

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 2002.

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 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 36 to 84.

An interim dividend of 2 cents per share was paid during the year. The directors recommend the payment of a final dividend of 3 cents (2001: 3 cents) per ordinary share in respect of the year to shareholders on the register of members on 29 July 2002. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section of the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial year/period-ends, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 4 and 5. This summary does not form 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 14 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 30 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2002, the Company's reserves available for distribution in cash or in specie amounted to HK\$88,489,000. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of its contributed surplus under certain circumstances. In addition, the Company's share premium account, in the amount of HK\$68,799,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the turnover derived from the largest and five largest customers accounted for 4% and 15%, respectively, of the total turnover for the year. Purchases from the largest and five largest suppliers accounted for 18% and 49%, 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 best knowledge of the directors own more than 5% of the Company's share capital had any interest in the five largest customers and suppliers.

Report of the Directors

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
Tan Swee Hock, Sunny
Warren Brinson Weeks Jr.
Michael William Brinsford (appointed on 5 June 2001)
Tan Suan Kheng, Esther (appointed on 8 August 2001)
Lau Chi Chiu, Desmond (resigned on 8 August 2001)

Independent non-executive directors

Hon Sheung Tin, Peter
Li King Hang, Richard

Subsequent to the balance sheet date, on 15 April 2002, Kuo Chi Yung, Peter resigned as a managing director and was appointed as a non-executive director of the Company.

In accordance with the Company's bye-laws, Kuo Chi Yung, Peter, Tan Swee Hock, Sunny, Warren Brinson Weeks Jr, Tan Suan Kheng, Esther and Li King Hang, Richard will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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. The service contract made between the Company and Kuo Chi Yung, Peter expired on 15 April 2002 upon his resignation as the managing director of the Company.

Apart from the foregoing, 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 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 35 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.

DIRECTORS' INTERESTS IN SHARES

At the balance sheet date, the interests of the directors and their associates in the share capital of the Company or 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	9,271,241
Lai Yam Ting	Personal	4,091,621

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

The interests of the directors in the share options of the Company are separately disclosed in the section "Share option scheme" below.

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the 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.

SHARE OPTION SCHEME

The Company operated a share option scheme ("the Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included any employee and/or director of the Company or any of its subsidiaries. The Scheme became effective on 16 October 1997 and, was terminated by the revised Chapter 17 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") on 1 September 2001. As a result, the Company can no longer grant any further share option under the Scheme. However, all share options granted prior to the termination of the Scheme will remain in full force and effect.

At 31 March 2002, the number of shares issuable under share options granted under the Scheme was 11,035,000, which represented approximately 3.8% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme shall not exceed 25% of the maximum aggregate number of shares in respect of the options granted under the Scheme.

The offer of a grant of share options may be accepted from the date of the offer upon payment of HK\$1 in total, being the consideration for the grant of an option. The granted share options 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.

Under the Scheme, the subscription price of the shares over which the options were 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.

SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options					Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$	Price of Company's shares	
	At 1 April 2001	Granted during the year	Exercised during the year	Cancelled during the year	At 31 March 2002				At grant date of options HK\$	At exercise date of options HK\$
Directors										
Kuo Chi Yung,	500,000	-	(500,000)	-	-	2.3.1999	3.3.2001 to 2.3.2009	0.90	-	2.07
Peter	245,000	-	-	-	245,000	19.10.1999	20.10.2001 to 19.10.2009	2.30	-	-
	245,000	-	-	-	245,000	11.2.2000	12.2.2002 to 11.2.2010	3.35	-	-
	-	218,000	-	-	218,000	27.7.2001	27.7.2003 to 26.7.2011	2.40	2.90	-
	990,000	218,000	(500,000)	-	708,000					
Lai Yam Ting	490,000	-	-	-	490,000	2.3.1999	3.3.2001 to 2.3.2009	0.90	-	-
	245,000	-	-	-	245,000	19.10.1999	20.10.2001 to 19.10.2009	2.30	-	-
	245,000	-	-	-	245,000	11.2.2000	12.2.2002 to 11.2.2010	3.35	-	-
	-	196,000	-	-	196,000	27.7.2001	27.7.2003 to 26.7.2011	2.40	2.90	-
	980,000	196,000	-	-	1,176,000					
Lau Ming Chi,	120,000	-	-	-	120,000	19.10.1999	20.10.2001 to 19.10.2009	2.30	-	-
Edward	120,000	-	-	-	120,000	11.2.2000	12.2.2002 to 11.2.2010	3.35	-	-
	-	148,000	-	-	148,000	27.7.2001	27.7.2003 to 26.7.2011	2.40	2.90	-
	240,000	148,000	-	-	388,000					
Other employees										
In aggregate	2,130,000	-	(1,130,000)	-	1,000,000	2.3.1999	3.3.2001 to 2.3.2009	0.90	-	2.82
	2,230,000	-	(10,000)	(65,000)	2,155,000	19.10.1999	20.10.2001 to 19.10.2009	2.30	-	2.52
	2,215,000	-	-	(25,000)	2,190,000	11.2.2000	12.2.2002 to 11.2.2010	3.35	-	-
	910,000	-	-	(90,000)	820,000	30.6.2000	1.7.2002 to 30.6.2010	3.40	-	-
	-	2,614,000	-	(16,000)	2,598,000	27.7.2001	27.7.2003 to 26.7.2011	2.40	2.90	-
	7,485,000	2,614,000	(1,140,000)	(196,000)	8,763,000					
	9,695,000	3,176,000	(1,640,000)	(196,000)	11,035,000					

SHARE OPTION SCHEME (Continued)

Summary details of the Company's share option scheme are also set out in note 30 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

The directors have obtained the following theoretical valuation of the share options granted during the year, calculated using the Black-Scholes option pricing model as at the date of grant of the options:

Grantee	Number of options granted during the year	Theoretical value of share options HK\$
Kuo Chi Yung, Peter	218,000	427,321
Lai Yam Ting	196,000	384,197
Lau Ming Chi, Edward	148,000	290,108
Other employees	2,614,000	5,123,932

The Black-Scholes model is a generally accepted method of valuing options, using a mathematical formula that derives the price of an option, a warrant or any time-bounded contingent claim. The model consists of five basic factors: strike price, share price, option term, interest rate and volatility to derive the value of an option. The significant assumptions used in the calculation of the theoretical values of the share options were:

- (i) an expected volatility of 41.69%;
- (ii) annual dividends of 5 cents per share; and
- (iii) the estimated expected life of the options granted during the year being 10 years.

The risk-free interest rate at the date of the options were granted was 6%. The measurement dates used in the theoretical valuation calculations were the dates on which the options were granted.

SHARE OPTION SCHEME *(Continued)*

The values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

No accounting treatment will be recorded in the financial statements in respect of the value of the options subsisting during the year.

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.

CONNECTED TRANSACTIONS

During the year, the Group had certain transactions, as further detailed in notes 35 and 36 to the financial statements, which 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.

EMPLOYEES AND EMPLOYMENT POLICIES

The Group, excluding its associates, employs approximately 991 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 2002, the Group had total assets of HK\$866 million which were financed by current liabilities of HK\$369 million, deferred tax of HK\$6 million, minority interests of HK\$3 million and shareholders' equity of HK\$488 million. The Group has a working capital ratio of approximately 1.87 : 1. The directors believe that the Group has a healthy working capital ratio.

As at 31 March 2002, the Group had aggregate composite banking facilities from banks of approximately HK\$520 million, of which approximately HK\$59 million had been utilised, and cash and cash equivalents of HK\$232 million.

Report of the Directors

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules 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.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the chairman and the two independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire as auditors of the Company. A resolution will be proposed at the forthcoming annual general meeting to appoint Deloitte Touche Tohmatsu as the auditors of the Company.

ON BEHALF OF THE BOARD

LAI Yam Ting
Managing Director

Hong Kong
8 May 2002