08

INTERIM REPORT

CST

CHINA SCI-TECH HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 985)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chiu Kong *(Chairman)*
Mr. Chiu Tao
Mr. Yeung Kwok Yu
Mr. Kwan Kam Hung, Jimmy
Mr. Hui Richard Rui
Mr. Tsui Ching Hung
Mr. Chung Nai Ting
Ms. Chiu Si Mary
Mr. Lee Ming Tung

Independent Non-executive Directors

Mr. Yu Pan
Ms. Tong So Yuet
Mr. Chan Shek Wah

COMPANY SECRETARY

Mr. Chow Kim Hang

REGISTERED OFFICE

Ground Floor
Caledonian House
Mary Street
P.O. Box 1043
George Town
Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 4504-05, 45th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
35th Floor
One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

The Harbour Trust Company Limited
One Regis Place
P.O. Box 1787
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

985

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of China Sci -Tech Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008 with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	NOTES	Six months ended 30 September 2008 HK$'000 (Unaudited)	2007 HK$'000 (Unaudited and restated)
Revenue	4	**17,014**	4,208
Other income		**14,552**	3,886
Administrative expenses		**(24,765)**	(14,307)
Loss arising from fair value changes of investments held for trading	12	**(405,103)**	(64,815)
Loss arising from fair value changes of derivative financial instruments	13	**(19,725)**	(1,762)
Loss arising from fair value changes of conversion option derivatives		**—**	(82,997)
Finance costs	5	**(2,048)**	(5,285)
Loss before taxation	6	**(420,075)**	(161,072)
Taxation	7	**(49)**	—
Loss for the period		**(420,124)**	(161,072)
Attributable to:			
Shareholders of the Company		**(420,124)**	(161,072)
Minority interests		**—**	—
		(420,124)	(161,072)
Loss per share - basic	8	**(3.17) cents**	(4.92) cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

	NOTES	As at 30 September 2008 HK$'000 (Unaudited)	As at 31 March 2008 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**15,903**	743
Investment properties	11	**26,092**	26,092
		41,995	26,835
Current assets			
Other receivables, deposits and prepayments		**53,144**	20,679
Investments held for trading	12	**563,367**	415,115
Bank deposits		**601,117**	—
Bank balances and cash		**888,700**	1,996,305
		2,106,328	2,432,099
Current liabilities			
Other payables and accrued charges		**1,574**	2,290
Derivative financial instruments	13	**11,103**	—
Amounts due to directors		**—**	417
Amount due to a minority shareholder		**1,999**	1,999
Taxation payable		**794**	794
		15,470	5,500
Net current assets		**2,090,858**	2,426,599
Total assets less current liabilities		**2,132,853**	2,453,434
Non-current liability			
Convertible notes	14	**62,769**	—
		2,070,084	2,453,434
Capital and reserves			
Share capital	15	**1,326,621**	1,326,621
Reserves		**743,507**	1,126,857
Equity attributable to equity holders of the Company		**2,070,128**	2,453,478
Minority interests		**(44)**	(44)
Total equity		**2,070,084**	2,453,434

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note a)	Convertible notes equity reserve HK$'000	Other capital reserve HK$'000 (note b)	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007 (audited)	171,748	168,166	7,700	–	396,347	870	(445,703)	299,128	–	299,128
Transfer to profit or loss on disposal of foreign operations	–	–	–	–	–	(870)	–	(870)	–	(870)
Loss for the period	–	–	–	–	–	–	(161,072)	(161,072)	–	(161,072)
Total recognised expense for the period	–	–	–	–	–	(870)	(161,072)	(161,942)	–	(161,942)
Recognition of equity component of convertible notes	–	–	–	30,537	–	–	–	30,537	–	30,537
Shares issued at premium on conversion of convertible notes	189,923	143,422	–	(30,537)	–	–	–	302,808	–	302,808
Shares issued at premium for cash	164,950	257,000	–	–	–	–	–	421,950	–	421,950
Transaction costs attributable to issue of shares	–	(10,549)	–	–	–	–	–	(10,549)	–	(10,549)
At 30 September 2007 (unaudited and restated)	526,621	558,039	7,700	–	396,347	–	(606,775)	881,932	–	881,932
At 1 April 2008 (audited)	1,326,621	1,474,039	7,700	–	396,347	–	(751,229)	2,453,478	(44)	2,453,434
Loss for the period and total recognised expense for the period	–	–	–	–	–	–	(420,124)	(420,124)	–	(420,124)
Recognition of equity component of convertible notes	–	–	–	37,717	–	–	–	37,717	–	37,717
Transaction costs attributable to issue of convertible note	–	–	–	(943)	–	–	–	(943)	–	(943)
At 30 September 2008 (unaudited)	1,326,621	1,474,039	7,700	36,774	396,347	–	(1,171,353)	2,070,128	(44)	2,070,084

(a) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange, in connection with the Group reorganisation completed in January 1994.

(b) The other capital reserve of the Group represents the balance of the credit arising from the cancellation of paid up capital in previous years.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September	
	2008 **HK$'000** **(Unaudited)**	2007 HK$'000 (Unaudited and restated)
Net cash used in operating activities	**(604,845)**	(95,433)
Net cash (used in) from investing activities		
Dividend received	**16,273**	3,478
Purchase of property, plant and equipment	**(15,411)**	(868)
Increase in time deposits	**(601,117)**	—
	(600,255)	2,610
Net cash from financing activities		
Interest paid	**(5)**	(562)
Proceeds on issue of convertible notes	**100,000**	165,000
Transaction costs on issue of convertible notes	**(2,500)**	(3,300)
Proceeds from issue of shares	**—**	421,950
Expenses on issue of shares	**—**	(10,549)
	97,495	572,539
Net (decrease) increase in cash and cash equivalents	**(1,107,605)**	479,716
Cash and cash equivalents at the beginning of the period	**1,996,305**	42,419
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**888,700**	522,135

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the interim report.

The condensed consolidated financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

The Company is an investment holding company and the Group is engaged in investment in financial instruments and property investment.

2. BASIS OF PREPARATION

The condensed consolidated 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 and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated 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 consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2008 except as described below.

Property, plant and equipment

Property, plant and equipment including leasehold land and building held for use for the administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

3. PRINCIPAL ACCOUNTING POLICIES - continued

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretations ("new Amendments and Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new Amendments and Interpretations had no material effect on how the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued by the HKICPA but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[2]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new, revised or amended standards and interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions (i) investments in financial instruments and (ii) property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Investments in financial instruments	- dividend income from investment and trading of securities and derivative financial instruments
Property investment	- rental income from the properties letting under operating lease

Segment revenue about these businesses is presented below:

	Six months ended 30 September	
	2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Investments in financial instruments	**16,273**	3,478
Property investment	**741**	730
	17,014	4,208

Segment information about these businesses is presented below:

Income statement

	Six months ended 30 September 2008		
	Investments in financial instruments HK$'000 (unaudited)	**Property investment HK$'000 (unaudited)**	**Total HK$'000 (unaudited)**
Revenue	**16,273**	**741**	**17,014**
Segment result	**(415,181)**	**518**	**(414,663)**
Other income			**14,552**
Unallocated corporate expenses			**(17,916)**
Finance costs			**(2,048)**
Loss before taxation			**(420,075)**
Taxation			**(49)**
Loss for the period			**(420,124)**

4. SEGMENT INFORMATION - continued

Business segments - continued

	Six months ended 30 September 2007 Investments in financial instruments HK$'000 (unaudited)	Property investment HK$'000 (unaudited)	Total HK$'000 (unaudited and restated)
Revenue	3,478	730	4,208
Segment result	(62,976)	532	(62,444)
Other income			3,886
Unallocated corporate expenses			(14,232)
Loss arising from fair value changes of conversion option derivatives			(82,997)
Finance costs			(5,285)
Loss before taxation			(161,072)
Taxation			—
Loss for the period			(161,072)

5. FINANCE COSTS

	Six months ended 30 September 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Interest on borrowings wholly repayable within five years:		
Other borrowings	**(5)**	(120)
Convertible notes (note 14)	**(2,043)**	(5,165)
	(2,048)	(5,285)

6. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Depreciation	**251**	80
Staff cost	**9,036**	4,583
Minimum lease payments under operating leases in respect of rented premises	**1,817**	1,770
Bank interest income (note)	**(12,267)**	(3,886)
Commission income	**(1,750)**	—

Note: Bank interest income included those arising from bank deposits with maturity more than 3 months but less than 6 months. The interest rate ranged from 0.89% - 3.25% per annum.

7. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements since the Group had no assessable profits arising in Hong Kong for both periods.

The taxation charge for the period ended 30 September 2008 represents taxation in jurisdictions other than Hong Kong which is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 10% (2007: Nil) for the six months ended 30 September 2008.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period of approximately HK$420,124,000 (six months ended 30 September 2007: loss of HK$161,072,000) and on the weighted average number of shares of 13,266,212,652 (six months ended 30 September 2007: 3,272,338,238) shares in issue during the period.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share for both periods.

9. DIVIDEND

No dividends were paid during the period. The directors do not recommend payment of an interim dividend (2007: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group purchased leasehold land and buildings located in Hong Kong of approximately HK$13,191,000 (31 March 2008: Nil) and motor vehicles of approximately HK$1,484,000 (31 March 2008: HK$840,000).

As the allocation of lease payments between leasehold land and buildings elements cannot be made reliably, owner-occupied leasehold land is classified as property, plant and equipment and stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation for leasehold land and building is provided to write off the cost of items over its estimated useful lives at 2% per annum using straight-line method.

11. INVESTMENT PROPERTIES

The Group's investment properties were fair valued by the directors with reference to market evidence of latest transaction prices for similar properties at 30 September 2008. The directors considered the fair value of investment properties at 30 September 2008 are same as the fair value at 31 March 2008, accordingly no increase/decrease in fair value of investment properties has been recognised in the condensed consolidated income statement.

12. INVESTMENTS HELD FOR TRADING

Investments held for trading are set out below:

	As at 30 September 2008 HK$'000	As at 31 March 2008 HK$'000
Listed securities at fair value		
Equity securities listed in Hong Kong	**451,899**	348,962
Equity securities listed outside Hong Kong	**50,747**	66,153
Convertible notes issued by a Hong Kong listed company	**30,668**	—
Investment funds	**30,053**	—
	563,367	415,115

The fair value of the listed equity securities are determined based on the quoted market bid prices available on the relevant stock exchange. The fair value of the investment funds is determined with reference to the value of the underlying assets of the funds which is provided by the counterparty financial institution.

12. INVESTMENTS HELD FOR TRADING - continued

The convertible notes are redeemable, non-interest bearing and are repayable upon maturity which is 3 years from the date of issue. The Group has the right to convert, on any business day, the convertible notes into ordinary shares of the issuer during the period of 3 years from the date of issue of the convertible notes. As the Group holds the convertible notes for trading purpose, the convertibles notes are classified as investment held for trading.

The fair value of the convertible notes has been arrived at on the basis of a valuation carried out as of that day by Asset Appraisal Limited, independent qualified professional valuers not connected with the Group. The fair value of the liability component is calculated using the discounted cash flows method at a market interest rate for the equivalent non-convertible notes. The fair value of the equity conversion option is calculated using the binomial model.

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represents the aggregate fair values of outstanding Hang Seng Index future contracts and SMX Nikkei Index future contracts at 30 September 2008. The fair values are determined with reference to quoted market prices at the balance sheet date. The Group receives (pays) HK$50/JPY500 per index point above (below) the contracted index point for each Hang Seng Index/ SMX Nikkei Index future contracts respectively. Cash settlements will be made upon disposal or on maturity, whichever is earlier. All future contracts are matured on or before December 2008.

Loss arising from fair value changes of derivative financial instruments consists of an unrealised loss of HK$11,103,000 (six months ended 30 September 2007: an unrealised gain of HK$562,000 arising from commodity future contracts) and a realised loss of HK$8,622,000 (six months ended 30 September 2007: a realised loss of HK$2,324,000 arising from commodity future contracts) arising from derivative financial instruments.

The above future contracts for Hang Seng Index Futures and SMX Nikkei Index Futures were subsequently disposed of before maturity date and settled in October 2008. A further loss arising from fair value changes of derivative financial instruments of HK$16,986,000 was recognised upon disposal.

14. CONVERTIBLE NOTES

	HK$'000
Convertible notes	
At 1 April 2008	—
Issued during the period, net of transaction cost	**60,726**
Interest charged	**2,043**
At 30 September 2008	**62,769**

On 21 July 2008, the Company issued zero coupon convertible notes with face value of HK$100,000,000 (the "2008 Convertible Notes"). The 2008 Convertible Notes are unsecured, non-interest bearing and repayable upon maturity which is 3 years from the date of issue. Holders of the 2008 Convertible Notes have the right to convert, on any business day, the 2008 Convertible Notes into ordinary shares of the Company during the period of 3 years from the date of issue. An initial conversion price is HK$0.10 per share from the date of issue to 20 July 2009, HK$0.11 per share from 21 July 2009 to 20 July 2010 and HK$0.12 per share from 21 July 2010 to the maturity date on 20 July 2011. The conversion prices of the 2008 Convertible Notes are subject to anti-dilutive adjustments. The Company may redeem the 2008 Convertible Notes at par value to the extent of the entire principal amount outstanding at any time prior to maturity.

The 2008 Convertible Notes are compound financial instruments containing two components, liability and equity elements. The fair value of the liability component was calculated using the discounted cash flows method at a market interest rate for the equivalent non-convertible notes. The residual amount, representing the value of the equity conversion option is included in shareholders' equity as convertible notes equity reserve. The effective interest rate of the liability component is approximately 17.11%.

No 2008 Convertible Notes have been converted to ordinary shares of the Company during the period.

15. SHARE CAPITAL

	Number of shares	**Share capital HK$'000**
Ordinary shares of HK$0.1 each		
Authorised		
At 30 September 2008 and 31 March 2008	50,000,000,000	5,000,000
Issued and fully paid		
At 30 September 2008 and 31 March 2008	13,266,212,652	1,326,621

16. COMMITMENTS

At 30 September 2008, the Group had commitments authorised but not contracted for in relation to an agreement with a third party to establish a joint venture in which the Group will invest approximately HK$51,000,000 (31 March 2008: HK$51,000,000) for investment in the property market in the People's Republic of China.

In addition, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements as follows:

	As at 30 September 2008 HK$'000	As at 31 March 2008 HK$'000
Acquisition of property, plant and equipment	**525**	14,321

17. POST BALANCE SHEET EVENTS

On 10 October 2008, the Company made a proposal of capital reorganisation to the shareholders that: (1) the nominal value of all the existing issued shares be reduced from HK$0.10 each to HK$0.004 each by cancelling HK$0.096 paid up on each existing issued share by way of reduction of capital; (2) every 25 reduced issued shares of HK$0.004 each be consolidated into one consolidated share of HK$0.10; and (3) the credit arising from such reduction of capital will be applied to offset against the accumulated losses of the Company and the remaining balance of the credit being credited to the capital reduction reserve account of the Company.

Although the proposed capital reorganisation has been approved by the shareholders on 20 November 2008, it is conditional upon (i) approval by the Grand Court of Cayman Islands (the "Court") for the capital reduction, registration by the Registrar of Companies of the Cayman Islands of the court order confirming the capital reduction, and the minute approved by the Court containing the particulars required under the Companies Law of the Cayman Islands in respect of the capital reduction and compliance with any condition as may be imposed by the Court in relation to the capital reduction; and (ii) the listing committee of the Stock Exchange approving the listing of, and granting the permission to deal in, shares of HK$0.10 each in the issued share capital of the Company upon the date on which the capital reduction becomes effective.

18. COMPARATIVE FIGURES

Comparative figures for loss for the period and the accumulated losses for the six months ended 30 September 2007 have been restated in order to apply the same accounting policies and accounting treatment which were applied in the Group's consolidated financial statements for the year ended 31 March 2008. The difference was due to a loss attributable from the fair value changes of conversion option derivative as reported in the unaudited interim financial report of the Group for the six months ended 30 September 2007 that should not be accounted for and had not been included in the audited consolidated income statement of the Group for the year ended 31 March 2008. Certain figures of the condensed consolidated income statement, statement of changes in equity and cash flow statement for the six months ended 30 September 2007, and certain related explanatory notes have been restated accordingly.

In addition, the comparative figures for revenue and other income in the condensed consolidated income statement for the six months ended 30 September 2007 have been reclassified in order to be consistent with current period's presentation, which is in accordance with that presented in the audited consolidated financial statements for the year ended 31 March 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

The total of revenue and other income of the Group for the period of six months ended 30 September 2008 (the "Period") is approximately HK$31.57 million. Compared with the corresponding period of last year, there was an increase by an amount of approximately HK$23.48 million. The increase is mainly attributable to the increase of dividend income from the Group's securities investment and interest income from financial institutions. Compared with previous corresponding period, the revenue from the investments in financial instruments segment and interest income from the financial institutions increased approximately 367.88% and 215.21% respectively. Rental income provided a steady cashflow to the Group for the Period and is expected to continue in the future. The administration expenses for the Year was approximately HK$24.77 million representing approximately 73.10% increase when compared with last corresponding period. During the Period, the Company issued HK$100 million convertible notes. Further, the Group has been preparing to expand its operation and exploring new business. It had employed more employees and appointed more officers when compared with the previous corresponding period. Thus, the expenses relating to legal and professional fees, salaries, and securities expenses had increased accordingly. All these expenses accounted for over 70% of the total administration expenses for the Period . As the global economy plunged during the Period, the performance of the market was terrible. For the Period, the Group recorded a total sum of loss arising from fair value changes of investments held for trading and derivative financial instruments in the amount of approximately HK$424.83 million. In the last corresponding period, there was a total loss of HK$66.58 million.

The last interim report of the Company for the period of six months ended 30 September 2007 (the "Last Interim Report") stated that there was a net loss of approximately HK$580.65 million from derivative financial instruments and a great portion of that loss was attributable from fair value changes of conversion option derivatives. However, at the time of finalizing the annual results of the Group for the year ended 31 March 2008, there was a change in the accounting industry views of the accounting treatment previously applied by the Group. Thus, the figure stated in the Last Interim Report has to be restated under the current accounting treatment applied by the Group (please refer to note 18 of the notes to the condensed consolidated financial statements in this report). There was no such loss recorded during the Period. Overall, the net loss for the Period was approximately HK$420.12 million as compared to the net loss of approximately HK$161.07 million (restated) in the preceding relevant period.

As at 30 September 2008, the Group had bank deposit, bank balance and cash approximately of HK$1,489.82 million. Fair value of investments held for trading was in an amount of approximately HK$563.37 million. During the Period, the Company issued HK100 million redeemable zero coupon convertible notes (details of which are disclosed below). The convertible notes are compound financial instruments containing two components, liability and equity. As at 30 September 2008, the outstanding liability component of the convertible notes amounted to approximately HK$62.77 million. Other than the outstanding convertible notes, the Group had no outstanding loan or borrowing from banks or financial institutions as at 30 September 2008. The gearing ratio as at 30 September 2008 was approximately 3.03% based on the net book value of liability component of the convertible notes and the total equity. As at 30 September 2008, the Group had commitments authorized but not contracted for in relation to an agreement with a third party to establish a joint venture in which the Group will invest approximately HK51 million for investment in the property market in the People's Republic of China.

The Group had 16 staff as at 30 September 2008. The staff costs (excluding directors' emoluments) was around HK$3.45 million for the Period. Staff remuneration package are normally reviewed annually. The Group has participated in Mandatory Provident Fund Scheme. In addition, the Group provides other staff benefits which include double pay and medical benefits. The Group has a share option scheme but no share option was granted during the Period.

On 8 April 2008, due to the termination of the very substantial acquisitions in relation to the Front Wave Group Limited and Global Winner International Holdings Limited, the Company announced the change of the use of proceeds obtained from the placing of new ordinary shares of the Company (the "Share(s)") in June 2007 (the "June Placing"), which was disclosed in the Company's announcement dated 5 June 2007, and from the tranche II of the placing of new Shares in August 2007 (the "August Placing"), which was disclosed in the Company's announcement and circular dated 3 September 2007 and 18 September 2007 respectively. The net proceeds of approximately HK$191 million from the June Placing was to be used as general working capital of the Group. About HK$800 million out of the net proceeds of approximately HK$1,715 million from the August Placing was to be used for investments in the Group's principal activities. Details of the change of use of proceeds were disclosed in the Company's announcement dated 8 April 2008.

On 30 June 2008, the Company entered into a convertible notes placing agreement with Kingston Securities Limited (the "Kingston") (the "CN Placing Agreement"), pursuant to which, Kingston conditionally agreed to place, on a fully written basis, the convertible notes in an aggregate principle amount of HK$100 million. The convertible notes would carry a right to convert into new Shares in the Company at the conversion price of, subject to adjustment, HK$0.10 per Share from the date of issue of the convertible notes to date immediately before the first anniversary of the date of issue of the convertible notes, HK$0.11 per Share from the first anniversary of the date of issue of the convertible notes to the date immediately before the second anniversary of the date of issue of the convertible notes, and HK$0.12 per Share from the second anniversary of the date of issue of the convertible notes to the date immediately before the third anniversary of the date of issue of the convertible notes which is the maturity date of the convertible notes. The net proceeds from the placing of convertible notes would be about HK$97 million which will be used for existing business operations and/or activities. Details of the said placing of the convertible notes were disclosed in the Company's announcements dated 2 July 2008. The convertible notes placing was completed on 21 July 2008.

On 30 September 2008, Polymate Investments Limited (an indirect wholly owned subsidiary of the Company), Kingstate Holdings Limited and the joint venture company entered into a third supplemental agreement (the "Third Supplemental Agreement") in relation to the establishment of the joint venture company, pursuant to which, parties to the Third Supplemental Agreement agreed to further extend the latest date for their contribution of the initial capital of the joint venture company from 30 September 2008 to 31 December 2008. Details of the Third Supplemental Agreement were disclosed in the Company's announcement dated 30 September 2008.

On 10 October 2008, the Company proposed a proposal of capital reorganisation (the "Capital Reorganisation") to the shareholders of the Company (the "Shareholder(s)") that: (1) the nominal value of all the issued Shares be reduced from HK$0.10 each to HK$0.004 each (the "Reduced Share(s)") by cancelling HK$0.096 paid up on each issued Share by way of reduction of capital (the "Capital Reduction"); (2) every 25 issued Reduced Shares be consolidated into one consolidated Share of HK$0.10 (the "Consolidated Share(s)"); and (3) the credit arising from the Capital Reduction will be applied to offset against the accumulated losses of the Company and the remaining balance of the credit being credited to the capital reduction reserve account of the Company. The Capital Reorganisation is conditional upon: (1) Shareholders' approval by a special resolution at a extraordinary general meeting of the Company; (2) the confirmation by the Grand Court of Cayman Islands (the "Court") and the registration by the Registrar of Companies in the Cayman Islands of an official copy of the Court order and the minutes containing the particulars required under the Cayman Islands' Companies Law; (3) compliance with the conditions imposed by the Court; and (4) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consolidated Shares in issue upon the Capital Reorganisation becoming effective. The Shareholders had passed a special resolution to approve the Capital Reorganisation at the Company's extraordinary general meeting held on 20 November 2008. It is now in the process to seek approval from the Court. Details of the Capital Reorganisation were disclosed in the Company's announcement and the Company's circular dated 10 October 2008 and 22 October 2008 respectively.

With stable occupancy rate of the Group's investment properties, it is expected to bring steady rental income to the Group and thus will continue to contribute cashflow to the Group. As the financial tsunami hit global economy seriously, the market is not expected to rebound soon. The second half of this financial year is going to be more difficult. Thus, the Group is cautious on the performance of financial instruments investments. The Group will continue to explore potential business opportunities in order to improve its business portfolio and diversify the market risk that the Group will confront in long run. If such opportunities arise in the future, the funding requirement may be satisfied by way of internal resources and/or other effective sources of funding, depending on the then market sentiment.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2008, none of the directors and chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) to be recorded in the register required to be kept under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, there were no persons had interests or short positions, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has, during the six months ended 30 September 2008 met the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the following deviations:

(a) Code provision A.4.1

The Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Currently, all independent non-exective directors of the Company are not appointed for specific term. However, the Company's articles of association provide that every directors are subject to retirement by rotation at least once every 3 years and re-election at the annual general meeting, the board considers that the Company meets the objectives of the Code.

(b) Code provision B.1.1

The Company has established remuneration committee in December 2008. The remuneration committee comprises of two independent non-executive directors of the Company.

(c) Code provision E.1.2

The Code requires the chairman of the board to attend the annual general meeting of the Company, Mr. Chiu Kong did not attend the 2008 annual general meeting as he was not in Hong Kong on that day.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model code during the six months ended 30 September 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

REVIEW BY AUDIT COMMITTEE

The 2008 interim report has been reviewed by the Company's audit committee which comprises the three independent non-executive directors of the Company and the Company's auditors, Deloitte Touche Tohmatsu.

As the date of this interim report, the executive directors of the Company are Mr. Chiu Kong, Mr. Chiu Tao, Mr. Yeung Kwok Yu, Mr. Kwan Kam Hung Jimmy, Mr. Hui Richard Rui, Mr. Tsui Ching Hung, Mr. Chung Nai Ting, Ms. Chiu Si Mary and Mr. Lee Ming Tung and the independent non-executive directors of the Company are Mr. Yu Pan, Ms. Tong So Yuet and Mr. Chan Shek Wah.

By order of the Board
Hui Richard Rui
Director

Hong Kong, 18 December 2008

Deloitte.
德勤

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CHINA SCI-TECH HOLDINGS LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 15 which comprises the condensed consolidated balance sheet of China Sci-Tech Holdings Limited as of 30 September 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements ("HKSRE") 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, the comparative condensed consolidated statement of changes in equity and the comparative condensed consolidated cash flow statement for the six months ended 30 September 2007 disclosed in the interim financial information have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 December 2008