



Notes to Financial Statements

31 March 2001

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- selling of computer products
- provision of engineering and software services

In the opinion of the directors, the ultimate holding company is Computer Sciences Corporation ("CSC"), which is publicly listed in the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements are presented for a period of 12 months rather than a period of 15 months as was adopted for the 15-month period ended 31 March 2000. Consequently, the comparative amounts for the profit and loss account, the statement of recognised gains and losses, the statement of cash flows and related notes are not directly comparable with those of the current fiscal year.

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of the subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital, or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of its associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values considered to be other than temporary in nature deemed necessary by the directors.

Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of associates represents the excess of the purchase consideration paid for the subsidiaries and associates over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

On disposal of subsidiaries and associates, the relevant portion of the attributable goodwill previously eliminated against reserves is realised and accounted for in arriving at the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

When assets are sold or retired, their cost or valuation and accumulated depreciation are eliminated from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

Surpluses arising from the revaluation of fixed assets are dealt with in the revaluation reserve. Revaluation deficits are charged to the profit and loss account to the extent that they exceed surpluses arising previously on the individual assets. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term leasehold land	Over the remaining lease terms or 40 years, whichever is shorter
Leasehold buildings	2.5%
Computer and office equipment	20%
Outsourcing contract computer equipment	33- $\frac{1}{3}$ %
Furniture and fixtures	20%
Motor vehicles and vessels	20%
Data centre, help desk and print centre	10%

Deferred development costs

Expenditure incurred on projects in developing new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line method, over the commercial lives of the underlying products, not exceeding five years, commencing in the year when the products are put into commercial production.

Long term investments

Long term investments are stated at cost less any provision for diminution in value other than temporary in nature considered necessary by the directors.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contracts for services *(Continued)*

Revenue on the rendering of services is recognised based on the percentage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date, plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of the overseas subsidiaries and the associates are translated into Hong Kong dollars at the applicable exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Operating leases

Leases where substantially all the rewards and risks of ownership of the assets remain with the leasing company are accounted for as operating leases. Rental applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund Exempted ORSO retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. When an employee leaves the Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operates a defined benefits retirement scheme, which the directors of the Group are entitled to join upon the completion of twenty or more years of service. The assets of the fund are held separately from those of the Group in an independently administered fund. The scheme is non-contributory on the part of the directors and the Group is obliged to meet the full cost of all benefits due under the scheme to the directors. Contributions are charged to the profit and loss account in the period to which they relate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from the sale of goods and investments, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods or investments sold;
- (ii) from the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;
- (iii) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (iv) dividends, when the shareholders' right to receive payment is established.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. TURNOVER AND REVENUE

Turnover represents the invoiced value of engineering and software services performed and the invoiced value of goods sold, net of discounts and returns.

The Group's turnover and revenue for the year/period arose from the following activities:

	Group	
	Year ended	15 months
	31 March	ended
	2001	31 March
	HK\$'000	2000
		HK\$'000
Sale of goods	1,031,813	840,324
Rendering of services	254,890	258,944
Turnover	1,286,703	1,099,268
Bank interest income	4,730	6,048
Management fee income	2,452	2,497
Gain on partial disposal of an interest in an associate	15,255	–
Other income	398	884
Other revenue	22,835	9,429
Total revenue for the year/period	1,309,538	1,108,697

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4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Year ended 31 March 2001 HK\$'000	Group 15 months ended 31 March 2000 HK\$'000
Cost of sales	906,369	729,138
Cost of services	53,935	63,218
	960,304	792,356
Auditors' remuneration:		
Current period	617	695
Prior year under provision	–	65
	617	760
Depreciation:		
Fixed assets	21,754	23,545
Less: Amount capitalised	(485)	–
	21,269	23,545
Amortisation of deferred development costs	3,106	3,724
Loss on disposal of fixed assets	1,023	1,437
Loss on deemed disposal of an interest in an associate	39	–
Staff costs (including directors' remuneration – note 6):		
Wages and salaries	191,581	174,168
Provident fund contributions	8,668	8,998
Less: Forfeited contributions	(2,350)	(693)
Net provident fund contributions*	6,318	8,305
	197,899	182,473
Less: Amount capitalised	(6,166)	–
	191,733	182,473
Operating lease rentals in respect of land and buildings	5,195	4,068
Less: Amount capitalised	(62)	–
	5,133	4,068
Bank interest income	(4,730)	(6,048)
Foreign exchange gains – net	(243)	(1,049)

Notes to Financial Statements

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4. PROFIT FROM OPERATING ACTIVITIES (Continued)

* At the balance sheet date, no forfeited provident fund contributions were available to reduce the Group's future provident fund contributions (2000: Nil). The current year's forfeited contributions arose in respect of staff who left the scheme during the year.

5. FINANCE COSTS

	Group	
	Year ended 31 March 2001 HK\$'000	15 months ended 31 March 2000 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	6,396	6,058
Interest on finance leases	–	2
	6,396	6,060

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	Year ended 31 March 2001 HK\$'000	15 months ended 31 March 2000 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	170	225
Independent non-executive directors	100	125
	270	350
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	4,657	5,090
Provident fund contributions	1,539	1,436
Bonuses payable	3,550	3,152
	10,016	10,028

Notes to Financial Statements

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6. DIRECTORS' REMUNERATION (Continued)

Under the five year incentive scheme put in place by CSA Holdings Limited, the immediate holding company of the Group, certain of the executive directors are entitled to incentive bonuses based upon a percentage of the profit before tax of CSA Holdings Limited in excess of the agreed threshold. A provision for the estimated incentive bonus payable is set out in note 22 to the financial statements. However, until the executive directors become entitled to receive such bonus, the amounts have not been included in the details of directors' remuneration set out above.

The remuneration of the above directors fell within the following bands:

	Number of directors	
	Year ended 31 March 2001	15 months ended 31 March 2000
Nil – HK\$1,000,000	7	6
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	1	–
	<u>10</u>	<u>9</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The directors' pension scheme is a defined benefits provident fund and was introduced with effect from 1 January 1998. An actuarial valuation report as at 1 January 1998 was prepared by Lau Chun Nam, Fellow of the Society of Actuaries, dated 30 April 1998. The long term funding rate based on the then actuarial recommendation is 10.5% of salaries, including allowances. Since this was the first actuarial valuation report, no comments were made on surplus or deficiency in funding.

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7. FIVE HIGHEST-PAID EMPLOYEES

The five highest-paid employees included two (2000: two) directors, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining three (2000: three) non-director, highest-paid employees are set out below:

	Year ended 31 March 2001 HK\$'000	Group 15 months ended 31 March 2000 HK\$'000
Salaries, allowances and benefits in kind	2,774	3,096
Bonuses payable	1,294	1,232
Provident fund contributions	178	277
	<u>4,246</u>	<u>4,605</u>

The remuneration of these non-director, highest-paid employees fell within the following bands:

	Year ended 31 March 2001	Number of employees 15 months ended 31 March 2000
HK\$1,000,001 – HK\$1,500,000	3	1
HK\$1,500,001 – HK\$2,000,000	–	2
	<u>3</u>	<u>3</u>

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8. TAX

		Group
		15 months ended
	Year ended	31 March
	31 March	31 March
	2001	2000
	HK\$'000	HK\$'000
<i>Note</i>		
Group:		
Hong Kong profits tax	8,050	8,821
Elsewhere	1,876	100
Tax rebate in prior year	–	(390)
Deferred tax	3,000	2,100
	12,926	10,631
Associates:		
Elsewhere	809	1,134
	13,735	11,765

Hong Kong profits tax has been provided at the rate of 16% (15 months ended 31 March 2000: 16%) on the estimated assessable profits which were earned in or derived from Hong Kong during the year/period.

Provision for tax on the profits of the subsidiaries and associates operating overseas have been calculated at the rates of tax prevailing in the countries in which the associates operate, based on existing legislation, interpretations and practices in respect thereof.

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities for the year of the Company dealt with in the consolidated profit and loss account amounted to HK\$14,878,000 (15 months ended 31 March 2000: HK\$19,579,000). The Group's share of profit retained by its associates for the year amounted to HK\$13,610,000 (15 months ended 31 March 2000: HK\$15,941,000).



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10. DIVIDENDS

	Company	
	Year ended	15 months
	31 March	ended
	2001	31 March
	HK\$'000	2000
		HK\$'000
First interim – 3 cents (15 months ended 31 March 2000: 2 cents) per ordinary share	8,547	5,600
Second interim – Nil (15 months ended 31 March 2000: 2 cents) per ordinary share	–	5,683
Proposed final – 3 cents (15 months ended 31 March 2000: 2 cents) per ordinary share	8,709	5,698
	<u>17,256</u>	<u>16,981</u>

11. EARNINGS PER SHARE

Basic and diluted earnings per share are based on the net profit attributable to shareholders of HK\$73,549,000 (15 months ended 31 March 2000: HK\$64,126,000).

The basic earnings per share is based on the weighted average number of 284,925,833 shares (15 months ended 31 March 2000: 280,499,200) in issue during the year. The diluted earnings per share is based on 290,052,817 shares (15 months ended 31 March 2000: 288,350,205) which is the weighted average of shares in issue during the year plus the weighted average number of 5,126,984 shares (15 months ended 31 March 2000: 7,851,005) deemed to be issued at no consideration if all outstanding share options have been exercised.

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12. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Computer and office equipment HK\$'000	Outsourcing contract computer equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles and vessels HK\$'000	Data centre, help desk and print centre HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	90,000	71,934	–	19,150	4,239	–	185,323
Additions	–	24,972	7,383	10,485	247	7,245	50,332
Disposals	–	(3,372)	–	(3,024)	(75)	–	(6,471)
At 31 March 2001	90,000	93,534	7,383	26,611	4,411	7,245	229,184
Accumulated depreciation:							
At beginning of year	2,531	40,018	–	11,210	1,505	–	55,264
Provided during the year	2,025	13,815	478	4,261	829	346	21,754
Disposals	–	(2,674)	–	(2,326)	(30)	–	(5,030)
At 31 March 2001	4,556	51,159	478	13,145	2,304	346	71,988
Net book value:							
At 31 March 2001	85,444	42,375	6,905	13,466	2,107	6,899	157,196
At 31 March 2000	87,469	31,916	–	7,940	2,734	–	130,059
At cost	–	42,375	6,905	13,466	2,107	6,899	71,752
At valuation	85,444	–	–	–	–	–	85,444
	85,444	42,375	6,905	13,466	2,107	6,899	157,196

At 31 March 2001, the Group's leasehold land and buildings were revalued on an open market, existing use basis by Chung, Chan & Associates, an independent professionally qualified valuer, at a value which was not significantly different from their carrying amount. Had they been carried at cost less accumulated depreciation, the net book value as at 31 March 2001 would have been HK\$88,831,000 (2000: HK\$91,287,000).

The leasehold land and buildings are situated in Hong Kong and are held under medium term leases.

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13. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	118,304	118,086
Due from subsidiaries	90,195	72,924
	208,499	191,010

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries as at the balance sheet date are as follows:

Company name	Place of incorporation and operations	Issued and fully paid share capital	Equity interest attributable to the Company		Principal activities
			2001	2000	
Automated Systems (H.K.) Limited	Hong Kong	\$2 ordinary shares *\$55,350,000 non-voting deferred shares	100%	100%	Selling of computer products and the provision of engineering and software services
ELM Computer Technologies Limited	Hong Kong	\$12,000,000	77%	77%	Selling of computer products and the provision of engineering and software services
CSA Automated (Macau) Limited	Macau	MOP10,000	100%	100%	Selling of computer products and the provision of engineering and software services
ASL Automated (Thailand) Limited	Thailand	BHT1,250,000	90%	–	Selling of computer products

* *The non-voting deferred shares, which are not held by the Company, carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of Automated Systems (H.K.) Limited or to participate in any distribution on winding up.*

The above summary lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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14. INTERESTS IN ASSOCIATES

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Share of net assets	45,564	38,595
Due from an associate	1	–
Due to an associate	(36)	(36)
	<u>45,529</u>	<u>38,559</u>

The balances with associates are unsecured, interest-free and have no fixed terms of repayments.

Particulars of the Group's principal associates as at the balance sheet date are as follows:

Company name	Business structure	Place of incorporation and operations	Issued and fully paid share capital	Equity interest attributable to the Group		Principal activities
				2001	2000	
Data Systems Consulting Company, Limited ("DSC")	Corporate	Taiwan	NT\$441,688,000 (2000: NT\$259,615,000)	24.36%	26.98%	Selling of computer products and the provision of engineering and software services
ASL Automated Services (Thailand) Limited	Corporate	Thailand	BHT10,000,000	44.1%	–	Provision of engineering and software services
IN Systems (Macao) Limited	Corporate	Macao	MOP690,000	33-1/3%	–	Provision of engineering and software services

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14. INTERESTS IN ASSOCIATES *(Continued)*

The following is a condensed summary of certain additional financial information of the Group's principal associate, DSC, for the year ended 31 March 2001 and the 15 months ended 31 March 2000, respectively:

	Year ended 31 March 2001 HK\$'000	15 months ended 31 March 2000 HK\$'000
RESULTS		
Turnover	<u>402,242</u>	<u>352,400</u>
Net profit attributable to shareholders	<u>51,988</u>	<u>57,173</u>
Share of post-acquisition profit for the year/period attributable to the Group	<u>13,731</u>	<u>15,941</u>
ASSETS AND LIABILITIES		
Non-current assets	148,792	127,747
Current assets	221,301	164,913
Current liabilities	(105,967)	(65,513)
Non-current liabilities	<u>(80,675)</u>	<u>(84,096)</u>
Net assets	<u>183,451</u>	<u>143,051</u>
Share of net assets attributable to the Group	<u>44,689</u>	<u>38,595</u>

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15. INTANGIBLE ASSETS

Group

	Deferred development costs	
	2001 HK\$'000	2000 HK\$'000
Cost:		
At beginning of year/period	20,024	20,104
Additions	1,677	15
Disposals	—	(95)
	<u>21,701</u>	<u>20,024</u>
At end of year/period	21,701	20,024
Amortisation:		
At beginning of year/period	14,064	10,364
Provided during the year/period	3,106	3,724
Disposals	—	(24)
	<u>17,170</u>	<u>14,064</u>
At end of year/period	17,170	14,064
Net book value	<u>4,531</u>	<u>5,960</u>

16. LONG TERM INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Transferable club membership debentures	<u>900</u>	<u>900</u>	<u>500</u>	<u>500</u>

17. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Goods held for resale	83,899	62,878
Goods held for customers' acceptance	119,128	86,546
	<u>203,027</u>	<u>149,424</u>

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18. TRADE RECEIVABLES

The aged analysis of trade receivables was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current	88,433	87,015
0 – 1 month	54,852	26,241
1 – 2 months	10,353	8,917
2 – 3 months	17,285	22,881
Over 3 months	18,752	3,112
	189,675	148,166

The Group maintains a defined credit policy and grants credit to substantially all of its debtors for 30 days.

19. OTHER RECEIVABLES

	Notes	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Other debtors, prepayments and deposits		38,341	11,469	966	977
Due from the immediate holding company	24	572	605	–	–
Due from fellow subsidiaries	24	26,866	4,204	91	56
		65,779	16,278	1,057	1,033

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	85,691	51,909	5,602	7,804
Time deposits	66,556	68,607	5,449	5,136
	152,247	120,516	11,051	12,940

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21. TRADE AND BILLS PAYABLES

The aged analysis of trade and bills payables was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current	74,729	91,733
0 – 1 month	30,027	13,306
1 – 2 months	4,498	2,114
2 – 3 months	914	285
Over 3 months	1,286	1,013
	111,454	108,451

22. OTHER PAYABLES AND ACCRUALS

	Notes	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Other creditors and accruals		92,085	46,045	5,804	4,837
Provision for incentive scheme		12,000	–	12,000	–
Due to the ultimate holding company	24	852	–	–	–
Due to the immediate holding company	24	–	–	285	252
Due to fellow subsidiaries	24	1,913	521	–	–
Due to related companies	25	999	1,427	–	–
Proposed final dividend		8,709	5,698	8,709	5,698
		116,558	53,691	26,798	10,787

23. INTEREST-BEARING BANK BORROWINGS

	Group	
	2001 HK\$'000	2000 HK\$'000
Repayable within one year or on demand:		
Bank overdrafts	4,642	–
Trust receipt loans	76,765	51,069
	81,407	51,069

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24. DUE FROM/TO FELLOW SUBSIDIARIES AND THE HOLDING COMPANIES

The balances with fellow subsidiaries, the immediate holding company and the ultimate holding company are unsecured and interest-free. The trading elements of the balances are repayable on normal commercial trading terms and the other elements of the balances are repayable on demand.

25. DUE TO RELATED COMPANIES

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Computer Systems Advisers Limited	935	938
CSA P.T. Cita Simas Artha	64	–
CSA Msc Sdn Bhd	–	461
Automated Systems Thailand Limited	–	28
	999	1,427

The balances arose from the normal commercial trading relationship between the Group and the related companies, and are unsecured, interest-free and repayable on normal commercial trade terms.

26. DEFERRED TAX

		Group	
	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
At beginning of year/period		2,984	884
Charge for the year/period	8	3,000	2,100
At end of year/period		5,984	2,984

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26. DEFERRED TAX (Continued)

The provision for deferred tax relates to timing differences arising from accelerated capital allowances. The deferred tax liability, which has not been provided for on the grounds that the directors do not expect the liability to crystallise in the foreseeable future, is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Accelerated capital allowances	1,893	3,188
Deferred development costs	725	954
Provision for outsourcing contract costs	(1,429)	–
Unutilised tax losses carried forward	(594)	(1,374)
Others	397	–
	992	2,768

The revaluation of the Group's fixed assets does not constitute a timing difference and consequently, the amount of potential deferred tax thereon has not been quantified.

27. SHARE CAPITAL

Shares

	Company	
	2001 HK\$'000	2000 HK\$'000
Authorised:		
600,000,000 ordinary shares of HK\$0.10 each	60,000	60,000
Issued and fully paid:		
287,190,000 (2000: 284,190,000) ordinary shares of HK\$0.10 each	28,719	28,419

Share options

Pursuant to an ordinary resolution passed in an extraordinary general meeting on 16 October 1997, the Company adopted a share option scheme (the "Scheme") under which the directors may, within a period of ten years commencing on 16 October 1997, grant options to any employee and/or director of the Company or any of its subsidiaries to subscribe for shares in the Company in accordance with the provisions of the Scheme. Under the Scheme, the subscription price of the shares over which the options are granted is the higher of 80% of the average of the closing price on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the offer of the option, and the nominal value of the shares.

Notes to Financial Statements

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27. SHARE CAPITAL (Continued)

Share options (Continued)

The share options granted may be exercised at any time during the period commencing after the second anniversary of the date on which the share option is deemed to be granted (the "Date of Grant") and expiring on the tenth anniversary after the Date of Grant.

During the year, the subscription rights attaching to 700,000 and 2,300,000 share options were exercised at the subscription prices of HK\$0.31 and HK\$0.90 per share respectively, resulting in the issue of 3,000,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$2,287,000.

During the period ended 31 March 2000, 4,190,000 share options were exercised, resulting in the issue of 4,190,000 shares.

Details of the share options granted pursuant to the Scheme are as follows:

Date of grant	Exercise price per share HK\$	Exercise period	At beginning of year	Number of share options			At end of year
				Granted during the year	Cancelled during the year	Exercised during the year	
26.1.1998	0.31	27.1.2000 to 26.1.2008	700,000	-	-	(700,000)	-
2.3.1999	0.90	3.3.2001 to 2.3.2009	5,540,000	-	(120,000)	(2,300,000)	3,120,000
19.10.1999	2.30	20.10.2001 to 19.10.2009	3,025,000	-	(185,000)	-	2,840,000
11.2.2000	3.35	12.2.2002 to 11.2.2010	2,950,000	-	(125,000)	-	2,825,000
30.6.2000	3.40	1.7.2002 to 30.6.2010	-	1,170,000	(260,000)	-	910,000
			12,215,000	1,170,000	(690,000)	(3,000,000)	9,695,000

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 9,695,000 additional ordinary shares of HK\$0.10 each for aggregate proceeds of HK\$21,898,000 before the related share issue expenses.

Notes to Financial Statements

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28. RESERVES

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group					
At 1 January 1999	64,606	34,350	(737)	100,298	198,517
Issue of shares	880	–	–	–	880
Exchange realignments	–	–	2,878	–	2,878
Net profit from ordinary activities attributable to shareholders	–	–	–	64,126	64,126
Dividends	–	–	–	(16,981)	(16,981)
At 31 March 2000 and 1 April 2000	65,486	34,350	2,141	147,443	249,420
Issue of shares	1,987	–	–	–	1,987
Exchange realignments	–	–	(4,489)	–	(4,489)
Net profit from ordinary activities attributable to shareholders	–	–	–	73,549	73,549
Dividends	–	–	–	(17,256)	(17,256)
At 31 March 2001	67,473	34,350	(2,348)	203,736	303,211
Reserves retained by:					
Company and subsidiaries	67,473	34,350	(2,348)	159,843	259,318
Associates	–	–	–	43,893	43,893
At 31 March 2001	67,473	34,350	(2,348)	203,736	303,211
Company and subsidiaries	65,486	34,350	2,141	117,160	219,137
Associate	–	–	–	30,283	30,283
At 31 March 2000	65,486	34,350	2,141	147,443	249,420

Notes to Financial Statements

31 March 2001

28. RESERVES (Continued)

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company				
At 1 January 1999	64,606	97,086	954	162,646
Issue of shares	880	–	–	880
Net profit from ordinary activities attributable to shareholders	–	–	19,579	19,579
Dividends	–	–	(16,981)	(16,981)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000 and 1 April 2000	65,486	97,086	3,552	166,124
Issue of shares	1,987	–	–	1,987
Net profit from ordinary activities attributable to shareholders	–	–	14,878	14,878
Dividends	–	–	(17,256)	(17,256)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>67,473</u>	<u>97,086</u>	<u>1,174</u>	<u>165,733</u>

Under the company law of Bermuda, the share premium account is distributable to the shareholders of the Company in the form of fully paid bonus shares.

The contributed surplus of the Group represents the difference between the nominal value of the issued shares in Automated Systems (H.K.) Limited (“ASL HK”) acquired pursuant to the reorganisation in preparation for the public listing of the Company’s shares on The Stock Exchange of Hong Kong Limited during 1997, over the nominal value of the Company’s shares issued in exchange therefor.

The contributed surplus of the Company represents the difference between the fair value of the consolidated net assets of ASL HK acquired and the nominal value of the Company’s shares issued, pursuant to the reorganisation mentioned above. Under the company law of Bermuda, the contributed surplus is distributable to the shareholders of the Company under certain circumstances.

Notes to Financial Statements

31 March 2001

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	Year ended 31 March 2001 HK\$'000	15 months ended 31 March 2000 HK\$'000
Profit from operating activities	80,127	65,422
Interest income	(4,730)	(6,048)
Depreciation	21,269	23,545
Gain on partial disposal of an interest in an associate	(15,255)	–
Loss on deemed disposal of an interest in an associate	39	–
Amortisation of deferred development costs	3,106	3,724
Provision for outsourcing contract costs	9,543	–
Loss on disposal of fixed assets	1,023	1,437
Write-off of deferred development costs	–	71
Increase in inventories	(53,603)	(94,186)
Increase in outsourcing contract costs	(9,058)	–
Increase in trade receivables	(41,509)	(55,089)
Decrease/(increase) in other debtors, deposits and prepayments	(8,536)	4,071
Decrease/(increase) in amount due from the immediate holding company	33	(3)
Increase in amounts due from fellow subsidiaries, net	(21,270)	(3,842)
Increase in an amount due from an associate	(1)	–
Decrease in amount due from a related company	–	3,867
Increase in trade and bills payables	3,003	55,007
Increase in other creditors and accruals	58,040	5,658
Increase in unearned revenue	58,553	73,627
Increase in amount due to the ultimate holding company	852	–
Increase/(decrease) in amount due to related companies	(428)	479
Net cash inflow from operating activities	<u>81,198</u>	<u>77,740</u>

Notes to Financial Statements

31 March 2001

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Partial disposal of a subsidiary during the 15-month period ended 31 March 2000

	2000 <i>HK\$'000</i>
Net assets disposed of:	<u>883</u>
Satisfied by:	
Cash received	<u>883</u>

The analysis of the net inflow of cash and cash equivalents in respect of the partial disposal of the subsidiary during the 15-month period ended 31 March 2000 is as follows:

	2000 <i>HK\$'000</i>
Net inflow of cash and cash equivalents in respect of the partial disposal of the subsidiary	<u>883</u>

(c) Analysis of changes in financing during the year/period:

	Share capital and share premium account <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Finance lease payable <i>HK\$'000</i>	Minority Interests <i>HK\$'000</i>
Balance at 1 January 1999	92,606	28,114	14	–
Cash inflow/(outflow) from financing, net	1,299	(28,114)	(14)	–
Share of profit for the period	–	–	–	546
Partial disposal of a subsidiary	–	–	–	<u>883</u>
Balance at 31 March 2000 and 1 April 2000	93,905	–	–	1,429
Cash inflow from financing, net	2,287	–	–	–
Share of profit for the year	–	–	–	866
Advance to a minority shareholder	–	–	–	<u>(86)</u>
Balance at 31 March 2001	<u>96,192</u>	<u>–</u>	<u>–</u>	<u>2,209</u>



Notes to Financial Statements

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30. COMMITMENTS

(a) Capital commitments

At the balance sheet date, the Group had the following capital commitments, which had not been provided for in the financial statements:

	Group and Company	
	2001	2000
	HK\$'000	HK\$'000
Contracted for	<u>4,934</u>	<u>—</u>

(b) Commitments under operating leases

At the balance sheet date, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Land and buildings expiring:		
Within one year	1,625	87
In the second to fifth years, inclusive	<u>3,987</u>	<u>3,018</u>
	<u>5,612</u>	<u>3,105</u>

The Company had no lease commitments as at 31 March 2001.

Notes to Financial Statements

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31. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year/period:

		Year ended 31 March 2001 HK\$'000	Group 15 months ended 31 March 2000 HK\$'000
	<i>Notes</i>		
Management fees received from			
Automated Systems (PRC) Limited	<i>(i)</i>	2,452	2,497
Rental income received from			
Automated Systems (PRC) Limited	<i>(ii)</i>	175	277
Expenses reimbursed to			
Automated Systems (PRC) Limited	<i>(v)</i>	282	–
Sales to Computer Sciences Corporation	<i>(iii)</i>	28,490	–
Sales to CSC Computer Sciences Pte Ltd	<i>(iii)</i>	78	–
Sales to Automated Systems (PRC) Limited	<i>(iii)</i>	3,896	12,165
Purchases from Automated			
Systems (PRC) Limited	<i>(iv)</i>	1,353	508
Sales to CSA Automated Pte Limited	<i>(iii)</i>	2,674	510
Purchases from CSA Automated Pte Limited	<i>(iv)</i>	497	252
Sales to CSA (M) Berhad	<i>(iii)</i>	703	–
Purchases from CSA (M) Berhad	<i>(iv)</i>	427	55
Purchases from CSA P.T. Cita Simas Artha	<i>(iv)</i>	66	50
Purchases from CSA Msc Sdn Bhd	<i>(iv)</i>	465	847

- (i)* The management fees related to warehousing, corporate secretarial services, office and personnel administration services, centralised computer services and accounting services incurred by the Group on behalf of Automated Systems (PRC) Limited ("ASL PRC"). The recharge is based on a formula which is based on the sales of ASL PRC as a percentage of the total of the Group's and ASL PRC's sales multiplied by the Group's total general and administrative costs.
- (ii)* The rental income related to a property included in fixed assets which was rented to ASL PRC for office use. The average monthly rental of approximately HK\$16,000 (2000: HK\$19,000) was calculated by reference to open market rentals as confirmed to the Company by a firm of independent real estate agents.
- (iii)* Sales to the related companies are made according to the published prices and conditions offered to the major customers of the Group.
- (iv)* Purchases from the related companies are made according to the published prices and conditions similar to those offered by the major suppliers of the Group.
- (v)* The amount related to the rental and miscellaneous expenses incurred by the Group's staff and were reimbursed to ASL PRC at cost.

In the opinion of the directors, the above transactions arose in the ordinary course of the Group's business.

Notes to Financial Statements

31 March 2001

32. CONTINGENT LIABILITIES

As at 31 March 2001, the Group and the Company had the following contingent liabilities:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Corporate guarantees given to banks to secure the banking facilities of certain subsidiaries (<i>note</i>)	–	–	355,000	365,000
Letter of guarantee to a supplier	–	–	15,600	15,600
Counter indemnities given to banks to indemnify letters of guarantee issued by the banks to the Group's customers	8,068	13,655	–	–
	8,068	13,655	370,600	380,600

Note: The banking facilities were utilised to the extent of HK\$110,579,000 as at 31 March 2001.

33. POST BALANCE SHEET EVENTS

- (i) On 9 April 2001, the Group's principal associate, DSC, was listed on the Taiwan Stock Exchange. The Group disposed of a further 742,000 shares in DSC, representing a 1.68% equity interest in the associate, which resulted in a further gain of HK\$15,255,000 that will be recorded in the accounting year beginning 1 April 2001.
- (ii) During the year, CSC engaged the Group as its sub-contractor to provide IT outsourcing services to a client of CSC. Contract costs of HK\$9,543,000 incurred by the Group prior to the commencement of the outsourcing contract were capitalised. Subsequent to the balance sheet date, on 7 May 2001, the main contract between CSC and its client was terminated by mutual agreement. Up to the date of approval of the financial statements, the settlement terms in respect of the termination of the sub-contract between CSC and the Group are still to be finalised. However, on the grounds of prudence, a full provision for the contract costs has been made in these financial statements.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 11 May 2001.