

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors (the “Board”), I am pleased to present the annual report of Capital Strategic Investment Limited (the “Company”) and its subsidiaries (together the “Group”) for the financial year ended 31 March, 2007.

Business Review and Outlook

We are pleased to report that the Group achieved a consolidated profit attributable to the equity shareholders of the Company of HK\$276.6 million in 2007, compared with HK\$140.3 million reported in 2006. Turnover for the Group was HK\$555.4 compared with HK\$371.6 million reported in 2006.

Hong Kong

During this year, momentum in the local property market continued to gather strength, and in creating value for our shareholders, we have realized our investment in a prime development site in Yiu Wa Street, Causeway Bay, Hong Kong.

We have been leveraging on our management’s strength in identifying appropriate properties, repackaging and repositioning them to improve rental yield and thereby bringing capital value enhancement. Our capability in unlocking values was once again highlighted by the recent disposal of Paul Y. Centre, Kwun Tong, Hong Kong, one of the largest deals in the fast changing locality. We were able to materially improve rental income of this property with just over one year of ownership, and successfully enhanced the capital value of the property for us and our strategic partners, including Lehman Brothers and for whom we thank for entrusting us with the responsibility of managing this joint venture.

As for some of the Group’s other investment properties in Hong Kong, we have during this year completed the purchase of approximately 150,000 square feet of prime retail and commercial spaces representing a majority stake in AXA Centre, Gloucester Road, Wanchai, Hong Kong, as well as three en-bloc properties in the prime retail hub of Tsimshatsui, Kowloon, namely Nos. 23-25 Ashley Road, No. 27 Ashley Road and No. 8 Hau Fook Street. The acquisition of another prime en-bloc property, Mohan’s Building, situated at Nos. 14-16 Hankow Road, Tsimshatsui, Kowloon, was also completed subsequent to the financial year under review. The Group currently manages approximately 600,000 square feet of properties in Hong Kong.

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For the two Ashley Road properties, renovation and refurbishment work have been completed to convert them into "Ginza-style" vertical retail, food and beverages centres through improvement of appropriate tenant mixes. As regards No. 8 Hau Fook Street, we are confident that it will be redeveloped into a prime commercial and retail centre located in the heart of the shopping hub of Tsimshatsui, Kowloon.

China

With the establishment of our Shanghai office in September, 2006, we aim to extend our investment philosophy and replicate our proven property repositioning business model in major cities such as Shanghai and Beijing. Our Shanghai team is made up of seasoned managers and professionals from the local property sector, and we are confident that with their expertise, combined with our solid Hong Kong experience and track record, we are well positioned to capture investment opportunities in China as they arise.

In April, 2007, we, together with Lehman Brothers completed the acquisition of our first China property, a 600,000 square feet prime commercial complex in Hongkou district of Shanghai. The property is currently under renovation which we expect to complete in mid-2008 and should bring substantial recurrent income to the Group.

We are actively seeking for new projects in China and expect to increase the proportion of our China investments.

Corporate Activities

For the year ended 31 March, 2007, we successfully raised a total of approximately HK\$760 million through the issue of shares and convertible notes. Subsequent to the financial year under review, we further raised HK\$390 million from the issuance of convertible notes to renowned institutional investors including Citadel Equity Fund Ltd, Credit Suisse (Hong Kong) Limited and Harmony Investment Fund Limited, as well as our existing shareholders, Lehman Brothers and Stark Investments (Hong Kong) Limited. The expanded institutional investors base will provide further opportunities for us to co-invest with our strategic partners who may have keen interest in property investments. Our strengthened balance sheet will also allow us to capture sizeable investment opportunities in the near future.

Outlook

We are optimistic about the business prospect in Hong Kong and China. With our continued efforts, we are confident to further enhance value of our existing portfolio and successfully repeat our proven repositioning model in China to create further growth for our shareholders.

Appreciation

I would like to express my gratitude to the support of our board members, shareholders, business partners and bankers throughout the years. I would also like to thank our management and staff for their dedication and efforts contributed to the encouraging results of this year.

Chung Cho Yee, Mico

Non-Executive Chairman

Hong Kong, 19 July, 2007