

The logo for Capital Strategic Investment Limited, featuring the letters 'CSI' in white on a dark blue square background.

Capital Strategic
Investment Limited

資本策略

Stock code : 497

The title 'A NEW ANGLE' is written in a large, white, serif font. The letter 'X' is stylized, with its two arms crossing to form a large, white, abstract shape that resembles a stylized 'A' or a lens flare. The background is a vibrant blue with abstract, flowing white and light blue lines and shapes, creating a sense of movement and depth.

Interim Report 2008

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director:

Chung Cho Yee, Mico
(Chairman)

Executive Directors:

Hubert Chak
Kan Sze Man (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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
The Bank of East Asia Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Dah Sing Bank, Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

3203
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

SHANGHAI OFFICE

Suites 901B-902A
9/F., CITIC Square
1168, Nanjing Road West
Shanghai, 200041, China

AUDITORS

Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
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

STOCK CODE

497

COMPANY WEBSITE

www.csigroup.hk

The board of directors (the “Board”) of Capital Strategic Investment Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September, 2008. The consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company’s auditors, Deloitte Touche Tohmatsu and the Company’s Audit Committee.

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)
Sales of properties and rental income		596,056	57,493
Cost of sales		(424,761)	(10,379)
Gross profit		171,295	47,114
Investment income and net (loss) gain from financial instruments	4	(17,364)	9,210
Other income		11,982	37,691
Administrative expenses		(31,242)	(41,405)
Finance costs	5	(57,081)	(67,167)
Impairment loss on deposit paid for acquisition of properties held for sale	6	(52,948)	—
Share of results of jointly-controlled entities		130,223	87,993
Share of results of associates		(25,795)	7,009
Increase in fair value of investment properties		—	63,137
Loss on disposal/partial disposal of interest in subsidiaries	24	—	(17,052)
Profit before taxation		129,070	126,530
— Current and deferred tax	7	(15,562)	(16,095)
— Release of deferred taxation upon disposal of subsidiaries	7	—	98,529
Profit for the period	8	113,508	208,964

CONDENSED CONSOLIDATED INCOME STATEMENT

(Continued)

For the six months ended 30 September, 2008

		Six months ended 30 September,	
	NOTES	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
<hr/>			
Attributable to:			
Equity holders of the Company		102,986	217,438
Minority interests		10,522	(8,474)
		<hr/> 113,508 <hr/>	<hr/> 208,964 <hr/>
Dividends paid	9	<hr/> 39,525 <hr/>	<hr/> 39,734 <hr/>
Earnings per share	10		
— Basic		<hr/> HK2.1 cents <hr/>	<hr/> HK4.4 cents <hr/>
— Diluted		<hr/> HK2.0 cents <hr/>	<hr/> HK3.9 cents <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September, 2008

	NOTES	30 September, 2008 HK\$'000 (unaudited)	31 March, 2008 HK\$'000 (audited)
Non-Current Assets			
Investment properties	11	—	36,500
Property, plant and equipment	12	12,919	10,951
Prepaid lease payments	13	103,754	105,137
Available-for-sale investments		7,941	7,941
Club memberships		6,860	6,860
Interests in jointly-controlled entities		24,992	106,396
Interests in associates		26,611	39,378
Amounts due from associates	14	64,506	33,586
Amount due from a jointly-controlled entity	15	12,222	—
Deferred tax asset	16	2,521	2,675
		262,326	349,424
Current Assets			
Trade and other receivables	17	17,732	8,620
Prepaid lease payments	13	2,767	2,767
Deposit paid for acquisition of properties held for sales		—	176,201
Investments held for trading		137,528	86,242
Properties held for sale	18	4,166,659	3,190,668
Derivative financial instruments	19	3,180	—
Amounts due from associates	14	456	8,254
Amounts due from jointly-controlled entities	15	9,116	274,646
Amounts due from minority shareholders	20	7,870	—
Taxation recoverable		3,494	1,231
Pledged bank deposits		91,465	136,701
Bank balances and cash		1,413,090	929,650
		5,853,357	4,814,980

CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

At 30 September, 2008

	NOTES	30 September, 2008 HK\$'000 (unaudited)	31 March, 2008 HK\$'000 (audited)
Current Liabilities			
Accruals and other payables		100,708	119,660
Derivative financial instruments	19	3,498	18,666
Convertible notes-due within one year	21	2,313	3,310
Taxation payable		51,047	33,456
Amount due to an associate	14	2,000	4,000
Amounts due to minority shareholders	20	—	10,376
Bank and other borrowings			
— due within one year	22	313,923	121,818
		473,489	311,286
Net Current Assets		5,379,868	4,503,694
		5,642,194	4,853,118
Capital and Reserves			
Share capital	23	39,525	39,555
Reserves		2,471,977	2,438,240
Equity attributable to equity holders of the Company		2,511,502	2,477,795
Minority interests		57,229	43,160
Total Equity		2,568,731	2,520,955
Non-Current Liabilities			
Bank and other borrowings			
— due after one year	22	2,576,136	1,846,880
Convertible notes — due after one year	21	486,986	472,224
Deferred tax liabilities	16	10,341	13,059
		3,073,463	2,332,163
		5,642,194	4,853,118

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September, 2008

Attributable to equity holders of the Company

	Attributable to equity holders of the Company										Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Convertible note equity reserve HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	Minority interest HK\$'000		
At 1 April, 2008	39,555	841,269	341	1,698	55,811	276,058	53,200	2,967	1,206,896	2,477,795	43,160	2,520,955
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	5,501	—	—	5,501	3,547	9,048
Share of change in reserve of a jointly-controlled entity	—	—	—	—	—	—	(35,750)	—	—	(35,750)	—	(35,750)
Net income and expenses for the period recognised directly in equity	—	—	—	—	—	—	(30,249)	—	—	(30,249)	3,547	(26,702)
Profit for the period	—	—	—	—	—	—	—	—	102,986	102,986	10,522	113,508
Total recognised income and expenses for the period	—	—	—	—	—	—	(30,249)	—	102,986	72,737	14,069	86,806
Recognition of equity-settled share based payment	—	—	—	—	—	—	—	1,524	—	1,524	—	1,524
Shares repurchased and cancelled	(30)	—	30	—	—	—	—	—	(1,026)	(1,026)	—	(1,026)
Expenses related to shares repurchased and cancelled	—	—	—	—	—	—	—	—	(3)	(3)	—	(3)
Dividends paid	—	—	—	—	—	—	—	—	(39,525)	(39,525)	—	(39,525)
At 30 September, 2008	39,525	841,269	371	1,698	55,811	276,058	22,951	4,491	1,269,328	2,511,502	57,229	2,568,731

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 September, 2008

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Convertible note equity reserve HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
At 1 April, 2007	39,413	836,213	163	1,910	18,398	276,058	—	—	929,867	2,102,022	—	2,102,022
Exchange differences arising on translation of foreign operations recognised in directly in equity	—	—	—	—	—	—	3,776	—	—	3,776	2,517	6,293
Profit for the period	—	—	—	—	—	—	—	—	217,438	217,438	(8,474)	208,964
Total recognised income and expenses for the period	—	—	—	—	—	—	3,776	—	217,438	221,214	(5,957)	215,257
Share of changes in reserve of an associate	—	—	—	(356)	—	—	—	—	—	(356)	—	(356)
Recognition of equity components of convertible notes	—	—	—	—	49,252	—	—	—	—	49,252	—	49,252
Exercise of share options	320	5,056	—	—	—	—	—	—	—	5,376	—	5,376
Shares repurchased and cancelled	(141)	—	141	—	—	—	—	—	(6,762)	(6,762)	—	(6,762)
Expenses related to shares repurchased and cancelled	—	—	—	—	—	—	—	—	(24)	(24)	—	(24)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	43,551	43,551
Dividends paid	—	—	—	—	—	—	—	—	(39,734)	(39,734)	—	(39,734)
At 30 September, 2007	39,592	841,269	304	1,554	67,650	276,058	3,776	—	1,100,785	2,330,988	37,594	2,368,582

The capital reserve represents the Group's share of the deemed capital contribution arising from interest free amounts granted to an associate by its shareholders.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September, 2008

	NOTES	Six months ended 30 September,	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Net cash used in operating activities:			
Increase in properties held for sales		(825,693)	(720,502)
Cash (outflows) inflows from other operating activities		(15,970)	122,340
		(841,663)	(598,162)
Net cash from investing activities:			
Repayment from jointly-controlled entities		241,308	—
Dividend received from a jointly-controlled entity		186,377	88,250
Decrease (increase) in pledged bank deposits		45,236	(295,060)
Proceeds from disposal of investment properties		37,069	—
Advances to associates		(36,150)	(1,080)
Advances to minority shareholders		(18,246)	—
Purchase of properties, plant and equipment		(4,393)	(56,314)
Deposit paid for acquisition of a jointly-controlled entity		—	(40,997)
Expenditure incurred for investment properties		—	(26,863)
Proceeds from disposal/partial disposal of subsidiaries	24	—	822,139
Acquisition of subsidiaries	25	—	23,516
Proceeds from disposal of property, plant and equipment		—	844
Cash inflows from other investing activities		8,949	21,686
		460,150	536,121

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Continued)

For the six months ended 30 September, 2008

	NOTES	Six months ended 30 September,	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Net cash from financing activities:			
New borrowings raised		1,107,662	386,887
Repayments of borrowings		(186,301)	(320,353)
Dividends paid		(39,525)	(39,734)
Premium paid for derivative financial instruments		(7,959)	—
Repayment to an associate		(2,000)	—
Repurchase of shares		(1,029)	(6,786)
Proceeds from issue of shares and exercise of share options, net of issue costs		—	5,376
Proceeds from issue of convertible notes, net of issue costs		—	380,640
Cash (outflows) inflows from other financing activities		(5,895)	7,189
		864,953	413,219
Net increase in cash and cash equivalents		483,440	351,178
Cash and cash equivalents at beginning of the period		929,650	336,093
Cash and cash equivalents at end of the period		1,413,090	687,271
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		1,413,090	687,271

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2008

1. 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 of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. 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 financial statements for the year ended 31 March, 2008.

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial years 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 the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC) — Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) — Int 17	Distributions of Non-Cash Assets to Owners ³

¹ Effective for annual periods commencing on or after 1 January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July, 2009

² Effective for annual periods beginning on or after 1 January, 2009

³ Effective for annual periods beginning on or after 1 July, 2009

⁴ Effective for annual periods beginning on or after 1 July, 2008

⁵ 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. HKAS27 (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 the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three major operating divisions-property trading, property rental and securities investment.

These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property trading	—	Trading of properties
Property rental	—	Leasing of investment properties
Securities investment	—	Securities trading and investments

An analysis of the Group's revenue contribution to segment results by business segments is as follows:

	Property trading HK\$'000	Property rental HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
For the six months ended				
30 September, 2008				
(unaudited)				
Gross proceeds	<u>595,508</u>	<u>548</u>	<u>37,120</u>	<u>633,176</u>
Revenue				
Rental income	69,331	548	—	69,879
Income from sales of properties	<u>526,177</u>	<u>—</u>	<u>—</u>	<u>526,177</u>
	<u>595,508</u>	<u>548</u>	<u>—</u>	<u>596,056</u>
Interest income and dividend income	<u>—</u>	<u>—</u>	<u>5,689</u>	<u>5,689</u>
Segment revenue	<u>595,508</u>	<u>548</u>	<u>5,689</u>	<u>601,745</u>
RESULT				
Segment results	<u>99,602</u>	<u>534</u>	<u>(18,641)</u>	<u>81,495</u>
Unallocated expenses				(11,754)
Other income				11,982
Finance costs				(57,081)
Share of results of jointly-controlled entities	—	130,223	—	130,223
Share of results of associates	(3,295)	(22,500)	—	(25,795)
Profit before taxation				<u>129,070</u>
Taxation				<u>(15,562)</u>
Profit for the period				<u>113,508</u>

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Property trading HK\$'000	Property rental HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
For the six months ended 30 September, 2007 (unaudited)				
Gross proceeds	41,291	16,202	160,982	218,475
Revenue				
Rental income	23,711	16,202	—	39,913
Income from sales of properties	17,580	—	—	17,580
	41,291	16,202	—	57,493
Interest income and dividend income	—	—	2,659	2,659
Segment revenue	41,291	16,202	2,659	60,152
RESULT				
Segment results	30,788	68,202	3,198	102,188
Unallocated expenses				(24,132)
Other income				37,691
Finance costs				(67,167)
Share of results of jointly-controlled entities	—	87,993	—	87,993
Share of results of associates	8,556	(1,547)	—	7,009
Loss on disposal/partial disposal of interests in subsidiaries	—	(17,052)	—	(17,052)
Profit before taxation				126,530
Taxation				
— Current and deferred tax				(16,095)
— Release of deferred taxation upon disposal of subsidiaries				98,529
Profit for the period				208,964

4. INVESTMENT INCOME AND NET (LOSS) GAIN FROM FINANCIAL INSTRUMENTS

	Six months ended 30 September,	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Interest income from:		
— investments held for trading	4,770	2,212
— available-for-sale investments	74	74
Gain on disposal of investments held for trading	440	4,251
(Decrease) increase in fair values of:		
— investments held for trading	(19,007)	2,300
— derivative financial instruments	(4,486)	—
Dividend income on available-for-sale investments	351	207
Dividend income on listed investments held for trading	494	166
	(17,364)	9,210

5. FINANCE COSTS

	Six months ended 30 September,	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	12,009	6,293
Bank and other borrowings not wholly repayable within five years	25,412	51,383
Convertible notes wholly repayable within five years	19,660	9,491
	57,081	67,167

6. **IMPAIRMENT LOSS ON DEPOSIT PAID FOR ACQUISITION OF PROPERTIES HELD FOR SALE**

During the period ended 30 September, 2008, an impairment loss of HK\$52,948,000 was made on deposits paid for acquisition of properties held for sales (“Properties”). The directors of the Company considered the decrease in estimated fair value of the Properties is greater than the deposits paid for the Properties, therefore, full provision was made.

7. **TAXATION**

	Six months ended 30 September,	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax	18,126	5,046
Deferred tax (Note 16)	(2,564)	11,049
	15,562	16,095
Release of deferred tax upon disposal of subsidiaries (Note 24(a))	—	(98,529)
	15,562	(82,434)

Hong Kong Profits Tax is recognised based on management’s best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 September, 2008.

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 September,	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Share-based payments		
— directors	474	—
— staffs	1,050	—
Depreciation of property, plant and equipment	2,419	1,803
Release of prepaid lease payments	1,383	190
Gain of disposal of investment properties	(569)	—
Impairment loss on properties held for sale	26,211	—
Share of taxation of associates	42	2,420
Bank interest income	(8,949)	(13,870)

9. DIVIDENDS

	Six months ended 30 September,	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend of HK\$0.008 (2007: HK\$0.008) per share recognised as distribution and paid during the respective periods	39,525	39,734

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 30 September,	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to equity holders of the Company)	102,986	217,438
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	19,660	9,491
Earnings for the purpose of calculating diluted earnings per share	122,646	226,929
	Number of shares ('000)	Number of shares ('000)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	4,940,584	4,956,246
Effect of dilutive potential ordinary shares:		
Share options	108,170	153,020
Convertible notes	1,122,233	696,003
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	6,170,987	5,805,269

10. EARNINGS PER SHARE (Continued)

The weighted average number of shares for the period ended 30 September, 2007 for the purpose of calculating the basic and diluted earnings per share were adjusted to reflect the effect of the share sub-division, which was approved with effect from 23 May, 2007, of each of the then issued and unissued shares of HK\$0.04 each in the share capital of the Company into five shares of HK\$0.008 each.

11. MOVEMENTS IN INVESTMENT PROPERTIES

During the period ended 30 September, 2008, the Group disposed of investment properties with a carrying amount of approximately HK\$36,500,000 and resulted a gain on disposal of HK\$569,000.

During the period ended 30 September, 2007, the Group disposed of investment properties with a carrying amount of approximately HK\$790,000,000 through disposal of subsidiaries as set out in note 24(a) for a consideration of HK\$755,044,000.

As at 30 September, 2007, the Group's investment properties were fair valued by the directors. The increase in fair value of the investment properties has been recognised directly in the condensed consolidated income statement of HK\$63,137,000.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of approximately HK\$4,393,000.

13. PREPAID LEASE PAYMENTS

	30 September, 2008	31 March, 2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	106,521	107,904
Analysed for reporting purposes as:		
Current asset	2,767	2,767
Non-current asset	103,754	105,137
	106,521	107,904

14. AMOUNTS DUE FROM (TO) ASSOCIATE(S)

The amounts due from (to) associates were unsecured, non-interest bearing and repayable on demand.

In the opinion of the directors, the amounts due from associates of HK\$64,506,000 (31 March, 2008: HK\$33,586,000) will not be repaid within twelve months from the balance sheet date, therefore, the amounts were classified as non-current. In addition, the amounts included a loss of HK\$17,927,000 (31 March, 2008: HK\$4,901,000) allocated in excess of cost of investment.

15. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts were unsecured, non-interest bearing and repayable on demand.

In the opinion of the directors, the amount due from a jointly-controlled entity of HK\$12,222,000 will not be repaid within twelve months from the balance sheet date, accordingly, the amount was classified as non-current. The amount included a loss of HK\$12,000,000 allocated in excess of cost of investment.

16. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements during the current accounting periods:

	Revaluation of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Convertible bonds HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 31 March, 2008 (audited)	87	7,831	6,669	(4,203)	10,384
(Credit) charge to income for the year	(87)	87	(2,271)	295	(1,976)
Effect of Change in tax rate	—	(447)	(381)	240	(588)
At 30 September, 2008 (unaudited)	—	7,471	4,017	(3,668)	7,820

16. DEFERRED TAXATION *(Continued)*

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 September, 2008 HK\$'000 (unaudited)	31 March, 2008 HK\$'000 (audited)
Deferred tax asset	2,521	2,675
Deferred tax liabilities	<u>(10,341)</u>	<u>(13,059)</u>
	<u>(7,820)</u>	<u>(10,384)</u>

17. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with a credit period normally ranging from 30 days to 90 days. The aged analysis of the trade receivables at the balance sheet dates are as follows:

	30 September, 2008 HK\$'000 (unaudited)	31 March, 2008 HK\$'000 (audited)
Trade receivables:		
0-30 days	489	1,483
31-60 days	232	—
	<u>721</u>	<u>1,483</u>
Other receivables	4,594	1,969
Prepayments and deposits	12,417	5,168
	<u>17,011</u>	<u>7,137</u>
	<u>17,732</u>	<u>8,620</u>

18. MOVEMENTS IN PROPERTIES HELD FOR SALE

During the period, the Group acquired properties held for sale with a carrying value of HK\$1,188,034,000 (six months ended 30 September, 2007: HK\$1,179,535,000). During the six months ended 30 September, 2007, HK\$452,740,000 was acquired through the acquisition of subsidiaries as set out in note 25.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September, 2008		31 March, 2008	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (audited)
Interest rate collar contracts (Note a)	3,180	—	—	—
Equity accumulators contracts (Note b)	—	3,498	—	18,666
	<u>3,180</u>	<u>3,498</u>	<u>—</u>	<u>18,666</u>

Notes:

- (a) Major terms of interest rate collar as at 30 September, 2008 are as follows:

Notional amount	Maturity	Contracted fixed interest
HK\$400,000,000	Ranging from 30 June, 2009 to 31 May, 2013	2.0% to 4.5% per annum

The fair value was arrived at on the basis of using valuations provided by the counterparty financial institution as at balance sheet date with reference to market data such as volatility of the derivatives, settlement date, settlement price and interest rates.

- (b) At 30 September, 2008, the Group had outstanding equity accumulators contracts with maturity dates ranging from 13 October, 2008 to 29 October, 2008. As at the date of report, all the equity accumulator contracts were matured.

The equity accumulators contracts are derivative financial instruments and were measured at fair value at balance sheet date. The fair value was determined based on valuation provided by the counterparty financial institution, which was determined based on inputs such as share price of the underlying equity securities, the knock-out price of the contracts and volatility of the underlying equity securities.

20. AMOUNTS DUE FROM/(TO) MINORITY SHAREHOLDERS

The amounts were unsecured, non-interest bearing and repayable on demand.

21. CONVERTIBLE NOTES

Each of the convertible notes contain two components, liability and equity elements. The equity element is presented in equity under the heading of “convertible note equity reserve”.

The movement of the liability component of the convertible notes for the period/year is set out below:

	30 September, 2008 HK\$'000 (unaudited)	31 March, 2008 HK\$'000 (audited)
Carrying amount at the beginning of the period/year	475,534	121,202
Issue of convertible notes	—	331,388
Interest charge	19,660	28,839
Interest paid	(5,895)	(5,895)
Carrying amount at the end of the period/year	489,299	475,534
Analysed for reporting purposes as:		
Current liability	2,313	3,310
Non-current liability	486,986	472,224
	489,299	475,534

Included in the liability component of the convertible notes at 30 September, 2008 is a debt component of the convertible notes of HK\$211,770,574 which were held by a holder who is undergoing provisional winding up proceeding in Hong Kong during the period ended 30 September, 2008. As of the date of approval of this interim financial information, the proceeding has not yet been completed.

22. BANK AND OTHER BORROWINGS

The bank and other borrowings bear interest ranging from 1.85% to 9.5% (six month ended 30 September, 2007: 4.2% to 10.8%) per annum and are repayable ranging from 2008 to 2033.

The bank and other borrowings were secured by Group's property, plant and equipment, prepaid lease payment, bank deposit and properties held for sale. The carrying amount of the asset pledged are disclosed in note 26.

22. BANK AND OTHER BORROWINGS *(Continued)*

Included in the bank and other borrowings at 30 September, 2008 is a secured borrowings of HK\$352,876,853 (the “Loan”) which was advanced from a lender who is undergoing provisional winding up proceeding in Hong Kong during the period ended 30 September, 2008. The Loan is repayable in April 2010. One of the Lender’s related companies is a party to the Loan arrangement, and in the event of the commencement of winding up of such related company the terms of the Loan and its repayment will be affected. As of the date of approval of this interim financial information, the relevant related company of the Lender is not, as far as the Group is aware, under any winding up procedure. Thus, the Loan is still classified as non-current.

23. SHARE CAPITAL

	Number of shares	Amount HK\$’000
Authorised:		
Shares of HK\$0.008 each at 31 March, 2008 and at 30 September, 2008	22,500,000,000	180,000
Issued and fully paid:		
Shares of HK\$0.008 each at 1 April, 2008	4,944,363,500	39,555
Shares repurchased and cancelled	(3,800,000)	(30)
Shares of HK\$0.008 each at 30 September, 2008	4,940,563,500	39,525

During the period, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares HK\$0.008 each	Price per share HK\$	Aggregate consideration paid HK\$’000
April, 2008	3,800,000	0.27	1,026

The above shares were cancelled upon repurchase.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period.

24. DISPOSAL OF SUBSIDIARIES

- (a) On 5 September, 2007, the Group disposed of its subsidiaries, Global Equity Assets Limited and CSI Investment Limited, respectively, both of which were engaged in the sale and leasing of properties.

The net assets of disposed subsidiaries at the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Investment properties	790,000
Other receivables, deposits and prepayments	12,585
Bank balances and cash	22
Bank overdrafts	(79)
Other payables	(28,430)
Taxation payable	(286)
Deferred tax liabilities	(98,529)
	<u>675,283</u>
Loss on disposal of subsidiaries	(18,768)
Release of deferred taxation upon disposal of subsidiaries	98,529
	<u>755,044</u>
Satisfied by:	
Cash	<u>755,044</u>
Net cash inflow arising on disposal:	
Cash consideration received	755,044
Bank balances and cash and bank overdrafts disposed of	57
	<u>755,101</u>

24. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

The subsidiaries disposed of during the period ended 30 September, 2007, contributed approximately HK\$15,414,000 to the Group's turnover and contributed approximately HK\$64,906,000 to the Group's profit before taxation for the period from 1 April, 2007 to the date of disposal.

The subsidiaries disposed of during the period ended 30 September, 2007, generated approximately HK\$29,643,000 in the Group's net operating cash flows, utilised approximately HK\$26,903,000 and HK\$4,900,000 in respect of investing activities and financing activities, respectively.

- (b) On 10 July, 2007, the Group disposed of a 49% interest in its subsidiary, Joyful Sonic Limited and its subsidiaries, which are engaged in leasing of properties and a loan due to the Company of HK\$65,322,000, at a consideration of HK\$67,038,000. The gain on the partial disposal of the subsidiary of HK\$1,716,000 was recognised in the condensed consolidated income statement.

25. ACQUISITION OF SUBSIDIARIES

On 20 April, 2007, the Group acquired properties held for sale through the purchase of a 60% interest in the issued share capital of SH Fortress Ltd. and its subsidiaries, Lanrich International Limited and Lei Fu Real Estate (Shanghai) Company Ltd., for a cash consideration of US\$9,600,000 (equivalent to approximately HK\$74,880,000). This transaction has been accounted for as acquisition of assets as the acquisition does not meet the definition of a business combination.

25. ACQUISITION OF SUBSIDIARIES (Continued)

The net assets acquired in the above transaction are as follows:

	HK\$'000
<hr/>	
Net assets acquired:	
Property, plant and equipment	9
Properties held for sale	452,740
Other receivables	499
Bank balances and cash	98,396
Other payable	(3,213)
Bank loans	(430,000)
	<hr/>
	118,431
Minority interest	(43,551)
	<hr/>
	74,880
	<hr/>
Total consideration satisfied by:	
Cash	74,880
	<hr/>
Net cash inflow arising on acquisition:	
Cash consideration paid	(74,880)
Bank balances and cash acquired	98,396
	<hr/>
	23,516
	<hr/>

26. PLEDGE OF ASSETS

At balance sheet date, the following assets were pledged to banks and other lender to secure banking and other facilities granted to the Group:

	30 September, 2008 HK\$'000 (unaudited)	31 March, 2008 HK\$'000 (audited)
Property, plant and equipment	2,084	2,128
Prepaid lease payment	91,854	93,047
Properties held for sale	4,128,620	3,028,300
Bank deposits	91,465	136,701
	4,314,023	3,260,176

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

27. CAPITAL COMMITMENTS

	30 September, 2008 HK\$'000 (unaudited)	31 March, 2008 HK\$'000 (audited)
Capital expenditure in respect of		
— the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	—	1,095
— the establishment of a subsidiary in the People's Republic of China	—	9,797
	—	10,892

28. CONTINGENT LIABILITIES

	30 September, 2008 HK\$'000 (unaudited)	31 March, 2008 HK\$'000 (audited)
Corporate guarantee given by the Group for banking facilities granted to:		
— associates	84,800	107,976
— jointly-controlled entities	105,000	244,133
	189,800	352,109

At 30 September, 2008, amounts of HK\$48,200,000 (31 March, 2008: HK\$71,800,000) had been utilised by the associates and HK\$105,000,000 (31 March, 2008: HK\$204,633,000) had been utilised by the jointly-controlled entities.

At 31 March, 2008 and 30 September, 2008, amounts of HK\$92,000 and HK\$3,495,000, included in accruals and other payables respectively, represented deferred income in respect of the financial guarantee contracts given to jointly-controlled entities and associates.

29. RELATED PARTY TRANSACTIONS

During the periods, the Group entered into the following transactions with related parties:

Name of Company	Nature of transactions	Notes	Six months ended 30 September,	
			2008 HK\$'000	2007 HK\$'000
Vast Faith Limited	Arrangement fee received by the Group	(i)	3,000	—
Gain Resources Limited	Arrangement fee received by the Group	(ii)	—	15,870

29. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

In the opinion of the directors, the above transactions were undertaken in the ordinary course of business on terms mutually agreed between the Group and the related parties.

Notes:

- (i) Vast Faith Limited is a jointly-controlled entity of the Group.
 - (ii) Gain Resources Limited is an associate of a jointly-controlled entity of the Group.
- (b) The connected transactions undertaken by the Company during the period ended 30 September, 2007 are set out below:
- (i) Pursuant to the announcement dated 7 June, 2007, the Company, on the same day, entered into several conditional subscription agreements with Centar Investments (Asia) Limited (“Centar”), Lehman Brothers Commercial Corporation Asia Limited (“Lehman”) and five independent third parties in relation to the subscription of HK\$390,000,000 2% convertible notes redeemable on the fifth anniversary from the date of issue (the “Maturity Date”) (the “2012 Convertible Notes”) with principal amounts of HK\$54,600,000, HK\$78,000,000 and HK\$257,400,000, respectively. At the time of the transaction, an associate of Lehman was a substantial shareholder of one of the Company’s non-wholly owned subsidiaries. Centar is a fund managed by Stark Investments (Hong Kong) Limited (“Stark Investments”) and Stark Investments is a substantial shareholder of the Company. Lehman and Stark Investments were connected persons of the Company under the Listing Rules. The transactions were completed on 13 July, 2007.

29. RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued)

- (ii) Pursuant to the announcement dated 21 August, 2007, Mark Well Investments Limited, a wholly-owned subsidiary of the Company, subscribed equity linked structured notes (the “Notes”) issued by Lehman Brothers Treasury Co BV, a subsidiary of Lehman Brothers Holdings Inc., for an aggregate amount of US\$1,500,000 (approximately HK\$11,700,000). The Notes were 2 years equity link notes quoted in US dollars with interest bearing and redeemable on the second anniversary from the date of issue. The Notes were linked to three blue-chips Hong Kong listed companies. The Notes were redeemed on 14 November, 2007.

At the time of transaction, an associate of Lehman was a substantial shareholder of one of the Company’s non-wholly owned subsidiaries.

- (c) The remuneration of directors and other members of key management during the periods was as follows:

	Six months ended 30 September,	
	2008	2007
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Short-term benefits	5,787	5,058
Share based payment	474	—
Post-employment benefits	289	222
	6,550	5,280

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Deloitte.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CAPITAL STRATEGIC INVESTMENT LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 30, which comprises the condensed consolidated balance sheet of Capital Strategic Investment Limited and its subsidiaries 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 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 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 December, 2008

INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 September, 2008. (2007: Nil).

REVIEW OF THE RESULTS

The Group reported a total gross revenue for the six months ended 30 September, 2008 of approximately HK\$633.2 million (six months ended 30 September, 2007: HK\$218.5 million), which was mainly generated from rental income of approximately HK\$69.9 million, sales of properties of approximately HK\$526.2 million, and securities investment of approximately HK\$37.1 million. The increase was mainly due to an increase in sales of properties activities during the period.

The Group reported a consolidated profit attributable to the equity shareholders of the Company of approximately HK\$103 million for the six months ended 30 September, 2008 (six months ended 30 September, 2007: HK\$217.4 million) representing a decrease of approximately 52.6%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balances and cash of approximately HK\$1,504.6 million (31 March, 2008: HK\$1,066.4 million) and securities investment held for trading of approximately HK\$137.5 million (31 March, 2008: HK\$86.2 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 and other borrowings have increased from approximately HK\$121.8 million as at 31 March, 2008 to approximately HK\$313.9 million as at 30 September, 2008, and long-term bank and other borrowings have increased from approximately HK\$1,846.9 million as at 31 March, 2008 to approximately HK\$2,576.1 million as at 30 September, 2008. All the borrowings were utilized in financing the Group's properties investments. As a result, the Group's total bank and other borrowings have increased from approximately HK\$1,968.7 million as at 31 March, 2008 to approximately HK\$2,890 million as at 30 September, 2008, and the Group's ratio of

total debt (represented by bank and other borrowings and convertible notes) to total assets was 55.3% (31 March, 2008: 47.3%). The Group's debts were majority denominated in Hong Kong dollars and were on a floating rate basis at short-term inter-bank offer rates with maturity profile spreading over a period of up to 25 years with approximately HK\$313.9 million repayable within one year, HK\$1,115 million repayable between one to five years, and HK\$1,461.1 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 would not have a significant impact on the performance, results and operation of the Group.

BUSINESS REVIEW AND OUTLOOK

MARKET OVERVIEW

The financial crisis stemmed from the subprime issue in the United States and subsequent credit crunch in most developed western economies has led to global economic downturn. Mainland China and Hong Kong are not immune in this financial turmoil and the local stock and property markets have shown significant corrections. Vigorous policy responses by various central governments and the recent relaxation of macroeconomic measures by the mainland government are now joining forces to tackle this global challenge.

During these unprecedented and fast-changing times, management is proceeding with caution to control costs and measures have been taken to reduce capital expenditure to preserve liquidity.

HONG KONG

Our existing rental properties in prime areas such as Central, Wan Chai, Causeway Bay and Tsimshatsui are generating stable income with low vacancy rate and our serviced apartments at the heart of Tsimshatsui-HAN RESIDENCE located at Nos. 14-16 Hankow Road - is in its final renovation stage and will be launched in the first quarter of 2009. On the development and renovation projects, the Group is currently considering alternatives to improve potential returns on these assets amidst changing market environment.

MAINLAND CHINA

Earlier this year the Group has successfully unlocked the value of our prime commercial property — Novel Plaza located at No. 128 Nanjing West Road, Shanghai, which was jointly owned by the Group and Tian An China Investments Company Limited. The disposal of Novel Plaza in Shanghai has proven the success of extending our repositioning model to China and also the team’s expertise in value enhancements.

Renovation work of the International Capital Plaza (formerly known as “Fuhai Building”) in Hongkou district of Shanghai is on-going and should become a new district landmark retail and commercial complex when completed in 2009.

OUTLOOK

Going forward, the period ahead will be full of challenges and we expect present uncertainties to continue in 2009. The on-going credit crunch in the banking sector will reduce market’s appetite for new investments and affect the Group’s divestment strategy and management will exercise caution in considering new investments. While we remain optimistic on the long-term economic prospects, property markets in Hong Kong and China will undergo a period of price consolidation before market sentiments restore which could affect the Group’s results. Despite these challenges, we will continue to focus on our strengths to repeat the success of our repositioning model for our existing projects to strive long-term value for our shareholder.

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.

DIRECTORS' INTERESTS

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September, 2008, the interests and short positions of the Directors and the chief executive of the Company in shares, underlying shares or debentures of the Company or any its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 decided 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange:

(i) **Long positions in shares:**

Name of Director	Nature of interests	Company/ name of associated corporation	Number of shares held (Note 1)	Derivative interests	Approximate percentage of total shareholding (%)
Chung Cho Yee, Mico ("Mr. Chung") (Note 2)	Beneficial owner	The Company	1,640,946,250 (L)	163,535,735 (L)	33.21 3.31
Earnest Equity Limited ("Earnest Equity") (Note 2)	Interest of controlled corporation	The Company	1,638,846,250 (L)	163,535,735 (L)	33.17 3.31
Wong Sin Just	Interest of controlled corporation	The Company	2,310,000 (L)	—	0.05

Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) Mr. Chung is the beneficial owner of 1,640,946,250 shares in the Company (being the aggregate of personal interest of Mr. Chung of 2,100,000 shares and the corporate interest held by Earnest Equity of 1,638,846,250) and 163,535,735 shares relate to the derivative interests held by Earnest Equity in 2011 Convertible Notes and 2012 Convertible Notes. Earnest Equity, the entire issued share capital of which is held by Digisino Assets Limited ("Digisino"), as trustee of a discretionary trust founded by Mr. Chung, 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 and that both Digisino and Earnest Equity are corporations wholly-owned and controlled by him.

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

Name of Director	Option scheme type	Capacity	Number of shares held (Note 1)	Approximate percentage of total shareholding (%)
Kan Sze Man	2001	Beneficial owner	19,375,000 (L)	0.39
	2002	Beneficial owner	15,625,000 (L)	0.31
Chow Hou Man	2001	Beneficial owner	4,187,500 (L)	0.08
	2002	Beneficial owner	15,625,000 (L)	0.31
Hubert Chak	2002	Beneficial owner	35,000,000 (L)	0.71

Note:

- (1) The letter “L” denotes a person’s long position in such securities.

Save as disclosed above, as at 30 September, 2008, 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 30 September, 2008, according to the register kept by the Company pursuant to Section 336 of SFO, and so far as is known to any Directors or the Company, the following persons, in addition to those interests disclosed above in respect of the Directors, had an interest or short position in shares and underlying shares 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 corporation	Number of shares held (Note 1)	Derivative interests	Approximate Shareholding percentage (%)
Stark Investments (Hong Kong) Limited	Investment manager (Note 2)	The Company	503,490,000 (L)		10.19
				178,535,307 (L)	3.61
Stark Master Fund, Ltd.	Beneficial owner (Note 3)	The Company	448,470,000 (L)		9.07
				67,418,921 (L)	1.36
Lehman Brothers Holdings Inc.	Interest of controlled corporation (Note 4)	The Company	414,330,000 (L)		8.38
				477,273,873 (L)	9.66
Cheah Capital Management Limited	Interest of controlled corporation (Note 5)	The Company	397,140,000 (L)	—	8.03
Cheah Cheng Hye	Person who set up a discretionary trust (Note 5)	The Company	397,140,000 (L)	—	8.03
Cheah Company Limited	Interest of controlled corporation (Note 5)	The Company	397,140,000 (L)	—	8.03
Heng Sang Bank Trustee International Limited	Trustee (Note 5)	The Company	397,140,000 (L)	—	8.03
To Hau Yin	Interest of child under 18 or spouse (Note 5)	The Company	397,140,000 (L)	—	8.03
Value Partners Group Limited	Interest of controlled corporation (Note 5)	The Company	397,140,000 (L)	—	8.03
Value Partners Limited	Investment manager (Note 5)	The Company	397,140,000 (L)	—	8.03
Third Avenue Management LLC	Investment manager	The Company	348,180,000 (L)	—	7.04

Notes:

- (1) The letter “L” denotes a person’s long position in such securities.
- (2) Stark Investments (Hong Kong) Limited, being an investment manager, is deemed to be interested in 503,490,000 shares in the Company and 178,535,307 shares relate to the derivative interests in 2011 Convertible Notes and 2012 Convertible Notes.
- (3) Stark Master Fund, Ltd. is the beneficial owner of 448,470,000 shares in the Company and 67,418,921 shares relate to the derivative interests in 2011 Convertible Notes.
- (4) Lehman Brothers Commercial Corporation Asia Limited, a company that held 414,330,000 shares in the Company and 477,273,873 shares relate to the derivative interests in 2011 Convertible Notes and 2012 Convertible Notes, is a company owned as to 50% by LBCCA Holdings I LCC. and owned as to 50% by LBCCA Holdings II LCC., respectively, which were, in turn wholly-owned subsidiaries of Lehman Brothers Holdings Inc.
- (5) The 397,140,000 shares in the Company held by Cheah Capital Management Limited, Cheah Cheng Hye, Cheah Company Limited, Hang Seng Bank Trustee International Limited, To Hau Yin, Value Partners Group Limited and Value Partners Limited are the same parcel of shares.

Save as disclosed above, none of the Directors or proposed directors is a director or employee of a company which has an interest in shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

AUDIT COMMITTEE

The financial statements for the six months ended 30 September, 2008 have been reviewed by the Audit Committee of the Company.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Based on specific enquiry of all the directors of the Company, the directors complied throughout the period in review with the required standards as set out in the Model Code.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group is obliged to comply with the requirements for continue listing on the Stock Exchange and is committed to practice high standard of corporate governance in its daily management and operations. The Group follows and applies the principles of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rule in the period under review, except that (i) the Company does not have the position of chief executive officer; and (ii) the non-executive directors have not been appointed for a specific term, but subject to re-election only.

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

During the period, the Company repurchased its listed securities through the Stock Exchange as follows:

Month of repurchase	No. of shares of HK\$0.008 each	Price per share		Aggregate consideration
		Highest HK\$	Lowest HK\$	paid HK\$
April 2008	3,800,000	0.27	0.27	1,026,000

The above shares were cancelled upon repurchase.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement and an interim report containing the information required by the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Chung Cho Yee, Mico
Chairman

Hong Kong, 19 December, 2008