



# Capital Automation Holdings Limited



***Interim Report*** ●



## CORPORATE INFORMATION

### DIRECTORS

*Executive Directors:*

LAM Pang *Chairman*  
NG Kin Wah

*Independent Non-executive  
Directors:*

PENG Chengzhi  
NG Lap Kwan

### COMPANY SECRETARY

TANG Cecilia

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
The Hongkong & Shanghai Banking  
Corporation Limited  
Fortis Bank

### AUDITORS

Louis Leung & Partners CPA Limited  
*Certified Public Accountants*

### REGISTERED OFFICE

Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

### HEAD OFFICE

Unit 6110, 61st Floor  
The Centre  
99 Queen's Road Central  
Hong Kong

### PRINCIPAL SHARE REGISTRARS

Butterfield Corporate Services  
Limited  
Rosebank Centre  
14 Bermudiana Road  
Hamilton  
Bermuda

### SHARE REGISTRARS IN HONG KONG

Abacus Share Registrars Limited  
5th Floor Wing On Centre  
111 Connaught Road Central  
Central  
Hong Kong



## CAPITAL AUTOMATION HOLDINGS LIMITED

The board of directors of Capital Automation Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2001 together with comparative figures for the corresponding period in 2000, the unaudited condensed consolidated balance sheet of the Group as at 30 September 2001 with comparative audited figures for the immediate preceding year end, unaudited condensed consolidated statement of recognised gains and losses and unaudited condensed consolidated cash flow statement of the Group for the six months ended 30 September 2001 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
	Note	30/9/2001 HK\$'000	30/9/2000 HK\$'000
Turnover	2	2,823	8,572
Cost of sales		(908)	(3,806)
Gross profit		1,915	4,766
Other revenue		225	1,451
Selling & distribution costs		(187)	(2,587)
Administrative expenses		(4,029)	(8,516)
Other operating expenses		(2,257)	(708)
Loss from operation		(4,333)	(5,594)
Loss on disposal of subsidiaries	11	(612)	-
Finance costs		(96)	(119)
Loss before taxation		(5,041)	(5,713)
Taxation	3	-	-
Loss attributable to shareholders		(5,041)	(5,713)
Basic loss per share	4	<u>(2.45) cents</u>	<u>(3.62) cents</u>



## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		30/9/2001	31/3/2001
	<i>Note</i>	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	47,503	28,817
Investment securities		1,326	1,326
Deferred development costs	6	581	926
		<u>49,410</u>	<u>31,069</u>
<b>CURRENT ASSETS</b>			
Inventories		6,419	7,037
Accounts receivable, prepayment and deposits	7	1,368	14,044
Other investments in securities – Listed shares in Hong Kong at market value		–	108
Cash and bank balances		5,448	3,570
		<u>13,235</u>	<u>24,759</u>
<b>CURRENT LIABILITIES</b>			
Amount due to related companies		–	(263)
Accounts payable and accrual	8	(3,923)	(2,884)
Bank overdraft, unsecured		–	(2)
Bank loans, secured		–	(540)
		<u>(3,923)</u>	<u>(3,689)</u>
<b>NET CURRENT ASSETS</b>		<u>9,312</u>	<u>21,070</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans – secured		–	(2,056)
<b>NET ASSETS</b>		<u>58,722</u>	<u>50,083</u>



## CAPITAL AUTOMATION HOLDINGS LIMITED

		30/9/2001	31/3/2001
	Note	HK\$'000	HK\$'000
Representing:			
<b>SHARE CAPITAL</b>	9	<b>22,400</b>	18,800
<b>SHARE PREMIUM</b>	10	<b>37,429</b>	27,349
<b>RESERVES</b>			
Revaluation reserve		1,019	1,019
Reserve on consolidation		620	620
(Accumulated loss)/Retained profits		(2,746)	2,295
		<u>58,722</u>	<u>50,083</u>

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Six months ended	
	30/9/2001	30/9/2000
	HK\$'000	HK\$'000
Expenses for placing of 31 million shares deducted in share premium account	<u>-</u>	<u>(373)</u>
Net loss not recognized in the income statement	-	(373)
Loss for the period	<u>(5,041)</u>	<u>(5,713)</u>
Total recognized losses for the period	<u>(5,041)</u>	<u>(6,086)</u>



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30/9/2001	30/9/2000
	HK\$'000	HK\$'000
<b>Net cash inflow/(outflow) from operating activities</b>	<b>9,419</b>	<b>(2,355)</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	76	108
Interest paid	(96)	(119)
	<hr/>	<hr/>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(20)</b>	<b>(11)</b>
<b>Tax paid</b>	<b>-</b>	<b>-</b>
<b>Net cash outflow from investing activities</b>	<b>(18,341)</b>	<b>(883)</b>
	<hr/>	<hr/>
<b>Net cash outflow before financing</b>	<b>(8,942)</b>	<b>(3,249)</b>
<b>Financing</b>		
Share capital	3,600	3,100
Share premium	10,081	8,926
Bank loans	(2,596)	1,630
Amount due to related companies	(263)	-
	<hr/>	<hr/>
<b>Increase in cash and cash equivalents</b>	<b>1,880</b>	<b>10,407</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>3,568</b>	<b>5,506</b>
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<b>Cash and cash equivalents at the end of period</b>	<b>5,448</b>	<b>15,913</b>
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# CAPITAL AUTOMATION HOLDINGS LIMITED

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

### 1) ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 (SSAP 25) "Interim Financial Reporting". The accounting policies and basis of presentation adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2001.

### 2) SEGMENT INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are property investment, design, production and sale of computer-aided-design systems and machinery. An analysis of the operations and contributions to trading results is as follows:-

	Turnover		Contribution to operating loss	
	Six months ended	Six months ended	Six months ended	Six months ended
	30/9/2001	30/9/2000	30/9/2001	30/9/2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental income	585	-	585	-
Computer-aided-design systems and machinery				
- Mainland China	5	1,643	(284)	(1,559)
- Hong Kong	305	3,004	(2,751)	(1,339)
- Other Far East Asian Countries	1,926	3,364	(1,841)	(2,114)
- North America	2	561	(42)	(582)
	<u>2,823</u>	<u>8,572</u>	<u>(4,333)</u>	<u>(5,594)</u>

### 3) TAXATION

No provision for Hong Kong profits tax has been provided for in the financial statements as companies within the group have no assessable profits derived from Hong Kong during the period. (2000: Nil)

Overseas profits tax has not been provided for as the Group have no assessable profits derived in the respective jurisdictions of countries in which the Group operated. (2000: Nil)



## 4) BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to members of HK\$5,040,952 (2000: HK\$5,713,000) and on the weighted average number of shares 206,100,120 (2000: 157,846,995 shares) in issue during the period.

Diluted earnings per share has not been calculated for the six months ended 30 September 2001 and 2000 as no diluting effect existed during these periods.

## 5) PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired land and buildings outside Hong Kong through an acquisition agreement with a third party for the acquisition of entire issued share capital in and loans advanced to, Smartech Cyberworks Limited at a consideration of HK\$25,681,330. Smartech Cyberworks Limited was an investment holding company which owned the entire issued share capital in China Sino Technology Limited which entered into an agreement for the acquisition of Units 1901, 1902 and 1909, Block B, Pengrun Building, 26 Xiaoyun Road, Chaoyang District, Beijing, People's Republic of China.

Pursuant to a board resolution on 14 September 2001, a provision for diminution in value of HK\$1,400,000 for the property located at Room 1705 Admiralty Centre Tower II 18 Harcourt Road Hong Kong was made and included in "Other operating expenses" in the Unaudited Condensed Consolidated Income Statement.

## 6) DEPRECIATION/AMORTISATION

During the period, depreciation of HK\$512,693 (2000: HK\$912,591) was charged in respect of the Group's property, plant and equipment and amortisation of HK\$344,500 (2000: HK\$344,500) was charged in respect of the Group's deferred development costs.

## 7) ACCOUNTS RECEIVABLE

The Group allows an average credit period of 30 to 60 days to its trade customers.

The following is an aged analysis of accounts receivable at the reporting date:

	30/9/2001 HK\$'000	31/3/2001 HK\$'000
0 – 30 days	585	–
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	240	72
	<u>825</u>	<u>72</u>





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## 8) ACCOUNTS PAYABLE

The following is an aged analysis of accounts payables at the reporting date:

	30/9/2001 HK\$'000	31/3/2001 HK\$'000
0 – 30 days	-	-
31 – 60 days	-	-
61 – 90 days	-	-
Over 90 days	3,520	117
	<u>3,520</u>	<u>117</u>

## 9) SHARE CAPITAL

During the six months ended 30 September 2001, the Company has issued 36,003,500 (2000: 31,000,000 shares) ordinary shares of HK\$0.10 each at the subscription price of HK\$0.38 each to a third party for settlement of the remaining balance of an acquisition agreement.

## 10) SHARE PREMIUM

During the six months ended 30 September 2001, share premium of HK\$10,080,980 (2000: HK\$9,300,000) has been accounted for in the share premium account.

## 11) DISPOSAL AND DISSOLUTION OF SUBSIDIARIES

	30/9/2001 HK\$
Net assets disposed of:	
Fixed assets	5,241,912
Current assets	3,150,589
Liabilities and accumulated loss taken up by purchasers or loan waived	(7,000,526)
Loss on disposal	<u>(611,967)</u>
Sale proceeds	<u>780,008</u>



On 18 May 2001, the Company's subsidiary (Capital Automation (BVI) Limited) entered an agreement with Li Man Yick on the disposal of a subsidiary (Capital Services & Supplies Inc.) which had a net assets of HK\$780,000 at 31 March 2001. The consideration was HK\$780,000 for the shares and HK\$3,330,000 for the full discharge of the loan due to Capital Automation (BVI) Limited.

On 18 June 2001, the Company's subsidiary (Capital Automation (BVI) Limited) entered an agreement with HK Concepts International Limited (Chan Ngan Hoi, Chan Tik Yuen and Leung King Wa are former directors of Capital Automation (BVI) Limited) on the disposal of Capital Automation Information System Inc. which had a net liabilities of HK\$1,060,113.60 at 31 March 2001. The consideration was HK\$7.8 for the shares.

On 9 August 2001, the Company dissolved a subsidiary (Capital Automation Inc.) which had a net liabilities of HK\$5,712,716.57 as at that date.

## 12) PLACING AGREEMENT

Pursuant to the board resolution on 12 September 2001, the Company entered a placing agreement with Berich Brokerage Limited ("Placing Agent") for procuring on a fully underwritten basis subscription ("Placing") of 44,300,000 shares of HK\$0.10 each at a subscription price of HK\$0.18 each.

The placing was completed in mid-October 2001.

## INTERIM DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2001 (2000: Nil).

## BUSINESS REVIEW AND PROSPECTS

Total revenue for the interim period showed a reduction of about HK\$5.7 million or 67% over the corresponding period of the preceding year. The Group continued to record reduced sales in computer-aided-design systems and machinery.

The Group has diversified its principal activities to property investment in China during the period. It acquired office units at Chaoyang District, Beijing in June 2001 for about HK\$25.68 million. The HK\$12 million of the purchase consideration was satisfied by cash. The cash was funded from placing 31 million shares of the Company in September 2000. The remaining balance was satisfied by issue of approximately 36 million shares of the Company. The property has been leased out and brought a monthly rental income of approximately HK\$0.2 million to the Group.



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To reflect the market price, the Group made a provision of HK\$1.4 million to book value of one of its properties in Hong Kong. To minimize the Group's operating loss during the interim period, some subsidiary companies with persistent records of loss making in prior years were either dissolved or disposed. These produced a net loss of around HK\$0.6 million.

The provision on property, net loss from disposal or dissolution of subsidiaries and the decrease in turnover mentioned above were attributable to the unsatisfactory operating results for the interim period. Loss before taxation of the interim period was about HK\$5 million. Compared with corresponding interim period of last year of about HK\$5.7 million, the operating loss was reduced.

The Group's bank loans were fully repaid in the interim period and the disposal of a subsidiary generated a cash inflow of about HK\$4.1 million. Though the Group sustained a loss for the interim period, the cash at bank as at 30 September 2001 increased by about HK\$1.9 million to about HK\$5.4 million.

To strengthen the Group's cash flow position and to make funds available for investment opportunities in future, the Company raised fund of about HK\$7.7 million from the stock market by placing 44.3 million of the Company's shares to independent third parties in October 2001. To reorganize the Group's property structure, the Group sells one of its properties in Hong Kong at a consideration of HK\$6.8 million. The completion of the sale is intended to be in or before February 2002.

In view of the continuous development of China's economy and China's accession to the World Trade Organisation, the Group is well prepared and equipped to capture all probable opportunities. It is actively looking for opportunities on property and estates investment, and new investments that will bring in a steady and regular flow of income to the Group. The directors are optimistic about the prospects of the future development of the Group.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2001, none of the directors, chief executives or their associates had any interests in any securities of the Company or its subsidiaries as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 27 March 1992, a share option scheme was approved by the shareholders of the Company under which the directors may, at their discretion, invite full time employees, including executive directors of the Group, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. This share option scheme will expire at the close of business on the day preceding the tenth anniversary thereof. As at 30 September 2001, no option has been granted under this scheme.

Apart from the above, at no time during the period was the Company, its subsidiaries or its holding company a party to any arrangements to enable the directors of the Company to acquire shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following shareholder with interests representing 10% or more of the Company's issued share capital:

Name of Shareholder	Number of shares held	Approximate Shareholding
Golden Mount Limited	40,000,000( <i>Note</i> )	17.86%
Chim Pui Chung	40,000,000( <i>Note</i> )	17.86%
Wong Chun Kit	36,003,500	16.07%

*Note:* Gloden Mount Limited holds 40,000,000 shares and is solely owned by Chim Pui Chung.



## CAPITAL AUTOMATION HOLDINGS LIMITED

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2001.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part, in compliance with the Code of Best Practice as set out in the Listing Rules at any time during the six months ended 30 September 2001, except that independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at annual general meetings in accordance with the Bye-laws of the Company.

### **REVIEW BY AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the Company's unaudited consolidated interim financial statements and discussed internal control and financial reporting matters in conjunction with the Company's external auditors.

By Order of the Board  
**LAM Pang**  
*Chairman*

Hong Kong, 18 December 2001