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, 2008

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

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2008

		Six months ended 30 September,	
		2008	2007
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Sales of properties and rental income		**596,056**	57,493
Cost of sales		**(424,761)**	(10,379)
Gross profit		**171,295**	47,114
Investment income and net (loss) gain from financial instruments	*4*	**(17,364)**	9,210
Other income		**11,982**	37,691
Administrative expenses		**(31,242)**	(41,405)
Finance costs	*5*	**(57,081)**	(67,167)
Impairment loss on deposit paid for acquisition of properties held for sale		**(52,948)**	—
Share of results of jointly-controlled entities		**130,223**	87,993
Share of results of associates		**(25,795)**	7,009
Increase in fair value of investment properties		**—**	63,137
Loss on disposal/partial disposal of interest in subsidiaries		**—**	(17,052)
Profit before taxation		**129,070**	126,530
— Current and deferred tax	*6*	**(15,562)**	(16,095)
— Release of deferred taxation upon disposal of subsidiaries	*6*	**—**	98,529
Profit for the period	*7*	**113,508**	208,964

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

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER, 2008

	30 September, 2008 HK$'000 (unaudited)	31 March, 2008 HK$'000 (audited)
Non-Current Assets		
Investment properties	—	36,500
Property, plant and equipment	**12,919**	10,951
Prepaid lease payments	**103,754**	105,137
Available-for-sale investments	**7,941**	7,941
Club memberships	**6,860**	6,860
Interests in jointly-controlled entities	**24,992**	106,396
Interests in associates	**26,611**	39,378
Amounts due from associates	**64,506**	33,586
Amount due from a jointly-controlled entity	**12,222**	—
Deferred tax asset	**2,521**	2,675
	262,326	349,424
Current Assets		
Trade and other receivables	**17,732**	8,620
Prepaid lease payments	**2,767**	2,767
Deposit paid for acquisition of properties held for sales	—	176,201
Investments held for trading	**137,528**	86,242
Properties held for sale	**4,166,659**	3,190,668
Derivative financial instruments	**3,180**	—
Amounts due from associates	**456**	8,254
Amounts due from jointly-controlled entities	**9,116**	274,646
Amounts due from minority shareholders	**7,870**	—
Taxation recoverable	**3,494**	1,231
Pledged bank deposits	**91,465**	136,701
Bank balances and cash	**1,413,090**	929,650
	5,853,357	4,814,980
Current Liabilities		
Accruals and other payables	**100,708**	119,660
Derivative financial instruments	**3,498**	18,666
Convertible notes-due within one year	**2,313**	3,310
Taxation payable	**51,047**	33,456
Amount due to an associate	**2,000**	4,000
Amounts due to minority shareholders	—	10,376
Bank and other borrowings — due within one year	**313,923**	121,818
	473,489	311,286
Net Current Assets	**5,379,868**	4,503,694
	5,642,194	4,853,118

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
AT 30 SEPTEMBER, 2008

	30 September, 2008 HK$'000 (unaudited)	31 March, 2008 HK$'000 (audited)
Capital and Reserves		
Share capital	**39,525**	39,555
Reserves	**2,471,977**	2,438,240
Equity attributable to equity holders of the Company	**2,511,502**	2,477,795
Minority interests	**57,229**	43,160
Total Equity	**2,568,731**	2,520,955
Non-Current Liabilities		
Bank and other borrowings — due after one year	**2,576,136**	1,846,880
Convertible notes — due after one year	**486,986**	472,224
Deferred tax liabilities	**10,341**	13,059
	3,073,463	2,332,163
	5,642,194	4,853,118

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March, 2008.

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

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

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

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

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

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

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

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

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

[5] Effective for annual periods beginning on or after 1 October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July, 2009. HKAS27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business segments

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

	Property trading *HK$'000*	**Property rental** *HK$'000*	**Securities investment** *HK$'000*	**Consolidated** *HK$'000*
For the six months ended 30 September, 2008 (unaudited)				
Gross proceeds	**595,508**	**548**	**37,120**	**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**
Segment revenue	**595,508**	**548**	**5,689**	**601,745**
RESULT				
Segment results	**99,602**	**534**	**(18,641)**	**81,495**
Unallocated expenses				**(11,754)**
Other income				**11,982**
Finance costs				**(57,081)**
Share of results of jointly-controlled entities	**—**	**130,223**	**—**	**130,223**
Share of results of associates	**(3,295)**	**(22,500)**	**—**	**(25,795)**
Profit before taxation				**129,070**
Taxation				**(15,562)**
Profit for the period				**113,508**

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

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

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

5 FINANCE COSTS

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

6. TAXATION

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

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

7. PROFIT FOR THE PERIOD

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

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

8. DIVIDENDS

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

9. EARNINGS PER SHARE

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

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

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

INTERIM DIVIDEND

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

REVIEW OF THE RESULTS

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balances and cash of approximately HK$1,504.6 million (31 March, 2008: HK$1,066.4 million) and securities investment held for trading of approximately HK$137.5 million (31 March, 2008: HK$86.2 million). The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

The Group's short-term bank and other borrowings have increased from approximately HK$121.8 million as at 31 March, 2008 to approximately HK$313.9 million as at 30 September, 2008, and long-term bank and other borrowings have increased from approximately HK$1,846.9 million as at 31 March, 2008 to approximately HK$2,576.1 million as at 30 September, 2008. All the borrowings were utilized in financing the Group's properties investments. As a result, the Group's total bank and other borrowings have increased from approximately HK$1,968.7 million as at 31 March, 2008 to approximately HK$2,890 million as at 30 September, 2008, and the Group's ratio of total debt (represented by bank and other borrowings and convertible notes) to total assets was 55.3% (31 March, 2008: 47.3%). The Group's debts were majority denominated in Hong Kong dollars and were on a floating rate basis at short-term inter-bank offer rates with maturity profile spreading over a period of up to 25 years with approximately HK$313.9 million repayable within one year, HK$1,115 million repayable between one to five years, and HK$1,461.1 million over five years.

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

BUSINESS REVIEW AND OUTLOOK

Market Overview

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

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

Hong Kong

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

Mainland China

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

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

Outlook

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

PLEDGE OF ASSETS

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

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

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

At 30 September, 2008, amounts of HK48,200,000 (31 March, 2008: HK$71,800,000) had been utilised by the associates and HK$105,000,000 (31 March, 2008: HK$204,633,000) had been utilised by the jointly-controlled entities.

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

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, 2008 have been reviewed by the Audit Committee of the Company.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the 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 in Appendix 14 to the Listing Rule in the period under review, except that (i) the Company does not have the position of chief executive officer; and (ii) the non-executive directors have not been appointed for a specific term, but subject to re-election only.

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

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

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

The above shares were cancelled upon repurchase.

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

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

By order of the Board
Chung Cho Yee, Mico
Chairman

Hong Kong, 19 December, 2008

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 executive Directors, Dato' Wong Sin Just, Dr. Lam Lee G. and Mr. Cheng Yuk Wo are the independent non-executive Directors of the Company.