



中國鵬潤集團有限公司
CHINA EAGLE GROUP COMPANY LIMITED

中國鵬潤
CHINA EAGLE GROUP CO., LTD.





CORPORATE INFORMATION

DIRECTORS

Executive Directors:

WONG Kwong Yu *Chairman*
DU Juan
LAM Pang
NG Kin Wah

Independent Non-executive Directors:

SZE Tsai Ping, Michael
PENG Chengzhi

COMPANY SECRETARY

TANG Cecilia

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking
Corporation Limited
Standard Chartered 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 Center
99 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRARS

Butterfield Fund Services
(Bermuda) 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



The board of directors of China Eagle Group Company Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2002 together with comparative figures for the corresponding period in 2001 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	<i>Note</i>	Six months ended	
		30/9/2002	30/9/2001
		HK\$'000	HK\$'000
Turnover	2	4,091	2,823
Other revenue		208	225
Cost of sales		(5,446)	(908)
Selling & distribution costs		(397)	(187)
Administrative expenses		(8,234)	(4,029)
Other operating expenses		(482)	(2,257)
Loss from operation	2	(10,260)	(4,333)
Loss on disposal of subsidiaries		–	(612)
Finance costs		(504)	(96)
Share of loss of an associate		(19)	–
Loss before taxation		(10,783)	(5,041)
Taxation	3	–	–
Loss attributable to shareholders		(10,783)	(5,041)
Basic loss per share	4	(0.66) cents	(2.45) cents



CONDENSED CONSOLIDATED BALANCE SHEET

		30/9/2002 (Unaudited)	31/3/2002
	Note	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	5	12,237	38,571
Interest in an associate	6	7,241	–
Intangible assets	7	194,391	–
		<u>213,869</u>	<u>38,571</u>
CURRENT ASSETS			
Inventories		3,000	5,942
Accounts receivable, prepayment and deposits	8	28,352	1,324
Other receivable		13,035	–
Other investments in securities – Listed shares in Hong Kong at market value		–	3,800
Time deposit, unpledged		–	135,024
Cash and bank balances		5,558	14,933
		<u>49,945</u>	<u>161,023</u>
CURRENT LIABILITIES			
Accounts payable and accrual	9	1,395	1,274
Interest payable		502	–
Convertible notes	11	75,000	–
		<u>76,897</u>	<u>1,274</u>
NET ASSETS			
		<u>186,917</u>	<u>198,320</u>
Representing:			
SHARE CAPITAL	12	161,830	161,830
SHARE PREMIUM		40,734	40,734
RESERVES			
Reserve on consolidation		–	620
Accumulated losses		(15,647)	(4,864)
		<u>186,917</u>	<u>198,320</u>



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	Share Capital HK\$'000	Share premium HK\$'000	Reserve on consolidation HK\$'000	Revaluation reserve HK\$'000	(Accumulated losses) retained earnings HK\$'000	Total HK\$'000
At 1 April 2001	18,800	27,349	620	1,019	2,295	50,083
Issue of shares	3,600	10,080	-	-	-	13,680
Loss for the period	-	-	-	-	(5,041)	(5,041)
At 30 September 2001	<u>22,400</u>	<u>37,429</u>	<u>620</u>	<u>1,019</u>	<u>(2,746)</u>	<u>58,722</u>
At 1 April 2002	161,830	40,734	620	-	(4,864)	198,320
Written off against intangible assets	-	-	(620)	-	-	(620)
Loss for the period	-	-	-	-	(10,783)	(10,783)
At 30 September 2002	<u>161,830</u>	<u>40,734</u>	<u>-</u>	<u>-</u>	<u>(15,647)</u>	<u>186,917</u>



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	Six months ended	
	30/9/2002	30/9/2001
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	(43,141)	9,323
Profits tax paid	-	-
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(43,141)	9,323
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net cash outflow from investing activities	(176,258)	(18,265)
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Net cash outflow before financing	(219,399)	(8,942)
Cash flows from financing activities		
Share capital	-	3,600
Share premium	-	10,081
Bank loans	-	(2,596)
Amount due to related companies	-	(263)
Convertible notes	75,000	-
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	(144,399)	1,880
Cash and cash equivalents at the beginning of period	149,957	3,568
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	5,558	5,448
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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 2002 with the addition of the following policies.

(a) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the results of associated companies, and the consolidated balance sheet includes the Group's share of net assets of the associated companies under the equity method.

(b) Goodwill

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net tangible assets of the acquired subsidiaries, jointly controlled entities and associated companies at the effective date of acquisition.

Goodwill arising on acquisitions is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years. No amortization is required until the relevant asset is available for use.

2) SEGMENT INFORMATION

The Group is principally engaged in property development, property investment, general trading, sale of computer-aided-designed systems and machinery. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments.



Business segments

A summary of business segments is set out as follows:

For the period ended 30 September 2002

	Property investment	General trading	Sale of computer- aided-design- systems and machinery	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>1,010</u>	<u>2,631</u>	<u>450</u>	<u>4,091</u>
Operating profit/(loss)	<u>665</u>	<u>179</u>	<u>(2,340)</u>	(1,496)
Unallocated expenses				<u>(8,764)</u>
Loss from operations				(10,260)
Finance costs				(504)
Share of loss of an associate				<u>(19)</u>
Net loss attributable to shareholders				<u>(10,783)</u>

For the period ended 30 September 2001

	Property investment	Sale of computer- aided-design- systems and machinery	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>585</u>	<u>2,238</u>	<u>2,823</u>
Operating profit/(loss)	<u>587</u>	<u>(4,920)</u>	(4,333)
Unallocated expenses			<u>-</u>
Loss from operations			(4,333)
Loss on disposal of subsidiaries			(612)
Finance costs			<u>(96)</u>
Net loss attributable to shareholders			<u>(5,041)</u>

**Geographical segments**

An analysis of the Group's revenue and contribution to operating results by geographical location of its customers is presented below:

	Turnover		Contribution to operating loss	
	Six months ended		Six months ended	
	30/9/2002	30/9/2001	30/9/2002	30/9/2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment				
– Mainland China	975	585	576	585
– Hong Kong	35	–	(33)	–
	<u>1,010</u>	<u>585</u>	<u>543</u>	<u>585</u>
General trading				
– Mainland China	2,631	–	(5,345)	–
Computer-aided-design systems and machinery				
– Mainland China	–	5	(697)	(284)
– Hong Kong	450	305	(4,761)	(2,751)
– Other Far East Asian Countries	–	1,926	–	(1,841)
– North America	–	2	–	(42)
	<u>450</u>	<u>2,238</u>	<u>(5,458)</u>	<u>(4,918)</u>
Total	<u><u>4,091</u></u>	<u><u>2,823</u></u>	<u><u>(10,260)</u></u>	<u><u>(4,333)</u></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. (2001: 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. (2001: 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\$10,783,456 (2001: HK\$5,040,952) and on the weighted average number of 1,618,303,500 shares (2001: 206,100,120 shares) in issue during the period.

Diluted loss per share has not been calculated for the six months ended 30 September 2002 and 2001 as no diluting effect existed during these periods.

5) DEPRECIATION/AMORTISATION

On 15 August 2002, the Company entered an agreement with the original contracting party in respect of three properties, Units 1901, 1902 and 1909 Block B, Pengrun Building 26 Xiaoyun Road, Chaoyang District, Beijing. The agreement was effective on 31 August 2002. The original contracting party agreed to repay to the Company the consideration of acquisition of the properties of HK\$25,681,330 before 31 March 2003.

During the period, depreciation of HK\$482,433 (2001: HK\$512,693) was charged in respect of the Group's property, plant and equipment and amortisation of HK\$Nil (2001: HK\$344,500) was charged in respect of the Group's deferred development costs.

6) INTEREST IN AN ASSOCIATE

	30/9/2002	31/3/2002
	HK\$'000	HK\$'000
Share of net assets	<u>7,241</u>	<u>—</u>

7) INTANGIBLE ASSETS

This represents goodwill arising on acquisition of a subsidiary.



8) 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:

	30/9/2002	31/3/2002
	HK\$'000	HK\$'000
0 – 30 days	1,187	–
31 – 60 days	133	–
61 – 90 days	193	–
Over 90 days	298	–
	<hr/>	<hr/>
Total	<u>1,811</u>	<u>–</u>

9) ACCOUNTS PAYABLE

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

	30/9/2002	31/3/2002
	HK\$'000	HK\$'000
0 – 30 days	56	–
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	221	–
	<hr/>	<hr/>
Total	<u>277</u>	<u>–</u>



10) ACQUISITION OF A SUBSIDIARY

On 10 April 2002, the Company had entered into an acquisition agreement with Link Zone International Limited, a company incorporated in the British Virgin Islands for the acquisition of the entire issued shares capital of Artway Development Limited, a company incorporated in the British Virgin Islands, which in turn holds an attributable interest of 39.2% in a property located at the Area no. 7, Xi Ba He Bei Lane, Chaoyang District, Beijing, the PRC 中國北京市朝陽區西壩河北里7號院土地(北三環東路甲7號). The agreement was unconditional and completed on 10 April 2002. The consideration for the acquisition amounted to HK\$195,000,000, as to an amount of HK\$120,000,000 had been settled in cash at completion which had taken place after signing of the agreement, as to an amount of HK\$75,000,000 had been settled by the issue of the First Notes on 22 April 2002 and Second Notes on 10 July 2002.

Pursuant to the Valuation Report on Artway Development Limited issued by Vigers Hong Kong Limited, the fair market value of a 100% equity interest of Artway Development Limited as at 10 April 2002 was reasonably stated at HK\$196,000,000.

	10/4/2002 HK\$
Net liabilities acquired:	
Interest in an associate	7,259,259
Prepayment	2,000
Cash at bank and on hand	2,200
Accrued expenses	(3,500)
Amount due to a director	(7,271,457)
	<u>(11,498)</u>

Satisfied by:	
Cash	120,000,000
First convertible Notes	37,500,000
Second convertible Notes	37,500,000
	<u>195,000,000</u>

Goodwill on acquisition	<u>195,011,498</u>



11) CONVERTIBLE NOTES

Pursuant to the acquisition agreement dated 10 April 2002, First and Second convertible Notes (issued on 22 April 2002 and 10 July 2002 respectively) amounting to HK\$75,000,000 were issued to Link Zone International Limited as the balance of total consideration of HK\$195,000,000.

These Notes were issued up to an aggregate principal amount of HK\$75,000,000 due 2004, convertible into shares of the Company at the option of the holders. The Notes were in registered form in the denomination of HK\$500,000 each or integral multiples thereof.

The Notes bear interest from the date of their issue at the rate of 2% per annum. Such interest is payable semi-annually in arrears.

12) SHARE CAPITAL

Pursuant to a special general meeting held on 20 June 2002, authorized share capital of the Company was increased from HK\$500,000,000 to HK\$2,000,000,000 by the creation of additional 15,000,000,000 new shares at HK\$0.10 each.

13) MATERIAL TRANSACTIONS

On 3 September 2002, the Company's sub-subsidiary, China Eagle Capital Company Limited entered two Agreements in relation to the purchase of the shares of a securities broker company and a futures broker company with independent third parties. The acquisition was still under due diligence review and subject to the approval from the Securities and Futures Commission as at the period end date.

14) CHANGE OF COMPANY NAME

Pursuant to a special general meeting held on 20 June 2002, the Company's name was changed from "Capital Automation Holdings Limited" (京華自動化集團有限公司) to "China Eagle Group Company Limited" (中國鵬潤集團有限公司).



INTERIM DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2002 (2001: Nil).

BUSINESS REVIEW AND PROSPECTS

Business Review

The Group's turnover in the first half year amounted to around HK\$4.1 million. Compared with the corresponding period in last year, there was an increase of around HK\$1.27 million or 45%. General trading is the Group's new business in this interim period. It generated a turnover of about HK\$2.63 million. On the other hand, the sale of computer-aided-design systems and machinery continued to contract. Its turnover in the first half year was around HK\$0.45 million in amount. For the same period of last year, it amounted to around HK\$2.23 million. The decrease was around HK\$1.78 million in amount.

The Group recorded a net loss of around HK\$10.78 million in the first half year. The loss increased by around HK\$5.75 million as compared to that of corresponding period in last year. In this interim period, the Group was restructured to improve the operation efficiency. At the initial stages of investment projects, administration expenses increased by around HK\$4 millions from that of last year's same period of time.

The Group completed the acquisition of a piece of land at Chaoyang district in Beijing in April of year 2002. The consideration was HK\$195 million. Amongst this, HK\$120 million was from internal sources of fund. The balance of the consideration was settled by convertible notes of aggregate principal amount HK\$75 million.

On 31 August 2002, the Group disposed of office premises at Chaoyang district in Beijing. The fund realized is to be used for exploring other projects. From date of holding the premises to date of their disposal, the total rental income amounted to around HK\$2.8 million which was reported in this interim and past reports as the Group's turnover.



At present, I and my wholly-owned company (Shinning Crown Holdings Inc.) hold in total around 74.5% shareholding of the Company. On 18 April 2002, I joined the Company's board of directors to become a Chairman and an executive director. In order to reflect the change in management and substantial shareholder, the Company's name changed from CAPITAL AUTOMATION HOLDINGS LIMITED to CHINA EAGLE GROUP COMPANY LIMITED with effect from 20 June 2002. The Chinese name changed also from "京華自動化集團有限公司" to "中國鵬潤集團有限公司".

To further diversify the Group's businesses, the Group entered two agreements in relation to the purchase of the shares of a securities broker company and a futures broker company in September 2002. The acquisitions are in progress.

As at 30 September 2002, the Group did not have any bank loan. The liquidity of fund was maintained at healthy level. Bank balances provided sufficient working capital for daily operations.

Prospects

China is one of the countries that is boosting in economic growth. People's GDP is continuing to increase at high level. Following Beijing success bid for the 2008 Olympic Games and China's accession to the WTO, and also recent Shanghai's winning to hold 2010 World Exposition, Shanghai and China's economic development will be fueled new momentum. The economic growth would continue to be achievable. Though Hong Kong is undergoing economic restructure, it would benefit from China being at its back in location and its own is an international financial center. In the future, the Group will reassess the businesses running at present. The old businesses lacking prospects would be cleared. Besides the land and property development and investment, the other businesses including securities, retailing and trading will be dedicated to develop.



China's economy grows persistently. To complement China's entry to WTO and future holding of various world class global activities, the demand for good quality estates in big cities like Beijing and Shanghai will increase. The demand comes from people of Mainland, overseas enterprises and overseas investors. The increasing demand of high quality properties will drive the estate market to become more active. Hong Kong is the only international city, next to China in location, having sophisticated system. Its infrastructure is good. Although the estate market is still difficult, the overall market is stabilising. The Group is capturing the confronting opportunities to explore Hong Kong and China estate markets. Efforts will be put onto investing in potential property projects to strengthen the asset scale and enhance the asset structure.

Hong Kong is one of the international cities popular for investment. In addition, Hong Kong is backed by China in location, being an ideal entry to investment in China. China is the global's focus, attracting investors to establish companies in Mainland to develop businesses. Therefore, there will be significant demand for offices, shops and residential units. When the rental level is satisfactory, the return from rental is attractive. With the above mentioned disposal of office units at Chaoyang district in Beijing, the Group commits to look for quality properties. After acquiring the properties, they will be leased out to hope for a stable and satisfactory income stream and return for the Group.

Tourism is one of the focuses on economic restructure of Hong Kong. This is to attract more both the overseas and Mainland tourists. The Disney Theme Park under construction and the various many famous scenery spots will continue to contribute Hong Kong's competitiveness in the World's tourism. Moreover, the decreasing interest rates prevailing locally will stimulate the consumption. The Group believes that the internal demand and prosperous tourism will result a optimism future to retail business. The Group will study actively the retail business in Hong Kong and China. Advantage will be taken from the success experience on operating and managing Gome Appliances, a over the China family appliances retail enterprise founded and cultivated by me. The retail business in Hong Kong and China are to be developed to strengthen the Group's business base.



After China's has joined the WTO, the market reform will speed up. More Hong Kong businessmen and overseas businessmen will be allowed to participate into the capital market. The demand for securities services will increase. Hong Kong is ranked the second in international financial center of Asia. The Group plans to develop securities business and invest in derivative products in Hong Kong. This will be a foundation and first step to securities business development in Mainland. The established good network bases and mature management will ensure the business be further expanded into China.

Looking to the future, the Group will continue to view land and property development and investment as its core businesses, while at the same time grasping market opportunities to diversify its business into securities, retail and trading to realize its philosophy of "interactive, inter-complement, inter-assist". The Group will leverage Hong Kong's status as an international business and trading center, to attract more overseas business partners and capital to realize its maxim of "no boundaries between businessmen, intermixing to survive". To prepare for future internationalization, the management will evaluate and restructure the current businesses. Each project's potential will be identified. My unique enterprise mission derived from successful "Pengrun" and "Gome" will continue. New management strategies and long-term business plans to enhance the Company's long-term growth potential will be formulated to place our businesses on the path to growth and to bring in fruitful returns for shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 30 September 2002, the interests of the directors, chief executive or their associates in securities of the Company or its associated corporations as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

	Personal interests <i>Number of shares</i>	Corporate interests <i>Number of shares</i>
Mr. Wong Kwong Yu	36,003,500	1,170,000,000 <i>(see note on page 17)</i>

Other than as stated above, no director, chief executive or their associates held any interest, whether beneficial or non-beneficial, in the securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of interests) Ordinance.



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 2002, 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 shareholders with interests representing 10% or more of the Company's issued share capital:

Name of Shareholder	Number of shares held	Approximately Shareholding
Mr. Wong Kwong Yu (<i>Note</i>)	1,206,003,500	74.52%
Shinning Crown Holdings Inc.	1,170,000,000	72.30%

Note: The shares are held as to 36,003,500 personally by Mr. Wong Kwong Yu and as to 1,170,000,000 shares by Shinning Crown Holdings Inc., which is 100% beneficially owned by Mr. Wong.

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 2002.

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 2002, 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.

PUBLICATION OF RESULT ON THE STOCK EXCHANGE'S WEBSITE

The detailed results containing all the information required by paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
WONG Kwong Yu
Chairman

Hong Kong, 19 December 2002