK$5,250,000 (31.3.2005: HK$5,230,000).

The Group also executed the assignment of rental income over the investment properties and properties held for sales to banks to secure the banking facilities granted to the Group.

20. CAPITAL COMMITMENTS

	30th September, 2005 *HK$'000*	31st March, 2005 *HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**1,348**	—
Capital expenditure in respect of acquisition of subsidiary contracted for but not provided in the financial statements	**—**	205,000
	1,348	205,000

21. DISPOSAL OF SUBSIDIARIES

During the six months ended 30th September, 2004, the Group disposed of its entire interests in Ascot Limited and Linkpower Limited for a consideration of approximately HK$31,650,000 and HK$107,603,000 respectively. Details of the disposals are summarised as follows:

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Net assets disposed of:	—	105,550
	—	105,550
Gain on disposal of subsidiaries	—	33,703
Consideration	—	139,253
Satisfied by:		
Cash	—	139,253
Net cash inflow arising on disposal:		
Cash consideration received	—	139,253
Bank balances and cash disposed of	—	(80)
	—	139,173

The subsidiaries disposed of did not make any significant contribution to the results and cash flows of the Group during that period.

22. ACQUISITION OF SUBSIDIARIES

During the six months ended 30th September, 2005, the Group acquired 100% interests in Yieldson Development Limited ("Yieldson") and Fook Shing Limited ("Fook Shing") for an aggregate consideration of approximately HK$240,000,000. Details of the assets acquired are as follows:

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Net assets acquired:		
Leasehold land classified as prepaid lease payment	**240,000**	—
Satisfied by:		
Cash	**205,000**	—
Deposit paid for acquisition of subsidiaries	**35,000**	—
	240,000	—
Analysis of the net outflow of cash and cash equivalents in connection with the purchase of subsidiary:		
Cash consideration paid	**(205,000)**	—
Bank balances and cash acquired	**—**	—
Outflow of cash and cash equivalents in connection with the purchase of subsidiaries	**(205,000)**	—

The subsidiaries acquired during the period did not make any significant contribution to the results and cash flow of the Group.

23. CONTINGENT LIABILITIES

	30th September, 2005 *HK$'000*	31st March, 2005 *HK$'000*
Corporate guarantee given by the Company for banking facilities granted to an associate	**1,500**	1,500

24. POST BALANCE SHEET EVENT

On 23rd November, 2005, Kwok Luen International Limited, a wholly-owned subsidiary of the Group, and High Focus Limited, a wholly-owned subsidiary of Paul Y. Engineering Group Limited whose share are listed on The Main Board of The Stock Exchange of Hong Kong Limited ("HKSE"), entered into an agreement for the establishment of Favor Win Limited ("Favor Win") as their jointly-controlled entity. On the same date, Favor Win and Lehman Brothers (a special purpose vehicle established by Lehman Brothers, a global investment bank listed on New York Stock Exchange) entered into an agreement for the establishment of Gain Resources Limited ("Gain Resources") as a jointly-controlled entity.

Gain Resources entered into sales and purchase agreement with the seller ("Seller", a wholly-owned subsidiary of PYI Corporation Limited whose shares are listed on HKSE) on the same date for the acquisition of the entire issue share capital of Linkport Holdings Limited and an outstanding loan owing by Linkport Holdings Limited and/or its subsidiaries to the Seller on completion for an aggregate consideration of HK$780 million, subject to adjustments. Linkport Holdings Limited is an investment holding company and its subsidiaries are holding the properties interests known as Paul Y. Centre, located in Kowloon, Hong Kong (the "Properties"). The consideration HK$780 million will be settled by (i) HK$117 million will be settled by way of issuance of a promissory notes by subsidiaries of Linkport Holdings Limited, being the registered owners of the Properties; (ii) HK$546 million will be financed by non-recourse bank loan; and (iii) HK$117 million will be funded by shareholders' loan.

Following the establishment of Favor Win and Gain Resources and completion of sales and purchases agreement of the Properties, the Group will hold a 25% effective interests in Linkport Holdings Limited.

The transaction has not yet been completed at the date of this report.

Deloitte.
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INDEPENDENT REVIEW REPORT

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 5 to 29.

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. 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, 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

20th December, 2005

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2005. (2004: Nil)

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK$287.4 million for the six months ended 30th September, 2005, representing an increase of 80.3% from approximately HK$159.4 million for the corresponding period in the last year. Such increase in revenue was mainly contributed by securities trading of approximately HK$67.8 million and property investments of approximately HK$60.1 million.

The Group recorded a profit of approximately HK$70.6 million for the six months ended 30th September, 2005 before the adoption of new HKFRSs, compared to a profit of approximately HK$42.2 million in last period. As a result of the adoption of new HKFRSs, the profit of the Group for the six months ended 30th September, 2005 and 2004 have been adjusted to approximately HK$11.7 million and HK$28.6 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included highly liquid investment in securities of approximately HK$106.8 million and cash of approximately HK$282.1 million. 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 decreased from approximately HK$158.6 million as at 31st March, 2005 to approximately HK$69.3 million as at 30th September, 2005, and long-term bank borrowing has been decreased from approximately HK$376.4 million as at 31st March, 2005 to approximately HK$323.5 million as at 30th September, 2005. 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 has been decreased from approximately HK$535 million as at 31st March, 2005 to approximately HK$392.8 million as at 30th September, 2005, and the total debt-to-total assets ratio was decreased to 30.5% (At 31st March, 2005: 40.6%). All bank borrowings were denominated in HK dollars and were on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The maturity profile spread over a period of 10 years with approximately HK$69.3 million repayable within one year, HK$178.2 million repayable between one to five years, and HK$145.3 million over five years.

The majority of the Group's assets and liabilities were denominated in Hong Kong dollars and US dollars. As such, the fluctuation of foreign currencies did not have a significant impact on the performance, result and operation of the Group.

BUSINESS REVIEW

We are pleased to report that the results for the six months ended 30th September, 2005 have continued to demonstrate our ability to deliver on our strategy of creating value and growth for our shareholders. Building on our management's strengths in making and timely unlocking gains from strategic investments, we have achieved an increase in a profit of the Group of approximately 67.3% compared to the same period last year, being an increase from approximately HK$42.1 million to HK$70.6 million when applying the same accounting policies and standards in the last year.

During this period, we have continued to benefit from the strongly improving local economy and market sentiment, and amongst other successful dealings, we have completed our disposal of Fullcorp Centre, Tsimshatsui, Hong Kong, and our entire investment in Capital Estate Limited (HKSE Code: 193), as well as various other strategic investments in securities and financial instruments, in each case so as to timely unlock the resulting capital gains and to better concentrate our internal resources for future growth.

We have also been actively seeking out and evaluating numerous potential prime real estate and other strategic investment opportunities, both locally and in the PRC, as well as throughout other parts of the South-East Asia region. In capturing opportunities under the continuing surges in local property prices, we have also completed several strategic property acquisitions, including prime commercial and retail units, and a sizeable development site in Yiu Wa Street in the commercial hub of Causeway Bay, Hong Kong.

Following the completion of subscription of shares in the Company in May 2005 by some of the most renowned deal-makers in the region, namely Mr. Richard Li Tzar Kai, Mr. Francis Yuen Tin Fan (the Chairman and Deputy Chairman (amongst other offices) of PCCW Limited respectively) and ITC Corporation Limited, our investment and asset management skills, as well as our solid track record, have recently received further recognition from the world-class investment bank, Lehman Brothers, who entered into partnership with ourselves and Paul Y. Engineering Group Limited in the joint acquisition of Paul Y. Centre in Kwun Tong, Kowloon, for HK$780 million, one of the first recent property acquisition by Lehman Brothers in Hong Kong. We are also proud to have been entrusted by our partners with the task of managing this joint venture.

We have achieved considerable progress in laying yet more solid foundation for future growth. We are optimistic that, with the recognitions and backings from our internationally renowned strategic shareholders and partners, future ventures with other world-class leading institutions in larger scale strategic investments, where competition is less fierce and potential returns more lucrative, will follow in due course. As such, and against the backbone of steady growth in the regional economy, our prospects for the rest of the year are encouraging, and we will continue to use our strengths in creating further value and higher growth for our shareholders.

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, 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

Interests and short positions of the Directors in the Company and its associated corporations

As at 30th September 2005, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of 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 and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

(i) Long positions in the Shares:

Name of Director	Nature of interests	Company/name of associated corporation	Number of Shares held	Approximate percentage of total shareholding
			(Note 3)	*(%)*
Chung Cho Yee, Mico *(Note 1)*	Beneficial owner	The Company	177,051,250 (L)	36.54
Earnest Equity Limited *(Note 2)*	Interest of controlled corporation	The Company	176,631,250 (L)	36.45

Notes:

(1) Being the aggregate of personal interest of Mr. Chung Cho Yee, Mico of 420,000 shares and the corporate interest held by Earnest Equity Limited ("Earnest Equity") of 176,631,250 shares.

(2) Earnest Equity, a company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which is held by Digisino Assets Limited ("Digisino") as trustee of a discretionary trust founded by Mr. Chung Cho Yee, Mico, who together with his spouse and children are the current discretionary beneficiaries. Further, the entire issued share capital of Digisino is held by Mr. Chung Cho Yee, Mico and both Digisino and Earnest Equity are corporations wholly owned and controlled by him.

(3) The letter "L" denotes the person's long position in such securities.

(ii) Long positions in the underlying Shares of equity derivatives:

Name of Director	Company/name of associated corporation	Option scheme type	Capacity	Number and class of securities	Approximate percentage of total shareholding
					(%)
Ma Wai Man, Catherine	The Company	2001	Beneficial owner	7,875,000 Share (L)	1.63%
		2002 *(Note 1)*	Beneficial owner	3,125,000 Share (L)	0.64%
Chow Hou Man	The Company	2001	Beneficial owner	1,137,500 Share (L)	0.23%
		2002 *(Note 1)*	Beneficial owner	3,125,000 Share (L)	0.64%

Notes:

(1) There is a limit on the number of share options under the 2002 Share Option 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 chairman of the Company to the exercise of share options exceeding such limit.

Save as disclosed above, none of the Directors and chief executive of the Company had any interest in any securities of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required (a) 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 are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of listed companies as set out in the Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the 30th September 2005, according to the register kept by the Company pursuant to Section 336 of SFO, and so far as is known to any Directors or chief executive or the Company, the following persons, in addition to those interests disclosed above in respect of the Directors, had an interest in the following long positions in the Shares and underlying Shares of equity derivatives which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of part XV of the SFO:

Name of Shareholder	Nature of interests	Company/name of associated Company	Number of Shares held	Approximate percentage of shareholding
				(%)
Chan Kwok Keung, Charles *(Note 1)*	Beneficial owner	The Company	40,000,000 (L)	8.26
New Oval Holdings Limited *(Note 1)*	Interest of controlled corporation	The Company	40,000,000 (L)	8.26
Li Tzar Kai, Richard *(Note 2)*	Beneficial owner	The Company	25,000,000 (L)	5.16
Eisner Investments Limited *(Note 2)*	Interest of controlled corporation	The Company	25,000,000 (L)	5.16

Notes:

(1) New Oval Holdings Limited ("New Oval"), a company held 40,000,000 shares in the Company, is a wholly-owned subsidiary of ITC Investment Holdings Limited ("ITC Investment"), which was, in turn a wholly-owned subsidiary of ITC Corporation Ltd ("ITC"), Galaxyway Investments Limited, a wholly-owned subsidiary of Chinaview International Limited ("Chinaview"), owned approximately 33.50% of the issued ordinary share capital of ITC. Dr. Chan Kwok Keung, Charles owned the entire issued share capital of Chinaview, Dr. Chan Kwok Keung, Charles, Chinaview, Galaxyway, ITC and ITC Investment were deemed to be interest in the said 40,000,000 shares in the Company. Ms. Ng Yuen Lan, Macy, the spouse of Dr. Chan Kwok Keung, Charles, was also deemed to be interested in the said 40,000,000 shares in the Company.

(2) Eisner Investments Limited, a company held 25,000,000 shares in the Company, is wholly and beneficially owned by Mr. Li Tzar Kai Richard. Mr. Li Tzar Kai Richard was deemed to be interest in the said 25,000,000 shares in the Company.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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, 2005.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30th September, 2005, 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, 2005.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Chung Cho Yee, Mico
Non-Executive Chairman

Hong Kong, 20th December, 2005