CSI
資本策略

CAPITAL STRATEGIC INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2007

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, 2007. The consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Statement of Auditing Standards, 700 "Engagements to Review Interim Financial Reports" and by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2007

		Six months ended 30 September,	
	NOTES	**2007** ***HK$'000*** ***(unaudited)***	2006 *HK$'000* *(unaudited)*
Sales of properties and rental income		**57,493**	41,183
Cost of sales		**(10,379)**	(22,247)
Gross profit		**47,114**	18,936
Net increase in fair value of investments held for trading		**9,210**	33,574
Gain on disposal of prepaid lease payments		**—**	90,320
Other income		**37,691**	16,041
Administrative expenses		**(41,419)**	(19,958)
Finance costs	*4*	**(67,167)**	(15,545)
Increase in fair value of investment properties		**63,137**	—
Share of results of jointly-controlled entities		**87,993**	(291)
Share of results of associates		**7,009**	—
Gain on disposal/partial disposal of interest in subsidiaries		**81,491**	—
Profit before taxation		**225,059**	123,077
Taxation	*5*	**(16,095)**	(13,852)
Profit for the period	*6*	**208,964**	109,225
Attributable to:			
Equity holders of the parent		**217,438**	107,256
Minority interests		**(8,474)**	1,969
		208,964	109,225
Dividends paid	*7*	**39,734**	15,290
Earnings per share	*8*		
— Basic		**4.4 cents**	2.8 cents
— Diluted		**3.9 cents**	2.6 cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER, 2007

	30 September, 2007 HK$'000 (unaudited)	31 March, 2007 HK$'000 (audited)
Non-Current Assets		
Investment properties	**36,000**	736,000
Property, plant and equipment	**63,807**	10,131
Prepaid lease payments	**14,667**	14,857
Available-for-sale investments	**7,786**	7,786
Club debentures	**6,860**	6,860
Interests in jointly-controlled entities	**13,011**	13,268
Interests in associates	**8,252**	7,868
Amount due from an associate	**33,653**	34,120
Amount due from a jointly-controlled entity	**40,997**	—
Deferred tax asset	**1,467**	1,467
	226,500	832,357
Current Assets		
Trade and other receivables	**26,921**	15,198
Prepaid lease payments	**381**	381
Deposit paid for acquisition of properties held for sales	**130,659**	185,256
Investments held for trading	**83,848**	118,797
Financial assets at fair value through profit or loss	**11,682**	—
Properties held for sale	**2,968,565**	1,789,030
Amounts due from jointly-controlled entities	**13,084**	44,917
Amount due from an associate	**—**	5,023
Taxation recoverable	**669**	1,376
Pledged bank deposits	**567,456**	272,396
Bank balances and cash	**687,271**	336,093
	4,490,536	2,768,467

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
AT 30 SEPTEMBER, 2007

	30 September, 2007 *HK$'000* ***(unaudited)***	31 March, 2007 *HK$'000* *(audited)*
Current Liabilities		
Trade and other payables	**61,232**	39,566
Convertible notes — due within one year	**2,332**	1,596
Taxation payable	**23,806**	22,286
Amount due to an associate	**4,000**	—
Amounts due to minority shareholders	**81,711**	7,604
Bank borrowings — due within one year	**69,727**	290,280
	242,808	361,332
Net Current Assets	**4,247,728**	2,407,135
	4,474,228	3,239,492
Capital and Reserves		
Share capital	**39,592**	39,413
Reserves	**2,291,396**	2,062,609
Equity attributable to equity holders of the parent	**2,330,988**	2,102,022
Minority interests	**37,594**	—
Total Equity	**2,368,582**	2,102,022
Non-Current Liabilities		
Bank borrowings — due after one year	**1,645,205**	928,118
Convertible notes — due after one year	**458,124**	119,606
Deferred tax liabilities	**2,317**	89,746
	2,105,646	1,137,470
	4,474,228	3,239,492

NOTES:

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 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, 2007.

In the current interim period, the Group has applied, for the first time, the new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April, 2007. The adoption of these 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.

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

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — INT 12	Service Concession Arrangements[2]
HK(IFRIC) — INT 13	Customer Loyalty Programmes[3]
HK(IFRIC) — INT 14	HKAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

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

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

3. SEGMENT INFORMATION

Business segments

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

	Property rental *HK$'000*	Property trading *HK$'000*	Securities investment *HK$'000*	Consolidated *HK$'000*
For the six months ended 30 September, 2007				
GROSS PROCEEDS	**16,202**	**41,291**	**160,982**	**218,475**
REVENUE				
Rental income	**16,202**	**41,291**	**—**	**57,493**
Net increase in fair value of investments held for trading	**—**	**—**	**9,210**	**9,210**
	16,202	**41,291**	**9,210**	**66,703**
RESULT				
Segment result	**68,202**	**30,788**	**3,198**	**102,188**
Unallocated corporate expenses				**(325)**
Interest income				**13,870**
Finance cost				**(67,167)**
Share of results of jointly-controlled entities				**87,993**
Share of results of associates				**7,009**
Gain on disposal/partial disposal of interest in subsidiaries				**81,491**
Profit before taxation				**225,059**
Taxation				**(16,095)**
Profit for the period				**208,964**

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Property rental *HK$'000*	Property trading *HK$'000*	Securities investment *HK$'000*	Consolidated *HK$'000*
For the six months ended 30 September, 2006				
GROSS PROCEEDS	14,925	26,258	251,677	292,860
REVENUE				
Income from sale of properties and rental income	14,925	26,258	—	41,183
Net increase in fair value of investments held for trading	—	—	33,574	33,574
	14,925	26,258	33,574	74,757
RESULT				
Segment result	5,440	4,844	28,548	38,832
Gain on disposal of prepaid lease payments				90,320
Unallocated corporate expenses				(4,248)
Interest income				14,009
Finance cost				(15,545)
Share of results of jointly-controlled entities				(291)
Profit before taxation				123,077
Taxation				(13,852)
Profit for the period				109,225

4. FINANCE COSTS

	Six months ended 30 September, **2007** ***HK$'000***	2006 *HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**6,293**	1,192
Bank borrowings with installments repayable over five years	**51,383**	10,770
Convertible notes	**9,491**	3,583
	67,167	15,545

5. TAXATION

	Six months ended 30 September, **2007** *HK$'000*	2006 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**5,046**	16,190
Deferred tax	**11,049**	(2,338)
Attributable to the Company and its subsidiaries	**16,095**	13,852

Hong Kong Profits Tax was provided at the rate of 17.5% on the estimated assessable profit of the Company and its subsidiaries for both periods.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 September, **2007** *HK$'000*	2006 *HK$'000*
Depreciation of property, plant and equipment	**1,803**	1,910
Release of prepaid lease payments	**190**	236
Allowance on properties held for sale (included in cost of sales)	**—**	1,700
Impairment loss on investments held for trading (included in net increase in fair value of investments held for trading)	**16,172**	—
Interest income	**(13,870)**	(14,009)

7. DIVIDENDS PAID

	Six months ended 30 September, **2007** *HK$'000*	2006 *HK$'000*
Final dividend of HK0.8 cents and HK1.7 cents per share recognised as distribution and paid during the respective period	**39,734**	15,290

8. EARNINGS PER SHARE

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

	Six months ended 30 September, 2007	2006
	HK$'000	*HK$'000*
Earnings for the purpose of calculating basic and diluted earnings per share – Profit for the period attributable to equity holders of the parent	**217,438**	107,256
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**9,491**	3,583
Earnings for the purpose of calculating diluted earnings per share	**226,929**	110,839
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,956,246,178**	3,868,031,966
Effect of dilutive potential ordinary shares:		
Share options	**153,019,408**	153,026,460
Convertible notes	**696,003,256**	265,703,040
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**5,805,268,842**	4,286,761,466

The weighted average number of shares for both periods for the purpose of calculating the basic and diluted earnings per share have been adjusted to reflect the effect of share sub-division on 23 May 2007.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September, 2007. (2006: Nil)

REVIEW OF THE RESULTS

The Group reported a total revenue for the six months ended 30 September, 2007 of approximately HK$218.5 million (six months ended 30 September, 2006: HK$292.9 million), which was mainly generated from rental income of approximately HK$57.5 million, and securities investment of approximately HK$161 million. The decrease was mainly due to a reduction in securities investment activities during the period.

The Group reported a consolidated profit attributable to the equity shareholders of the Company of approximately HK$217.4 million for the six months ended 30 September, 2007 (six months ended 30 September, 2006: HK$107.3 million) representing an increase of approximately 102.6%. The profit was mainly attributable to (i) share of gain on disposal of Paul Y. Centre, Kwun Tong, Hong Kong of approximately HK$88 million, (ii) revaluation and gain on disposal of No. 88 Gloucester Road, Hong Kong of approximately HK$142.9 million

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK$1,254.7 million (31 March, 2007: HK$608.5 million) and securities investment held for trading of approximately HK$83.8 million (31 March, 2007: HK$118.8 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 borrowing has decreased from approximately HK$290.3 million as at 31 March, 2007 to approximately HK$69.7 million as at 30 September, 2007, and long-term bank borrowing has increased from approximately HK$928.1 million as at 31 March, 2007 to approximately HK$1,645.2 million as at 30 September, 2007. All the bank borrowings were utilized in financing the Group's investment properties. As a result, the Group's total bank borrowing has increased from approximately HK$1,218.4 million as at 31 March, 2007 to approximately HK$1,714.9 million as at 30 September, 2007, and the Group's ratio of total debt to total assets was 49.8% (31 March, 2007: 41.6%). All bank borrowings were 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 10 years with approximately HK$69.7 million repayable within one year, HK$973.5 million repayable between one to five years, and HK$671.7 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.

BUSINESS REVIEW AND OUTLOOK

The Group again achieved another set of encouraging results for the six months ended 30 September 2007 and reported a consolidated profit attributable to the equity shareholders of the Company of approximately HK$217.4 million, compared with approximately HK$107.3 million reported in the same period last year. Turnover for the Group was approximately HK$218.5 million, compared with approximately HK$292.9 million for the same period last year.

Hong Kong

Hong Kong property market remained strong during the period under review and the Group has realized two major investments in the first half of the financial year to unlock capital gains for these projects as well as to create value for shareholders. The sale of Paul Y. Centre, Kwun Tong, Hong Kong, jointly owned by the Group and other strategic partners including Lehman Brothers, was completed during the period. The Group has also realized its wholly-owned investment in No. 88 Gloucester Road, Hong Kong, the capital value of which has increased by approximately four times during the Group's ownership period since 2003. These transactions demonstrated the Group's capability to enhance and realize the capital value of investments through providing active management, re-positioning and refurbishing of the properties.

The Group remains optimistic on the property market in the region and has continued to actively pursue appropriate investment opportunities to create further growth for shareholders. During the period under review, the Group has completed the purchase of an en-bloc property, Mohan's Building on Nos. 14-16 Hankow Road, adjacent to the previous Hyatt Hotel in the core shopping area of Tsimshatsui, Kowloon. The Group has also completed the acquisition of a group of adjacent buildings situated at Jervois Street, Sheung Wan, Hong Kong for redevelopment purposes. Subsequent to the end of the period under review, the Group has also acquired an approximate 53% interest in Eton Building, situated on No. 288 Des Voeux Road Central, Hong Kong. The Group is studying various repositioning and/or redevelopment options to enhance the value of these new investments.

China

For the China market, despite various marco measures introduced by the Central Government, market sentiment remains strong and the property market in major cities remains active.

Since the establishment of the Group's Shanghai office in September 2006, the Group has extended its investment portfolios to China and currently manages two prime commercial properties in Shanghai — International Capital Plaza and Novel Plaza.

The acquisition of the Group's first China property, the International Capital Plaza (formerly known as 'Fuhai Building') in Hongkou district of Shanghai which the Group co-invested with Lehman Brothers, has been completed during the period. The 600,000 square feet prime commercial complex is currently under renovation and is expected to complete in 2008. Upon completion, International Capital Plaza would become one of the landmark buildings in the district.

The Group also teamed up with Tian An China Investments Company Limited to acquire a 300,000 square feet prime commercial property — Novel Plaza — situated on No. 128 Nanjing West Road, opposite the People's Square in Huang Pu District, Shanghai. This acquisition was completed in October 2007 subsequent to the end of the period under review.

Given the rapid growth in China coupled with the Group's strong management team in Shanghai, the Group expects to further increase the proportion of its investment in China in the near future should appropriate investment opportunities arise and is confident to repeat its proven property repositioning business model in major cities in China.

Corporate Activities

In July 2007, the Group successfully raised a total of approximately HK$390 million from the issuance of convertible notes to renowned international institutional investors. The positive feedback and support from institutional investors once again demonstrated their recognition of the Group's proven business model. The proceeds from the convertible bond issue and the cash realized from recent disposal of investments would allow the Group to continue to pursue sizable investment opportunities in Hong Kong and China.

In May 2007, the shareholders of the Company approved a "one for five" sub-division of shares of the company to improve the liquidity of the trading of shares on the Stock Exchange.

Outlook

Following the new acquisitions in Hong Kong and Shanghai and the successful upgrade and realization of value of a number of its property investments in Hong Kong, the Group would continue to actively pursue new investment opportunities in Hong Kong and major cities in China. The Group is confident that it could successfully repeat its repositioning models to major cities in China so as to create higher growth and value for shareholders.

PLEDGE OF ASSETS

At 30 September, 2007, the following assets were pledged to banks to secure banking facilities granted to the Group:

(a) Properties held for sale with a carrying value of approximately HK$2,952,925,000 (31 March, 2007: HK$1,480,615,000).

(b) Property, plant and equipment with carrying value of HK$55,932,000 (31 March, 2007: nil).

(c) Bank deposits of approximately HK$567,456,000 (31 March, 2007: HK$272,396,000).

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

During the period, a pledge of investment properties with a carrying amount of HK$790,000,000 was released upon the disposal of a subsidiary.

CAPITAL COMMITMENTS

	30 September, 2007 *HK$'000*	31 March, 2007 *HK$'000*
Capital expenditure in respect of		
— the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**41,627**	5,321
— the establishment of a subsidiary in the People's Republic of China	**9,783**	13,082
— the set-up of a jointly-controlled entity	**368,503**	—
	419,913	18,403

CONTINGENT LIABILITIES

	30 September, 2007 *HK$'000*	31 March, 2007 *HK$'000*
Corporate guarantee given by the Company for banking facilities granted to associates	**71,800**	107,976
Corporate guarantee given by the Group for banking facilities granted to a jointly-controlled entity	**65,000**	65,000
	136,800	172,976

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.

AUDIT COMMITTEE

The financial statements for the six months ended 30 September, 2007 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 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 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 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") in Appendix 14 to the Listing Rule for 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$0.008 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$*
September 2007	17,680,000	0.395	0.365	6,761,500

The above shares were cancelled upon repurchase.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeem 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
Non-Executive Chairman

Hong Kong, 20 December, 2007

As at the date of this announcement, Mr. Chung Cho Yee, Mico is the non-executive chairman, Mr. Hubert Chak, Mr. Kan Sze Man and Mr. Chow Hou Man are the executive directors, Dato' Wong Sin Just, Dr. Lam Lee G. and Mr. Cheng Yuk Wo are the independent non-executive directors.