



資本策略

Capital Strategic
Investment Limited

Stock code : 497



infinite

possibility to excel

Interim Report 2009



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

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

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

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, 2009. 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, 2009

	NOTES	Six months ended 30 September,	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Revenue	3	541,038	596,056
Cost of sales		(445,667)	(424,761)
Gross profit		95,371	171,295
Investment income and gain (loss) from financial instruments, net	4	40,128	(17,364)
Other income		11,358	11,982
Other gains and losses	5	321,374	(52,948)
Administrative expenses		(41,729)	(31,242)
Finance costs	6	(21,295)	(57,081)
Share of results of jointly controlled entities		23	130,223
Share of results of associates		3,250	(25,795)
Profit before taxation		408,480	129,070
Taxation	7	(12,686)	(15,562)
Profit for the period	8	395,794	113,508
Profit (loss) for the period attributable to:			
Owners of the Company		397,014	102,986
Non-controlling interests		(1,220)	10,522
		395,794	113,508
Earnings per share (HK cents)	10		
— Basic		5.9	1.6
— Diluted		5.4	1.6

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2009

	Six months ended 30 September,	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	395,794	113,508
Other comprehensive expense Exchange differences arising on translation of foreign operations for the period (net of tax)	(4,352)	(26,702)
Total comprehensive income for the period	391,442	86,806
Total comprehensive income (expense) attributable to:		
— Owners of the Company	392,662	72,737
— Non-controlling interests	(1,220)	14,069
	391,442	86,806

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER, 2009

	NOTES	30 September, 2009 HK\$'000 (unaudited)	31 March, 2009 HK\$'000 (audited)
Non-Current Assets			
Property, plant and equipment	11	37,455	11,039
Prepaid lease payments	12	100,987	102,370
Deposit paid for acquisition of property, plant and equipment		—	5,742
Available-for-sale investments	13	17,709	24,669
Conversion options embedded in convertible notes	13	—	3,041
Club memberships		6,860	6,860
Interests in jointly controlled entities		31,227	31,204
Interests in associates		8,397	7,937
Amount due from a jointly controlled entity	14	12,349	12,222
Amounts due from associates	14	107,020	63,738
Deferred tax assets	15	571	2,698
		322,575	271,520
Current Assets			
Trade and other receivables	16	44,717	13,967
Prepaid lease payments	12	2,767	2,767
Investments held for trading		299,156	212,441
Deposit paid for acquisition of properties held for sale		49,436	—
Properties held for sale	17	4,511,781	4,329,832
Taxation recoverable		4,750	4,750
Amount due from a minority shareholder of a subsidiary	14	—	3,440
Amounts due from jointly controlled entities	14	15,228	14,489
Pledged bank deposits		335,233	8,375
Bank balances and cash		554,181	1,197,978
		5,817,249	5,788,039

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30 SEPTEMBER, 2009

	NOTES	30 September, 2009 HK\$'000 (unaudited)	31 March, 2009 HK\$'000 (audited)
Current Liabilities			
Other payables and accruals		93,006	122,456
Derivative financial instruments		7,147	6,657
Taxation payable		29,440	24,903
Amounts due to minority shareholders of subsidiaries	14	9,814	9,641
Amounts due to jointly controlled entities	14	5,081	4,759
Amount due to an associate	14	2,000	2,000
Convertible notes-due within one year	18	423	3,293
Bank and other borrowings - due within one year	19	608,870	890,973
		755,781	1,064,682
Net Current Assets			
		5,061,468	4,723,357
		5,384,043	4,994,877
Capital and Reserves			
Share capital	20	65,311	39,525
Reserves		3,189,303	2,430,246
Equity attributable to owners of the Company		3,254,614	2,469,771
Non-controlling interests		240	38,763
Total Equity		3,254,854	2,508,534
Non-Current Liabilities			
Convertible notes - due after one year	18	94,496	502,258
Bank and other borrowings - due after one year	19	2,017,752	1,973,122
Deferred tax liabilities	15	16,941	10,963
		2,129,189	2,486,343
		5,384,043	4,994,877

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2009

	Attributable to equity holders of the Company											
	Capital			Convertible				Share		Non-		Total equity
	Share capital	Share premium	Share redemption reserve	Capital reserve	note reserve	equity reserve	Contributed surplus	Translation reserve	option reserve	Accumulated profits	controlling Total interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note a)		(Note b)						
At 1 April, 2009 (audited)	39,525	841,269	371	1,698	55,811	276,058	21,030	5,294	1,228,715	2,469,771	38,763	2,508,534
Profit (loss) for the period	—	—	—	—	—	—	—	—	397,014	397,014	(1,220)	395,794
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(2,019)	—	—	(2,019)	—	(2,019)
Share of other comprehensive expenses of an associate	—	—	—	—	—	—	(2,333)	—	—	(2,333)	—	(2,333)
Total comprehensive income and expenses for the period	—	—	—	—	—	—	(4,352)	—	397,014	392,662	(1,220)	391,442
Issue of shares upon rights issue	17,786	155,628	—	—	—	—	—	—	—	173,414	—	173,414
Issue of shares	8,000	237,000	—	—	—	—	—	—	—	245,000	—	245,000
Transaction costs attributable to issue of shares	—	(11,268)	—	—	—	—	—	—	—	(11,268)	—	(11,268)
Realised on partial redemption of convertible notes	—	—	—	—	(45,306)	—	—	—	45,306	—	—	—
Recognition of equity-settled share based payments	—	—	—	—	—	—	—	795	—	795	—	795
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(33,703)	(33,703)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(3,600)	(3,600)
Dividends recognised as distribution (Note 9)	—	—	—	—	—	—	—	—	(15,760)	(15,760)	—	(15,760)
At 30 September, 2009 (unaudited)	65,311	1,222,629	371	1,698	10,505	276,058	16,678	6,089	1,655,275	3,254,614	240	3,254,854

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	Share premium	Capital redemption reserve	Capital reserve	Convertible note equity reserve	Contributed surplus	Translation reserve	Share option reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note a)		(Note b)						
At 1 April, 2008 (audited)	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
Profit for the period	—	—	—	—	—	—	—	—	102,986	102,986	10,522	113,508
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	5,501	—	—	5,501	3,547	9,048
Share of translation reserve released by a jointly controlled entity upon disposal of its subsidiaries	—	—	—	—	—	—	(35,750)	—	—	(35,750)	—	(35,750)
Total comprehensive 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 recognised as distribution (Note 9)	—	—	—	—	—	—	—	—	(39,525)	(39,525)	—	(39,525)
At 30 September, 2008 (unaudited)	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

Notes:

- The capital reserve represents the Group's share of the deemed capital contribution arising from interest free loans 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 STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2009

	Six months ended 30 September,	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Net cash used in operating activities:		
Increase in properties held for sales	(203,514)	(825,693)
Increase in deposit paid for acquisition of property held for sales	(49,436)	(44,200)
Cash inflows from other operating activities	34,844	28,230
	(218,106)	(841,663)
Net cash (used in) from investing activities:		
(Increase) decrease in pledged bank deposits	(326,858)	45,236
Advances to associates	(42,825)	(36,150)
Acquisition of additional interest in subsidiaries	(13,950)	—
Purchase of properties, plant and equipment	(25,011)	(4,393)
Repayment from jointly controlled entities	322	241,308
Proceeds from disposal of property, plant and equipment	8,800	—
Advances to minority shareholders	—	(18,246)
Proceeds from disposal of investment properties	—	37,069
Dividend received from a jointly controlled entity	—	186,377
Cash inflows from other investing activities	1,461	8,949
	(398,061)	460,150

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2009

	Six months ended 30 September,	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Net cash (used in) from financing activities:		
Repayments of borrowings	(412,624)	(186,301)
Partial redemption of convertible notes	(294,386)	—
Redemption of other borrowings	(236,500)	—
Dividends paid	(15,760)	(39,525)
Dividend paid to non-controlling interests	(3,600)	—
Premium paid for derivative financial instruments	(1,655)	(7,959)
Proceeds from issue of shares and exercise of rights issue, net of issue costs	407,146	—
New borrowings raised	527,845	1,107,662
Repurchase of shares	—	(1,029)
Cash inflows (outflows) from other financing activities	1,904	(7,895)
	(27,630)	864,953
Net (decrease) increase in cash and cash equivalents	(643,797)	483,440
Cash and cash equivalents at beginning of the period	1,197,978	929,650
Cash and cash equivalents at end of the period, represented by bank balance and cash	554,181	1,413,090



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2009

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 "Stock Exchange") 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 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, 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April, 2009.

The adoption of the new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related Party Disclosure ³
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Right Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁵
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
HKFRS 3 (Revised 2008)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HK (IFRIC) -Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement ³
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁷

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

² Amendments that are effective for annual periods beginning on or after 1 July, 2009 or 1 January, 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January, 2011

⁴ Effective for annual periods beginning on or after 1 February, 2010

⁵ Effective for annual periods beginning on or after 1 January, 2010

⁶ Effective for annual periods beginning on or after 1 January, 2013

⁷ Effective for annual periods beginning on or after 1 July, 2010

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April, 2010. HKAS 27 (Revised 2008) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.



3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Group, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group’s operating and reportable segments under HKFRS 8 are identified to be its business segments under HKAS 14, namely:

- (a) Property trading segment, which engages in the trading of properties;
- (b) Strategic investment segment, which engages in property investment through strategic alliances with the joint venture partners; and
- (c) Securities investment segment, which engages in the securities trading and investment.

3. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

	Property trading HK\$'000	Strategic investment HK\$'000	Securities investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
<i>For the six months ended</i>					
<i>30 September, 2009</i>					
<i>(unaudited)</i>					
Gross proceeds	541,038	—	201,056	—	742,094
Revenue					
Rental income	81,038	—	—	—	81,038
Income from sales of properties	460,000	—	—	—	460,000
	541,038	—	—	—	541,038
Interest income and dividend income	—	—	6,313	—	6,313
Share of results of a jointly controlled entity	—	23	—	—	23
Share of results of an associate	—	3,250	—	—	3,250
Segment revenue	541,038	3,273	6,313	—	550,624
Segment profit	81,699	3,273	38,034	—	123,006
Unallocated other income					11,358
Other gains					321,374
Central administration costs					(25,963)
Finance costs					(21,295)
Profit before taxation					408,480
Taxation					(12,686)
Profit for the period					395,794

3. SEGMENT INFORMATION (Continued)

	Property trading HK\$'000	Strategic investment HK\$'000	Securities investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
<i>For the six months ended</i>					
<i>30 September, 2008</i>					
<i>(unaudited)</i>					
Gross proceeds	595,508	—	37,120	548	633,176
Revenue					
Rental income	69,331	—	—	548	69,879
Income from sales of properties	526,177	—	—	—	526,177
	595,508	—	—	548	596,056
Interest income and dividend income	—	—	5,689	—	5,689
Share of results of					
jointly controlled entities	—	130,223	—	—	130,223
Share of results of associates	—	(22,500)	—	—	(22,500)
Segment revenue	595,508	107,723	5,689	548	709,468
Segment profit (loss)	99,602	107,723	(18,641)	534	189,218
Unallocated other income					11,982
Central administration costs					(11,754)
Finance costs					(57,081)
Share of results of associates	(3,295)	—	—	—	(3,295)
Profit before taxation					129,070
Taxation					(15,562)
Profit for the period					113,508


Segment profit (loss) represents profit (loss) earned/incurred by each segment and fair value change of investments held for trading without allocation of other income, other gains, central administrative costs, finance costs and share of results of jointly controlled entities and associates. This is the measure reported to the chief operating decision makers for the purpose of resource allocation and performance assessment.

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

	Six months ended 30 September,	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Interest income from:		
— investments held for trading	5,252	4,770
— available-for-sale investments	313	74
Dividend income from:		
— available-for-sale investments	541	351
— investments held for trading	207	494
Increase (decrease) in fair values of:		
— investments held for trading	35,960	(18,567)
— derivative financial instruments	(2,145)	(4,486)
	40,128	(17,364)

5. OTHER GAINS AND LOSSES

	Six months ended 30 September,	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Gain on partial redemption of convertible notes (Note i)	124,192	—
Gain on redemption of other borrowings (Note ii)	197,182	—
Impairment loss on/forfeiture of deposit paid for acquisition of properties held for sales (Note iii)	—	(52,948)
	321,374	(52,948)



5. OTHER GAINS AND LOSSES (Continued)

Notes:

- (i) During the period, the Company entered into agreements with certain independent third parties pursuant to which the Company redeemed part of the convertible notes with an aggregate carrying amount of the liability component of HK\$418,578,000 at an aggregate consideration of HK\$294,386,000, resulting in a gain of HK\$124,192,000. The details are set out in note 18.
- (ii) Pursuant to a loan purchase agreement dated 22 May, 2009, the Group bought back the loan from Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers") with an aggregate principal outstanding balance plus accrued interest of HK\$433,682,000 at an aggregate consideration of HK\$236,500,000, which gave rise to a gain on redemption of HK\$197,182,000. The details are set out in note 19.
- (iii) During the six months ended 30 September, 2008, an impairment loss of approximately HK\$5,148,000 was made on the deposit paid for acquisition of properties held for re-sale. The directors of the Company considered the decrease in estimated fair value of the relevant properties which will be held for re-sale is greater than the deposit made, therefore, full provision was made.

Besides, the Group entered into a sale and purchase agreement for the acquisition of certain properties in Hong Kong. An amount of HK\$47,800,000 was paid to the vendor, an independent third party, as a deposit for the acquisition. Due to the fluctuation of the property markets, the management determined not to complete the transaction. A cancellation agreement was subsequently entered into with the vendor pursuant to which the entire amount of the said deposit was forfeited. All obligations, covenants and undertakings contained in the relevant sale and purchase agreement was released and the vendor would have no claim against the Group in respect of the proposed acquisition.

6. FINANCE COSTS

	Six months ended 30 September,	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	210	12,009
Bank and other borrowings not wholly repayable within five years	11,430	25,412
Convertible notes wholly repayable within five years	9,655	19,660
	21,295	57,081

7. TAXATION

	Six months ended 30 September,	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
The charge comprises:		
Hong Kong Profits Tax	4,581	18,126
Deferred tax (Note 15)	8,105	(2,564)
	12,686	15,562

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 reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period ended 30 September, 2008 and 2009.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. PROFIT FOR THE PERIOD

	Six months ended 30 September,	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration:		
Fees	—	—
Salaries and other benefits	5,528	4,458
Bonus	8,000	1,329
Contributions to retirement benefits schemes	162	289
Share-based payments	248	474
	13,938	6,550
Other staff costs:		
Salaries and other benefits	6,813	8,858
Bonus	2,000	1,575
Contributions to retirement benefits schemes	207	354
Share-based payments	547	1,050
Total staff costs	23,505	18,387
Depreciation of property, plant and equipment	3,141	2,419
Release of prepaid lease payments	1,383	1,383
Cost of properties held for sales recognised as an expense	430,244	382,772
Impairment loss on properties held for sale (included in cost of sales)	—	26,211
Share of taxation of associates	127	42
and after crediting:		
Gain on disposal of property, plant and equipment	7,628	—
Bank interest income	2,327	8,949

9. DIVIDENDS

	Six months ended 30 September,	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Final dividend of HK\$0.0022 (2008: HK\$0.008) per share recognised as distribution for the year ended 31 March, 2009 and paid during the period	15,760	39,525

The directors do not recommend the payment of an interim dividend for the period (2008: nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 September,	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	397,014	102,986
Effect of dilutive potential ordinary shares: Interest on convertible notes	9,655	19,660
Earnings for the purpose of calculating diluted earnings per share	406,669	122,646

10. EARNINGS PER SHARE (Continued)

	Six months ended 30 September,	
	2009 Number of shares	2008 Number of shares (restated)
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	6,767,747	6,270,092
Effect of dilutive potential ordinary shares (in thousands):		
Share options	122,772	161,589
Convertible notes	656,364	1,334,011
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	7,546,883	7,765,692

The weighted average number of shares for both periods for the purpose of the basic and diluted earnings per share had been adjusted to reflect the effect of the rights issue during the period as set out in note 20.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at cost of approximately HK\$30,753,000 (six months ended 30 September, 2008: HK\$4,393,000).

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of HK\$1,172,000 for a consideration of HK\$8,800,000, resulting in a gain on disposal of HK\$7,628,000. No property, plant and equipment has been disposed of during the six months ended 30 September, 2008.



12. PREPAID LEASE PAYMENTS

All of the Group's prepaid lease payment comprise leasehold land held under medium-term leases in Hong Kong and analysed for reporting purpose as:

	30 September, 2009 HK\$'000 (unaudited)	31 March, 2009 HK\$'000 (audited)
Non-current asset	100,987	102,370
Current asset	2,767	2,767
	103,754	105,137

13. MOVEMENTS IN AVAILABLE-FOR-SALE INVESTMENTS/CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES

Included in the balance as at 31 March, 2009 is the convertible notes issued by Golden Resources Development International Limited ("Golden Resources 2014") with principal amounts of HK\$10,000,000. Golden Resources is a public limited liability company with its shares listed on the Stock Exchange. Golden Resources 2014 carries interest at 2% per annum with maturity on 4 March, 2014 at redemption amount of 100% of the principal amount.

During the period, the Group converted all Golden Resources 2014 into 38,461,538 shares of Golden Resources. All converted shares had been disposed of during the period.

14. AMOUNT(S) DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/ASSOCIATES/MINORITY SHAREHOLDERS OF SUBSIDIARIES

	30 September, 2009 HK\$'000 (unaudited)	31 March, 2009 HK\$'000 (audited)
Amounts due from jointly controlled entities included in		
— non-current assets (Note i)	12,349	12,222
— current assets (Note ii)	15,228	14,489
	27,577	26,711
Amounts due from associates included in non-current assets (Note iii)	107,020	63,738
Amount due from a minority shareholder of a subsidiary included in current assets (Note ii)	—	3,440
Amounts due to minority shareholders of subsidiaries included in current liabilities (Note iv)	9,814	9,641
Amounts due to jointly controlled entities included in current liabilities (Note iv)	5,081	4,759
Amount due to an associate included in current liabilities (Note iv)	2,000	2,000

The above balances due from the various parties were neither past due nor impaired and had no default record based on historical information.

14. AMOUNT(S) DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/ASSOCIATES/MINORITY SHAREHOLDERS OF SUBSIDIARIES *(Continued)*

Notes:

- (i) The amounts are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. The directors considered that the amount forms part of the net investment in the jointly controlled entity. Included in the amounts is share of loss of a jointly controlled entity allocated in excess of the cost of investment of HK\$12,000,000 (31 March, 2009: HK\$12,000,000).
- (ii) The amounts are unsecured, non-interest bearing and expected to be recovered within one year.
- (iii) The amounts are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. Accordingly, the amounts were classified as non-current. The directors considered that the amounts form part of the net investments in the relevant associates. Included in the amounts is share of losses of associates of allocated in excess of respective cost of investments of HK\$20,023,000 (31 March, 2009: HK\$20,480,000).
- (iv) The amount is unsecured, non-interest bearing and repayable on demand.

15. DEFERRED TAXATION

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

	Revaluation of investment properties	Accelerated tax depreciation	Convertible notes	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April, 2008 (audited)	87	7,831	6,669	(4,203)	10,384
Effect of change in tax rate	(5)	(447)	(381)	240	(593)
Charge (credit) to consolidated income statement for the year	(82)	4,128	(4,953)	(619)	(1,526)
At 31 March, 2009 (audited)	—	11,512	1,335	(4,582)	8,265
Charge (credit) to consolidated income statement for the period	—	5,655	(1,298)	3,748	8,105
At 30 September, 2009 (unaudited)	—	17,167	37	(834)	16,370

15. DEFERRED TAXATION (Continued)

For the purpose of presentation in condensed consolidated statement of financial position, 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, 2009 HK\$'000 (unaudited)	31 March, 2009 HK\$'000 (audited)
Deferred tax assets	571	2,698
Deferred tax liabilities	(16,941)	(10,963)
	(16,370)	(8,265)

As at 30 September, 2009, the Group had unused tax losses of approximately HK\$141,073,000 (31 March, 2009: HK\$181,881,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$5,055,000 (31 March, 2009: HK\$27,770,000). No deferred tax asset has been recognised in respect of HK\$136,018,000 (31 March, 2009: HK\$154,111,000) due to unpredictability of future profit streams. Such tax losses can be carried forward indefinitely.

16. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with a credit period normally ranging from 30 days to 90 days. The following is an analysis of the Group's trade receivables by age, presented based on invoice date.

	30 September, 2009 HK\$'000 (unaudited)	31 March, 2009 HK\$'000 (audited)
Trade receivables:		
0-30 days	1,212	1,270
31-90 days	721	209
	1,933	1,479
Prepayments and deposits	37,547	7,919
Other receivables	5,237	4,569
	44,717	13,967



17. MOVEMENTS IN PROPERTIES HELD FOR SALE

During the period, the Group acquired properties held for sale with an aggregate carrying amount of HK\$609,110,000 (six months ended 30 September, 2008: HK\$1,188,034,000).

18. CONVERTIBLE NOTES

The outstanding convertible notes issued by the Company include (i) an aggregate principal amount of HK\$133,000,000 unsecured 1.5% convertible notes due 2011 ("2011 Convertible Notes") and (ii) an aggregate principal amount of HK\$390,000,000 unsecured 2% convertible notes due 2012 (the "2012 Convertible Notes").

The holders of the convertible notes have the right to convert their convertible notes into ordinary shares of HK0.8 cent each of the Company at any time during the period from the 7th day after the respective dates of the issues of the convertible notes up to and including the date which is 7 days prior to their maturities.

The convertible notes contain two components, namely the liability and equity elements. The equity elements is presented in equity under the heading of "convertible notes equity reserve".

During the period ended 30 September, 2009, the Company has entered into agreements with certain independent third parties and completed the redemption of (i) 2011 Convertible Notes with an aggregate carrying value of HK\$63,001,000 at an aggregate consideration of HK\$43,750,000 and (ii) 2012 Convertible Notes with an aggregate carrying value of HK\$355,577,000 of the 2012 Convertible Notes at an aggregate consideration of HK\$250,636,000. Convertible note equity reserve released upon the partial redemptions of 2011 Convertible Notes and 2012 Convertible Notes during the six months ended 30 September 2009 amounted to approximately HK\$45,306,000.

At the end of the reporting period, the remaining outstanding aggregate principal amount under the 2011 Convertible Notes was HK\$70,500,000, which is convertible into 225,239,614 new shares at the conversion price of HK\$0.313 (as adjusted) to reflect the effect of rights issue as defined and set out in note 20 (subject to anti-dilutive adjustments).

At the end of the reporting period, the remaining outstanding aggregate principal amount under the 2012 Convertible Notes was HK\$23,600,000, which is convertible into 55,011,654 new shares at the conversion price of HK\$0.429 (as adjusted) to reflect the effect of share subdivision and rights issue as defined and set out in note 20 (subject to anti-dilutive adjustments).

18. CONVERTIBLE NOTES (Continued)

The movements of the liability component of the convertible notes for the period/year are set out below:

	30 September, 2009 HK\$'000 (unaudited)	31 March, 2009 HK\$'000 (audited)
Carrying amount at the beginning of the period	505,551	475,534
Early redemption of convertible notes	(418,578)	—
Interest charge	9,655	39,811
Interest paid	(1,709)	(9,794)
Carrying amount at the end of the period/year	94,919	505,551
Analysed for reporting purposes as:		
Current liability	423	3,293
Non-current liability	94,496	502,258
	94,919	505,551

19. BANK AND OTHER BORROWINGS

The bank and other borrowings were secured by the Group's property, plant and equipment, prepaid lease payment, bank deposit and properties held for sale. The carrying amount of the assets pledged are disclosed in note 21.

19. BANK AND OTHER BORROWINGS (Continued)

As at 31 March, 2009, other borrowings with principal amount of HK\$352,877,000 was advanced from Lehman Brothers, which was in liquidation. The loan was originally repayable in April 2010 and the Group has an option to extend for another year. Pursuant to a loan purchase agreement dated 22 May, 2009 and a resolution passed at a special general meeting on 2 July, 2009, the Company had bought back the Loan with accrued interest from Lehman Brothers and its liquidator at an aggregate consideration of HK\$236,500,000.

As at 31 March, 2009, included in the balance of bank borrowings classified as current is an amount of HK\$181,378,000 granted by a bank to a non-wholly owned subsidiary of the Company. As stipulated in the relevant banking facilities letter, due to the minor change in the respective shareholdings in a subsidiary prior to obtaining the pre-approval by the bank, the said loan was classified as current as at 31 March, 2009. The bank has issued a waiver letter and approved such change in shareholdings. The balance of the relevant bank borrowing of HK\$177,035,000 as at 30 September, 2009 is therefore reclassified as non-current.

20. SHARE CAPITAL

Ordinary shares of HK\$0.008 each

	Number of shares	Amount HK\$'000
Authorised:		
At 1 April, 2008, 30 September, 2008, 31 March, 2009 and at 30 September, 2009	22,500,000,000	180,000
Issued and fully paid:		
At 1 April, 2008	4,944,363,500	39,555
Share repurchased and cancelled (Note i)	(3,800,000)	(30)
At 30 September, 2008 and 31 March, 2009	4,940,563,500	39,525
Issue of shares pursuant to rights issue (Note ii)	2,223,253,574	17,786
Issue of shares (Note iii)	1,000,000,000	8,000
At 30 September, 2009	8,163,817,074	65,311

20. SHARE CAPITAL (Continued)

Notes:

- (i) During the six months ended 30 September, 2008, the Company repurchased its own shares through Stock Exchange as follows:

Month of repurchase	No. of ordinary shares HK0.8 cent each	Price per share	Aggregate consideration paid
			HK\$ '000
April 2008	3,800,000	0.27	1,026

The above shares were cancelled upon repurchase.

During the six months ended 30 September, 2009, no own share has been repurchased by the Company.

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

- (ii) In July 2009, the Company has issued and allotted 2,223,253,574 ordinary shares of HK0.8 cent each to the then existing qualifying shareholders on the basis of 9 rights shares for every 20 shares held (the "Rights Issue") at a subscription price of HK\$0.078 per rights share. The net proceeds of approximately HK\$165,540,000 will be used by the Company mainly for the repayment of debt and/or as general working capital of the Company. The new shares issued rank pari passu in all respects with the existing shares. Details of the Rights Issue are set out in a prospectus of the Company dated 18 June, 2009.
- (iii) On 27 August, 2009, a placing agreement was entered into with an independent placing agent ("Placing Agent"), pursuant to which the Company has appointed the Placing Agent to place 1,000,000,000 ordinary shares of HK0.8 cent each ("Placing Shares") in the Company at a price of HK\$0.245 per Placing Share. The net proceeds of HK\$241,606,000 will be used for working capital and possible investment opportunities.

21. PLEDGE OF ASSETS

At the end of the reporting periods, the following assets were pledged to banks to secure bank and other borrowings of the Group:

	30 September, 2009 HK\$'000 (unaudited)	31 March, 2009 HK\$'000 (audited)
Property, plant and equipment	1,995	2,039
Prepaid lease payment	89,468	90,661
Properties held for sale	3,842,294	4,264,816
Bank deposits	335,233	8,375
	4,268,990	4,365,891

For certain properties, the Group has assigned to the banks all its right, title and benefit as lessor of relevant properties and amount receivable from lessees for certain banking facilities granted to the Group.

22. CAPITAL COMMITMENTS

	30 September, 2009 HK\$'000 (unaudited)	31 March, 2009 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	—	22,970

23. CONTINGENT LIABILITIES

	30 September, 2009 HK\$'000 (unaudited)	31 March, 2009 HK\$'000 (audited)
Corporate guarantee given by the Group for banking facilities granted to:		
— a jointly controlled entity	105,000	105,000
— an associate	84,800	84,800
	189,800	189,800
and utilised by:		
— a jointly controlled entity	73,550	68,100
— an associate	52,475	50,650
	126,025	118,750
Included in accruals and other payables represents deferred income in respect of financial guarantee contracts given to:		
— a jointly controlled entity	—	5
— an associate	465	465
	465	470

24. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with a related party:

(a)

Name of Company	Nature of transactions	Notes	Six months ended 30 September,	
			2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Vast Faith Limited	Arrangement fee received by the Group (Note)	(i)	—	3,000

Note: Vast Faith Limited is a jointly controlled entity of the Group.

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 party.

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

	Six months ended 30 September,	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Short-term benefits	13,528	5,787
Post-employment benefits	162	289
Share-based payments	248	474
	13,938	6,550

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



25. EVENTS AFTER THE END OF THE INTERIM PERIOD

(i) Acquisition of a subsidiary

Subsequent to the end of the reporting period, the Group entered into a sale and purchase agreement to acquire the remaining 50% equity interest of Winner Ever Limited and its wholly-owned subsidiary, Sky Dragon Limited (the "Winner Ever Group") not yet held by the Group at a consideration of HK\$53,547,000. Winner Ever Limited was a jointly controlled entity of the Group. The transaction has been completed on 29 October, 2009. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination. The Group is in the process of determining the financial effects of the transactions.

(ii) Issue of convertible notes

Pursuant to the announcement dated 16 November, 2009, the Company entered into a subscription agreement with an independent third party for the subscription of the convertible note ("4% Convertible Notes") in the principal amount of HK\$78 million due on the third anniversary from the issue of the 4% Convertible Notes.

The 4% Convertible notes bear interest at 4% per annum. The holders of the 4% Convertible Notes have the right to convert their 4% Convertible Notes into shares of HK0.8 cent each of the Company at the conversion price HK\$0.25 per ordinary share upon full conversion.



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 32, which comprises the condensed consolidated statement of financial position of Capital Strategic Investment Limited (the “Company”) and its subsidiaries as of 30 September, 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company 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

28 December 2009



INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 September, 2009. (2008: Nil).

REVIEW OF THE RESULTS

The Group reported a total gross revenue for the six months ended 30 September, 2009 of approximately HK\$742.1 million (six months ended 30 September, 2008: HK\$633.2 million), which was mainly generated from rental income of approximately HK\$81 million, sales of properties of approximately HK\$460 million, and securities investment of approximately HK\$201.1 million. The increase was mainly due to an increase in sales of securities investment during the period.

The Group reported a consolidated profit attributable to the owners of the Company of approximately HK\$397 million for the six months ended 30 September, 2009, an approximate 3.8 times compared to the same period last year (six months ended 30 September, 2008: HK\$103 million). The increase was mainly due to gains from redemption of other borrowings and convertible notes completed during the period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK\$889.4 million (31 March, 2009: HK\$1,206.4 million) and investments held for trading of approximately HK\$299.2 million (31 March, 2009: HK\$212.4 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 decreased from approximately HK\$891 million as at 31 March, 2009 to approximately HK\$608.9 million as at 30 September, 2009, and long-term bank and other borrowings have increased from approximately HK\$1,973.1 million as at 31 March, 2009 to approximately HK\$2,017.7 million as at 30 September, 2009. All the borrowings were utilized in financing the Group's properties investments. As a result, the Group's total bank and other borrowings have decreased from approximately HK\$2,864.1 million as at 31 March, 2009 to approximately HK\$2,626.6 million as at 30 September, 2009, and the Group's ratio of total debt (represented by bank



and other borrowings and convertible notes) to total assets was 44.3% (31 March, 2009: 55.6%). 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 24 years with approximately HK\$608.9 million repayable within one year, HK\$812.4 million repayable between one to five years, and HK\$1,205.3 million over five years. Out of the HK\$608.9 million due within one year, approximately HK\$268.8 million has been reclassified as long term bank borrowings subsequent to the financial period under review.

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

BUSINESS REVIEW AND OUTLOOK

Overview

In view of the market volatility in the early part of the year, the management swiftly took measures to preserve cash and reduce capital expenditure by disposing non-income generating assets to ensure that sufficient liquidity is available to meet potential liabilities. With the stabilization of the global financial market since the second quarter and driven by low interest rate and expected inflationary environment, the local property market started to rebound starting from the middle of the year. The Group has also taken advantage of the opportunity to realize capital gain on certain non-core assets and actively seek new investment opportunities in both Hong Kong and China.

Hong Kong

During the period, the Group completed the disposal of two non-income generating assets, House B at 12-16 Tai Tam Road for HK\$110 million and a development site at Nos. 77 to 85 Jervois Street, Sheung Wan for HK\$350 million. The Group also took advantage of the recovery of the property market and increasing demand for prime properties and disposed two non-core assets, 30 and 30A Stanley Street, Central for HK\$149 million and Yue Thai Commercial Building, Sheung Wan for HK\$120 million which were completed in November 2009 in order to better utilize resources and focus on our core assets.



As for our Hong Kong rental properties, the Group has recently completed some refurbishment and upgrading projects including renovation of lobby of AXA Centre in Wan Chai and the serviced apartments in Tsimshatsui, HAN Residence, has been in operation since February 2009. Together with continuous efforts in improving occupancy and tenant mix during the period, total rental income from Hong Kong properties in prime areas of Central, Wan Chai and Tsimshatsui recorded an increase and contributed stable operational cash flows.

China

In July 2009, the Group acquired Shimen Gate (previously named as Inpoint), a themed avenue shopping street in Jing An district, Shanghai. This 11,000 square metre shopping arcade is located at the pedestrian walkway on Wujiang Road and is adjacent to Da Zhong Lane behind Nanjing West Road in Shanghai's prime shopping district. It also sits atop one of the busiest metro stations, Nanjing West Road Station, enjoying enormous influx of daily traffics. The acquisition was completed at the end of September. The Group believes that with the prime location of the property and buoyant consumer spending, the rental yield could be further enhanced in the near term following successful execution of our property reposition strategy.

As regards the International Capital Plaza, a 57,000 square metre commercial and retail complex in Hongkou district of Shanghai, renovation work is close to completion and pre-leasing is progressing well with committed international brand names and multi-national corporations.

Corporate Activities

During the period under review, the Group successfully completed a number of corporate transactions to strengthen its balance sheet and consolidated its investment in International Capital Plaza, Shanghai.

In May and September 2009, the Company redeemed in aggregate HK\$429 million of the outstanding convertible notes of the Company at total consideration of about HK\$294 million. The current outstanding 2011 convertible notes and 2012 convertible notes amount to HK\$70.5 million and HK\$23.6 million respectively.



In July 2009, the Group successfully completed the purchase of the term loan outstanding of about HK\$434 million granted by the Lehman Brothers (In Liquidation) to our Shanghai project, International Capital Plaza, for a consideration of about HK\$236.5 million and the acquisition of all the minority equity interest in the project.

The Company also completed a rights issue and share placement in July and September 2009 to raise approximately HK\$165.5 million and HK\$241.6 million (after expenses) respectively. Subsequent to the financial period under review, the Company further raised HK\$78 million from the issuance of convertible notes to an investment fund managed by Templeton Asset Management Limited. The positive feedback and support from leading international investors not only demonstrated the recognition of the Group's proven business model, but also will improve the Group's profile in the international financial community.

Outlook

With strong stimulation policies by various governments to cope with the global financial crisis, global economic conditions have improved and showed signs of recovery during the period where both the property and stock markets rebounded since the second quarter of 2009. Uncertainties no doubt still exist but in general global market is improving. The Group will remain cautious in making investment decision and continue to create values for our properties through execution of reposition strategy.

The Group's balance sheet and financial position have been further strengthened after recent fund raising exercises and we are well positioned to benefit from the continuing growth of China and expected increase in demand for prime investment properties. Going forward, the Group will further increase its investment in China and target to equally split the Group's investment between Hong Kong and Shanghai in the near future.



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 awarded 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, 2009, 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	2,518,552,062 (L)	194,366,866 (L)	30.85 2.38
Earnest Equity Limited ("Earnest Equity") (Note 2)	Interest of controlled corporation	The Company	2,515,507,062 (L)	194,366,866 (L)	30.81 2.38

Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) Mr. Chung is the beneficial owner of 2,518,552,062 shares in the Company (being the aggregate of personal interest of Mr. Chung of 3,045,000 shares and the corporate interest held by Earnest Equity of 2,515,507,062) and 194,366,866 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	24,534,562 (L)	0.30
	2002	Beneficial owner	19,785,938 (L)	0.24
Chow Hou Man	2001	Beneficial owner	5,302,631 (L)	0.06
	2002	Beneficial owner	19,785,938 (L)	0.24
Hubert Chak	2002	Beneficial owner	44,320,500 (L)	0.54

Note:

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

Save as disclosed above, as at 30 September, 2009, 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, 2009, 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 (%)
Lehman Brothers Holdings Inc.	Interest of controlled corporation (Note 2)	The Company	450,820,000 (L)	—	5.52
Cheah Capital Management Limited	Interest of controlled corporation (Note 3)	The Company	493,251,416 (L)	—	6.04
Cheah Cheng Hye	Person who set up a discretionary trust (Note 3)	The Company	493,251,416 (L)	—	6.04
Cheah Company Limited	Interest of controlled corporation (Note 3)	The Company	493,251,416 (L)	—	6.04
Heng Sang Bank Trustee International Limited	Trustee (Note 3)	The Company	493,251,416 (L)	—	6.04
To Hau Yin	Interest of child under 18 or spouse (Note 3)	The Company	493,251,416(L)	—	6.04
Value Partners Group Limited	Interest of controlled corporation (Note 3)	The Company	493,251,416 (L)	—	6.04
Value Partners Limited	Investment manager (Note 3)	The Company	493,251,416 (L)	—	6.04
Third Avenue Management LLC	Investment manager (Note 4)	The Company	579,028,500 (L)	—	7.09
Third Avenue Real Estate Opportunities Management LLC	Interest of controlled corporation (Note 4)	The Company	579,028,500 (L)	—	7.09



Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) Lehman Brothers Commercial Corporation Asia Limited (In Liquidation), 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.
- (3) The 493,251,416 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.
- (4) The 579,028,500 shares in the Company held by Third Avenue Management LLC and Third Avenue Real Estate Opportunities Management LLC 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 Divisions 2 and 3 of Part XV of the SFO.

AUDIT COMMITTEE

The financial statements for the six months ended 30 September, 2009 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 Rules 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

There was no purchase, sale or redemption of shares of the Company by the Company or its subsidiaries during the six months ended 30 September 2009.

NAME CHANGE

The Board proposed that the name of the Company be changed to "CSI Properties Limited" (the "Name Change"). Upon the Name Change becoming effective, the Company also proposes to adopt "資本策略地產有限公司" as its new Chinese name for identification purposes.

The Name Change is subject to approval of the shareholders by way of a special resolution at the special general meeting of the Company to be held on 7 January, 2010 and approval of the Registrar of Companies in Bermuda.

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 websites, of the Stock Exchange (www.hkex.com.hk) and the Company (www.csigroup.hk) in due course.

By order of the Board
Chung Cho Yee, Mico
Chairman

Hong Kong, 28 December, 2009