C S I

Capital Strategic Investment Limited

CAPITAL STRATEGIC INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH, 2007

The board of directors (the "Board") of Capital Strategic Investment Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March, 2007, together with comparative figures for the previous year.

- Consolidated turnover up 49.5% to HK$555.4 million
- Profit attributable to equity holders of the Company up 97.1% to HK$276.6 million
- Basic earnings per share 6.69 Hong Kong cents (after adjustment for the Share Sub-division on 23 May, 2007)
- Proposed final dividend of 0.8 Hong Kong cents per share (after adjustment for Share Sub-division on 23 May, 2007)

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 March, 2007, the Group reported a consolidated profit attributable to the equity shareholders of the Company of HK$276.6 million, compared with HK$140.3 million reported in 2006. Turnover for the Group was HK$555.4 compared with HK$371.6 million reported in 2006.

Hong Kong

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

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

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

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

China

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

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

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

Corporate Activities

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

Outlook

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	2	**555,363**	371,638
Sales of properties and rental income		**101,558**	196,741
Cost of sales		**(30,160)**	(162,253)
Gross profit		**71,398**	34,488
Net increase in fair value of investments held for trading		**64,500**	17,724
Gain on disposal of prepaid lease payments		**90,320**	—
Other income	3	**36,410**	12,600
Administrative expenses		**(51,327)**	(28,723)
Finance costs		**(42,110)**	(18,010)
Increase in fair value of investment properties		**142,919**	100,000
Share of results of jointly-controlled entities		**(369)**	291
Share of results of associates		**492**	362
Gain on disposal of interests in investment properties		**9,060**	—
Gain on disposal of interests in subsidiaries		**—**	35,990
Gain on disposal of interest in associates		**—**	4,763
Profit before taxation		**321,293**	159,485
Taxation	4	**(42,681)**	(18,146)
Profit for the year	5	**278,612**	141,339
Attributable to:			
Equity holders of the parent		**276,644**	140,283
Minority interests		**1,968**	1,056
		278,612	141,339
Dividends	6	**39,734**	15,290
Earnings per share			
Basic	7	**6.69 cents**	6.44 cents (restated)
Diluted	7	**6.18 cents**	6.03 cents (restated)

CONSOLIDATED BALANCE SHEET

AT 31 MARCH, 2007

	2007	2006
	HK$'000	*HK$'000*
Non-Current Assets		
Investment properties	**736,000**	658,555
Property, plant and equipment	**10,131**	15,059
Prepaid lease payments	**14,857**	254,690
Available-for-sale investments	**7,786**	—
Club debentures	**6,860**	6,860
Interests in jointly-controlled entities	**13,268**	291
Interests in associates	**7,868**	96
Amount due from an associate	**34,120**	—
Deferred tax asset	**1,467**	1,470
	832,357	937,021
Current Assets		
Trade and other receivables	**15,198**	4,881
Prepaid lease payments	**381**	655
Deposit paid for acquisition of properties held for sales	**185,256**	27,730
Available-for-sale investments	**—**	8,815
Investments held for trading	**118,797**	104,155
Properties held for sale	**1,789,030**	104,928
Amount due from an investee	**—**	11,069
Amounts due from jointly-controlled entities	**44,917**	31,836
Amount due from an associate	**5,023**	8,102
Taxation recoverable	**1,376**	1,250
Pledged bank deposits	**272,396**	165,366
Bank balances and cash	**336,093**	215,218
	2,768,467	684,005
Current Liabilities		
Trade and other payables	**39,566**	15,231
Convertible notes — due within one year	**1,596**	—
Taxation payable	**22,286**	4,222
Amounts due to minority shareholders	**7,604**	3,875
Bank borrowings — due within one year	**290,280**	158,805
	361,332	182,133
Net Current Assets	**2,407,135**	501,872
	3,239,492	1,438,893

CONSOLIDATED BALANCE SHEET

AT 31 MARCH, 2007

	2007	2006
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**39,413**	23,391
Reserves	**2,062,609**	1,187,697
Equity attributable to equity holders of the parent	**2,102,022**	1,211,088
Minority interests	**—**	1,056
Total Equity	**2,102,022**	1,212,144
Non-Current Liabilities		
Bank borrowings — due after one year	**928,118**	155,243
Convertible notes — due after one year	**119,606**	—
Deferred tax liabilities	**89,746**	71,506
	1,137,470	226,749
	3,239,492	1,438,893

NOTES :

1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December, 2005, 1 January, 2006 or 1 March, 2006. The adoption of the new HKFRSs has resulted in a change to the Group's accounting policy in the following area that has an effect on how the results for the current or prior accounting periods have been prepared and presented:

Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" which is effective for annual periods beginning on or after 1 January, 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Upon application of these amendments, financial guarantee contracts granted by the Group and not designated as at fair value through profit or loss are recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

In relation to financial guarantees granted to banks over the repayment of loans by associates and a jointly controlled entity, the Company has applied the transitional provisions in HKAS 39. The fair values of the financial guarantee contracts at the date of grant of HK$3,495,000 and HK$2,120,000, representing deemed capital contributions to the associates and the jointly controlled entity, have been adjusted to the carrying amounts of interests in associates and jointly controlled entities, respectively. This change in accounting policy has resulted in an increase in profit for the year of HK$1,310,000.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and financial position of the Group except for HKAS 23 (Revised) on borrowing costs. The Group is not yet in a position to reasonably estimate the impact that may arise from the adoption of HKAS 23 (Revised).

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Int 8	Scope of HKFRS 2[3]
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions[6]
HK(IFRIC) — Int 12	Service Concession Arrangements[7]

1 Effective for annual periods beginning on or after 1 January, 2007
2 Effective for annual periods beginning on or after 1 January, 2009
3 Effective for annual periods beginning on or after 1 May, 2006
4 Effective for annual periods beginning on or after 1 June, 2006
5 Effective for annual periods beginning on or after 1 November, 2006
6 Effective for annual periods beginning on or after 1 March, 2007
7 Effective for annual periods beginning on or after 1 January, 2008

2. SEGMENTAL INFORMATION

By business segments

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

	Property investment *HK$'000*	**Securities investment** *HK$'000*	**Consolidated** *HK$'000*
For the year ended 31 March, 2007			
TURNOVER			
External sales	**101,558**	**453,805**	**555,363**
RESULT			
Segment result	**276,366**	**47,950**	**324,316**
Unallocated corporate expenses			**(6,506)**
Other income			**36,410**
Finance costs			**(42,110)**
Share of results of jointly-controlled entities			**(369)**
Share of results of associates			**492**
Gain on disposal of interests in investment properties			**9,060**
Profit before taxation			**321,293**
Taxation			**(42,681)**
Profit for the year			**278,612**

	Property investment *HK$'000*	Securities investment *HK$'000*	Consolidated *HK$'000*
For the year ended 31 March, 2006			
TURNOVER			
External sales	196,741	174,897	371,638
RESULT			
Segment result	117,140	12,188	129,328
Unallocated corporate expenses			(5,839)
Other income			12,600
Finance costs			(18,010)
Share of results of jointly-controlled entities			291
Share of results of associates			362
Gain on disposal of interests in subsidiaries			35,990
Gain on disposal of interests in associates			4,763
Profit before taxation			159,485
Taxation			(18,146)
Profit for the year			141,339

3. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Interest income	**29,255**	8,475
Income from amortisation of financial guarantee contracts	**1,310**	—
Dividend income from an associate	**664**	—
Gain on disposal of property, plant and equipment	**—**	440
Others	**5,181**	3,685
	36,410	12,600

4. TAXATION

	2007	2006
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
— Current year	**23,262**	11,990
— Under (over) provision in prior years	**1,176**	(949)
	24,438	11,041
Deferred taxation	**18,243**	7,105
Taxation attributable to the Company and its subsidiaries	**42,681**	18,146

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

5. PROFIT FOR THE YEAR

Profit for the year has been arrived after charging:

	2007	2006
	HK$'000	*HK$'000*
Staff costs, including directors' emoluments	**18,624**	10,254
Depreciation of property, plant and equipment	**3,840**	3,282
Release of prepaid lease payments	**427**	655
Allowance for other receivables	**—**	530
Cost of properties held for sale recognised as an expense	**17,695**	129,999
Loss on disposal of property, plant and equipment	**1,760**	—
and after crediting:		
Net rental income in respect of premises after outgoings of HK$12,465,000 (2006: HK$5,154,000)	**61,954**	29,160

6. DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Proposed final dividend of HK0.8 cents (2006: HK1.7 cents) per share	**39,734**	15,290
Final dividend of HK1.7 cents (2006: HK3.5 cents) per share recognised as distribution during the year	**15,290**	16,959

The final dividend of HK0.8 cents (2006: HK1.7 cents) per share has been proposed by the directors and is subject to approval by shareholder in general meeting.

Should the final dividend for 2006 and 2005 be adjusted for the effect of the share Sub-division on 23 May, 2007, the final dividend per share should be HK0.34 cents and HK0.7 cents respectively.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

7. EARNINGS PER SHARE

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

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share: (profit for the year attributable to equity holders of the parent)	**276,644**	140,283
Effect of dilutive potential ordinary share:		
Interest on convertible notes	**6,600**	—
Earnings for the purpose of diluted earnings per share	**283,244**	140,283
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	**4,134,048**	2,178,160
Effect of diluted potential ordinary shares (in thousands):		
Share options	**148,478**	148,175
Convertible notes	**302,675**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	**4,585,201**	2,326,335

The weighted average number of ordinary shares for both years for the purpose of calculating the basic and diluted earnings per share has been adjusted to reflect the effect of Share Sub-division on 23 May, 2007.

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK555.4 million for the year ended 31 March, 2007, which was mainly generated from rental income of approximately HK$84 million, sales of properties of approximately HK$17.6 million, securities investment of approximately HK$453.8 million, representing an increase of 49.5% from approximately HK$371.6 million reported in 2006.

The Group reported a consolidated profit attributable to the equity shareholders of the Company of HK$276.6 million for the year ended 31 March, 2007, represented an increase of 97.1% compared with HK$140.3 million reported in 2006.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included liquid investment held for trading of approximately HK$118.8 million and bank balance and cash of approximately HK$608.5 million. The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

As at 31 March, 2007, the Group had net current assets of approximately HK$2,407.1 million (31 March, 2006: net current assets of approximately HK$501.9 million) and a current ratio of 7.7 (31 March, 2006: 3.8).

The Group's short-term bank borrowing has been increased from approximately HK$158.8 million as at 31 March, 2006 to approximately HK$290.3 million as at 31 March, 2007, and long-term bank borrowing has been increased from approximately HK$155.2 million as at 31 March, 2006 to approximately HK$928.1 million as at 31 March, 2007. All the bank borrowings were utilized in financing the Group's investment properties in generating recurring rental income. As a result, the Group's total bank borrowing has been increased from approximately HK$314 million as at 31 March, 2006 to approximately HK$1,218.4 million as at 31 March, 2007, and the total debt-to-total assets ratio was increased to 37.2% (31 March, 2006: 19.4%). All bank borrowings were denominated in Hong Kong dollars and were on a floating rate basis at short-term inter-bank offer rates. The maturity profile spread over a period of 10 years with approximately HK$290.3 million repayable within one year, HK$430.4 million repayable between one to five years, and HK$497.7 million over five years.

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

POST BALANCE SHEET EVENTS

Share Sub-division

On 22 May, 2007, an ordinary resolution approving the sub-division of each of then existing issued and unissued shares of HK$0.04 each in the share capital of the Company into five shares of HK$0.008 each was duly passed at the Special General Meeting and the Share Sub-division has become unconditional and effective on 23 May, 2007 ("Share Sub-division").

Appointment of New Directors

Mr. Hubert Chak and Mr. Kan Sze Man were appointed as Executive Directors of the Company with effect from 1 June, 2007.

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.

CONTINGENT LIABILITIES

	2007	2006
	HK$'000	*HK$'000*
Corporate guarantee given by the Group for banking facilities granted to associates	**107,976**	36,176
Corporate guarantee given by the Group for banking facilities granted to a jointly controlled entity	**65,000**	—
	172,976	36,176

PLEDGE OF ASSETS

At 31 March, 2007, the following assets were pledged to secure banking facilities granted to the Group:

(a) Investment properties with a carrying value of HK$700,000,000 (2006: HK$622,000,000).

(b) Properties held for sale with carrying value of approximately HK$1,480,615,000 (2006: HK$92,890,000).

(e) Bank deposits of HK$272,396,000 (2006: HK$165,366,000).

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

Other than the above, the Group's banking facilities at 31 March, 2006 were also secured by property, plant and equipment and prepaid lease payments with carrying values of approximately HK$1,760,000 and HK$239,726,000 respectively.

CAPITAL COMMITMENTS

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure in respect of		
— the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**5,321**	1,527
— the establishment of a subsidiary in the People's Republic of China	**13,082**	—
	18,403	1,527

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 0.8 Hong Kong Cents (2006: 0.34 Hong Kong Cents) per share (after adjustment for the Share Sub-division on 23 May, 2007) to shareholders whose names appear on the register of members of the Company on 28 August, 2007. Subject to the approval of shareholders of the Company at the 2007 Annual General Meeting, the dividend will be paid on or around 19 September, 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 August, 2007 to Tuesday, 28 August, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend which, if approved, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 22 August, 2007.

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

During the year, the Company repurchased 4,068,000 shares (before adjustment for the Share Sub-division on 23 May, 2007) on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$5,158,240. The repurchases were effected by the Directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month of the repurchases	**Total number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration**
		HK$	*HK$*	*HK$*
October 2007	1,076,000	1.33	1.32	1,425,040
November 2007	2,992,000	1.29	1.22	3,733,200

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year, 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 Rules Governing the Listing of Securities on the Stock Exchange (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 year 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 of Hong Kong Limited (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 (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rule in the year 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.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the financial statements for the year ended 31 March, 2007.

ANNUAL GENERAL MEETING

The 2007 Annual General Meeting of the Company will be held on 28 August, 2007. The notice of Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.csigroup.hk and dispatched to the shareholders in due course as required by the Listing Rules.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.csigroup.hk) on 19 July, 2007. The annual report for the year ended 31 March, 2007 containing all the information required by the Listing Rules will be published on the website of the Company and the Stock Exchange and dispatched to shareholders in due course.

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

Hong Kong, 19 July, 2007

The Board comprises:
Non-executive Chairman
Mr. Chung Cho Yee, Mico

Executive Directors
Mr. Hubert Chak
Mr. Kan Sze Man
Ms. Ma Wai Man, Catherine
Mr. Chow Hou Man

Independent non-executive Directors:
Dato' Wong Sin Just
Dr. Lam Lee G.
Mr. Cheng Yuk Wo