FINANCIAL REVIEW

1. Turnover of the Group for the year ended 31 March 2001 was approximately HK$1,287 million and net profit before tax and minority interest was approximately HK$88 million.

2. Turnover increased around 17% compared with 15-month period ended 31 March 2000 mainly due to an increase in service and Finance & Banking Sector business. Over 80% revenue came from sales of goods and 20% from rendering software and engineering services. Since rendering service offered higher profit margin, if the specific provision for outsourcing contract costs is not taken into account, profit sharing for sales of goods and rendering service is nearly equal. The distribution of revenue among different customer groups is quite even, 16% from Education sector and around 20% each from Commerce, Finance & Banking, Government and Telecommunication, Transport & Utilities sectors.

3. Net profit attributable to shareholders of HK$74 million for the year, compared to a profit of HK$64 million for the preceding 15-month period was an increase of 15% that in line with the increase in revenue. The operating expense for the period ended 31 March 2001 is around HK$269 million (15-month period ended 31 March 2000: HK$250 million). This change is mainly due to the increase in staffing cost by HK$10 million (2001: HK$192 million, 15-month period ended 31 March 2000: HK$182 million) as the number of staff employed by the Group increase to 953.

Financial Resources and Liquidity

1. As at 31 March 2001, the Group had an aggregate composite banking facilities from banks of approximately HK$520 million which amounted HK$111 million being utilized (2000: HK$51 million), included trust receipt loan of HK$77 million and bank overdraft of HK$5 million. The Group's interest-bearing debt to equity ratio as at 31 March 2001 was 24.5% (2000: 18.4%).

2. The Group continued to sustain a good liquidity position without any long term debt financing. At balance sheet date, the Group had a cash balance of approximately HK$152 million compared to approximately HK$121 million in 2000.

Acquisition and disposal of subsidiaries/associates

1. In June 2000, the wholly owned subsidiary of the Company – Automated Systems (HK) Limited formed a branch in Taiwan and its principal activity is purchasing and selling of computer and computer software, engineering maintenance and servicing of computers, management systems consultancy.

2. In April 2000, a wholly owned subsidiary ASL Automated (Thailand) Limited was established and its principal activity is selling of computer products. The Company has indirectly invested in two associated companies – ASL Automated Services (Thailand) Limited and IN Systems (Macao) Limited in October 2000 and September 2000 respectively. ASL Automated Services (Thailand) Limited operates its business in Thailand and its principal activity is the provision of engineering and software services. IN Systems (Macao) Limited operated its business in Macau and its principal activity is information consultation service and computer products selling.

3. The Group disposed part of the interest of the associated company – Data Systems Consulting Company, Limited and obtained a gain on disposal of around HK$15 million.

Contingent Liabilities

Company's corporate guarantees to banks and vendors as security for banking facilities and goods supplied to the Group amounted to approximately HK$371million. The performance bond issued by the Group to customers as security of contract was approximately HK$8 million.

Major Customers and Suppliers

For the year under review, the turnover derived from the largest and five largest customers accounted for 7% and 17% respectively of the total turnover for the year. Purchases from the largest and five largest suppliers accounted for 21% and 50% respectively of the total purchases for the year.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any interest in the five largest customer and suppliers.

Employee Relations

As at March 31, 2001, the Group had a work force of about 953, with the newly set-up teams for outsourcing service and Value-Added Distribution (VAD) business. 913 staff worked for Hong Kong operations while 11 worked in Macau, 3 worked in Taiwan and 26 in Thailand. The Group provides in-house training programmes for staff to enhance their skills and job knowledge. Communication and unity among staff is also placed great emphasis within the Group. Certain of the employees of the Group are entitled to the share option scheme.

Internal Operations

1. The Group has expanded its office area to about 140,000 square feet in Hong Kong, which includes an outsourcing team office of 10,000 sq. ft. and a data centre and help desk centre totalling 6,000 sq.ft.

2. The Group is planning to install an Enterprise Resource Planning System (ERP) to streamline its internal operations and enhance efficiency. The implementation of this program is expected to be completed by the end of 2001 with investment over HK$10 million. The new ERP system, using a suite of Oracle software as the core component, will allow the Group's management to obtain immediate and accurate information of financial, operational, inventory and customer services matters. It will also streamline the Group's internal operations, improve efficiency and aiming to deliver higher level of service quality to the customers.