

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 13 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity is as follows:

	Turnover		Contribution to profit from operating activities	
	Year ended 31 March 2001 HK\$'000	15 months ended 31 March 2000 HK\$'000	Year ended 31 March 2001 HK\$'000	15 months ended 31 March 2000 HK\$'000
Selling of computer products	1,031,813	840,324	37,669	31,848
Provision of engineering and software services	254,890	258,944	27,203	33,574
Investment activities	–	–	15,255	–
	1,286,703	1,099,268	80,127	65,422

An analysis of the Group's turnover and contribution to profit from operating activities by geographical area of operations is as follows:

	Turnover		Contribution to profit from operating activities	
	Year ended 31 March 2001 HK\$'000	15 months ended 31 March 2000 HK\$'000	Year ended 31 March 2001 HK\$'000	15 months ended 31 March 2000 HK\$'000
By geographical area:				
The People's Republic of China:				
Hong Kong	1,268,494	1,082,575	64,672	65,184
Macau	13,583	16,693	(440)	238
Taiwan	3,138	–	17,050	–
Thailand	1,488	–	(1,155)	–
	1,286,703	1,099,268	80,127	65,422

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 56.

An interim dividend of 3 cents per share was paid during the year. The directors recommend the payment of a final dividend of 3 cents (15 months ended 31 March 2000: 2 cents) per ordinary share in respect of the year to shareholders on the register of members on 30 July 2001. This recommendation has been incorporated in the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results of the Group for the last five financial years/periods and of the published assets and liabilities of the Group as at the last four financial year/period-ends, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 57 and 58. This summary is not part of the audited financial statements.

FIXED ASSETS

Details of movements in the Group's fixed assets during the year are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 13 to the financial statements.

ASSOCIATES

Particulars of the Group's principal associates are set out in note 14 to the financial statements.

BANK OVERDRAFTS AND OTHER BORROWINGS

Details of the bank overdrafts and other borrowings of the Group at the balance sheet date are set out in note 23 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 27 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Kuo Chi Yung, Peter
Lai Yam Ting
Lau Ming Chi, Edward

Non-executive directors

Allen Joseph Pathmarajah
Moo Kwee Chong, Johnny
Lau Chi Chiu, Desmond
Tan Swee Hock, Sunny
Warren Brinson Weeks, Jr. (appointed on 8 April 2000)

Independent non-executive directors

Hon Sheung Tin, Peter
Li King Hang, Richard

In accordance with the Company's bye-laws, Lai Yam Ting, Lau Ming Chi, Edward, Hon Sheung Tin, Peter and Lau Chi Chiu, Desmond will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the directors' emoluments and those of the five highest paid employees in the Group are set out in notes 6 and 7 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

The directors' service contracts made between the Company and each of Kuo Chi Yung, Peter, Lai Yam Ting and Lau Ming Chi, Edward, expired on 30 September 2000. Pursuant to the provisions of the aforesaid directors' service contracts, the contracts are to be extended unless determined by either party giving to the other not less than three months' notice in writing.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

At the balance sheet date, the interests of the directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Interests in the Company	
	Nature of interest	Number of shares
Kuo Chi Yung, Peter	Personal	8,771,241
Lai Yam Ting	Personal	4,091,621
Lau Chi Chiu, Desmond	Personal	<u>3,519,621</u>

Name of director	Interests in Automated Systems (H.K.) Limited	
	Nature of interest	Number of non-voting deferred shares
Kuo Chi Yung, Peter	Personal	2,140,000
Lai Yam Ting	Personal	1,070,000
Lau Chi Chiu, Desmond	Personal	<u>1,070,000</u>

Apart from the above, and other than certain nominee interests in the subsidiaries held in trust for the benefit of the Company, no director held any interest, beneficial or non-beneficial, in the share capital of the Company or its associated corporations.

SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, CSA Holdings Ltd., which held 189,701,896 shares, was the only registered interest in 10% or more of the issued share capital of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest in any contract of significance to the business of the Company to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year. The independent non-executive directors have also confirmed that the transactions disclosed in note 31 to the financial statements were either conducted in accordance with the terms of the agreements relating to the transactions, or otherwise in the usual and ordinary course of business of each of the companies, and are fair and reasonable so far as the shareholders of the Company are concerned.

CONNECTED TRANSACTIONS

During the year, the Group had related party transactions, as further detailed in note 31 to the financial statements, which also constituted connected transactions under the Listing Rules. In the opinion of the directors, such connected transactions were conducted in the normal course of business and the Company has complied with the relevant requirements under Chapter 14 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme approved by the shareholders at the extraordinary general meeting on 16 October 1997, the Company has granted options in favour of certain directors, the summary details of which are as follows:

Name of director	Number of share options at beginning of year	Number of share options exercised during the year	Number of share options outstanding at end of year	Exercise period of share options	Exercise price of share options HK\$
Kuo Chi Yung, Peter	490,000	490,000	–	27.1.2000 to 26.1.2008	0.31
	500,000	–	500,000	3.3.2001 to 2.3.2009	0.90
	245,000	–	245,000	20.10.2001 to 19.10.2009	2.30
	245,000	–	245,000	12.2.2002 to 11.2.2010	3.35
Lai Yam Ting	490,000	–	490,000	3.3.2001 to 2.3.2009	0.90
	245,000	–	245,000	20.10.2001 to 19.10.2009	2.30
	245,000	–	245,000	12.2.2002 to 11.2.2010	3.35
Lau Ming Chi, Edward	250,000	250,000	–	3.3.2001 to 2.3.2009	0.90
	120,000	–	120,000	20.10.2001 to 19.10.2009	2.30
	120,000	–	120,000	12.2.2002 to 11.2.2010	3.35
	<u>2,950,000</u>	<u>740,000</u>	<u>2,210,000</u>		

The exercise price is fixed in accordance with the provisions of the share option scheme, as further detailed in note 27 to the financial statements.

Apart from the foregoing, at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

USE OF PROCEEDS

In November 1997, the Group raised net proceeds of HK\$71.6 million through the initial public offering of shares of the Company. As at 31 March 2000, HK\$55 million of the proceeds was used. During the year, the Group applied HK\$5 million of the proceeds towards the expansion of the Windows NT/Networking operation, HK\$7 million towards the set up and operation of the Internet/Intranet solutions centre for Java and the Imaging Technology solution centre, and the balance of HK\$4.6 million for the acquisition of distribution rights for additional products.

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 customers and suppliers.

EMPLOYEES AND EMPLOYMENT POLICIES

The Group, excluding its associates, employs approximately 953 permanent and contract staff in Hong Kong, Macau, Taiwan and Thailand.

The Group employs, promotes and remunerates its staff based on their performance, experience and potential, giving opportunities to existing staff whenever possible.

Employee benefits provided by the Group include a provident fund scheme and a medical scheme.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2001, the Group had total assets of HK\$819 million which were financed by current liabilities of HK\$479 million, deferred tax of HK\$6 million, minority interests of HK\$2 million and shareholders' equity of HK\$332 million. The Group has a working capital ratio of approximately 1.28:1. The directors believe that the Group has a healthy working capital ratio.

As at 31 March 2001, the Group had aggregate composite banking facilities from banks of approximately HK\$520 million, of which approximately HK\$111 million had been utilised, and cash and cash equivalents of HK\$152 million.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

At 31 March 2001, the Company's reserves available for distribution in cash or in specie amounted to HK\$98,260,000 as computed in accordance with the company law of Bermuda. In addition, the Company's share premium account, in the amount of HK\$67,473,000, may be distributed in the form of fully paid bonus shares.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association. The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice throughout the accounting period covered by the annual report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Peter KUO Chi Yung

Deputy Chairman and Managing Director

Hong Kong
11 May 2001